

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999 COMMISSION FILE NUMBER 0--23644

INVESTMENT TECHNOLOGY GROUP, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	IRS NO. 95-2848406
(State of incorporation)	(IRS Employer Identification No.)
380 Madison Avenue, New York, New York	(212) 588-4000
(Address of principal executive offices)	(Registrant's telephone number, including area code)
10017	
(Zip Code)	

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

COMMON STOCK, $0.01 PAR VALUE	NEW YORK STOCK EXCHANGE
(Title of class)	(Name of exchange on which registered)
Aggregate market value of the voting stock held by non-affiliates of the Registrant at March 13, 2000: $1,154,946,763	Number of shares outstanding of the Registrant's Class of common stock at March 13, 2000: 30,849,585

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: None

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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 /X/ No / /

Indicate by check mark if disclosure of delinquent filers pursuant to item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this form 10-K or any amendment to this form 10-K [ ]

DOCUMENTS INCORPORATED BY REFERENCE:

Proxy Statement relating to the 2000 Annual Meeting of Stockholders (incorporated, in part, in Form 10-K Part III).

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FORWARD-LOOKING STATEMENTS

In addition to the historical information contained throughout this Annual Report on Form 10-K, there are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements regarding our expected future financial position, results of operations, cash flows, dividends, financing plans, business strategies, competitive positions, plans and objectives of management for future operations, and concerning securities markets and economic trends are forward-looking statements. Although we believe our expectations reflected in such forward-looking statements are based on reasonable assumptions, there can be no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from the expectations reflected in the forward-looking statements herein include, among others, the actions of both current and potential new competitors, rapid changes in technology, fluctuations in market trading volumes, market volatility, changes in the regulatory environment, risk of errors or malfunctions in our systems or technology, cash flows into or redemptions from equity funds, effects of inflation, customer trading patterns, as well as general economic and business conditions; securities, credit and financial and market conditions; adverse changes or volatility in interest rates.

PART I

ITEM 1. BUSINESS.

Investment Technology Group, Inc. ("ITG" or the "Company") was formed as a Delaware corporation under the name Jefferies Group, Inc. on July 22, 1983 and its principal subsidiaries include: (1) ITG Inc., a broker-dealer in equity securities, (2) Investment Technology Group International Limited, which is a 50% partner in the ITG Europe joint venture, and (3) ITG Australia Holdings Pty Limited, which is a 50% partner in ITG Pacific Holdings Pty Limited. We provide equity trading services and transaction research to institutional investors and brokers.

We are a full service trade execution firm that uses technology to increase the effectiveness and lower the cost of trading. With an emphasis on ongoing research, we offer the following services:

- POSIT: an electronic stock crossing system.

- QuantEX: a Unix-based decision-support, trade management and order routing system.

- SmartServers: offer server-based implementation of trading strategies.

- Electronic Trading Desk: an agency-only trading desk offering clients the ability to efficiently access multiple sources of liquidity.

- ITG Platform: a PC-based order routing and trade management system.

- ACE and TCA: a set of pre- and post-trade tools for systematically analyzing and lowering transaction costs.

- ITG/Opt: a computer-based equity portfolio selection system.

- Research: research, development, sales and consulting services to our clients.

We generate revenues on a "per transaction" basis for all orders executed. Orders are delivered to us from our "front-end" software products, QuantEX and ITG Platform, as well as vendors' front-ends and direct computer-to-computer links to customers. Orders may be executed on or through (1) POSIT, (2) the New York Stock Exchange, (3) certain regional exchanges, (4) market makers, (5) electronic communications networks ("ECNs") and (6) alternative trading systems ("ATSs").

POSIT

POSIT was introduced in 1987 as a technology-based solution to the trade execution needs of quantitative and passive investment managers. It has since grown to serve the active trading and broker-dealer community. There are 492 clients currently using POSIT, including corporate and government pension plans, insurance companies, bank trust departments, investment advisors, broker-dealers and mutual funds.

POSIT is an electronic stock crossing system through which clients enter buy and sell orders to trade single stocks and portfolios of equity securities among themselves in a confidential environment. Orders may be placed in the system directly via QuantEX, ITG Platform or computer-to-computer links, or indirectly via the Electronic Trading Desk, which then enters the orders in the central computer. We also work in partnership with vendors of other popular trading systems, allowing users the flexibility to route orders directly to POSIT from trading products distributed by Bridge Information Systems, BRASS, Bloomberg and others.

POSIT currently accepts orders for approximately 19,600 different equity

securities, but may be modified, as the need arises, to include additional equity securities. An algorithm is run at scheduled times to find the maximum possible number of buy and sell orders that match or "cross." Typically, there is an imbalance between the number of shares available to be bought or sold in the system.

When this occurs, shares are allocated pro rata across participants, resulting in partial executions. In addition, clients may specify constraints on the portion of a portfolio that trades, such as the requirement that net cash resulting from buys and sells remain within specified constraints. A client may also specify a minimum number of shares to be executed for a given order. POSIT prices trades at the midpoint of the best bid and offer on the primary market for each security at the time of the cross, based on information provided directly to the system by a third-party data vendor. There are currently six scheduled crosses every business day, scheduled hourly, on the hour, between 10:00 a.m. and 3:00 p.m. (Eastern time). Each scheduled cross is normally executed within a five-minute window selected randomly by the system.

POSIT provides the following significant benefits to clients:

- Confidential matching of buy and sell orders eliminates market impact. In contrast, participants in traditional or other open markets are constantly subject to the risk that disclosure of an order will unfavorably affect price conditions.

- Access to the substantial pool of liquidity represented by POSIT orders.

- Clients pay a low transaction fee on completed transactions relative to the industry average of approximately 5 cents per share. POSIT generates revenue from transaction fees charged on each share crossed through the system.

- Immediately after each cross, the system electronically provides clients with reports of matched and unmatched (residual) orders. Clients may then submit the unexecuted portion of their orders to subsequent POSIT matches, choose to execute residual orders through other means or take advantage of the Electronic Trading Desk services (described below).

In December 1997, we introduced a new version of POSIT that gives users the option of customizing their trading objectives and specifying additional constraints, while preserving the functionality of the existing POSIT system. This capability is referred to collectively as a "POSIT strategy." This capability allows orders that might otherwise be ineligible for POSIT to participate in the match. POSIT strategies include ResRisk, which allows users to control the risk of the unexecuted "residual" portfolio, and Pairs, which makes execution of one trade contingent on the execution of another, at or better than a given relative valuation. Portfolio funding, liquidation, restructuring and rebalancing are some of the types of transactions that are appropriate for execution using ResRisk. Risk arbitrage, statistical arbitrage and portfolio substitution trades are examples of transactions that can be implemented using the Pairs strategy. We also implement custom applications upon request. We have obtained a patent on the technology underlying such POSIT strategies.

The following graph illustrates the average daily volume of shares crossed on POSIT since 1994:

AVERAGE DAILY POSIT SHARE VOLUME
(IN MILLIONS)

EDGAR REPRESENTATION OF DATA POINTS USED IN PRINTED GRAPHIC

	SHARE PER DAY
1994	7.6
1995	9
1996	13.1
1997	14.5
1998	23.2
1999	25.7

QUANTEX

QuantEX is our Unix-based trade management system, an advanced tool for technologically sophisticated clients transacting large volumes of orders. QuantEX helps clients manage efficiently every step in the trading process: from decision-making to execution to tracking of trade list status. From a dedicated workstation at their desks, users can access fully-integrated real-time and historical data and analytics, route and execute orders electronically, and perform trade management functions. QuantEx is an integrated system that supports multiple trade-related activities that have traditionally required the use of several unrelated systems.

QuantEX is a rule-based decision support system that allows traders to quantify their trading processes to create automated strategies. It is designed to implement each client's trading styles and strategies and to apply them to hundreds of stocks, portfolios or industry groups at once. With QuantEX, clients can flag precisely the same kinds of moment-to-moment opportunities they would ordinarily want to pursue, but do so much more efficiently and scientifically.

Rule-based strategies can be based on a wide range of quantitative models. Passive traders can use QuantEx strategies to help minimize slippage from various benchmarks, reduce tracking errors and achieve desired sector balances. Active traders can build models to match a wide variety of trading approaches, from pair trading to market-neutral algorithms to index or risk arbitrage. QuantEx strategies can involve the human trader in each order decision, or can fully automate the trading process, depending on the client's preference.

QuantEX analyzes lists of securities based on the individual user's trading strategy. QuantEX enables clients to have access to our proprietary research, including pre-trade, post-trade and intra-day analytical tools. QuantEX has access to the ITG Data Center, which is a comprehensive historical database that provides a variety of derived analytics based upon raw historical data. Our support specialists translate the trading criteria developed by the client into a set of rules for trading securities, which are then loaded into QuantEX. QuantEX applies the client's proprietary trading rules to a continuous flow of current market information on the list of securities selected by the user to generate real-time decision support. A user's rules can be based on a wide range of quantitative models or strategies, such as liquidity measures, technical indicators, price benchmarks, tracking to specific

industries and sectors, pairs or other long or short strategies, index arbitrage, risk measurements and liquidity parameters for trade urgency, size or timing. These rules typically serve as a guide in support of a client's trading decisions. In addition, QuantEX supports the ability to implement these trading decisions automatically via an auto-trading strategy.

As such, QuantEX can automate the complex trade management requirements typical of investment strategies that trade large volumes of securities through multiple sources of liquidity. Orders can be electronically routed to multiple markets, including the New York Stock Exchange, the American Stock Exchange and certain regional stock exchanges, the Nasdaq National Market, POSIT, the Electronic Trading Desk, over-the-counter market-makers, and selected broker-dealers, ECNs and ATSs. We intend to create links to additional ATSs and other liquidity sources where appropriate. Trades routed through QuantEX are automatically tracked and summarized. Each order can be monitored by source of

execution, by trade list, by portfolio or globally with all other orders placed. QuantEX's built-in trade allocation features provide a facility for automated back-office clearance and settlement. QuantEX supports the Financial Information eXchange ("FIX") messaging protocol and can link to other FIX compliant systems.

QuantEX also allows our clients to access our ISIS facility, an equity pre- and post-trade analysis system. Via the ISIS facility, QuantEX users can request both aggregate and stock-by-stock liquidity reports for a trade portfolio prior to and during execution. Clients can generate standard reports or use a report writer to design custom reports. Certain elements of these reports can also be displayed directly on the QuantEX execution page and referenced in QuantEX strategies. These pre-trade analyses help QuantEX users make decisions about how best to trade a portfolio, for example by helping identify the most difficult trades for special handling. The ISIS post-trade reporting facility allows QuantEX users to compare actual executed prices to user-selected benchmark prices in order to help assess trade execution quality. Available benchmarks include the volume-weighted average price, closing price and opening price.

Our support specialists install the system, train users and provide ongoing support for the use of QuantEX's order routing and analysis capabilities. Our specialists are knowledgeable about portfolio management and trading as well as the system's hardware and software. Our support team works closely with each client to develop trading strategies and rules, explore new trading approaches, provide system integration services and implement system upgrades and enhancements.

Revenues are generated through commissions and transaction fees charged to each trade electronically routed through QuantEX to the many destinations available from the application. We do not derive royalties from the sale or licensing of the QuantEX software. As of December 31, 1999, there were 103 installations of QuantEX at 52 client sites.

SMARTSERVERS

SmartServers are automated trading destinations that accept orders from client workstations and execute them using a computerized trading strategy. Clients may send orders via the ITG Platform or QuantEX, via direct connections or via our Electronic Trading Desk. Each SmartServer is an automated trading agent pre-programmed with a particular trading style. By using these agents, traders can focus their attention on a subset of their orders, letting the SmartServer trade the rest of the list.

Our first strategy-based server is the VWAP SmartServer. The VWAP SmartServer is designed to allow clients to direct their orders to us to be executed in a manner designed to closely track a security's volume-weighted average price, or VWAP, throughout the trading day. The VWAP SmartServer analyzes liquidity and market conditions and determines the appropriate order size and order price to approximate the VWAP. Clients may choose to execute relative to the VWAP price for the entire trading day, or for some subset of that trading day.

ELECTRONIC TRADING DESK

The Electronic Trading Desk is a full-service agency execution group that specializes in the use of our proprietary products, including extensive use of POSIT for trade execution. For clients that do not send orders electronically to POSIT, our account executives receive orders for POSIT matches by telephone, fax or e-mail. The desk accepts orders until a POSIT match begins and after completion of the match execution reports are given to clients.

In addition to order management services for POSIT, the Electronic Trading Desk provides agency execution services. QuantEX and ITG Platform clients deliver lists of orders electronically to our desk and, as orders are executed by the desk, reports are automatically delivered electronically to the client's terminal. Trading desk personnel are thereby able to assist customers with decision support analyses generated by ITG Platform or QuantEX and with the

execution of trades. Clients give our traders single stock orders or lists of orders to work throughout the day as well as unfilled orders that remain due to order imbalances in POSIT matches.

For order completion outside of POSIT match windows, the Electronic Trading Desk utilizes numerous sources of liquidity to complete trades. The trading desk will actively seek the contra side of client orders by soliciting interest among other clients, use QuantEX to route the orders to multiple markets, including primary exchanges, regional exchanges, over-the-counter market makers, ECNs and ATSs, or use our active order traders to execute the trade with floor brokers or over-the-counter brokers.

The Portfolio Trading Group of our desk focuses on agency-only list and program trading. By employing a step-by-step process that leverages technology and access to multiple sources of liquidity, the Portfolio Trading Group seeks to systematically achieve high quality execution for the client. A client program is evaluated with a pre-trade analysis to determine aggregate portfolio characteristics, liquidity ranking and market impact, and to quantify risk. The group implements a number of sophisticated trading strategies using QuantEX to meet execution objectives on an agency basis. After the execution is completed, we provide the client with comprehensive reports analyzing execution results utilizing ITG Research products.

ITG PLATFORM

ITG Platform, introduced in the first quarter of 1996, provides clients with seamless connectivity from their desktop to a variety of execution destinations, such as POSIT, the Electronic Trading Desk, our SmartServers, the New York Stock Exchange and American Stock Exchange via SuperDOT, the Nasdaq National Market, other over-the-counter market makers and selected ECNs. We intend to create links to additional liquidity sources where appropriate. Orders may be corrected or canceled electronically, and all reports are delivered electronically back to the ITG Platform. The ITG Platform also supports special trading interfaces as needed by POSIT strategies and SmartServers. Allocation information can be associated with executions in the ITG Platform and delivered to us electronically. ITG Platform has access to historical data through the ITG Data Center, including a wide array of analytics, such as average historical share volumes, dollar volumes, volatility and historical spread statistics. We recently released a new version of ITG Platform which provides our clients enhanced list trading capabilities and access to ECN order types. The new version of ITG Platform also provides certain clients with access to real time Nasdaq Level II data as well as the ability to communicate with us via the Internet as well as through private networks.

The ITG Platform was intended for broad distribution to institutional clients, so it was designed to run in conventional PC environments alongside other applications, and be inexpensive to install, maintain and support.

Many technical features support these goals:

- Other applications can link to the ITG Platform using the FIX data messaging protocol or the "drag and drop" method.

- ITG Platform incorporates a spreadsheet package, so users can extend their trade blotter with custom calculations.

- Custom execution reports can be created to fit each user's requirements.

- ITG Platform can access Bridge and ILX quote data if those systems are used by the client. In addition, we provide the Primark Speed Feed to selected clients.

- New versions of ITG Platform are distributed automatically to client sites and are easily installed with little or no user intervention required.

As of December 31, 1999, there were 296 installations of ITG Platform at 188

client sites.

ACE PRE-TRADE AND TCA POST-TRADE TRANSACTION COST ANALYSIS

Accessed through the Internet, ACE and TCA are equity pre- and post-trade analysis systems. ACE and TCA users can request both aggregate and stock-by-stock liquidity reports for a trade portfolio prior to and during execution. Clients can generate standard reports built into the browser-based applications. Reports can be viewed, printed or saved to a file.

ACE pre-trade analyses help users make decisions about how best to trade a portfolio, for example by helping identify the most difficult trades for special handling and by providing a reference point for evaluating principal trade pricing. The TCA post-trade reporting facility allows users to compare actual executed prices to user-selected benchmark prices in order to help assess trade execution quality. Available benchmarks include the volume-weighted average price, closing price and opening price.

ITG/OPT

ITG/Opt is a computer-based equity portfolio selection system that employs advanced optimization techniques to help investors construct portfolios that meet their investment objectives. Special features of the system make it particularly useful to "long/short" and taxable investors, as well as any investor seeking to control transaction costs. ITG/Opt is usually delivered as a "turnkey" system that includes software and, in some cases, hardware and data. Included in the service is telephone and on-site support to assist in training and integration of the system with the user's other investment systems and databases. In addition to its core portfolio construction capabilities, ITG/Opt has powerful backtesting and batch scheduling features that permit efficient researching of new or refined investment strategies. The system, which is targeted at highly sophisticated investment applications, is offered primarily to our largest clients. Typically, portfolios that are constructed using ITG/Opt are executed via ITG, using one or more execution services, such as QuantEX, the Electronic Trading Desk and POSIT.

ITG RESEARCH

In addition to its role in the firm's overall research and development effort, Research provides both sales and consulting services to our clients and prospective clients. Taken together, these activities are a key component of our overall relationship development and maintenance activities.

In its sales capacity, Research introduces our clients and prospective clients to the full range of products and services offered by our company and provides information about features, pricing and technical/functional specifications. The sales process includes development of an in-depth understanding of client practices and requirements and the design and presentation of integrated solutions based on our products.

Consulting encompasses a set of value-added services for the benefit of our clients. These services break down into three main categories: product support, development of customized trading strategies and provision of quantitative analysis. The products supported by Research are QuantEX, ACE, TCA, ITG Platform, POSIT, and ITG/Opt. Support activities include trading strategy design and implementation, system integration, training and coordination of technical support. Strategy development involves building customized QuantEx strategies that automate the trading styles of specific clients. Quantitative analysis covers a broad range of activities such as transaction cost analysis, investment strategy simulations and provision of historical time series of proprietary analytics. As part of its analysis activities, Research publishes and distributes studies on topics of interest to our clients. In the same way users of fundamental research compensate the traditional brokerages that provide such research (i.e., directing commissions to such brokerage house), our clients reward the firm for these value-added research services.

ITG EUROPE

We are pursuing the international market in a variety of ways, through joint-ventures with strategic partners and the development of specially-tailored versions of our services. In the fourth quarter of 1998, we and Societe Generale finalized a 50/50 joint venture through the creation of Investment Technology Group (Europe) Limited. On November 18, 1998, ITG Europe launched a new agency brokerage operation that includes the operation of a European version of the POSIT system which currently runs four daily matches of U.K.-listed equities, at 9:30 a.m., 11:00 a.m., 12:00 noon and 3:00 p.m., London time. ITG Europe plans to begin matching equity securities in seven additional European countries during the first quarter of 2000.

AUSTRALIAN POSIT

In 1997, we and Burdett, Buckeridge & Young finalized a 50/50 joint venture through the creation of ITG Australia Limited, a new international brokerage firm that applies our cost-saving execution and transaction research technologies to Australian equity trading. ITG Australia is the culmination of efforts commenced in 1995 when a license to POSIT was granted to Burdett, one of Australia's leading brokerage firms. Through this joint venture we are pursuing U.S. business from Australian investors and providing U.S. clients with access to the Australian marketplace.

CANADIAN QUANTEX

We have developed a version of QuantEX for the Canadian markets. This software is licensed on a perpetual, non-exclusive, royalty-free basis to VERSUS Technologies, Inc., a Canadian technology-focused trade automation firm based in Toronto. Pursuant to this license and a series of transactions with RBC Dominion Securities, the predecessor owner of the VERSUS assets, we received an equity interest in VERSUS. We and VERSUS have also entered into three agreements for trade execution by us in POSIT and other United States markets: (a) a routing agreement pursuant to which VERSUS routes orders of Canadian registered brokers to us, (b) an introducing broker agreement pursuant to which VERSUS's registered broker affiliate sends institutional orders to us and (c) an introducing broker agreement pursuant to which VERSUS's registered broker affiliate sends retail orders to us.

REGULATION

The securities industry in the United States is subject to extensive regulation under both federal and state laws. The SEC is the federal agency responsible for the administration of the federal securities laws. Regulation of broker-dealers has been primarily delegated to self-regulatory organizations, principally the National Association of Securities Dealers, Inc. and national securities exchanges. The National Association of Securities Dealers has been designated by the SEC as our self-regulatory organization. The self-regulatory organizations conduct periodic examinations of member broker-dealers in accordance with rules they have adopted and amended from time to time, subject to approval by the SEC. Securities firms are also subject to regulation by state securities administrators in those states in which they conduct business. ITG Inc. is a registered broker-dealer in 49 states and the District of Columbia.

Broker-dealers are subject to regulations covering all aspects of the securities business, including sales methods, trade practices among broker-dealers, use and safekeeping of clients' funds and securities, capital structure of securities firms, record-keeping and conduct of directors, officers and employees. Additional legislation, changes in the interpretation or enforcement of existing laws and rules may directly affect the mode of operation and profitability of broker-dealers. The SEC, self-regulatory organizations and state securities commissions may conduct administrative proceedings, which can result in censure, fine, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer, its officers or employees. The principal purpose of regulation and discipline of broker-dealers is the

protection of clients and the securities markets, rather than the protection of creditors and stockholders of broker-dealers.

ITG Inc. is required by law to belong to the Securities Investor Protection Corporation. In the event of a broker-dealer's insolvency, the Securities Investor Protection Corporation fund provides protection for client accounts up to $500,000 per customer, with a limitation of $100,000 on claims for cash balances.

REGULATION ATS

Since the formation of the POSIT joint venture, POSIT had operated under a "no-action" letter from the SEC staff that it would not recommend that the SEC commence an enforcement action if POSIT were operated without registering as an exchange. Since effectiveness of Regulation ATS on April 21, 1999, we have operated POSIT as part of our broker-dealer operations in accordance with Regulation ATS. Accordingly, POSIT is not registered with the SEC as an exchange. There can be no assurance that the SEC will not in the future seek to impose more stringent regulatory requirements on the operation of alternative trading systems such as POSIT. In addition, certain of the securities exchanges have actively sought to have more stringent regulatory requirements imposed upon automated trade execution systems. There can be no assurance that Congress will not enact legislation applicable to alternative trading systems.

NET CAPITAL REQUIREMENT

As a registered broker-dealer, ITG Inc. is subject to the SEC's uniform net capital rule. The net capital rule is designed to measure the general integrity and liquidity of a broker-dealer and requires that at least a minimum part of its assets be kept in a relatively liquid form.

The net capital rule prohibits a broker-dealer doing business with the public from allowing the aggregate amount of its indebtedness to exceed 15 times its adjusted net capital or, alternatively, its adjusted net capital to be less than 2% of its aggregate debit balances (primarily receivables from clients and broker-dealers) computed in accordance with the net capital rule. We use the latter method of calculation.

A change in the net capital rule, imposition of new rules or any unusually large charge against capital could limit certain operations of ITG Inc., such as trading activities that require the use of significant amounts of capital.

As of December 31, 1999, ITG Inc. had net capital of $39.3 million, which exceeded minimum net capital requirements by $39.1 million. Although we believe that the combination of our existing net regulatory capital and operating cash flows will be sufficient to meet regulatory capital requirements, a shortfall in net regulatory capital would have a material adverse effect on our business and our results of operations.

CREDIT RISK

Although ITG Inc. is registered as a broker-dealer, we generally do not perform traditional broker-dealer services. We do not act as a market-maker with respect to any securities or otherwise act as a principal in any securities transactions; we act only on an agency basis. Therefore, we do not have exposure to credit risks in the way that traditional broker-dealers have such exposure. The relatively low credit risk of our businesses is reflected in the minimal net capital requirements imposed on ITG Inc. as a broker-dealer.

LICENSE AND RELATIONSHIP WITH BARRA

In 1987, Jefferies & Company, Inc. and BARRA Inc. formed a joint venture for the purpose of developing and marketing POSIT. In 1993, Jefferies & Company, Inc. assigned all of its rights relating to the joint venture and the license agreement, discussed below, to us.

The technology used to operate POSIT is licensed to us pursuant to a perpetual license agreement between us and the joint venture. The license agreement grants us the exclusive right to use certain proprietary software necessary to the continued operation of POSIT and a non-exclusive license to use proprietary software that operates in conjunction with POSIT. We pay quarterly royalties to the joint venture to use other proprietary software that operates in conjunction with POSIT equal to specified percentages of the transaction fees charged by us on each share crossed through POSIT. For the years ended December 31, 1999, 1998 and 1997, BARRA received aggregate royalty payments from the joint venture of $16.9 million, $15.2 million, and $9.8 million, respectively, under the license agreement. Under the terms of the joint venture, we and BARRA are prohibited from competing directly or indirectly with POSIT.

The license agreement permits BARRA on behalf of the joint venture to terminate the agreement upon certain events of bankruptcy or insolvency or upon an uncured breach by us of certain covenants, the performance of which are all within our control. Although we do not believe that we will experience difficulty in complying with our obligations under the license agreement, any termination of the license agreement resulting from an uncured default would have a material adverse effect on us.

Under the license agreement and the terms of the joint venture, BARRA continues to provide certain support services to us in connection with the operation of POSIT, including computer time, software updates and the availability of experienced personnel. BARRA also provides support for the development and maintenance of POSIT.

Under the terms of the joint venture, BARRA generally has the right to approve any sale, transfer, assignment or encumbrance of our interest in the joint venture. The POSIT joint venture may earn a royalty from licensing the POSIT technology to other businesses. The joint venture licensed to us and Burdett the right to use the POSIT technology for crossing equity securities in Australia.

In the third quarter of 1997, BARRA finalized a joint venture with Prebon Yamane to market POSIT-FRA, the first computer-based system for crossing forward rate agreements. The POSIT joint venture licensed the POSIT software to Prebon. POSIT-FRA provides a confidential electronic environment where major financial institutions can match specific sets of forward rate agreements contracts to offset interest rate risk, a condition that is pervasive in interest rate swap portfolios.

In the fourth quarter of 1998, we finalized the formation of ITG Europe with Societe Generale. The POSIT joint venture has licensed the POSIT software to ITG Europe.

COMPETITION

The automated trade execution and analysis services offered by us compete with services offered by leading brokerage firms and transaction processing firms, and with providers of electronic trading and trade order management systems and financial information services. POSIT also competes with various national and regional securities exchanges and execution facilities, Nasdaq, ATSs and ECNs such as Instinet, for trade execution services. Many of our competitors have substantially greater financial, research and development and other resources. We believe that our services compete on the basis of access to liquidity, transaction cost and market impact cost reduction, timeliness of execution and probability of trade completion. Although we believe that POSIT, QuantEX, ITG Platform and the Electronic Trading Desk and Research services have established certain competitive advantages, our ability to maintain these advantages will require continued investment in the development of our services, additional marketing activities and customer support services. There can be no assurance that we will have sufficient resources to continue to make this investment, that our competitors will not devote significantly more resources to competing services or that we will otherwise be successful in maintaining our current competitive advantages. In addition, we cannot predict the effect that

changes in regulation may have on the competitive environment. In particular, the adoption of Regulation ATS may make it easier for securities exchanges, Nasdaq or others to establish competing trading systems.

RESEARCH AND PRODUCT DEVELOPMENT

We believe that fundamental changes in the securities industry have increased the demand for technology-based services. We devote a significant portion of our resources to the development and improvement of these services. Important aspects of our research and development effort include enhancements of existing software, the ongoing development of new software and services and investment in technology to enhance our efficiency. The software programs which are incorporated into our services, are subject, in most cases, to copyright protection. Research and development costs were $9.7 million, $8.6 million and $5.3 million for 1999, 1998 and 1997, respectively.

In connection with such research and product development and capital expenditures to improve other aspects of our business, we incur substantial expenses that do not vary directly, at least in the short term, with fluctuations in securities transaction volumes and revenues. In the event of a material reduction in revenues, we may not reduce such expenses quickly and, as a result, we could experience reduced profitability or losses. Conversely, sudden surges in transaction volumes can result in increased profit and profit margin. To ensure that we have the capacity to process projected increases in transaction volumes, we have historically made substantial capital and operating expenditures in advance of such projected increases, including during periods of low transaction volumes. In the event that such growth in transaction volumes does not occur, the expenses related to such investments could, as they have in the past, cause reduced profitability or losses.

We work closely with BARRA on the development of POSIT enhancements. We expect to continue this level of investment to improve existing services and continue the development of new services.

DEPENDENCE ON PROPRIETARY INTELLECTUAL PROPERTY; RISKS OF INFRINGEMENT

Our success is dependent, in part, upon our proprietary intellectual property. We generally rely upon patents, copyrights, trademarks and trade secrets to establish and protect our rights in our proprietary technology, methods and products. A third party may still try to challenge, invalidate or circumvent the protective mechanisms that we select. We cannot assure that any of the rights granted under any patent, copyright or trademark we may obtain will protect our competitive advantages. In addition, the laws of some foreign countries may not protect our proprietary rights to the same extent as the laws of the United States.

In the past several years, there has been a proliferation of so-called "business method patents" applicable to the computer and financial services industries. News articles have also reported that there

has been a substantial increase in the number of such patent applications filed. Under current law, U.S. patent applications remain secret for 18 months and may, depending upon where else such applications are filed, remain secret until issuance of a patent. In light of these factors, it is not economically practicable to determine in advance whether our products or services may infringe the present or future patent rights of others. We believe that factors such as technological and creative skills of our personnel, new product developments, frequent product enhancements, name recognition and reliable product maintenance are essential to establishing and maintaining a state-of-the-art technological system. There can be no assurance that we will be able to protect our technology from disclosure or that others will not develop technologies that are similar or superior to our technology. It is likely that from time to time, we will receive notices from others of claims or potential claims of intellectual property infringement or we may be called upon to defend a joint venture partner, customer, vendee or licensee against such third party claims. Responding to these kinds of claims, regardless of merit, could consume

valuable time, result in costly litigation or cause delays, all of which could have a material adverse effect on us. Responding to these claims could also require us to enter into royalty or licensing agreements with the third parties claiming infringement. Such royalty or licensing agreements, if available, may not be available on terms acceptable to us.

In February 1999, we became aware of patents purportedly owned by Belzberg Financial Markets & News International Inc. and Sydney Belzberg, an officer of that company (the "Belzberg Patents"). One or more of the Belzberg Patents may relate to the devices, means and/or methods that we and/or our customers, licensees or joint venture partners use in the conduct of business. On March 5, 1999, a Canadian licensee of some of our technology, received a letter asserting that the licensee was infringing one of the Belzberg Patents. The licensee has denied the claims of infringement and has asserted that the Belzberg Patent at issue is invalid or unenforceable. Under certain conditions, we may have a duty to defend or indemnify the licensee for any costs or damages arising out of an infringing use of the technology we have licensed to them. We are monitoring the matter and may participate in any challenge to the Belzberg Patent the licensee may make.

We are unaware of any actual claims of patent infringement leveled against us or any of our customers or joint venture partners by any of the title owners of the Belzberg Patents. Based upon our review to date we believe that any such claims arising out of the Belzberg Patents would be without merit and we would vigorously defend any such claim, including, if warranted, initiating legal proceedings. However, intellectual property disputes are subject to inherent uncertainties and there can be no assurance that any potential claim would be resolved favorably to us or that it would not have a material adverse affect on us. We will monitor the Belzberg Patent situation and take action accordingly.

EMPLOYEES

As of December 31, 1999, we employed 318 personnel.

ITEM 2. PROPERTIES

Our principal offices are located at 380 Madison Avenue in New York City. We currently lease the entire 4(th) floor and part of the 7(th) floor or approximately 61,024 square feet of office space. In anticipation of future expansion we have also leased a portion of the 5(th) floor (approximately 12,726 square feet of office space). This additional space on the 5(th) floor and a portion of the 7(th) floor is currently being sublet. The lease payments as compared to the rental income for the 5(th) and 7(th) floors, will have an immaterial effect upon our operating results. The fifteen-year lease terms for the 4(th) and 5(th) floors and the thirteen-year lease term for the 7(th) floor expire in January 2013.

We also maintain a research, development and technical support services facility in Culver City, California where we occupy approximately 48,202 square feet of office space. We have leased an additional 23,520 square feet in this facility, which we currently sublet. The lease payments as compared

to the rental income will have an immaterial effect upon our operating results. We lease the California facility pursuant to lease agreements that expire between December 2005 and April 2006.

Additionally, we also maintain a "hot" backup and regional office for Financial Engineering Research and QuantEX support in Boston, Massachusetts where we occupy approximately 10,588 square feet of office space. The ten-year lease term for this space expires in April 2005.

During 1999, we opened a research facility in Herzelya, Israel where we occupy approximately 5,712 square feet of office space. We lease the Israel space pursuant to a four-year lease agreement that expires in November 2003.

ITEM 3. LEGAL PROCEEDINGS

In 1998, we received a "30-day letter" proposing certain adjustments which, if sustained, would result in a tax deficiency of approximately $9.6 million plus interest. The adjustments proposed relate to (i) the disallowance of deductions taken in connection with the termination of certain compensation plans at the time of our initial public offering in 1994 and (ii) the disallowance of tax credits taken in connection with certain research and development expenditures. We believe that the tax benefits in question were taken properly and intend to vigorously contest the proposed adjustments. Based on the facts and circumstances known at this time, we are unable to predict when this matter will be resolved or the costs associated with its resolution.

In February 1999, we became aware of patents purportedly owned by Belzberg Financial Markets & News International Inc. and Sydney Belzberg, an officer of that company (the "Belzberg Patents"). One or more of the Belzberg Patents may relate to the devices, means and/or methods that we and/or customers, licensees or joint venture partners use in the conduct of business. On March 5, 1999, a Canadian licensee of some of our technology, received a letter asserting that the licensee was infringing one of the Belzberg Patents. The licensee has denied the claims of infringement and has asserted that the Belzberg Patent at issue is invalid or unenforceable. Under certain conditions, we may have a duty to defend or indemnify the licensee for any costs or damages arising out of an infringing use of the technology we have licensed to them. We are monitoring the matter and may participate in any challenge to the Belzberg Patent the licensee may make.

We are unaware of any actual claims of patent infringement leveled against us or any of our customers or joint venture partners by any of the title owners of the Belzberg Patents. Based upon our review to date we believe that any such claims arising out of the Belzberg Patents would be without merit and we would vigorously defend any such claim, including, if warranted, initiating legal proceedings. However, intellectual property disputes are subject to inherent uncertainties and there can be no assurance that any potential claim would be resolved favorably to us or that it would not have a material adverse affect on us. We will monitor the Belzberg Patent situation and take action accordingly.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the fourth quarter ended December 31, 1999.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

COMMON STOCK DATA

Our common stock was quoted on the Nasdaq National Market under the symbol "ITGI" until April 26, 1999. Effective April 27, 1999, and in connection with our spin-off from Jefferies Group, Inc., our common stock split based upon a 1.5955 to 1 exchange ratio and began trading on the New York Stock Exchange under the symbol "ITG".

The following table sets forth, for the periods indicated, the range of the high and low closing sales prices per share of our common stock as reported on the Nasdaq National Market or the New York Stock Exchange, as applicable.

	NASDAQ(1)		NYSE	
	HIGH	LOW	HIGH	LOW
1998				
First Quarter	$23.50	$15.28	N/A	N/A
Second Quarter	22.25	15.98	N/A	N/A
Third Quarter	21.31	17.08	N/A	N/A
Fourth Quarter	38.90	11.60	N/A	N/A

1999				
First Quarter	43.53	22.96	N/A	N/A
Second Quarter (through April 26)	43.28	31.91	N/A	N/A
Second Quarter (from April 27)	N/A	N/A	$46.98	$29.24
Third Quarter	N/A	N/A	35.40	22.31
Fourth Quarter	N/A	N/A	28.55	19.27

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(1) High and low closing sales prices per share of our common stock as reported on the Nasdaq National Market have been adjusted to reflect our common stock split in connection with the spin-off at an exchange ratio of 1.5955 to 1.

On March 13, 2000, the closing sales price per share for our common stock as reported on the New York Stock Exchange was $37.44. On March 13, 2000, we believe that our common stock was held by approximately 4,700 stockholders of record or through nominees in street name accounts with brokers.

In connection with our spin-off from Jefferies Group, Inc. we paid a special cash dividend of $4.00 per share to each stockholder of record as of April 20, 1999. Our dividend policy is to retain earnings to finance the operations and expansion of our businesses. We do not anticipate paying any cash dividends on our common stock in the foreseeable future.

ITEM 6. SELECTED FINANCIAL DATA

The selected Consolidated Statement of Operations data and the Consolidated Statement of Financial Condition data presented below as of and for each of the years in the five-year period ended December 31, 1999, are derived from our consolidated financial statements, which financial statements have been audited by KPMG LLP, independent auditors. Earnings per share information prior to 1997 has been retroactively restated to conform with the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 128, EARNINGS PER SHARE, and earnings per share information prior to 1999 has been retroactively restated to reflect our spin-off from Jefferies Group, Inc. See Note 1, ORGANIZATION AND BASIS FOR PRESENTATION--SPIN-OFF FROM JEFFERIES GROUP, in the Notes to Consolidated Financial Statements on page 31. Such data should be read in connection with the consolidated financial statements contained on pages 24 through 46.

	YEAR ENDED DECEMBER 31,				
	1999	1998	1997	1996	1995
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)				
CONSOLIDATED STATEMENT OF OPERATIONS DATA					
Total revenues	$232,044	$212,205	$137,042	$111,556	$72,381
Total expenses	149,183	131,270	89,782	70,555	47,493
Income before income taxes	82,861	80,935	47,260	41,001	24,888
Income tax expense	37,435	37,541	20,343	17,666	9,983
Net income	$ 45,426	$ 43,394	$ 26,917	$ 23,335	$14,905
Basic net earnings per share of common stock	$ 1.48	$ 1.48	$ 0.93	$ 0.80	$ 0.51
Diluted net earnings per share of common stock	$ 1.42	$ 1.41	$ 0.89	$ 0.79	$ 0.51
Basic weighted average shares outstanding (in millions)	30.7	29.3	29.0	29.2	29.5
Diluted weighted average shares and common stock equivalents outstanding (in millions)	31.9	30.8	30.2	29.7	29.5
CONSOLIDATED STATEMENT OF FINANCIAL CONDITION DATA:(1)					
Total assets	$179,488	$180,706	$113,641	$ 82,798	$55,318

Total stockholders' equity.....	$115,652	$143,709	$ 93,763	$ 67,093	$45,479
OTHER SELECTED FINANCIAL DATA:					
Revenues per trading day (in thousands)....	$ 921	$ 842	$ 542	$ 439	$ 287
Shares executed per day (in millions).....	46	43	27	22	15
Revenues per average number of employees (in thousands).....	$ 802	$ 888	$ 733	$ 814	$ 689
Average number of employees.....	290	239	187	137	105
Total number of customers(1,2).....	572	535	452	417	354
POSIT(2).....	492	490	414	396	330
QuantEX(3).....	52	52	43	55	81
ITG Platform(3).....	188	140	48	36	N/A
Total number of customer installations:(1,3)					
QuantEX.....	103	97	84	109	97
ITG Platform.....	296	201	69	67	N/A
Return on average stockholders' equity.....	34.4%	37.4%	33.9%	45.5%	39.3%
Book value per share(4).....	$ 3.86	$ 4.85	$ 3.23	$ 2.30	$ 1.46
Tangible book value per share(4).....	$ 3.83	$ 4.80	$ 3.16	$ 2.22	$ 1.36
Price to earnings ratio using diluted net earnings per share of common stock.....	19.9	27.6	19.7	15.3	11.4

The following graph represents the number of shares ITG Inc. executed as a percentage of the market volume in the U.S. market since 1994.(5)

ITG VOLUME AS PERCENTAGE OF MARKET VOLUME

EDGAR REPRESENTATION OF DATA POINTS USED IN PRINTED GRAPHIC

	SHARE PER DAY
1994	1.7
1995	1.9
1996	2.26
1997	2.24
1998	2.94
1999	2.45

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(1) Numbers are as of December 31(st) of each year.

(2) Total customers and POSIT customers include those customers who have generated revenues in excess of $1,000 in each year.

(3) For the years ended December 31, 1999, 1998 and 1997, QuantEx and ITG Platform customers and customer installations include those customers and installations that have either (a) traded 100,000 shares in the last quarter of each calendar year or (b) traded shares on at least 12 different days during such quarter. For the years ended December 31, 1996 and 1995, QuantEx and ITG Platform customers and customer installations include those customers who have generated revenues in excess of $1,000 in each year

(4) The prior years have been restated to reflect the Company's spin-off from Jefferies Group, Inc. See Note 1, ORGANIZATION AND BASIS FOR PRESENTATION--SPIN-OFF FROM JEFFERIES GROUP, in the Notes to Consolidated Financial Statements on page 31.

(5) The percentages on the graph are total ITG shares executed divided by the "market" volume. Total ITG shares executed includes total POSIT shares, QuantEX shares and shares executed by the Electronic Trading Desk. Market volume includes shares executed by and as provided by the New York Stock Exchange and Nasdaq. Market volume excludes ITG shares executed.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS

OF OPERATIONS

The following discussion and analysis should be read in conjunction with our consolidated financial statements, including the notes thereto.

GENERAL

REVENUES:

We generate substantially all of our revenues from the following four products and services, each contributing to our single line of business:

- POSIT: a confidential electronic stock crossing system;

- Electronic Trading Desk: an agency-only trading desk;

- Front End Software;

  - QuantEX: a Unix-based front-end software system providing market analysis, trade management and electronic connectivity to POSIT and multiple trade execution destinations; and

  - ITG Platform: a PC-based front-end software system providing market analysis, trade management and electronic connectivity to POSIT and multiple trade execution destinations.

Revenues primarily consist of commissions from customers' use of our trade execution and analytical services. Because these commissions are paid on a per-transaction basis, revenues fluctuate from period to period depending on the volume of securities traded through our services. We record as POSIT revenue any order that is executed on the POSIT system regardless of the manner in which the order was submitted to POSIT. ITG collects a commission from each side of a trade matched on POSIT. We record as Electronic Trading Desk revenue any order that is handled by our trading desk personnel and executed at any trade execution destination other than POSIT. We record as Client revenue any order that is sent by our clients, through ITG's front-end systems but without assistance from the Electronic Trading Desk, to any third party trade execution destination. Other revenue includes interest income/expense and market gains/losses and financing costs resulting from temporary positions in securities assumed in the normal course of our agency trading business.

EXPENSES:

Expenses consist of compensation and employee benefits, transaction processing, software royalties, occupancy and equipment, telecommunications and data processing services, net loss on long-term investments, spin-off costs and other general and administrative expenses. Compensation and employee benefits expenses include base salaries, bonuses, employment agency fees, part-time employee compensation, fringe benefits, including employer contributions for medical insurance, life insurance, retirement plans and payroll taxes, offset by capitalized software. Transaction processing expenses consist of floor brokerage and clearing fees and connection fees for use of certain third party execution services. Software royalties are payments to our POSIT joint venture partner, BARRA. Occupancy and equipment expenses include rent, depreciation, amortization of leasehold improvements, maintenance, utilities, occupancy taxes and property insurance. Telecommunications and data processing services include costs for computer hardware, office automation and workstations, data center equipment, market data services and voice, data, telex and network communications. Net loss on long-term investments includes gains on the sale of equity investments, as offset by amortization of goodwill, equity gain/loss and initial start-up costs. Spin-off costs include legal, accounting, consulting and various other expenses in connection with the spin-off from Jefferies Group and related transactions. Other general and administrative expenses include amortization of software and goodwill, legal, audit, tax, consulting and promotional expenses.

RESULTS OF OPERATIONS

The table below sets forth certain items in the statement of income expressed as a percentage of revenues for the periods indicated:

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
Revenues:	100.0%	100.0%	100.0%
Commissions			
POSIT	55.7	55.1	55.0
Electronic trading desk	20.5	23.4	22.0
Client	22.0	19.9	22.0
Other	1.8	1.6	1.0
Expenses:			
Compensation and employee benefits	22.3	24.3	22.2
Transaction processing	13.9	12.7	15.6
Software royalties	7.3	7.2	7.2
Occupancy and equipment	5.7	5.6	6.7
Telecommunications and data processing services	4.1	3.8	4.8
Net loss on long-term investments	1.1	0.1	0.2
Spin-off costs	2.8	0.9	0.0
Other general and administrative	7.1	7.3	8.8
Total expenses	64.3	61.9	65.5
Income before income tax expense	35.7	38.1	34.5
Income tax expense	16.1	17.7	14.8
Net income	19.6	20.4	19.6

YEAR ENDED DECEMBER 31, 1999 COMPARED TO YEAR ENDED DECEMBER 31, 1998

EARNINGS PER SHARE

Basic net earnings per share for both 1999 and 1998 were $1.48. Diluted net earnings per share increased $0.01, or 1%, from $1.41 to $1.42. Diluted net earnings per share for 1999 and 1998, excluding non-recurring charges (net of tax benefits) of $3.9 million and $1.9 million, respectively, incurred in connection with our spin-off from Jefferies Group, Inc. were $1.54 and $1.47, respectively.

REVENUES

Total revenues increased $19.8 million, or 9%, from $212.2 million to $232.0 million. There were 252 trading days in both 1998 and 1999. Revenues per trading day increased by $79,000, or 9%, from $842,000 to $921,000. Revenues per employee decreased $83,000, or 10%, from $813,000 to $730,000.

The increases in POSIT and Client revenues were attributable to an increase in trading volume by existing customers and an increase in the number of customers. The number of shares crossed on the POSIT system increased 0.7 billion, or 12%, from 5.8 billion to 6.5 billion. The number of shares crossed on the POSIT system per day increased 2.5 million, or 11%, from 23.2 million to 25.7 million. In addition, on both June 24, and July 15, 1999, a record breaking 49.7 and 59.9 million shares were crossed on the POSIT system, respectively. Of Client revenues, ITG Platform revenue increased 169% representing 55% of the increase in Client revenues. Electronic Trading Desk revenues decreased due to a number of factors, including, our clients winning fewer portfolio transitions, increased competition from principal bids and lower turnover of portfolios for some of our clients. Other revenues increased primarily due to incremental royalty income from international versions of POSIT, larger average balances in our investment portfolio and decreased errors and accommodations. These were partially

offset by increased financing costs resulting from temporary positions in securities assumed in the normal course of our agency trading business.

EXPENSES

Total expenses excluding income tax expense for 1999 increased $17.9 million, or 14%, from $131.3 million to $149.2 million.

The following table itemizes expenses by category (in thousands):

	YEAR ENDED DECEMBER 31, 1999	1998	CHANGE	% CHANGE
Compensation and employee benefits	$51,717	$51,462	255	0.5%
Transaction processing	32,282	26,920	5,362	19.9
Software royalties	16,851	15,247	1,604	10.5
Occupancy and equipment	13,295	11,886	1,409	11.9
Telecommunications and data processing services	9,428	8,138	1,290	15.9
Net loss on long-term investments	2,674	204	2,470	1,210.8
Spin-off costs	6,516	1,936	4,580	236.6
Other general and administrative	16,420	15,477	943	6.1
Income taxes	37,435	37,541	(106)	(0.3)

COMPENSATION AND EMPLOYEE BENEFITS: Salaries, bonuses and related employee benefits increased primarily due to growth in our employee base of 22% from 261 to 318, and additional compensation necessary to attract and retain quality personnel. Approximately 70% of the increase in employees were staffed in technology, product development and production infrastructure. This is consistent with our ongoing effort to respond to continuous changes in the securities industry and demand for increased efficiencies by enhancing existing software and developing new software and services. Average compensation and employee benefits expenses per person decreased $34,000, or 17%, from $197,000 to $163,000.

TRANSACTION PROCESSING: Transaction processing as a percentage of revenues increased from 12.7% to 13.9% of revenues. Ticket charges increased 23%, primarily as a result of customers allocating transactions to a larger number of accounts. With only a 9% increase in execution volume, we did not realize significant savings from volume-discounted clearing and execution costs.

SOFTWARE ROYALTIES: Because software royalties are contractually fixed at 13% of POSIT revenues, the increase is wholly attributable to an increase in POSIT revenues.

OCCUPANCY AND EQUIPMENT: The increase in headcount, infrastructure enhancements and costs to address potential problems related to the Year 2000 issue resulted in increased equipment purchases and the associated depreciation and maintenance expenses. In addition, the expansion of our research and development facility in Culver City, California, in July 1998 resulted in an increase in rent expense.

TELECOMMUNICATIONS AND DATA PROCESSING SERVICES: The $1.3 million increase in telecommunications and data processing services stems primarily from fees to upgrade client data feeds, including market data line connections, increase in communication charges from linking clients to ITG in New York and Boston, and increases in dial-up costs related to the increase in ITG Platform installations. This increase was offset primarily by a decrease in spending on contingency-related planning and implementation.

NET LOSS ON LONG-TERM INVESTMENTS: The increase in loss on long-term investment in 1999 over 1998 primarily resulted from the recorded gain on sale of our equity investment in the LongView Group,

Inc. in 1998 totaling $3.8 million. Excluding the effects of this gain on sale, losses incurred by our investments in ITG Europe and ITG Australia were $0.2 million less in 1999 than 1998. In 1999, we also recognized a $0.4 million deferred gain on the sale of the LongView Group that was held in escrow for one

year.

SPIN-OFF COSTS: The spin-off expenses are attributable to our legal, accounting, consulting and other expenses incurred for the spin-off transactions, as discussed in Note 1, ORGANIZATION AND BASIS OF PRESENTATION--SPIN-OFF FROM JEFFERIES GROUP, in the Notes to Consolidated Financial Statements on page 31.

OTHER GENERAL AND ADMINISTRATIVE: The increase in other general and administrative expenses reflects software amortization for certain products that were released in late 1998 and increased spending on advertisement and promotion, offset in part by a decline in consulting expenses for projects such as network migration and strategic market studies.

Additionally, subsequent to our spin-off, specified administrative services previously provided to us at a fixed monthly fee by Jefferies Group, Inc. were performed by ITG. This change resulted in higher legal, audit and accounting fees offset in part by reduced administrative service fees.

INCOME TAX EXPENSE

The decrease in the effective tax rate from 46.4% in 1998 to 45.2% in 1999 was due to decreases in certain non-deductible expenses and an increase in dividends received deduction.

YEAR ENDED DECEMBER 31, 1998 COMPARED TO YEAR ENDED DECEMBER 31, 1997

EARNINGS PER SHARE

Basic net earnings per share increased $0.55, or 59%, from $0.93 in 1997 to $1.48 in 1998. Diluted net earnings per share increased $0.52, or 58%, from $0.89 to $1.41.

REVENUES

Total revenues increased $75.2 million, or 54.9%, from $137.0 million to $212.2 million. The number of trading days were 252 in 1998 compared to 253 in 1997. Revenues per trading day increased by $300,000, or 55.5%, from $542,000 to $842,000. Revenues per employee increased $182,000, or 28.8%, from $631,000 to $813,000. The increases were attributable to increases in the number of our customers and increases in trading volume by our existing customers. Revenues from the Electronic Trading Desk increased $19.5 million, or 64.9%, from $30.1 million to $49.6 million. The number of shares crossed on the POSIT system increased 2.1 billion, or 56.8%, from 3.7 billion to 5.8 billion. POSIT revenues in turn increased $41.6 million, or 55.2%, from $75.4 million to $117.0 million. QuantEX revenues increased $12.0 million, or 39.9%, from $30.1 million to $42.1 million.

EXPENSES

Total expenses increased $41.5 million, or 46.2%, from $89.8 million to $131.3 million.

The following table itemizes expenses by category (in thousands):

	YEAR ENDED DECEMBER 31, 1998	1997	CHANGE	% CHANGE
Compensation and employee benefits	$51,462	$30,479	$20,983	68.8%
Transaction processing	26,920	21,413	5,507	25.7
Software royalties	15,247	9,848	5,399	54.8
Occupancy and equipment	11,886	9,204	2,682	29.1
Telecommunications and data processing services	8,138	6,605	1,533	23.2
Net loss on long-term investments	204	297	(93)	(31.3)

Spin-off costs	1,936	--	1,936	N/A
Other general and administrative	15,477	11,936	3,541	29.7
Income taxes	37,541	20,343	17,198	84.5

COMPENSATION AND EMPLOYEE BENEFITS. Salaries, bonuses and related employee benefits increased approximately $21.0 million over the prior year. Such increases were primarily due to our profitability-based compensation plan, growth in our employee base of 44 or 20.3%, from 217 to 261 and additional compensation necessary to attract and retain quality personnel. Over 50% of the increase in new employees were staffed in technology, product development and production infrastructure. In addition, our board of directors voted to accelerate the vesting of the options of our deceased President and Chief Executive Officer, Scott P. Mason, resulting in a $2.8 million charge to compensation expense, representing 13% of the increase.

TRANSACTION PROCESSING. The increase in transaction processing is primarily due to an increase in ticket charges associated with a higher volume of transactions in 1998. The increase in ticket charges of 28% was not proportionate with the increase in revenues of 55% due to volume discounts associated with clearing and execution services. A decrease in specialist fees of 26% and floor broker fees of 3%, was offset by the volume increases in shares executed by specialists of 49% and floor brokers of 51%, resulting in a net increase in transaction processing expenses. Transaction processing as a percentage of revenues decreased from 15.6% in 1997 to 12.7% in 1998.

SOFTWARE ROYALTIES. As software royalties are contractually fixed at 13% of POSIT revenues, the increase is wholly attributable to an increase in POSIT revenues.

OCCUPANCY AND EQUIPMENT. The increase in occupancy and equipment is primarily attributable to additional depreciation and amortization of leasehold improvements (representing 65% of the increase) and rent expense (representing 33% of the increase) related to the relocation and expansion of our corporate headquarters (occupied in June 1997), combined with increases in headcount and purchases of additional technologically advanced software.

TELECOMMUNICATIONS AND DATA PROCESSING SERVICES. The increase in technological and data communications processing expenses stems primarily from the data feed upgrades for clients, primarily market data line connections, and expenses relating to a telecommunication network conversion and contingency planning.

NET LOSS ON LONG-TERM INVESTMENTS. The decrease in net loss on long-term investments is due to income of $3.8 million recognized from the sale of our 37.4% equity ownership interest in the LongView Group, Inc., offset by initial start-up costs for ITG Europe of $1.3 million and the combined costs of equity loss pick-up and amortization of goodwill on ITG Australia of $0.2 million and the LongView Group, Inc, of $0.8 million.

SPIN-OFF COSTS. The spin-off expenses are attributable to our legal, accounting, consulting and other expenses incurred for the spin-off transactions.

OTHER GENERAL AND ADMINISTRATIVE. The increase in other general and administrative expenses was the result of a write-off of a net receivable from the former Global POSIT joint venture of approximately $1.0 million, accelerated software amortization for specific products, increases in business development costs, such as advertising and active sales efforts, and additional administrative costs, associated with ITG Europe. Additionally, we had an increase in consulting expense primarily due to accounting and financial research of international joint venture opportunities and a major telecommunication system conversion.

INCOME TAX EXPENSE

The increase in income tax expense is the result of an increase in pretax

income and an increase in the effective tax rate from 43.0% in 1997 to 46.4% in 1998. The increase in the effective rate was due to certain non-deductible expenses, such as goodwill amortization and spin-off costs and the inability to offset international losses with United States profits in calculating income tax expense, that were not present in 1997.

DEPENDENCE ON MAJOR CUSTOMERS

During 1999, revenue from our 10 largest customers accounted for approximately 33.0% of our total revenue while revenue from each of our three largest customers accounted for 5.8%, 4.7%, and 4.7%, respectively, of total revenue. During 1998, revenue from our 10 largest customers accounted for approximately 30.7% of our total revenue while revenue from each of our three largest customers accounted for 7.9%, 4.5% and 3.2%, respectively, of total revenue. During 1997, revenue from our 10 largest customers accounted for approximately 34.5% of our total revenue while revenue from each of our three largest customers accounted for 8.8%, 5.9% and 3.4%, respectively, of total revenue. Customers may discontinue use of our services at any time. The loss of any significant customers could have a material adverse effect on our results of operations. In addition, the loss of significant POSIT customers could result in lower share volumes of securities offered through POSIT, which may adversely affect the liquidity of the system.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity and capital resource requirements result from our working capital needs, primarily consisting of compensation and benefits, transaction processing fees and software royalty fees. Historically, cash from operations has met all working capital requirements. A substantial portion of our assets are liquid, consisting of cash and cash equivalents or assets readily convertible into cash.

We believe that our cash flow from operations and existing cash balances will be sufficient to meet our cash requirements. We generally invest our excess cash in money market funds and other short-term investments that generally mature within 90 days or less. Additionally, securities owned at fair value include highly liquid, variable rate municipal securities, auction rate preferred stock and common stock. At December 31, 1999, cash equivalents and securities owned at fair value amounted to $96.7 million and net receivables from brokers, dealers and other, of $16.6 million were due within 30 days. A special cash dividend of $74.6 million was paid on April 21, 1999 in connection with the spin-off from Jefferies Group. See Note 1, ORGANIZATION AND BASIS OF PRESENTATION--SPIN-OFF FROM JEFFERIES GROUP, in the Notes to Consolidated Financial Statements on page 31.

We also invest a portion of our excess cash balances in cash enhanced strategies, which we believe should yield higher returns without any significant effect on risk. As of December 31, 1999, we had investments in limited partnerships investing in marketable securities, a hedged convertible managed account, and a venture capital fund amounting to $21.4 million in the aggregate. The limited partnerships employ either a hedged convertible strategy or a long/short strategy to capitalize on short term price movements. Our managed account is employing a hedged convertible strategy. We classify

the securities under our managed account within securities owned, at fair value and securities sold, not yet purchased, at fair value.

Historically, all regulatory capital needs of ITG Inc. have been provided by cash from operations. We believe that cash flows from operations will provide ITG Inc. with sufficient regulatory capital. As of December 31, 1999, we had net excess regulatory capital of $39.1 million. We had an agreement with a bank to borrow up to $20 million on a revolving basis to enable ITG Inc. to satisfy its regulatory net capital requirements. This commitment expired on March 14, 2000. Although we believe that the combination of our existing net regulatory capital and operating cash flows will be sufficient to meet regulatory capital requirements, a shortfall in net regulatory capital would have a material

adverse effect on us.

In 1998, we established a $2 million credit line with a bank to fund temporary regulatory capital shortfalls encountered periodically by ITG Australia. The lender charges us interest at the federal funds rate plus 1%. We lend amounts borrowed to ITG Australia and charge interest at the federal funds rate plus 2%. At December 31, 1999, no amounts were outstanding under this bank credit line and no amounts were owed to us by ITG Australia.

EFFECTS OF INFLATION

We do not believe that the relatively moderate levels of inflation which have been experienced in North America in recent years have had a significant effect on our revenue or profitability. However, high inflation may lead to higher interest rates which might cause investment funds to move from equity securities to debt securities or cash equivalents.

THE YEAR 2000 ISSUE

We spent an aggregate of $2.8 million, of which we spent $1.3 million in 1999, to upgrade or replace computer and software systems in order to address potential problems related to the Year 2000 issue.

RECENT ACCOUNTING PRONOUNCEMENTS

In March 1998, the Accounting Standards Executive Committee issued Statement of Position 98-1 ACCOUNTING FOR THE COSTS OF COMPUTER SOFTWARE DEVELOPED OR OBTAINED FOR INTERNAL USE ("SOP 98-1"). SOP 98-1 provides guidance on accounting for the costs of computer software developed or obtained for internal use. It identifies the characteristics of internal-use software and provides examples to assist in determining when the computer software is for internal use. The Company has adopted this SOP effective January 1, 1999 which has had no material effect on the financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

MARKET PRICE RISK

As part of our full service equity trade execution business we do not engage in proprietary trading; however, at times we do hold positions overnight due to client or Company errors. Accordingly, we maintain policies and procedures regarding the management of our errors and accommodations proprietary trading accounts. It is our policy to attempt to trade out of all positions arising from errors and accommodations immediately while balancing our exposure to market risk which can arise from liquidating such positions. Accordingly, certain positions may be liquidated over a period of time in an effort to minimize market impact.

We have established approval policies that include review by the President (or his designee) and our compliance department of any proprietary trading activity. Our operations department reviews all open trades intraday in an effort to ensure that any open issues are addressed and resolved by the

close of the trading day. Additionally, our clearing broker notifies us of all known trade discrepancies on the day following the trade date.

We employ a cash management strategy which seeks to optimize excess liquid assets by preserving principal, maintaining liquidity to satisfy capital requirements, minimizing risk and maximizing our after tax rate of return. For working capital purposes, we invest only in money market instruments. Cash which is not needed for normal operations is invested in a tax efficient manner in instruments with appropriate maturities and levels of risk to correspond to expected liquidity needs. We currently have investments in municipal bonds, auction rate preferred bonds, common stock and convertible bonds. To the extent that we invest in marketable equity securities, we ensure portfolio liquidity by investing in marketable securities with active secondary or resale markets. We

do not use derivative financial instruments in our investment portfolio. At December 31, 1999 our cash and cash equivalents and securities owned were approximately $96.7 million.

We will from time to time, make investments that are considered strategic. These investments require approval of executive management and/or the board of directors. This component of our cash management strategy is reevaluated periodically. At December 31, 1999, investments in limited partnerships, venture capital investments and securities available for sale were approximately $15.9 million.

INTEREST RATE RISK

Our exposure to interest rate risk relates primarily to the interest-bearing portions of our investment portfolio. Our policy is to invest in high quality credit issuers, limit the amount of credit exposure to any one issuer and invest in tax efficient strategies. Our first priority is to reduce the risk of principal loss. We seek to preserve our invested funds by limiting default risk, market risk, and re-investment risk. We attempt to mitigate default risk by investing in high quality credit securities that we believe to be low risk and by positioning our portfolio to respond appropriately to reductions in the credit rating of any investment issuer or guarantor that we believe is adverse to our investment strategy.

Our interest-bearing investment portfolio primarily consists of short-term, high-credit quality money market funds, highly liquid variable rate municipal securities, convertible bonds and preferred stock. These investments totaled approximately $92.6 million at December 31, 1999. Our interest-bearing investments are not insured and because of the short-term high quality nature of the investments are not likely to fluctuate significantly in market value.

FOREIGN CURRENCY RISK

We are pursuing the international market in a variety of ways, including joint-ventures in Europe and Australia and the development of specially tailored versions of our services. Additionally, we maintain development facilities in Israel which focus on developing services for the European market. Our investments in these joint-ventures and development activities expose us to currency exchange fluctuations between the U.S. Dollar and the British Pound Sterling, Australian Dollar, Canadian Dollar and Israeli New Shekel. To the extent that our international activities recorded in local currencies increase in the future, our exposure to fluctuations in currency exchange rates will correspondingly increase. We have not engaged in foreign currency hedging activities. However, non-U.S. dollar cash balances held overseas are generally kept at levels necessary to meet current operating and capitalization needs.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

FINANCIAL REPORTS SECTION

MANAGEMENT'S RESPONSIBILITY FOR COMPLIANCE AND FINANCIAL REPORTING

TO THE SHAREHOLDERS:

The management of Investment Technology Group, Inc. is responsible for the integrity and objectivity of the financial information presented in this Annual Report. Financial information appearing throughout the Annual Report is consistent with that in the accompanying financial statements. The financial statements have been prepared by management of our company in conformity with generally accepted accounting principles in the United States. The financial statements reflect, where applicable, management's best judgments and estimates.

The management of our company has established and maintains an internal control structure and monitors that structure for compliance with established policies and procedures. The objectives of an internal control structure are to provide reasonable, but not absolute, assurance as to the integrity and reliability of the financial statements, the protection of assets from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization.

Management also recognizes its responsibility to foster and maintain a strong ethical environment within our company to ensure that its business affairs are conducted with integrity and in accordance with high standards of personal and corporate conduct. This responsibility is characterized and reflected in our company's Statement of Policy on Standards of Employee Conduct, which is distributed to all of our employees. As part of the monitoring system, we maintain Corporate Compliance Personnel, who have oversight responsibilities for administering and coordinating the application of these standards of conduct. Senior legal and compliance personnel have been directed to report compliance concerns directly to the President of our company. Ongoing oversight of compliance activities is the responsibility of our President.

Our board of directors appoints an audit committee composed solely of outside directors. The function of the audit committee is to oversee the accounting, reporting, audit and internal control policies and procedures established by our management. The committee meets regularly with management and the internal and independent auditors. The auditors have free access to the audit committee without the presence of management. The audit committee reports regularly to our board of directors on its activities, and such other matters as it deems necessary.

Our company's annual consolidated financial statements have been audited by KPMG LLP, independent auditors, who were appointed by the board of directors. Management has made available to KPMG LLP all of our company's financial records and related data, as well as the minutes of directors' meetings.

Furthermore, management believes that all its representations to KPMG LLP are valid and appropriate. In addition, KPMG LLP, in determining the nature and extent of their auditing procedures, considered our company's accounting procedures and policies and the effectiveness of the related internal control structure.

Management believes that, as of December 31, 1999, our company's internal control structure was adequate to accomplish the objectives discussed herein.

Raymond L. Killian, Jr. Chairman, Chief Executive Officer and President	Howard C. Naphtali Managing Director and Chief Financial Officer	Angelo Bulone Vice President and Controller

INDEPENDENT AUDITORS' REPORT

Board of Directors
Investment Technology Group, Inc. and Subsidiaries:

We have audited the accompanying consolidated statements of financial condition of Investment Technology Group, Inc. and subsidiaries (the "Company") as of December 31, 1999 and 1998, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Investment Technology Group, Inc. and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1999, in conformity with generally accepted accounting principles.

KPMG LLP

New York, New York
January 19, 2000

INVESTMENT TECHNOLOGY GROUP, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

	DECEMBER 31,	
	1999	1998
ASSETS		
Cash and cash equivalents	$ 53,081	$ 77,518
Securities owned, at fair value	43,612	39,615
Receivables from brokers, dealers and other, net	19,181	24,127
Due from affiliates	--	722
Investments in limited partnerships	13,922	1,000
Securities, available-for-sale, at fair value	2,023	--
Premises and equipment	20,229	19,662
Capitalized software	5,629	6,450
Goodwill	824	1,373

Deferred taxes	13,324	2,784
Other assets	7,663	7,455
Total assets	$179,488	$180,706
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued expenses	33,459	24,349
Payable to brokers, dealers and other	3,932	3,015
Software royalties payable	4,874	4,070
Securities sold, not yet purchased, at fair value	5,861	288
Due to affiliates	--	1,422
Income taxes payable	15,710	--
Income taxes payable to affiliate	--	3,853
Total liabilities	63,836	36,997
Commitments and Contingencies (Notes 14 and 16)		
STOCKHOLDERS' EQUITY:		
Preferred stock, par value $0.01; shares authorized: 1,000,000; shares issued: none	--	--
Common stock, par value $0.01; shares authorized: 100,000,000; shares issued: 32,179,106 in 1999 and 30,961,253 in 1998	322	310
Additional paid-in capital	96,534	51,395
Retained earnings	75,727	104,925
Common stock held in treasury, at cost; shares: 2,213,721 in 1999 and 1,300,333 in 1998	(58,052)	(12,760)
Accumulated other comprehensive income (loss):		
Currency translation adjustment	(7)	(161)
Unrealized gain on securities, available-for-sale, net of tax	1,128	--
Total stockholders' equity	115,652	143,709
Total liabilities and stockholders' equity	$179,488	$180,706

The accompanying Notes to Consolidated Financial Statements are integral parts of this statement.

INVESTMENT TECHNOLOGY GROUP, INC.

CONSOLIDATED STATEMENTS OF INCOME

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
REVENUES:			
Commissions			
POSIT	$129,364	$116,950	$ 75,362
Electronic trading desk	47,577	49,613	30,084
Client	51,019	42,151	30,136
Other	4,084	3,491	1,460
Total revenues	232,044	212,205	137,042
EXPENSES:			
Compensation and employee benefits	51,717	51,462	30,479
Transaction processing	32,282	26,920	21,413
Software royalties	16,851	15,247	9,848
Occupancy and equipment	13,295	11,886	9,204

Telecommunications and data processing services	9,428	8,138	6,605
Net loss on long-term investments	2,674	204	297
Spin-off costs	6,516	1,936	--
Other general and administrative	16,420	15,477	11,936
Total expenses	149,183	131,270	89,782
Income before income tax expense	82,861	80,935	47,260
Income tax expense	37,435	37,541	20,343
NET INCOME	$ 45,426	$ 43,394	$ 26,917
Basic net earnings per share of common stock	$ 1.48	$ 1.48	$ 0.93
Diluted net earnings per share of common stock	$ 1.42	$ 1.41	$ 0.89
Basic weighted average shares outstanding	30,691	29,302	29,004
Diluted weighted average shares and common stock equivalents outstanding	31,947	30,775	30,219

The accompanying Notes to Consolidated Financial Statements are integral parts of this statement.

INVESTMENT TECHNOLOGY GROUP, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

	PREFERRED STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	COMMON STOCK HELD IN TREASURY	ACCUMULATED COMPREHENSIVE INCOME (LOSS)	TOTAL STOCKHOLDERS' EQUITY
Balance at December 31, 1996	$ --	$298	$35,944	$34,614	$(3,763)	$ --	$ 67,093
Net income	--	--	--	26,917	--	--	26,917
Issuance of restricted stock (38,641 shares)	--	--	630	--	--	--	630
Issuance of common stock in connection with the employee stock option plan (150,327 shares)	--	2	1,868	--	--	--	1,870
Purchase of common stock for treasury (242,995 shares)	--	--	--	--	(2,747)	--	(2,747)
Balance at December 31, 1997	--	300	38,442	61,531	(6,510)	--	93,763
Issuance of common stock in connection with the employee stock option plan (917,377 shares)	--	10	12,648	--	--	--	12,658
Issuance of common stock in connection with the employee stock purchase plan (19,010 shares)	--	--	305	--	--	--	305
Purchase of common stock for treasury (347,021 shares)	--	--	--	--	(6,250)	--	(6,250)
Comprehensive income/(loss):							
Net income	--	--	--	43,394	--	--	43,394
Other comprehensive loss, net of tax ($0.00):							
Currency translation adjustment	--	--	--	--	--	(161)	(161)
Comprehensive income							43,233
Balance at December 31, 1998	--	310	51,395	104,925	(12,760)	(161)	143,709
Retirement of common stock held in treasury (1,300,333 shares)	--	(13)	(12,747)	--	12,760	--	--
Purchase of common stock for treasury (2,213,721 shares)	--	--	--	--	(58,052)	--	(58,052)
Payment of special cash dividend	--	--	--	(74,624)	--	--	(74,624)
Issuance of common stock in connection with the employee stock option plan (2,484,665 shares)	--	25	57,023	--	--	--	57,048
Issuance of common stock in connection with the employee stock purchase plan (34,206 shares)	--	--	863	--	--	--	863
Comprehensive income:							
Net income	--	--	--	45,426	--	--	45,426
Other comprehensive income:							
Currency translation adjustment	--	--	--	--	--	154	154
Unrealized holding gain on securities available-for-sale, net of tax ($895)	--	--	--	--	--	1,128	1,128
Comprehensive income							46,708
Balance at December 31, 1999	$ --	$322	$96,534	$75,727	$(58,052)	$1,121	$115,652

The accompanying Notes to Consolidated Financial Statements are integral parts of this statement.

INVESTMENT TECHNOLOGY GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(DOLLARS IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
Cash flows from operating activities:			
Net income	$45,426	$43,394	$26,917
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred income tax benefit	(11,435)	(324)	(103)
Depreciation and amortization	12,835	11,599	6,642
Undistributed loss of affiliates	2,985	3,535	441
Provision for doubtful receivables	228	96	84
Decrease (increase) in operating assets:			
Securities owned, at fair value	(3,997)	(2,258)	(12,199)
Receivables from brokers, dealers and other, net	4,718	(14,092)	(2,468)
Due from affiliates	722	643	94
Investments in limited partnerships	(422)	9,935	(5,742)
Other assets	(397)	(4,620)	(6,930)
Increase (decrease) in operating liabilities:			
Accounts payable and accrued expenses	9,210	11,786	4,118
Payable to brokers, dealers and other	917	2,078	933
Software royalties payable	804	1,407	389
Securities sold, not yet purchased, at fair value	5,573	285	(1,223)
Due to affiliates	(1,422)	(701)	200
Income taxes payable	15,710	--	--
Income taxes payable to affiliate	(3,853)	2,365	(147)
NET CASH PROVIDED BY OPERATING ACTIVITIES	77,602	65,128	11,006
Cash flows from investing activities:			
Purchase of premises and equipment	(8,792)	(7,658)	(15,679)
Sale of equity investment	--	8,049	--
Purchase of investments in limited partnerships	(12,500)	--	--
Investment in joint venture	(2,897)	(4,790)	--
Capitalization of software development costs	(3,239)	(4,025)	(4,422)
NET CASH USED IN INVESTING ACTIVITIES	(27,428)	(8,424)	(20,101)
Cash flows from financing activities:			
Dividends paid	(74,624)	--	--
Purchase of common stock for treasury	(58,052)	(6,250)	(2,747)
Issuance of common stock in connection with employee stock option plan	57,911	12,962	2,500
NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES	(74,765)	6,712	(247)
Effect of foreign currency translation on cash and cash equivalents	154	(161)	--
Net (decrease) increase in cash and cash equivalents	(24,437)	63,255	(9,342)
Cash and cash equivalents -- beginning of year	77,518	14,263	23,605
Cash and cash equivalents -- end of year	$53,081	$77,518	$14,263
Supplemental cash flow information:			
Interest paid	$ 39	$ 20	$ 146
Income taxes paid to non-affiliate	$ 248	$ --	$ --
Income taxes paid to affiliate	$ 6,538	$30,296	$19,947

The accompanying Notes to Consolidated Financial Statements are integral parts of this statement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) ORGANIZATION AND BASIS OF PRESENTATION

The Consolidated Financial Statements include the accounts of Investment Technology Group, Inc. and its wholly-owned subsidiaries ("ITG"), which principally include: (1) ITG Inc., a broker-dealer in equity securities, (2) Investment Technology Group International Limited, which is a 50% partner in the ITG Europe joint venture, and (3) ITG Australia Holdings Pty Limited, which is a 50% partner in ITG Pacific Holdings Pty Limited. Our investments in the ITG Europe joint venture and ITG Pacific Holdings Pty Limited are accounted for using the equity method.

We are a leading financial technology firm that provides a fully integrated set of value-added electronic equity analysis and trade execution tools. We provide services that help our clients optimize their portfolio construction and trading strategies, efficiently access liquidity in multiple markets and achieve superior, low-cost trade execution. Our clients are major institutional investors and broker/ dealers. Our products include: POSIT, the world's largest electronic equity matching system; QuantEX, a Unix-based decision-support, trade management and order routing system; ITG Platform, a PC-based order routing and trade management system; ACE and TCA, a set of pre- and post-trade tools for systematically analyzing and lowering the costs of trading; SmartServers, which offer server based implementation of trading strategies; ITG/OPT, a computer-based equity portfolio selection system; and research, development, sales and consulting services to clients.

SPIN-OFF FROM JEFFERIES GROUP

On April 27, 1999, we were effectively spun off from Jefferies Group, Inc ("Jefferies Group"). The spin-off was effected through a series of transactions including our merger with and into Jefferies Group, with Jefferies Group surviving the merger and being renamed Investment Technology Group, Inc. ("New ITG"). The merger occurred following the transfer by Jefferies Group of substantially all of its assets and liabilities to its wholly-owned subsidiary ("New Jefferies"), and the pro rata distribution by Jefferies Group to its stockholders of all of the New Jefferies common stock. After these transactions, New Jefferies owned all of the assets of Jefferies Group other than Jefferies Group's equity interest in ITG, and Jefferies Group's existing stockholders owned all of the equity interest in New Jefferies. Following the merger, New Jefferies was renamed Jefferies Group, Inc., and, through its subsidiaries, carries on the businesses of Jefferies Group prior to the transactions (other than the businesses of our company).

In connection with these transactions, on April 21, 1999, we paid a special cash dividend of $4.00 per share, payable pro rata to all of our stockholders of record as of April 20, 1999, including Jefferies Group. The aggregate amount of the special cash dividend was $74.6 million, of which we paid $60.0 million to Jefferies Group. As a result of the merger and based upon the number of shares of Jefferies Group common stock outstanding on the date of the merger (23,931,814) and the number of shares of the ITG common stock held by Jefferies Group (15,000,000), ITG's stockholders, other than Jefferies Group, received 1.5955 shares of common stock of New ITG for each share of ITG common stock held by them. Through December 31, 1999, ITG had incurred spin-off costs of approximately $8.4 million, consisting of approximately $1.9 million in 1998 and approximately $6.5 million in 1999. The merger and related transactions resulted in the stockholders of Jefferies Group becoming direct stockholders of our company and Jefferies Group ceasing to be our parent company. The merger was accounted for as a "merger of entities under common control" in accordance with generally accepted accounting principles and accordingly, reflected the historical cost basis of assets and liabilities of ITG.

All material intercompany balances and transactions have been eliminated in consolidation. The consolidated financial statements reflect all adjustments, which are in the opinion of management, necessary for the fair statement of results.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CASH AND CASH EQUIVALENTS

We have defined cash and cash equivalents as highly liquid investments, with original maturities of less than ninety days, which are part of our cash management activities.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Substantially all of our financial instruments are carried at fair value or amounts approximating fair value. Cash and cash equivalents, securities owned and certain receivables, are carried at fair value or contracted amounts which approximate fair value due to the short period to maturity and repricing characteristics. Similarly, liabilities are carried at amounts approximating fair value. Securities sold, not yet purchased are valued at quoted market prices.

SECURITIES TRANSACTIONS

Revenues primarily consist of commissions from customers' use of our trade execution and analytical services. We record as POSIT revenue any order that is executed on the POSIT system regardless of the manner in which the order was submitted to POSIT. We collect a commission from each side of a trade matched on POSIT. We record as Electronic Trading Desk revenue any order that is handled by our trading desk personnel and executed at any trade execution destination other than POSIT. We record as Client revenue any order that is sent by our clients, through our front-end systems but without assistance from the Electronic Trading Desk, to any third party trade execution destination. Other revenue primarily consists of interest income earned on our portfolio of investments, interest income/expense and market gains/losses resulting from temporary positions in securities assumed in the normal course of our agency trading business, and fees earned in developing specially tailored versions of our services for the international market and the related royalties earned from the usage of these services.

Receivable from brokers, dealers and other, net consists of commissions receivable and amounts receivable for securities transactions that have not yet reached their contractual settlement date, net of an allowance for doubtful accounts. Transactions in securities, commission revenues and related expenses are recorded on a trade-date basis.

Securities owned, at fair value as of December 31, 1999 and 1998 consisted primarily of highly liquid, variable rate municipal securities and auction rate preferred stock, common stock and convertible bonds.

Investments in limited partnerships consisted of investments in hedge funds investing in marketable securities and a venture capital fund. The investments in hedge funds are carried at the market value of the underlying securities. Gains and losses are recognized in the consolidated statements of income for changes in market values. The investment in a venture capital fund is carried at market value.

Securities, available-for-sale, at fair value consisted of a single investment in marketable equity securities as part of Investment Technology Group, Inc.'s investing activities. Unrealized gains and losses resulting from this investment are reported net of tax in other comprehensive income in the consolidated statements of financial condition. Realized gains or losses are reflected in the statements of income when the security is ultimately sold.

CAPITALIZED SOFTWARE

We capitalize software development expenses where technological feasibility of the product has been established. Technological feasibility is established when we have completed all planning, designing, coding and testing activities that are necessary to establish that the product can be produced

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
to meet design specifications. The assessment of recoverability of capitalized software development costs requires considerable judgment by management with respect to certain external factors, including, but not limited to, anticipated future gross revenues, estimated economic life and changes in software and hardware technologies. We are amortizing capitalized software costs using the straight-line method over the estimated economic useful life, the life of which is generally under two years. Amortization begins when the product is available for release to customers.

GOODWILL

In May 1991, Jefferies Group acquired Integrated Analytics Corporation ("IAC") and contributed its business to ITG in 1992. IAC's principal product, MarketMind, was used to develop our QuantEX product. Goodwill, which represents the excess of purchase price for IAC over the fair value of the IAC net assets acquired, is amortized on a straight-line basis over ten years. We assess the recoverability of this intangible asset by determining whether the amortization of the goodwill balance over its remaining life can be recovered through undiscounted future operating cash flows of the acquired operation. At December 31, 1999 and 1998, net goodwill amounted to $0.8 million and $1.4 million, respectively, net of accumulated amortization of $4.5 million and $3.9 million, respectively.

INCOME TAXES

Until April 27, 1999, we were a member of Jefferies Group's affiliated tax group ("Group") for purposes of filing a Federal income tax return (i.e., Jefferies Group owned more than 80% of ITG). With respect to tax periods ending prior to April 28, 1999, our tax liability was determined on a "separate return" basis. That is, we were required to pay to Jefferies Group our proportionate share of the Group's consolidated tax liability plus any excess of our "separate" tax liability (assuming a separate tax return were to be filed by us) over our proportionate amount of the consolidated Group tax liability. Alternatively, Jefferies Group was required to pay us an "additional amount" for the amount by which the consolidated tax liability of the Group was decreased by reason of our inclusion in the Group.

Income taxes are accounted for on the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

PREMISES AND EQUIPMENT

Premises and equipment are carried at cost and are depreciated using the straight-line method over the estimated useful lives of the assets (generally three to five years). Leasehold improvements are amortized using the straight-line method over the lesser of the estimated useful lives of the related assets or the non-cancelable lease term.

EXPENSES

COMPENSATION AND EMPLOYEE BENEFITS include base salaries, bonuses, employment agency fees, part-time employee compensation, capitalized software (Note 5) and fringe benefits, including employer contributions for medical insurance, life insurance, retirement plans and payroll taxes. TRANSACTION PROCESSING consists of floor brokerage and clearing fees and connection fees for use of certain third

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

party execution services. SOFTWARE ROYALTIES are payments to BARRA, Inc., our joint venture partner in POSIT. Royalty payments are calculated at an effective rate of 13% of adjusted POSIT revenues. OCCUPANCY AND EQUIPMENT includes rent, depreciation, amortization of leasehold improvements, maintenance, utilities, occupancy taxes and property insurance. TELECOMMUNICATIONS AND DATA PROCESSING SERVICES include costs for computer hardware, office automation and workstations, data center equipment, market data services and voice, data, telex and network communications. NET LOSS ON LONG-TERM INVESTMENTS includes goodwill amortization, equity (gain) loss, and initial start up costs associated with ITG Europe and ITG Australia and the net gain on the sale of the investment in the LongView Group, Inc. SPIN-OFF COSTS include legal, accounting, consulting and various other expenses related to our spin-off and upstream merger discussed in Note 1. OTHER GENERAL AND ADMINISTRATIVE includes goodwill and software amortization, legal, audit, tax, consulting, travel and promotional expenses.

RESEARCH AND DEVELOPMENT

All research and development costs are expensed as incurred. Research and development costs were $9.7 million, $8.6 million and $5.3 million for 1999, 1998 and 1997, respectively.

USE OF ESTIMATES

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

RECLASSIFICATIONS

Certain reclassifications have been made to the prior years' amounts to conform to the current year's presentation.

EARNINGS PER SHARE

In February 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 128, EARNINGS PER SHARE, which is effective for financial statements for both interim and annual periods ending after December 15, 1997. As of December 31, 1997 we were required to change the method then used to compute earnings per share and to restate all prior periods presented. Under the new SFAS, we are required to report both basic and diluted earnings per share. Basic earnings per share is determined by dividing earnings by the average number of shares of common stock outstanding, while diluted earnings per share is determined by dividing earnings by the average number of shares of common stock adjusted for the dilutive effect of common stock equivalents.

Net earnings per share of common stock, is based upon an adjusted weighted average number of shares of common stock outstanding to reflect our spin-off from Jefferies Group.

DIVIDENDS

Any future payments of dividends will be at the discretion of our Board of Directors and will depend on our financial condition, results of operations, capital requirements and other factors deemed relevant.

(3) SECURITIES AVAILABLE FOR SALE

At December 31, 1999, we had securities available for sale representing a single equity ownership in one issuer. The fair value and total gain was $2.0 million as we originally had a basis of zero in the investment. The net unrealized holding gain, net of tax, of $1.1 million is recorded as an item of accumulated other comprehensive income. There were no securities classified as available for sale in 1998.

(4) PREMISES AND EQUIPMENT

The following is a summary of premises and equipment at December 31,:

	1999	1998
	(DOLLARS IN THOUSANDS)	
Furniture, fixtures and equipment	$36,109	$29,007
Leasehold improvements	8,195	6,505
	44,304	35,512
Less: accumulated depreciation and amortization	24,075	15,850
Total	$20,229	$19,662

Capital expenditures in the schedule above are primarily for computer-related equipment.

Depreciation and amortization expense amounted to $8,226,000, $7,502,000, and $4,614,000 in 1999, 1998, and 1997, respectively.

(5) CAPITALIZED SOFTWARE COSTS

The following is a summary of capitalized software costs at December 31,:

	1999	1998
	(DOLLARS IN THOUSANDS)	
Capitalized software costs	$17,474	$14,235
Less: accumulated amortization	11,845	7,785
Total	$ 5,629	$ 6,450

Approximately $3,239,000 of software costs were capitalized in 1999 primarily for the development of new versions of QuantEX, ITG Platform and TCA. In addition, approximately $3,105,000 of total capitalized software costs were not subject to amortization as of December 31, 1999, as certain products have reached technological feasibility but were not yet available for release to customers.

Capitalized software costs are being amortized over one to two years, the life of which is generally less than two years. In 1999, 1998 and 1997, we included $4,060,000, $3,548,000 and $1,478,000, respectively, of amortized

software costs in other general and administrative expenses.

(6) INCOME TAXES

We account for income taxes on a separate-return basis. During 1999, our operations were included in the consolidated Federal income tax return of Jefferies Group and subsidiaries through the spin-off date of April 27, 1999.

All income tax payments due to/from Jefferies for the period through the spin-off date were made pursuant to a Tax Sharing Agreement (the "Agreement") between Jefferies Group and ITG. The

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(6) INCOME TAXES (CONTINUED)
Agreement provided the method by which the Federal, state and local income or franchise tax liabilities of subsidiaries of Jefferies were allocated and the manner in which allocated liabilities were paid.

Income tax expense (benefit) consists of the following components:

	1999	1998	1997
	(DOLLARS IN THOUSANDS)		
Current			
Federal	$33,303	$26,624	$14,220
State	15,492	11,241	6,226
Foreign	75	--	--
	48,870	37,865	20,446
Deferred			
Federal	(7,154)	(338)	(62)
State	(4,281)	14	(41)
	(11,435)	(324)	(103)
Total	$37,435	$37,541	$20,343

Deferred income taxes are provided for temporary differences in reporting certain items, principally deferred compensation. The tax effects of temporary differences that gave rise to the deferred tax asset at December 31, 1999 and 1998 were as follows:

	1999	1998
	(DOLLARS IN THOUSANDS)	
Deferred compensation	$ 5,140	$1,745
Deduction for accrued state and local taxes	5,060	1,345
Depreciation	3,920	(916)
Other	(796)	610
Total	$13,324	$2,784

Management believes that it is more likely than not that the taxable income from carryback years, future reversals of existing taxable temporary differences and anticipated future taxable income will be sufficient to realize the deferred tax benefit. As a result, at December 31, 1999 and 1998, valuation allowances have not been recorded against deferred tax assets. Although realization is not assured, management believes it is more likely than not that the deferred tax

assets will be realized. However, if estimates of future taxable income during the carryforward period are reduced, the amount of deferred tax asset considered realizable will also be reduced.

At December 31, 1999 and 1998, we had income taxes payable to Jefferies Group and state and local agencies of $15,710,000 and $3,853,000, respectively.

(6) INCOME TAXES (CONTINUED)

The provision for income tax expense differs from the expected Federal income tax rate of 35% for 1999, 1998 and 1997 for the following reasons:

	1999	1998	1997
	(DOLLARS IN THOUSANDS)		
Computed expected income tax expense	$29,001	$28,327	$16,541
Increase in income taxes resulting from:			
State & local income tax expense, net of Federal income taxes	7,287	7,316	4,020
Non-deductible foreign losses	854	860	--
Other	293	1,038	(218)
Total income tax expense	$37,435	$37,541	$20,343

(7) EMPLOYEE BENEFIT PLANS

ITG PLANS

Effective January 1, 1999, all employees employed as of that date were immediately eligible to participate in the Investment Technology Group, Inc. Retirement Savings Plan and the Investment Technology Group, Inc. Money Purchase Pension Plan (the "Plans"). These Plans include all eligible compensation (base salary, bonus, commissions, options and overtime) up to the Internal Revenue Service annual maximum, or $160,000 for 1999. The Plans' features include a guaranteed Company contribution of 3% of eligible pay to be made to all eligible employees regardless of participation in the Plans, a discretionary Company contribution based on total consolidated Company profits between 0% and 8% of eligible compensation regardless of participation in the Plans and a Company matching contribution of 66 2/3% of voluntary employee contributions up to a maximum of 6% of eligible compensation per year. The 1999 cost for the Plans was $2,782,000 and is included in the consolidated statements of income.

Effective January 1, 1998, selected members of senior management and key employees participated in the Stock Unit Award Program ("SUA"), a mandatory tax-deferred compensation program established under the Amended and Restated 1994 Stock Option and Long-term Incentive Plan. Under the SUA, selected participants of the Company are required to defer receipt of (and thus defer taxation on) a graduated portion of their total cash compensation for units representing common stock equal in value to 115% of the compensation deferred. Each participant is automatically granted units, as of the last day of each calendar quarter based on participant's actual or assigned compensation reduction. The units are at all times fully vested and non-forfeitable. The units are to be settled on or after the third anniversary of the date of grant. We included the participants' deferral in compensation expense and recognized additional compensation expense of $405,000 and $477,000 in 1999 and 1998, respectively, which represents the 15% excess over the amount actually deferred by the participants. At December 31, 1999 and 1998, we had 106,329 and 190,642 units, respectively, issued to the employees in the SUA. Such units are included in the calculation of diluted weighted average shares outstanding in order to determine diluted earnings per share.

In November 1997, our Board of Directors approved the ITG Employee Stock Purchase Plan ("ESPP"). The ESPP became effective February 1, 1998 and allows all full-time employees to purchase our Common Stock at a 15% discount through automatic payroll deductions. The ESPP is qualified as an employee stock purchase plan under Section 423 of the Internal Revenue Code.

(7) EMPLOYEE BENEFIT PLANS (CONTINUED)

JEFFERIES GROUP PLANS

All our employees who were citizens or residents of the United States, who were 21 years of age by December 31, 1997, whose initial date of service was before January 1, 1998 and who had completed one year of service with us were covered by the Jefferies Group Employees' Pension Plan (the "Jefferies Pension Plan"), a defined benefit plan. The plan was subject to the provisions of the Employee Retirement Income Security Act of 1974. Benefit accruals for our employees ceased as of February 15, 1999, and the entire benefit of each employee who was employed on December 31, 1998 vested at that time. Additionally, participants who had attained age 45 and were credited with at least 5 years of vesting service as of February 15, 1999 received enhanced benefits under the Jefferies Pension Plan, and our employees whose initial date of service was on or after April 1, 1997 and prior to January 1, 1998 retroactively become participants in the Jefferies Pension Plan.

The net periodic pension cost allocated to us was $1,100,000, $819,000 and $208,000 in 1999, 1998 and 1997, respectively and is included in the consolidated statements of income.

Jefferies Group incurred expenses related to various benefit plans covering substantially all ITG employees, including an Employee Stock Purchase Plan ("Jefferies ESPP") and a profit sharing plan, which includes a salary reduction feature designed to qualify under Section 401(k) of the Internal Revenue Code. As of February 1, 1998, our employees were no longer eligible to participate in the Jefferies ESPP and as of December 31, 1998 were no longer eligible to participate in the profit sharing plan.

Jefferies Group also incurred expenses related to a Capital Accumulation Plan for certain officers and key employees of Jefferies Group and ITG. Participation in the plan was optional, with those who elected to participate agreeing to defer graduated percentages of their compensation. As of January 1, 1998 employees were no longer eligible to defer compensation in Jefferies Group's Capital Accumulation Plan which was replaced with our SUA as described above.

For 1999, 1998 and 1997, we expensed and contributed to these plans $164,000, $2,568,000, and $2,096,000, respectively and these amounts are included in the consolidated statements of income.

In May 1999, assets of the Jefferies Employee Stock Ownership Plan were transferred into an ITG Employee Stock Ownership Plan. No new contributions will be made to the plan and all participants are 100% vested.

(8) RELATED PARTY TRANSACTIONS

Jefferies Group and its affiliates provided various services to us during 1999 as described below. Prior to the spin-off from Jefferies Group on April 27, 1999, these were related party transactions.

Pursuant to the Agreement and Plan of Merger (the "Merger Agreement") dated as of March 17, 1999 between Jefferies Group and the Company, transaction expenses, as defined in the Merger Agreement, related to the spin-off were allocated and shared. Amounts paid to Jefferies Group in 1999 and 1998, were $4,600,000 and $2,000,000, respectively.

Pursuant to a service agreement, Jefferies & Company provided us specified administrative services, at fixed monthly costs. Administrative services included accounting, payroll, compliance services, personnel services, legal services, data processing and telecommunications. All services were terminated on December 31, 1998, except for certain personnel and accounting services that were terminated as of May 31, 1999 and June 30, 1999, respectively. The costs of such services to us prior to the spin-off in 1999, 1998 and 1997 were $161,000, $1,186,000 and $1,162,000, respectively.

We paid to Jefferies & Company an aggregate of $47,000, $250,000 and $247,000 prior to the spin-off in 1999, 1998 and 1997, respectively, as compensation to Jefferies & Company's account executives for introducing customers to POSIT pursuant to a revenue sharing agreement. This agreement terminated according to its terms on March 15, 1999. Such termination did not affect fees payable in accordance with the above revenue sharing agreement with respect to customers introduced prior to January 1, 1999.

Jefferies & Company provided substantially all of our clearing services, pursuant to a Fully Disclosed Clearing Agreement ("Clearing Agreement"). Aggregate costs of such services to us were $4.9 million, $11.9 million and $9.3 million prior to the spin-off in 1999, 1998 and 1997, respectively, and included in transaction processing expenses. In addition, included in revenues are financing costs resulting from temporary positions in securities assumed in the normal course of business of $665,000, $911,000 and $415,000 prior to the spin-off in 1999, 1998 and 1997, respectively, paid to Jefferies & Company.

ITG Inc. and Jefferies & Company entered into a new Clearing Agreement on substantially similar terms as the initial Clearing Agreement with an initial term of January 2, 1999 to June 30, 2000. The Clearing Agreement renews automatically for one-year terms and is subject to termination at any time by either party on 180 days' written notice or upon default by the other party.

W&D Securities, Inc., a subsidiary of Jefferies, performed certain execution services for us on the New York Stock Exchange and other exchanges. The costs of these execution services were $5.0 million, $13.6 million and $10.8 million prior to the spin-off in 1999, 1998 and 1997, respectively, and were primarily included in transaction processing expense. W&D Securities, Inc. and ITG Inc. entered into a new execution agreement with an initial term of January 1, 1999 to June 30, 2000. Also, included in revenues, are licensing and consulting fees paid by W&D Securities, Inc. amounting to $50,000, $165,000 and $150,000 prior to the spin-off in 1999, 1998 and 1997, respectively.

Included in other general and administrative expenses are fees paid to Jefferies International Limited of $35,000, $767,000 and $330,000 prior to the spin-off in 1999, 1998 and 1997, respectively, for various broker and administrative services.

Jefferies & Company has executed trades in an agency capacity for certain of its customers using our services. Commission fees of $0.8 million, $4.8 million and $3.1 million prior to the spin-off in 1999, 1998 and 1997, respectively, and are included in our revenues.

(8) RELATED PARTY TRANSACTIONS (CONTINUED)

Pursuant to a software license agreement between Investment Technology Group International Limited ("ITGIL") and Investment Technology Group SG Limited ("ITG SG"), ITGIL invoiced ITG SG $1.7 million and $2.2 million in 1999 and 1998, respectively, for development services.

In 1999, ITG Inc. entered into a service agreement with our affiliates, Investment Technology Group Limited and ITG Australia Ltd., under which ITG Inc. provides introductory brokerage and related services. Fees for these services are included in revenues and amounted to $846,000 and $134,000, respectively.

In 1999, we received royalty revenue from our affiliates, ITG

Australia Ltd. and ITG SG in the amount of $14,000 and $389,000, respectively, pursuant to software license agreements.

Transactions with affiliates are provided at arms length and are settled in the normal course of business by ITG Inc. Throughout the Notes to Consolidated Financial Statements there are other related party transactions (see Notes 7 and 16).

(9) OFF BALANCE SHEET RISK AND CONCENTRATIONS OF CREDIT RISK

In the normal course of business, we are involved in the execution of various customer securities transactions. Securities transactions are subject to the credit risk of counter party or customer nonperformance. However, transactions are collateralized by the underlying security, thereby reducing the associated risk to changes in the market value of the security through settlement date. Therefore, the settlement of these transactions is not expected to have a material effect upon our financial statements. It is also our policy to review, as necessary, the credit worthiness of each counter party and customer.

(10) NET CAPITAL REQUIREMENT

ITG Inc. is subject to the Uniform Net Capital Rule (Rule 15c3-1) under the Securities Exchange Act of 1934, which requires the maintenance of minimum net capital. ITG Inc. has elected to use the alternative method permitted by Rule 15c3-1, which requires that ITG Inc. maintain minimum net capital, as defined, equal to the greater of $250,000 or 2% of aggregate debit balances arising from customer transactions, as defined.

At December 31, 1999, ITG Inc. had net capital of $39.3 million, which was $39.1 million in excess of required net capital.

(11) STOCK OPTIONS PLAN

At December 31, 1999, we had a non-compensatory stock option plan. All reported amounts prior to April 27, 1999 have been retroactively restated to reflect our spin-off from Jefferies Group.

Under the Amended and Restated 1994 Stock Option and Long-term Incentive Plan (the "1994 Plan"), non-compensatory options to purchase 5,932,000 shares of our Common Stock are reserved for issuance under the plan. Shares of Common Stock which are attributable to awards which have expired, terminated or been canceled or forfeited during any calendar year are generally available for issuance or use in connection with future awards during such calendar year. Options that have been granted under the 1994 Plan are exercisable on dates ranging from May 1997 to June 2009. The 1994 Plan will remain in effect until March 31, 2007, unless sooner terminated by the Board of Directors. After this date, no further stock options shall be granted but previously granted stock options shall remain outstanding in accordance with their applicable terms and conditions, as stated in the 1994 Plan.

(11) STOCK OPTIONS PLAN (CONTINUED)

In June 1995, the Board of Directors adopted, subject to stockholder approval, the Non-Employee Directors' Plan. The Non-Employee Directors' Plan generally provides for an annual grant to each non-employee director of an option to purchase 4,094 shares of Common Stock. In addition, the Non-Employee Directors' Plan provides for the automatic grant to a non-employee director, at the time he or she is initially elected, of a stock option to purchase 16,376 shares of Common Stock. Stock options granted under the Non-Employee Directors' Plan are non-qualified stock options having an exercise price equal to the fair market value of the Common Stock at the date of grant. All stock options become exercisable three months after the date of grant. Stock options granted under the Non-Employee Directors' Plan expire five years after the date of grant. A total of 204,700 shares of Common Stock are reserved and available for issuance under the Non-Employee Directors' Plan.

We apply APB Opinion No. 25 and related Interpretations in accounting for our non-compensatory stock option plans. Accordingly, no compensation costs have been recognized for our stock option plan. Had compensation cost for our stock option plans been determined consistent with SFAS No. 123, our net income and earnings per share would have been reduced to the pro forma amounts indicated below (dollars in thousands, except per share data):

		1999	1998	1997
Net income	As reported	$45,426	$43,394	$26,917
	Pro forma	$43,482	$41,713	$23,375
Basic net earnings per share of common stock	As reported	$ 1.48	$ 1.48	$ 0.93
	Pro forma	$ 1.42	$ 1.42	$ 0.81
Diluted earnings per share common stock	As reported	$ 1.42	$ 1.41	$ 0.89
	Pro forma	$ 1.36	$ 1.36	$ 0.77

The fair value of each option grant is estimated on the date of grant using the Black Scholes option valuation model with the following weighted average assumptions used for grants in 1999, 1998 and 1997, respectively: zero dividend yield for all years; risk free interest rates of 5.3, 5.5, and 6.6 percent, respectively; expected volatility of 50, 45, and 54 percent, respectively; and expected lives of five, seven, and five years, respectively.

A summary of the status of our stock option plan as of December 31, 1999, 1998, and 1997 and changes during the years ended on those dates is presented below:

	1999		1998		1997	
FIXED OPTIONS	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	4,729,565	$ 9.90	5,663,178	$ 9.54	3,784,593	$ 7.30
Granted	1,264,977	36.13	36,846	18.04	2,033,743	13.61
Exercised	(2,486,909)	10.40	(930,669)	7.90	(154,342)	7.94
Forfeited	(5,294)	11.90	(39,790)	12.47	(816)	7.94
Outstanding at end of year	3,502,339	19.01	4,729,565	9.90	5,663,178	9.54
Options exercisable at year-end	2,105,982	9.38	4,458,012	9.63	2,846,025	9.31
Weighted average fair value per share of options granted during the year	$ 18.09		$ 9.57		$ 6.57	

(11) STOCK OPTIONS PLAN (CONTINUED)

The following table summarizes information about fixed stock options outstanding at December 31, 1999:

		OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES		NUMBER OUTSTANDING AT DECEMBER 31, 1999	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT DECEMBER 31, 1999	WEIGHTED AVERAGE EXERCISE PRICE
$ 4.58	9.00	1,308,717	0.9	$ 6.20	1,308,717	$ 6.20
9.01	15.00	776,458	2.3	13.11	696,389	13.19
15.01	20.00	152,187	7.2	17.07	68,124	16.99
20.01	31.00	174,725	5.3	24.37	--	--
31.01	42.13	1,090,252	4.4	38.01	32,752	39.32
$ 4.58	42.13	3,502,339	2.8	19.01	2,105,982	9.38

During 1999, we granted 100,247 units representing restricted stock awards

under our Stock Unit Award deferred compensation plan. During 1998, we granted 190,467 units representing restricted stock awards under our Stock Unit Award deferred compensation plan. See Note 7--EMPLOYEE BENEFIT PLANS. Although the 1994 Plan allows for the granting of performance-based stock options, no such options were granted during 1999, 1998 and 1997 and no such options were outstanding at December 31, 1999, 1998 and 1997.

Restricted stock of 38,641 shares was granted in 1997 as part of the settlement of our equity investment in The LongView Group. The restriction period was for one year.

In 1997, we granted to Scott P. Mason, our then President and CEO, a non-qualified stock option to acquire 1,637,601 shares of Common Stock, having an exercise price of $13.54. During 1997, 655,040 of these options became exercisable. Upon Mr. Mason's death in 1998, the remaining 982,561 options were deemed by the board to be exercisable. The effects of such decision resulted in additional compensation expense of $2.8 million at December 31, 1998. The options expire in September 2000.

(12) INTEREST EXPENSE

Included in other general and administrative expenses is interest expense of $58,000, $20,000 and $146,000 for 1999, 1998 and 1997, respectively.

(13) ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at December 31, 1999 and 1998 consisted of the following;

	1999	1998
	(DOLLARS IN THOUSANDS)	
Accounts payable and accrued expenses	$12,334	$ 8,633
Deferred compensation	9,424	3,801
Deferred options	2,280	2,778
Accrued soft dollar expenses	6,688	6,692
Accrued rent expense	2,733	2,445
Total	$33,459	$24,349

(14) LEASE COMMITMENTS

We entered into lease and sublease agreements with third parties for certain offices and equipment, which expire at various dates through 2013. Rent expense for the years ended December 31, 1999, 1998 and 1997 was $3.5 million, $3.2 million and $2.6 million, respectively. Minimum future rentals under non-cancelable operating leases follow (dollars in thousands):

YEAR ENDING DECEMBER 31,	
2000	$ 4,279
2001	4,384
2002	4,608
2003	4,685
2004	4,582
Thereafter	30,343
Total	$52,881

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(15) EARNINGS PER SHARE

Net earnings per share of common stock, is based upon an adjusted weighted average number of shares of common stock outstanding adjusted to reflect our spin-off from Jefferies Group. The average number of outstanding shares for the years ended December 31, 1999, 1998 and 1997 were 30.7 million, 29.3 million and 29.0 million, respectively.

The following is a reconciliation of the basic and diluted earnings per share computations for the years ended December 31, 1999, 1998 and 1997.

	1999	1998	1997
	(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)		
Net income for basic and diluted earnings per share.....	$45,426	$43,394	$26,917
Shares of common stock and common stock equivalents:			
Average number of common shares.....	30,691	29,302	29,004
Average shares used in basic computation.....	30,691	29,302	29,004
Effect of dilutive securities--options.....	1,256	1,473	1,215
Average shares used in diluted computation.....	31,947	30,775	30,219
Earnings per share:			
Basic.....	$ 1.48	$ 1.48	$ 0.93
Diluted.....	$ 1.42	$ 1.41	$ 0.89

(16) COMMITMENTS AND CONTINGENCIES

In 1998, we received a "30-day letter" proposing certain adjustments which, if sustained, would result in a tax deficiency of approximately $9.6 million plus interest. The adjustments proposed relate to (i) the disallowance of deductions taken in connection with the termination of certain compensation plans at the time of our initial public offering in 1994 and (ii) the disallowance of tax credits taken in connection with certain research and development expenditures. We believe that the tax benefits in question were taken properly and intend to vigorously contest the proposed adjustments. Based on the facts and circumstances known at this time, we are unable to predict when this matter will be resolved or the costs associated with its resolution.

(16) COMMITMENTS AND CONTINGENCIES (CONTINUED)

In February 1999, we became aware of patents purportedly owned by Belzberg Financial Markets & News International Inc. and Sydney Belzberg, an officer of that company (the "Belzberg Patents"). One or more of the Belzberg Patents may relate to the devices, means and/or methods that we and/or customers, licensees or joint venture partners use in the conduct of business. On March 5, 1999, a Canadian licensee of some of our technology, received a letter asserting that the licensee was infringing one of the Belzberg Patents. The licensee has denied the claims of infringement and has asserted that the Belzberg Patent at issue is invalid or unenforceable. Under certain conditions, we may have a duty to defend or indemnify the licensee for any costs or damages arising out of an infringing use of the technology we have licensed to them. We are monitoring the matter and may participate in any challenge to the Belzberg Patent the licensee may make.

We are unaware of any actual claims of patent infringement leveled against us or any of our customers or joint venture partners by any of the title owners of the Belzberg Patents. Based upon our review to date we believe that any such claims arising out of the Belzberg Patents would be without merit and we would

vigorously defend any such claim, including, if warranted, initiating legal proceedings. However, intellectual property disputes are subject to inherent uncertainties and there can be no assurance that any potential claim would be resolved favorably to us or that it would not have a material adverse affect on us. We will monitor the Belzberg Patent situation and take action accordingly.

We may continue to be liable for certain liabilities of our former parent, Jefferies Group, despite the express assignment of such liabilities to, and the express assumption of such liabilities by, New Jefferies. Pursuant to the distribution agreement, benefits agreement and tax sharing and indemnification agreement executed in connection with the spin-off, New Jefferies will be obligated to indemnify us for liabilities related to our former parent and its subsidiaries, but not for our liabilities. Under those agreements, we will be obligated to indemnify New Jefferies for liabilities related to our Company. Our ability to recover any costs under such indemnity will depend upon the future financial strength of New Jefferies.

At December 31, 1999, we had outstanding capital contribution commitments to a limited partnership in the amount of $1,500,000.

Until March 31, 1999, we had an intercompany borrowing agreement with Jefferies Group permitting the Company to borrow up to $15.0 million. No amounts have ever been borrowed under that agreement. In 1998, we established a $2 million credit line with a bank to fund temporary regulatory capital shortfalls encountered periodically by ITG Australia. The lender charges us interest at the Federal Funds rate plus 1%. We lend amounts borrowed to ITG Australia and charge interest at the Federal Funds rate plus 2%. At December 31, 1999 and 1998, no amounts were outstanding under this bank credit line.

(17) SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

The following tables set forth certain unaudited financial data for our quarterly operations in 1999, 1998 and 1997. The following information has been prepared on the same basis as the annual information presented elsewhere in this report and, in the opinion of management, includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information for the quarterly periods presented. The operating results for any quarter are not necessarily indicative of results for any future period.

	YEAR ENDED DECEMBER 31, 1999				YEAR ENDED DECEMBER 31, 1998			
	FOURTH QUARTER	THIRD QUARTER	SECOND QUARTER	FIRST QUARTER	FOURTH QUARTER	THIRD QUARTER	SECOND QUARTER	FIRST QUARTER
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)							
Total Revenue	$68,540	$54,564	$56,312	$52,628	$62,216	$57,697	$50,905	$41,387
Expenses:								
Compensation and employee benefits	14,400	11,402	13,667	12,248	14,500	14,152	12,225	10,585
Transaction processing	9,248	7,677	7,821	7,536	7,639	6,917	6,710	5,654
Software royalties	4,742	4,083	4,274	3,752	4,072	4,416	3,774	2,985
Occupancy and equipment	3,685	3,201	3,296	3,113	3,195	3,071	2,823	2,797
Telecommunications and data processing services	2,423	2,701	2,384	1,920	1,853	2,179	2,325	1,781
Net (gain) loss on long-term investments	1,184	275	329	886	1,749	(3,632)	1,085	1,002
Spin-off costs	(158)	(85)	4,505	2,254	832	479	374	251
Other general and administrative	4,834	4,170	3,734	3,682	4,889	4,384	2,922	3,282
Total expenses	40,358	33,424	40,010	35,391	38,729	31,966	32,238	28,337
Income before income tax expense	28,182	21,140	16,302	17,237	23,487	25,731	18,667	13,050
Income tax expense	10,610	10,039	7,908	8,878	11,267	11,847	8,739	5,688
Net income	$17,572	$11,101	$ 8,394	$ 8,359	$12,220	$13,884	$ 9,928	$ 7,362
Basic net earnings per share of common stock	$ 0.57	$ 0.35	$ 0.27	$ 0.28	$ 0.41	$ 0.47	$ 0.34	$ 0.25
Diluted net earnings per share of common stock	$ 0.56	$ 0.34	$ 0.26	$ 0.26	$ 0.39	$ 0.45	$ 0.32	$ 0.24

Basic weighed average shares outstanding	30,681	31,685	30,670	29,707	29,491	29,389	29,246	29,091
Diluted weighted average shares and common stock equivalents outstanding	31,528	32,665	32,040	31,563	31,061	30,688	30,647	30,560

	YEAR ENDED DECEMBER 31, 1997			
	FOURTH QUARTER	THIRD QUARTER	SECOND QUARTER	FIRST QUARTER
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)			
Total Revenue	$36,272	$33,437	$36,679	$30,654
Expenses:				
Compensation and employee benefits	8,999	7,599	7,007	6,874
Transaction processing	5,718	5,110	5,682	4,903
Software royalties	2,579	2,306	2,581	2,382
Occupancy and equipment	2,814	2,521	2,010	1,859
Telecommunications and data processing services	1,988	1,504	2,156	957
Net (gain) loss on long-term investments	297	--	--	--
Spin-off costs	--	--	--	--
Other general and administrative	3,229	3,071	3,318	2,318
Total expenses	25,624	22,111	22,754	19,293
Income before income tax expense	10,648	11,326	13,925	11,361
Income tax expense	4,739	4,857	5,917	4,830
Net income	$ 5,909	$ 6,469	$ 8,008	$ 6,531
Basic net earnings per share of common stock	$ 0.20	$ 0.22	$ 0.28	$ 0.22
Diluted net earnings per share of common stock	$ 0.19	$ 0.21	$ 0.27	$ 0.22
Basic weighed average shares outstanding	29,019	28,949	28,923	29,124
Diluted weighted average shares and common stock equivalents outstanding	30,485	30,481	29,839	30,009

Earnings per share for quarterly periods are based on average common shares outstanding in individual quarters; thus, the sum of earnings per share of the quarters may not equal the amounts reported for the full year. Earnings per share information prior to the second quarter of 1999 has been retroactively restated to reflect our spin-off from Jefferies Group, Inc., and earnings per share information prior to the fourth quarter of 1997 has been retroactively restated to conform with Statement of Financial Accounting Standards No. 128, Earnings per Share.

	YEAR ENDED DECEMBER 31, 1999				YEAR ENDED DECEMBER 31, 1998			
	FOURTH QUARTER	THIRD QUARTER	SECOND QUARTER	FIRST QUARTER	FOURTH QUARTER	THIRD QUARTER	SECOND QUARTER	FIRST QUARTER
	(AS A PERCENTAGE OF TOTAL REVENUES)							
Total Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Expenses:								
Compensation and employee benefits	21.0	20.9	24.3	23.3	23.3	24.5	24.0	25.6
Transaction processing	13.5	14.1	13.9	14.3	12.3	12.0	13.2	13.7
Software royalties	6.9	7.5	7.6	7.1	6.5	7.7	7.4	7.2
Occupancy and equipment	5.4	5.9	5.9	5.9	5.1	5.3	5.5	6.8
Telecommunications and data processing services	3.5	5.0	4.2	3.6	3.0	3.8	4.6	4.3
Net (gain) loss on investments	1.7	0.5	0.6	1.7	2.8	(6.3)	2.1	2.4
Spin-off costs	(0.2)	(0.2)	8.0	4.3	1.3	0.8	0.7	0.6
Other general and administrative	7.1	7.6	6.6	7.0	7.9	7.6	5.8	7.9
Total expenses	58.9	61.3	71.1	67.2	62.2	55.4	63.3	68.5
Income before income tax expense	41.1	38.7	28.9	32.8	37.8	44.6	36.7	31.5
Income tax expense	15.5	18.4	14.0	16.9	18.1	20.5	17.2	13.7
Net income	25.6%	20.3%	14.9%	15.9%	19.7%	24.1%	19.5%	17.8%

	YEAR ENDED DECEMBER 31, 1997			
	FOURTH QUARTER	THIRD QUARTER	SECOND QUARTER	FIRST QUARTER
	(AS A PERCENTAGE OF TOTAL REVENUES)			
Total Revenue	100.0%	100.0%	100.0%	100.0%
Expenses:				
Compensation and employee benefits	24.8	22.7	19.1	22.4
Transaction processing	15.8	15.3	15.5	16.0
Software royalties	7.1	6.9	7.0	7.8
Occupancy and equipment	7.8	7.5	5.5	6.1
Telecommunications and data processing services	5.5	4.5	5.9	3.1
Net (gain) loss on investments	0.8	0.0	0.0	0.0
Spin-off costs	0.0	0.0	0.0	0.0
Other general and administrative	8.9	9.2	9.1	7.6
Total expenses	70.7	66.1	62.1	63.0
Income before income tax expense	29.3	33.9	37.9	37.0
Income tax expense	13.0	14.5	16.1	15.7
Net income	16.3%	19.4%	21.8%	21.3%

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There were no changes in or disagreements with accountants reportable herein.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information with respect to this item will be contained in the Proxy Statement for the 2000 Annual Meeting of Stockholders, which is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information with respect to this item will be contained in the Proxy Statement for the 2000 Annual Meeting of Stockholders, which is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information with respect to this item will be contained in the Proxy Statement for the 2000 Annual Meeting of Stockholders, which is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information with respect to this item will be contained in the Proxy Statement for the 2000 Annual Meeting of Stockholders, which is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES AND REPORTS ON FORM 8-K

(a)(1)Financial Statements

Included in Part II of this report:

(a)(2)Schedules

Schedules are omitted because the required information either is not applicable or is included in the financial statements or the notes thereto.

(a)(3)Exhibits

EXHIBITS NUMBER	DESCRIPTION
2.1	Agreement and Plan of Merger, dated as of March 17, 1999, by and between Jefferies Group, Inc. and the Company (incorporated by reference to Exhibit 2.1 to the Annual Report on Form 10-K for the year ended December 31, 1998).
2.2	Distribution Agreement, dated as of March 17, 1999, by and among Jefferies Group, Inc. and JEF Holding Company, Inc. (incorporated by reference to Exhibit 2.2 to the Annual Report on Form 10-K for the year ended December 31, 1998).
3.1*	Certificate of Incorporation of the Company.
3.2*	By-laws of the Company.
4.1*	Form of Certificate for Common Stock of the Company.
10.1	Joint Venture Agreement, dated October 1, 1987, between Jefferies & Company, Inc. and BARRA, Inc. (formerly Barr Rosenberg Associates, Inc.) (incorporated by reference to Exhibit 10.1.1 to Registration Statement Number 33-76474 on Form S-1 as declared effective by the Securities and Exchange Commission on May 4, 1994 (the "Registration Statement")).
10.1.1	Exclusive Software License Agreement, dated October 1, 1987, between the POSIT Joint Venture and Jefferies & Company, Inc. (incorporated by reference to Exhibit 10.1.2 to Registration Statement).
10.1.2	Amendment No. 1 to Exclusive Software License Agreement, dated August 1, 1990, between the POSIT Joint Venture and Jefferies & Company, Inc. (incorporated by reference to Exhibit 10.1.3 to Registration Statement).
10.1.3	Consent of BARRA, Inc. to the assignment to the Company of the interests of Jefferies & Company, Inc. in the Posit Joint Venture referenced in item 10.1.1 and rights in the Software License Agreement referenced in item 10.1.2 (incorporated by reference to Exhibit 10.1.4 to Registration Statement).

EXHIBITS NUMBER	DESCRIPTION
10.1.4	Joint Venture Agreement, dated as of November 17, 1998, by and among Investment Technology Group International Limited, Societe Generale, Investment Technology Group SG Limited, Investment Technology Group Limited and Investment Technology Group Europe Limited (incorporated by reference to Exhibit 10.1.4 to the Annual Report on Form 10-K for the year ended December 31, 1998).
10.2	Service Agreement, dated March 15, 1994, by and between Jefferies & Company, Inc. and ITG Inc. (incorporated by reference to Exhibit 10.2.2 to Registration Statement).
10.2.1	Amendment No. 1 to Service Agreement, dated as of January 1, 1999, by and between Jefferies & Company, Inc. and ITG Inc. (incorporated by reference to Exhibit 10.2.1 to the Annual Report on Form 10-K for the year ended December 31, 1998).
10.2.2	Execution Agreement, dated as of January 1, 1999, by and between W & D Securities, Inc. and ITG Inc. (incorporated by reference to Exhibit 10.2.2 to the Annual Report on Form 10-K for the year ended December 31, 1998).
10.2.3	Fully Disclosed Clearing Agreement, dated as of January 1, 1999, by and between Jefferies & Company, Inc. and ITG Inc. (incorporated by reference to Exhibit 10.2.3 to the Annual Report on Form 10-K for the year ended December 31, 1998).
10.2.4	Benefits Agreement, dated as of March 17, 1999, by and between Jefferies Group, Inc. and JEF Holding Company, Inc. (incorporated by reference to Exhibit 10.2.4 to the Annual Report on Form 10-K for the year ended December 31, 1998).
10.2.5	Amended and Restated Tax Sharing Agreement, dated as of March 17, 1999, by and among Jefferies Group, Inc., JEF Holding Company, Inc. and the Company (incorporated by reference to Exhibit 10.2.5 to the Annual Report on Form 10-K for the year ended December 31, 1998).
10.2.6	Tax Sharing and Indemnification Agreement, dated as of March 17, 1999, by and among Jefferies Group, Inc., JEF Holding Company, Inc. and the Company (incorporated by reference to Exhibit 10.2.6 to the Annual Report on Form 10-K for the year ended December 31, 1998).
10.3	Employment Agreement between the Company, ITG Inc. and Raymond L. Killian, Jr. (incorporated by reference to Exhibit 10.3.2 to Registration Statement).
10.3.1	Amendment No. 2 to Employment Agreement between Raymond L. Killian, Jr., the Company and ITG Inc. (incorporated by reference to Exhibit 10.3.2A to the Annual Report on Form 10-K for the year ended December 31, 1996.)
10.3.2	Amendment to Form of Employment Agreement between the Company, ITG Inc. and Senior Vice Presidents Electing to Reprice Stock Options (incorporated by reference to Exhibit 10.3.4A to the Annual Report on Form 10-K for the year ended

December 31, 1996).

10.4 Amended and Restated 1994 Stock Option and Long-Term Incentive Plan (incorporated by reference to Exhibit A to the 1997 Annual Meeting Proxy Statement).

10.4.1 Non-Employee Directors' Stock Option Plan (incorporated by reference to Appendix A to the 1996 Annual Meeting Proxy Statement).

10.4.2 Form of Stock Option Agreement between the Company and certain employees of the Company (incorporated by reference to Exhibit 10.3.3 to Registration Statement).

EXHIBITS NUMBER	DESCRIPTION
10.4.3*	Amended Form of Stock Option Agreement between the Company and certain employees of the Company.
10.4.4	Pay-For-Performance Incentive Plan (incorporated by reference to Exhibit B to the 1997 Annual Meeting Proxy Statement).
10.4.5	Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.3.1A to the Annual Report on Form 10-K for the year ended December 31, 1997).
10.4.6	1998 Amended and Restated Stock Unit Award Program (incorporated by reference to Exhibit 10.4.6 to the Annual Report on Form 10-K for the year ended December 31, 1998).
10.4.7*	Investment Technology Group, Inc. Deferred Compensation Plan, dated as of January 1, 1999.
10.5	Lease, dated July 11, 1990, between AEW/LBA Acquisition Co. LLC (as successor to 400 Corporate Pointe, Ltd.) and Integrated Analytics Corporation, as assigned by Integrated Analytics Corporation to the Company (incorporated by reference to Exhibit 10.3.3 to Registration Statement).
10.5.1	First Amendment to Lease, dated as of June 1, 1995, between AEW/LBA Acquisition Co. LLC (as successor to 400 Corporate Pointe, Ltd.) and the Company (incorporated by reference to Exhibit 10.5.7 to Annual Report of Form 10-K for the year ended December 31, 1996).
10.5.2	Second Amendment to Lease, dated as of December 5, 1996, between Arden Realty Limited Partnership and the Company (incorporated by reference to Exhibit 10.5.2 to the Annual Report on Form 10-K for the year ended December 31, 1997).
10.5.3*	Third Amendment to Lease, dated as of March 13, 1998 between Arden Realty Finance Partnership, L.P. and the Company.
10.5.4*	Fourth Amendment to Lease, dated as of February 29, 2000 between Arden Realty Finance Partnership, L.P. and the Company.
10.5.5*	Lease, dated as of February 29, 2000 between Arden Realty

	Finance IV, L.L.C. and the Company.
10.5.6	Lease, dated October 4, 1996, between Spartan Madison Corp. and the Company (incorporated by reference to Exhibit 10.5.3 to the Annual Report on Form 10-K for the year ended December 31, 1997).
10.5.7	First Supplemental Agreement, dated as of January 29, 1997, between Spartan Madison Corp. and the Company (incorporated by reference to Exhibit 10.5.4 to the Annual Report on Form 10-K for the year ended December 31, 1997).
10.5.8	Second Supplemental Agreement, dated as of November 25, 1997, between Spartan Madison Corp. and the Company (incorporated by reference to Exhibit 10.5.5 to the Annual Report on Form 10-K for the year ended December 31, 1997).
10.5.9*	Third Supplemental Agreement dated as of September 29, 1999 between Spartan Madison Corp. and the Company.
10.5.10	Lease dated March 10, 1995, between Boston Wharf Co. and the Company. (incorporated by reference to Exhibit 10.5.6 to the Annual Report on Form 10-K for the year ended December 31, 1997).

EXHIBITS NUMBER	DESCRIPTION
10.6*	Form of QuantEX Software and Hardware License Agreement.
21*	Subsidiaries of Company.
23*	Consent of KPMG LLP
27.1*	Financial Data Schedule.
27.2*	Restated Financial Data Schedule
27.3*	Restated Financial Data Schedule
27.4*	Restated Financial Data Schedule
27.5*	Restated Financial Data Schedule
27.6*	Restated Financial Data Schedule

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* Filed herewith

(b) Reports on Form 8-K.

None.

(c) Index to Exhibits

See list of exhibits at Item 14(a)(3) above and exhibits following.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

INVESTMENT TECHNOLOGY GROUP , INC.

BY: /S/ RAYMOND L. KILLIAN, JR.

Raymond L. Killian, Jr.
CHAIRMAN OF THE BOARD,
CHIEF EXECUTIVE OFFICER AND PRESIDENT

Dated: March 28, 2000

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons and on behalf of the Registrant in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ RAYMOND L. KILLIAN, JR. Raymond L. Killian, Jr.	Chairman of the Board, Chief Executive Officer President and Director	March 28, 2000
/s/ HOWARD C. NAPHTALI Howard C. Naphtali	Managing Director and Chief Financial Officer (Principal Financial Officer)	March 28, 2000
/s/ ANGELO BULONE Angelo Bulone	Vice President and Controller (Principal Accounting Officer)	March 28, 2000
/s/ FRANK E. BAXTER Frank E. Baxter	Director	March 28, 2000
/s/ NEAL S. GARONZIK Neal S. Garonzik	Director	March 28, 2000
/s/ WILLIAM I JACOBS William I Jacobs	Director	March 28, 2000
/s/ ROBERT L. KING Robert L. King	Director	March 28, 2000
/s/ MARK A. WOLFSON Mark A. Wolfson	Director	March 28, 2000

EXHIBIT INDEX

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27.5*	Restated Financial Data Schedule.	
27.6*	Restated Financial Data Schedule.	

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* Filed herewith

Exhibit 3.1

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF INVESTMENT TECHNOLOGY GROUP, INC.

ARTICLE ONE

NAME

The name of the Corporation is:

Investment Technology Group, Inc.

ARTICLE TWO

REGISTERED ADDRESS

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

ARTICLE THREE

PURPOSE

The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the "DGCL").

ARTICLE FOUR

CAPITAL STOCK

A. AUTHORIZED STOCK.

The total number of shares of stock which the Corporation shall have authority to issue is one hundred one million (101,000,000), of which stock one hundred million (100,000,000) shares of the par value of One Cent ($.01) each, amounting in the aggregate to One Million Dollars ($1,000,000) shall be Common Stock and of which one million (1,000,000) shares of the par value of One Cent ($.01) each, amounting in the aggregate to Ten Thousand Dollars ($10,000) shall be Preferred Stock.

The designations and the powers, preferences and rights, and the qualifications, limitations or restrictions of the Preferred Stock and Common Stock are as follows:

B. PREFERRED STOCK.

The Board of Directors is hereby expressly authorized at any time, and from time to time, to create and provide for the issuance of shares of Preferred Stock in one or more series (the "Series Preferred Stock") and, by

filing a certificate pursuant to the DGCL (hereinafter referred to as a "Preferred Stock Designation"), to establish the number of shares to be included in each such series, and to fix the designations, preferences and relative, participating, optional or other special rights of the shares of each such series and the qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions providing for the issue thereof adopted by the Board of Directors, including, but not limited to, the following:

(i) the designation of and the number of shares constituting such series, which number the Board of Director may thereafter (except as otherwise provided in the Preferred Stock Designation) increase or decrease (but not below the number of shares of such series then outstanding);

(ii) the dividend rate for the payment of dividends on such series, if any, the conditions and dates upon which such dividends shall be payable, the preference or relation which such dividends, if any, shall bear to the dividends payable on any other class or classes of or any other series of capital stock, the conditions and dates upon which such dividends, if any, shall be payable, and whether such dividends, if any, shall be cumulative or non-cumulative;

(iii) whether the shares of such series shall be subject to redemption by the Corporation, and, if made subject to such redemption, the times, prices and other terms and conditions of such redemption;

(iv) the terms and amount of any sinking fund provided for the purchase or redemption of the shares of such series;

(v) whether or not the shares of such series shall be convertible into or exchangeable for shares of any other class or classes of, any other series of any class or classes of capital stock of, or any other security of, the Corporation or any other corporation, and, if provision be made for any such conversion or exchange, the times, prices, rates, adjustments and any other terms and conditions of such conversion or exchange;

(vi) the extent, if any, to which the holders of the shares of such series shall be entitled to vote as a class or otherwise with respect to the election of directors or otherwise;

(vii) the restrictions, if any, on the issue or reissue of shares of the same series or of any other class or series;

(viii) the amounts payable on and the preferences, if any, of the shares of such series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation; and

(ix) any other relative rights, preferences and limitations of that series.

C. COMMON STOCK.

Each holder of Common Stock shall have one vote in respect of each share of Common Stock held by such holder of record on the books of the Corporation for the election of directors and on all other matters on which stockholders of the Corporation are entitled to vote. Subject to any rights that may be conferred upon any holders of Preferred Stock or any other series or class of stock as set forth in this Certificate of Incorporation (excluding Common Stock), upon dissolution, the holders of Common Stock then outstanding shall be entitled to receive the net assets of the Corporation. Such net assets shall be divided among and paid to the holders of Common Stock, on a pro rata basis, according to the number of shares of Common Stock held by them. Subject

to any rights that may be conferred upon any holders of Preferred Stock or any other series or class of stock as set forth in this Certificate of Incorporation (excluding Common Stock), the holders of shares of Common Stock shall be entitled to receive, as, when and if declared by the Board of Directors, out of the assets of the Corporation which are by law available therefor, dividends payable either in cash, in stock or otherwise.

ARTICLE FIVE

BOARD OF DIRECTORS AND STOCKHOLDER ACTION

A. Subject to the rights of any holders of any class or series of capital stock as specified in the resolution providing for such class or series of capital stock, the business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. The exact

number of directors shall be fixed, and may be increased or decreased from time to time in such manner as may be prescribed, by the By-laws of the Corporation.

B. The election of directors need not be by written ballot unless the By-Laws shall so provide.

C. Directors shall be elected and hold such term of office as provided in the By-laws of the Corporation

D. Subject to the rights of holders of any class or series of capital stock as specified in the resolution providing for such class or series of capital stock, no person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in the By-laws of the Corporation.

E. Except as may be provided in a resolution or resolutions providing for any class or series of Preferred Stock pursuant to Article Four hereof, any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of such holders and may not be effected by any written consent in lieu of a meeting by such holders.

F. Special meetings of the stockholders of the Corporation may be called only by the secretary of the Corporation at the request of (i) a majority of the total number of directors which the Corporation at the time would have if there were no vacancies or (ii) any person authorized by the Board of Directors (through a vote of a majority of the total number of directors which the Corporation at the time would have if there were no vacancies). Notwithstanding the foregoing, stockholders shall have no right to call a special meeting of stockholders.

G. Notwithstanding anything contained in this Certificate of Incorporation to the contrary, the affirmative vote of the holders of shares representing at least 66 2/3% of the voting power of the then outstanding stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend, repeal or adopt any provisions inconsistent with this Article FIVE.

ARTICLE SIX

PERSONAL LIABILITY OF DIRECTORS

A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of

fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under section 174 of the DGCL, or (iv) for any transaction from which the director derived an improper personal benefit. If the DGCL is hereinafter amended to permit a corporation to further eliminate or limit the liability of a director of a corporation, then the liability of a director of the Cor-

poration, in addition to the circumstances in which a director is not personally liable as set forth in the preceding sentence, shall be further eliminated or limited to the fullest extent permitted by the DGCL as so amended. Any amendment, repeal, or modification of this Article Six shall not adversely affect any right or protection of a director of the Corporation for any act or omission occurring prior to the date when such amendment, repeal or modification became effective.

ARTICLE SEVEN

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Corporation shall, to the fullest extent permitted by section 145 of the DGCL, as the same may be amended and supplemented, indemnify each director and officer of the Corporation from and against any and all of the expenses, liabilities or other matters referred to in or covered by said section and the indemnification provided for herein shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any By-Law, agreement, vote of stockholders, vote of disinterested directors or otherwise, and shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such persons and the Corporation may purchase and maintain insurance on behalf of any director or officer to the extent permitted by section 145 of the DGCL.

ARTICLE EIGHT

AMENDMENTS

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders are granted subject to this reservation. The Board of Directors shall have the power to adopt, change and repeal the By-Laws of the Corporation.

Exhibit 3.2

AMENDED AND RESTATED BY-LAWS

OF

INVESTMENT TECHNOLOGY GROUP, INC.

(a Delaware corporation)

ARTICLE I

Offices and Fiscal Year

SECTION 1.01. REGISTERED OFFICE. The registered office of the corporation shall be in the City of Wilmington, County of New Castle, State of Delaware until otherwise established by a vote of a majority of the board of directors in office, and a statement of such change is filed in the manner provided by statute.

SECTION 1.02. OTHER OFFICES. The corporation may also have offices at such other places within or without the State of Delaware as the board of directors may from time to time determine or the business of the corporation requires.

SECTION 1.03. FISCAL YEAR. The fiscal year of the corporation shall end on the 31st of December in each year.

ARTICLE II

Meetings of Stockholders

SECTION 2.01. PLACE AND TIME. Subject to the laws governing the corporation, meetings of stockholders of the corporation shall be held at the registered office of the corporation or at such other place within or without the State of Delaware and at such time as the Chairman of the board of directors or the President of the corporation may determine from time to time or as the Secretary of the corporation may determine within 10 calendar days after receipt of the written request of a majority of the directors, acting in accordance with such request. Written notice of the place, date and hour of every meeting of the stockholders, whether annual or special, shall be given to each stockholder of record entitled to vote at the meeting not less than ten nor more than sixty days before the date of the meeting. Every notice of a special meeting shall state the purpose or purposes thereof.

SECTION 2.02. SPECIAL MEETINGS. Special meetings of the stockholders of the corporation may be called only by the secretary of the corporation at the request of (i) a majority of the total number of directors which the corporation at the time would have if there were no vacancies or (ii) any person authorized by the board of directors (through a vote of a majority of the total number of directors which the corporation at the time would have if there were no vacancies). Notwithstanding the foregoing, stockholders shall have no right to call a special meeting of stockholders.

SECTION 2.03. QUORUM, MANNER OF ACTING AND ADJOURNMENT. The holders of a majority of the stock issued and outstanding (not including treasury stock) and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of

business except as otherwise provided by statute, by the certificate of incorporation or by these by-laws. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At any such adjourned meeting, at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. When a quorum is present at any meeting, the vote of the holders of the majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which, by express provision of the applicable statute or these by-laws, a different vote is required in which case such express provision shall govern and control the decision of such question. Except upon those questions governed by the aforesaid express provisions, the stockholders present in person or by proxy at a duly organized meeting can continue to do business until adjournment, notwithstanding withdrawal of enough stockholders to leave less than a quorum.

SECTION 2.04. ORGANIZATION. At every meeting of the stockholders, the chairman of the board, if there be one, or in the case of a vacancy in the office or absence of the chairman of the board, one of the following persons present in the order stated: the vice chairman, if one has been appointed, the president, the executive or senior vice presidents in their order of rank and seniority, a chairman designated by the board of directors or a chairman chosen by the stockholders entitled to cast a majority of the votes which all stockholders present in person or by proxy are entitled to cast, shall act as chairman, and the secretary, or, in his absence, an assistant secretary, or in the absence of the secretary and the assistant secretaries, a person appointed by the chairman, shall act as secretary.

SECTION 2.05. VOTING. Each stockholder shall, at every meeting of the stockholders, be entitled to one vote in person or by proxy for each share of capital stock having voting power held by such stockholder. No proxy shall be voted on after three years from its date, unless the proxy provides for a longer period. Every proxy shall be executed in writing by the stockholder or by his duly authorized attorney-in-fact and filed with the secretary of the corporation; provided, however, the foregoing clause shall not preclude the giving of proxies by electronic, telephonic or other means so long as such procedure is expressly approved by the corporation's board of directors and is permitted by law. A proxy shall not be revoked by the death or incapacity of the maker unless, before the vote

is counted or the authority is exercised, written notice of such death or incapacity is given to the secretary of the corporation.

SECTION 2.06. NOTICE OF STOCKHOLDER BUSINESS AND NOMINATIONS.

(A) ANNUAL MEETING OF STOCKHOLDERS.

(1) Nominations of persons for election to the board of directors of the corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders (a) by or at the direction of the board of directors pursuant to a resolution adopted by a majority of the total number of directors which the corporation at the time would have if there were no vacancies or (b) by any stockholder of the corporation who is entitled to vote at the meeting with respect to the election of directors or the business to be proposed by such stockholder, as the case may be, who complies with the notice procedures set forth in clauses (2) and (3) of paragraph (A) of this Section 2.06 and who is a stockholder of record at the time such notice is delivered to the secretary of the corporation as provided

below.

(2) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (b) of paragraph (A) (1) of this Section 2.06, the stockholder must have given timely notice thereof in writing to the secretary of the corporation and such business must be a proper subject for stockholder action under the Delaware General Corporation Law (the "DGCL"). To be timely, a stockholder's notice shall be delivered to the secretary of the corporation at the principal executive office of the corporation not less than 60 days nor more than 90 days prior to the first anniversary of the preceding year's annual meeting (or action taken by consent in lieu of annual meeting); PROVIDED, HOWEVER, that in the event that the date of the annual meeting is advanced by more than 30 days, or delayed by more than 30 days, from such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the 90th day prior to such annual meeting and not later than either the close of business on (a) the 10th day following the day on which notice of the date of such meeting was mailed or (b) the 10th day following the day on which public announcement of the date of such meeting is first made, whichever first occurs in (a) or (b). Such stockholder's notice shall set forth (x) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; (y) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (z) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the corporation's books, and of such beneficial owner and (ii) the class and number of shares of the corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

(3) Notwithstanding anything in the second sentence of paragraph (A) (2) of this Section 2.06 to the contrary, in the event that the number of directors to be elected to the board of directors is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased board of directors made by the corporation at least 80 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by paragraph (A) (2) of this Section 2.06 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the secretary of the corporation at the principal executive offices of the corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the corporation.

(B) SPECIAL MEETING OF STOCKHOLDERS. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the corporation's notice of meeting and in accordance with these By-laws. Nominations of persons for election to the board of directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the corporation's notice of meeting (a) by or at the direction of the board of directors or (b) provided that the board of directors has determined that directors shall be elected at such meeting, by any stockholder of the corporation who is a stockholder of record at the time of giving of notice provided for in this Section 2.06, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 2.06. In the event the corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the board of directors, any such stockholder may nominate a person or persons (as the case

may be), for election to such position(s) as specified in the corporation's notice of meeting, if the stockholder's notice required by paragraph (A)(2) of this Section 2.06 shall be delivered to the secretary at the principal executive offices of the corporation not earlier than the close of business on the 90th day prior to such special meeting and not later than the close of business on the later of the 60th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the board of directors to be elected at such meeting. In no event shall the public announcement of an adjournment of a special meeting commence a new time period for the giving of a stockholders notice as described above.

(C) GENERAL.

(1) Only persons who are nominated in accordance with the procedures set forth in this Section 2.06 shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 2.06.

(2) Except as otherwise provided by law, the Certificate of Incorporation or this Section 2.06, the chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made in accordance with the procedures set forth in this Section 2.06 and, if any proposed nomination or business is not in compliance with this Section 2.06, to declare that such defective nomination or proposal shall be disregarded.

(3) For purposes of this Section 2.06, "public announcement" shall mean disclosure on a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(4) Notwithstanding the foregoing provisions of this Section 2.06, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 2.06. Nothing in this Section 2.06 shall be deemed to affect any rights (i) of stockholders to request inclusion of proposals in the corporation's proxy materials with respect to a meeting of stockholders pursuant to Rule 14a-8 under Exchange Act or (ii) of the holders of any series of Preferred Stock or any other series or class of stock (excluding Common Stock) as set forth in the Certificate of Incorporation to elect directors under specified circumstances or to consent to specific actions taken by the corporation.

SECTION 2.07. PROCEDURE FOR ELECTION OF DIRECTORS; REQUIRED VOTE. Subject to the rights of the holders of any series of Preferred Stock or any other series or class of stock as set forth in the Certificate of Incorporation to elect directors under specified circumstances, election of directors at all meetings of the stockholders at which directors are to be elected shall be by a plurality of the votes cast. Except as otherwise provided by law, the Certificate of Incorporation, or these By-Laws, in all matters other than the election of directors, the affirmative vote of a majority of the stock present in person or represented by proxy at the meeting and entitled to vote on the matter shall be the act of the stockholders.

SECTION 2.08. NO STOCKHOLDER ACTION BY WRITTEN CONSENT. Subject to the rights of the holders of any series of Preferred Stock or any other series or class of stock (excluding Common Stock) set forth in the Certificate of Incorporation to elect additional directors under specified circumstances or to consent to specific actions taken by the corporation, any action required or permitted to be taken by the stockholders of the corporation must be taken at an annual or special meeting of the stockholders and may not be taken by any

consent in writing by stockholders of the corporation.

SECTION 2.09. VOTING LISTS. The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting. The list shall be arranged in alphabetical order showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

SECTION 2.10. JUDGES OF ELECTION. All elections of directors may be, but need not be, by written ballot, unless otherwise provided in the certificate of incorporation; the vote upon any other matter need not be by ballot. In advance of any meeting of stockholders, the board of directors may appoint judges of election, who need not be stockholders, to act at such meeting or any adjourn-

ment thereof. If judges of election are not so appointed, the chairman of any such meeting may, and upon the demand of any stockholder or his proxy at the meeting and before voting begins shall, appoint judges of election. The number of judges shall be either one or three, as determined, in the case of judges appointed upon demand of a stockholder, by stockholders present entitled to cast a majority of the votes which all stockholders present are entitled to cast thereon. No person who is a candidate for office shall act as a judge. In case any person appointed as judge fails to appear or fails or refuses to act, the vacancy may be filled by appointment made by the board of directors in advance of the convening of the meeting, or at the meeting by the chairman of the meeting.

If judges of election are appointed as aforesaid, they shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the authenticity, validity and effect of proxies, receive votes or ballots, hear and determine all challenges and questions in any way arising in connection with the right to vote, count and tabulate all votes, determine the result, and do such acts as may be proper to conduct the election or vote with fairness to all stockholders. If there be three judges of election, the decision, act or certificate of a majority shall be effective in all respects as the decision, act or certificate of all.

On request of the chairman of the meeting or of any stockholder or his proxy, the judges shall make a report in writing of any challenge or question or matter determined by them, and execute a certificate of any fact found by them.

ARTICLE III

Board of Directors

SECTION 3.01. POWERS. The board of directors shall have full power to manage the business and affairs of the corporation; and all powers of the corporation, except those specifically reserved or granted to the stockholders by statute, the certificate of incorporation or these by-laws, are hereby granted to and vested in the board of directors.

SECTION 3.02. NUMBER AND TERM OF OFFICE. The board of directors

shall consist of such number of directors, not less than 5 nor more than 17, as may be determined from time to time by (i) a resolution adopted by a majority of the total number of directors which the corporation at the time would have if there were no vacancies or (ii) the affirmative vote of the holders of shares representing at least 66 2/3% of the voting power of the then outstanding stock of the corporation entitled to vote generally in the election of directors, voting together as a single class. The directors shall be elected at each annual meeting of stockholders of the corporation and shall hold office for a term expiring at the annual meeting of stockholders held in the year following the year of their election, and until their successors are elected and qualified. All directors of the corporation shall be natural persons, but need not be residents of Delaware or stockholders of the corporation.

SECTION 3.03. VACANCIES. Vacancies resulting from death, resignation, retirement, disqualification, removal from office or other cause, and newly created directorships resulting from

any increase in the authorized number of directors, may be filled only by the affirmative vote of a majority of the remaining directors, though less than a quorum of the board of directors, or stockholders of the corporation at any annual meeting, and directors so chosen shall hold office for a term expiring at the annual meeting of stockholders at which the term of office of the class to which they have been elected expires and until such director's successor shall have been duly elected and qualified. No decrease in the number of authorized directors shall shorten the term of any incumbent director.

SECTION 3.04. RESIGNATIONS. Any director of the corporation may resign at any time by giving written notice to the president or the secretary of the corporation. Such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 3.05. ORGANIZATION. At every meeting of the board of directors, the chairman of the board, if there be one, or, in the case of a vacancy in the office or absence of the chairman of the board, one of the following officers present in the order stated: the vice chairman of the board, if there be one, the president, the executive or senior vice presidents in their order of rank and seniority, or a chairman chosen by a majority of the directors present, shall preside, and the secretary, or, in his absence, an assistant secretary, or in the absence of the secretary and the assistant secretaries, any person appointed by the chairman of the meeting, shall act as secretary.

SECTION 3.06. PLACE OF MEETING. The board of directors may hold its meetings, both regular and special, at such place or places within or without the State of Delaware as the board of directors may from time to time appoint, or as may be designated in the notice calling the meeting.

SECTION 3.07. ORGANIZATION MEETING. The first meeting of each newly elected board of directors shall be held at such time and place as shall be fixed by the vote of the stockholders at the annual meeting and no notice of such meeting shall be necessary to the newly elected directors in order legally to constitute the meeting, provided a quorum shall be present. In the event of the failure of the stockholders to fix the time or place of such first meeting of the newly elected board of directors, or in the event such meeting is not held at the time and place so fixed by the stockholders, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the board of directors, or as shall be specified in a written waiver signed by all of the directors.

SECTION 3.08. REGULAR MEETINGS. Regular meetings of the board of directors may be held without notice at such time and place as shall be designated from time to time by resolution of the board of directors. If the date fixed for any such regular meeting be a legal holiday under the laws of the

State where such meeting is to be held, then the same shall be held on the next succeeding business day, not a Saturday, or at such other time as may be determined by resolution of the board of directors. At such meetings, the directors shall transact such business as may properly be brought before the meeting. Any notice by telephone shall be deemed effective if a message regarding the sub-

stance of the notice is given on a director's behalf to the director's secretary or assistant or to a member of the director's family.

SECTION 3.09. SPECIAL MEETINGS. Special meetings of the board of directors shall be held whenever called by the Chairman or by two or more of the directors. Notice of each such meeting shall be given to each director by telephone or in writing at least 24 hours (in the case of notice by telephone or facsimile) or 48 hours (in the case of notice by telegram or overnight delivery) or three days (in the case of notice by mail) before the time at which the meeting is to be held. Each such notice shall state the time and place of the meeting to be so held.

SECTION 3.10. QUORUM, MANNER OF ACTING AND ADJOURNMENT. At all meetings of the board, a majority of the directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors, except as may be otherwise specifically provided by statute or by the certificate of incorporation. If a quorum shall not be present at any meeting of the board of directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Unless otherwise restricted by the certificate of incorporation or these by-laws, any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a meeting, if all members of the board consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the board.

SECTION 3.11. EXECUTIVE AND OTHER COMMITTEES. The board of directors may, by resolution adopted by a majority of the whole board, designate an executive committee and one or more other committees, each committee to consist of one or more directors and to have such authority as may be specified by the board of directors, subject to the DGCL. The board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member, and the alternate or alternates, if any, designated for such member, of any committee the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another director to act at the meeting in the place of any such absent or disqualified member. Any such committee shall be governed by the procedural provisions of these By-laws that govern the operation of the full board of directors, including with respect to notice and quorum, except to the extent specified otherwise by the board of directors.

SECTION 3.12. COMPENSATION OF DIRECTORS. Unless otherwise restricted by the certificate of incorporation, the board of directors shall have the authority to fix the compensation of directors. The directors may be paid their expenses, if any, of attendance at each meeting of the board of directors and may be paid a fixed sum for attendance at each meeting of the board of directors or a stated salary as director. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

ARTICLE IV

Notice - Waivers - Meetings

SECTION 4.01. NOTICE, WHAT CONSTITUTES. Whenever, under the provisions of the statutes of Delaware or the certificate of incorporation or of these by-laws, notice is required to be given to any director or stockholder, it shall not be construed to mean personal notice, but such notice may be given in writing, by mail, addressed to such director or stockholder, at his address as it appears on the records of the corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Notice to directors may also be given in accordance with Section 3.08 hereof.

SECTION 4.02. WAIVERS OF NOTICE. Whenever any written notice is required to be given under the provisions of the certificate of incorporation, these by-laws, or by statute, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Except in the case of a special meeting of stockholders, neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, directors, or members of a committee of directors need be specified in any written waiver of notice of such meeting.

Attendance of a person, either in person or by proxy, at any meeting, shall constitute a waiver of notice of such meeting, except where a person attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called or convened.

SECTION 4.03. CONFERENCE TELEPHONE MEETINGS. One or more directors may participate in a meeting of the board, or of a committee of the board, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this section shall constitute presence in person at such meeting.

SECTION 4.04. PRESUMPTION OF ASSENT. A director of the corporation who is present at a meeting of the board of directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the secretary of the corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

ARTICLE V

Officers

SECTION 5.01. NUMBER, QUALIFICATIONS AND DESIGNATION. The officers of the corporation shall be chosen by the board of directors and shall be a president, one or more managing directors, one or more vice presidents, a secretary, a treasurer, and such other officers as may be elected in accordance with the provisions of Section 5.03 of this Article. One person may hold more than one office. Officers may be, but need not be, directors or stockholders of the corporation. The board of directors may elect from among the members of the board a chairman of the board and a vice chairman of the board who shall be officers of the corporation.

SECTION 5.02. ELECTION AND TERM OF OFFICE. The officers of the

corporation, except those elected by delegated authority pursuant to Section 5.03 of this Article, shall be elected annually by the board of directors, and each such officer shall hold his office until his successor shall have been elected and qualified, or until his earlier resignation, or removal. Any officer may resign at any time upon written notice to the corporation.

SECTION 5.03. SUBORDINATE OFFICERS, COMMITTEES AND AGENTS. The board of directors may from time to time elect such other officers and appoint such committees, employees or other agents as it deems necessary, who shall hold their offices for such terms and shall exercise such powers and perform such duties as are provided in these by-laws, or as the board of directors may from time to time determine. The board of directors may delegate to any officer or committee the power to elect subordinate officers and to retain or appoint employees or other agents, or committees thereof, and to prescribe the authority and duties of such subordinate officers, committees, employees or other agents.

SECTION 5.04. THE CHAIRMAN AND VICE CHAIRMAN OF THE BOARD. The chairman of the board or, in his absence, the vice chairman of the board shall preside at all meetings of the stockholders and of the board of directors, and shall perform such other duties as may from time to time be assigned to them by the board of directors.

SECTION 5.05. THE PRESIDENT. The president shall be the chief executive officer of the corporation and shall have general supervision over the business and operations of the corporation, subject, however, to the control of the board of directors. In the absence of the chairman of the board and the vice chairman of the board, the president shall preside at all meetings of the stockholders and of the board of directors. He shall sign, execute, and acknowledge, in the name of the corporation, deeds, mortgages, bonds, contracts or other instruments, authorized by the board of directors, except in cases where the signing and execution thereof shall be expressly delegated by the board of directors, or by these by-laws, to some other officer or agent of the corporation; and, in general, shall perform all duties incident to the office of president, and such other duties as from time to time may be assigned to him by the board of directors.

SECTION 5.06. THE MANAGING DIRECTORS. The managing directors, subject to the direction of the board of directors and reporting to the chairman of the board and the president, shall assist in the general charge of the business of the corporation and general supervision of its officers and agents. In the absence of the chairman of the board, the vice chairman of the board and the president, at the direction of the board of directors, a managing director may preside at all meetings of the stockholders and of the board of directors. At the direction of the board of directors, the chairman of the board or the president, a managing director may sign, execute, and acknowledge, in the name of the corporation, deeds, mortgages, bonds, contracts or other instruments, authorized by the board of directors, except in cases where the signing and execution thereof shall be expressly delegated by the board of directors, or by these by-laws, to some other officer or agent of the corporation; and, in general, shall perform such other duties as from time to time may be assigned to him by the board of directors, the chairman of the board or the president. In the absence or disability of the president, the managing directors, in order of rank as fixed by the board of directors, shall perform all duties of the president, and when so acting, shall have all of the powers of and be subject to all of the restrictions upon the president.

SECTION 5.07. THE VICE PRESIDENTS. The board of directors may appoint one or more executive vice presidents, one or more senior vice presidents and such other vice presidents as the board shall deem proper. Executive vice presidents and senior vice presidents shall have such other powers and perform such duties as from time to time may be prescribed for them respectively by the board of directors or the president. All other vice presidents shall have only those duties and powers expressly and specifically authorized by resolution of the board of directors, and, absent such

authorization, no such vice presidents shall have the power to bind the corporation to any obligation, contractual or otherwise, whether or not in writing.

SECTION 5.08. THE SECRETARY. The secretary, or an assistant secretary, shall attend all meetings of the stockholders and of the board of directors and shall record the proceedings of the stockholders and of the directors and of committees of the board in a book or books to be kept for that purpose; see that notices are given and records and reports properly kept and filed by the corporation as required by law; be the custodian of the seal of the corporation and see that it is affixed to all documents to be executed on behalf of the corporation under its seal; and, in general, perform all duties incident to the office of secretary, and such other duties as may from time to time be assigned to him by the board of directors or the president.

SECTION 5.09. THE TREASURER. The treasurer or an assistant treasurer shall have or provide for the custody of the funds or other property of the corporation and shall keep a separate book account of the same to his credit as treasurer; collect and receive or provide for the collection and receipt of moneys earned by or in any manner due to or received by the corporation; deposit all funds in his custody as treasurer in such banks or other places of deposit as the board of directors may from time to time designate; whenever so required by the board of directors, render an account showing his transactions as treasurer and the financial condition of the corporation; and, in general, discharge such other duties as may from time to time be assigned to him by the board of directors or the president.

SECTION 5.10. OFFICERS' BONDS. No officer of the corporation need provide a bond to guarantee the faithful discharge of his duties unless the board of directors shall by resolution so require a bond, in which event such officer shall give the corporation a bond (which shall be renewed if and as required) in such sum and with such surety or sureties as shall be satisfactory to the board of directors for the faithful performance of the duties of his office.

SECTION 5.11. SALARIES. The salaries of the officers and agents of the corporation elected by the board of directors shall be fixed from time to time by the board of directors except to the extent that the board of directors shall have delegated power to officers of the corporation to fix, from time to time, the salaries of such officers' assistant or subordinate officers.

ARTICLE VI

Certificates of Stock, Transfer, Etc.

SECTION 6.01. ISSUANCE. Each stockholder shall be entitled to a certificate or certificates for shares of stock of the corporation owned by him upon his request therefor. The stock certificates of the corporation shall be numbered and registered in the stock ledger and transfer books of the corporation as they are issued. They shall be signed by the Chairman of the board or a vice president and by the secretary or an assistant secretary or the treasurer or an assistant treasurer. It shall not be necessary for such certificates to bear the corporate seal, unless required by law. Any of or all the signatures upon such certificate may be a facsimile, engraved or printed. In case any officer, transfer agent or registrar who has signed, or whose facsimile signature has been placed upon, any share certificate shall have ceased to be such officer, transfer agent or registrar, before the certificate is issued, it may be issued with the same effect as if he were such officer, transfer agent or registrar at the date of its issue.

SECTION 6.02. TRANSFER. Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or

accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books. No transfer shall be made which would be inconsistent with the provisions of Article 8, Title 6 of the Delaware Uniform Commercial Code--Investment Securities.

SECTION 6.03. STOCK CERTIFICATES. Stock certificates of the corporation shall be in such form as provided by statute and approved by the board of directors. The stock record books and the blank stock certificates books shall be kept by the secretary or by any agency designated by the board of directors for that purpose.

SECTION 6.04. LOST, STOLEN, DESTROYED OR MUTILATED CERTIFICATES. The board of directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or de-

stroyed. When authorizing such issue of a new certificate or certificates, the board of directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

SECTION 6.05. RECORD HOLDER OF SHARES. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Delaware.

SECTION 6.06. DETERMINATION OF STOCKHOLDERS OF RECORD. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action.

If no record date is fixed:

(1) The record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

(2) The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjournment meeting.

ARTICLE VII

General Provisions

SECTION 7.01. DIVIDENDS. Dividends upon the capital stock of the corporation, subject to the provisions of the certificate of incorporation, if any, may be declared by the board of directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in prop-

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

SECTION 7.02. ANNUAL STATEMENTS. The board of directors shall present at each annual meeting, and at any special meeting of the stockholders when called for by vote of the stockholders, a full and clear statement of the business and condition of the corporation.

SECTION 7.03. CONTRACTS. Except as otherwise provided in these by-laws, the board of directors may authorize any officer or officers including the chairman and vice chairman of the board of directors, or any agent or agents, to enter into any contract or to execute or deliver any instrument on behalf of the corporation and such authority may be general or confined to specific instances.

SECTION 7.04. CHECKS. All checks, notes, bills of exchange or other orders in writing shall be signed by such person or persons as the board of directors may from time to time designate.

SECTION 7.05. CORPORATE SEAL. The corporate seal shall have inscribed thereon the name of the corporation, the year of its organization and the words "Corporate Seal, Delaware." The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

SECTION 7.06. DEPOSITS. All funds of the corporation shall be deposited from time to time to the credit of the corporation in such banks, trust companies, or other depositories as the board of directors may approve or designate, and all such funds shall be withdrawn only upon checks signed by such one or more officers or employees as the board of directors shall from time to time determine.

SECTION 7.07. CORPORATE RECORDS. Every stockholder shall, upon written demand under oath stating the purpose thereof, have a right to examine, in person or by agent or attorney, during the usual hours for business, for any proper purpose, the stock ledger, books or records of account, and records of the proceedings of the stockholders and directors, and make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to such person's interest as a stockholder. In every instance where an attorney or other agent shall be the person who seeks the right to inspection, the demand under oath shall be accompanied by a power of attorney or such other writing which authorizes the attorney or other agent to so act on behalf of the stockholder. The demand under oath shall be directed to the corporation at its registered office in Delaware or at its principal place of business. Where the stockholder seeks to inspect the books and records of the corporation, other than its ledger or list of stockholders, the stockholder shall first establish (1) compliance

with the provisions of this section respecting the form and manner of making demand for inspection

of such document; and (2) that the inspection sought is for a proper purpose. Where the stockholder seeks to inspect the stock ledger or list of stockholders of the corporation and has complied with the provisions of this section respecting the form and manner of making demand for inspection of such documents, the burden of proof shall be upon the corporation to establish that the inspection sought is for an improper purpose.

SECTION 7.08. AMENDMENT OF BY-LAWS. These By-laws may be amended, added to, rescinded or repealed at any meeting of the board of directors or of the stockholders, PROVIDED THAT notice of the proposed change was given in the notice of the meeting and, in the case of the board of directors, in a notice given no less than twenty-four hours prior to the meeting; PROVIDED, HOWEVER, that in the case of amendments by stockholders, notwithstanding any other provisions of these By-laws or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any series of Preferred Stock or any other series or class of stock set forth in the Certificate of Incorporation which is required by law, the Certificate of Incorporation or these By-laws, the affirmative vote of the holders of shares representing at least 66 2/3% of the voting power of the then outstanding stock of the corporation entitled to vote generally in the election of directors, present or represented by proxy, voting together as a single class, shall be required to alter, amend or repeal Sections 2.02, 2.06, 2.08, 3.02, 3.03 or this Section 7.08 of these By-laws.

Exhibit 4.1

ITG
COMMON STOCK
$.01 PAR VALUE

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

CUSIP 46145F 10 5
SEE REVERSE FOR CERTAIN DEFINITIONS

THE FUTURE OF TRADING

[GRAPHIC OMITTED]

INVESTMENT TECHNOLOGY GROUP, INC.

INVESTMENT TECHNOLOGY GROUP, INC.
CORPORATE
SEAL
1983
DELAWARE

THIS CERTIFIES THAT

IS THE RECORD HOLDER OF

FULLY PAID AND NON-ASSESSABLE SHARES OF THE COMMON STOCK OF INVESTMENT TECHNOLOGY GROUP, INC. TRANSFERABLE ONLY ON THE BOOKS OF THE CORPORATION BY THE HOLDER HEREOF IN PERSON OR BY ATTORNEY UPON SURRENDER OF THIS CERTIFICATE PROPERLY ENDORSED. THIS CERTIFICATE IS NOT VALID UNTIL COUNTERSIGNED AND REGISTERED BY THE TRANSFER AGENT AND REGISTRAR.

IN WITNESS WHEREOF THE CORPORATION HAS CAUSED THIS CERTIFICATE TO BE SIGNED BY THE FACSIMILE SIGNATURES OF ITS DULY AUTHORIZED OFFICERS AND TO BE SEALED WITH THE FACSIMILE SEAL OF THE CORPORATION.

FIRST CHICAGO TRUST COMPANY OF NEW YORK
(NEW YORK, NY)

/s/ Timothy H. Hosking /s/ Raymond L. Killian, Jr.

Transfer Agent and Registrar

SECRETARY PRESIDENT AUTHORIZED SIGNATURE

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full

according to applicable laws or regulations:

TEN COM - as tenants in common
TEN ENT - as tenants by the entireties
JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIT MIN ACT - _____Custodian_____
(Cust) (Minor)

under Uniform Gifts to Minors Act_____
(State)

ADDITIONAL ABBREVIATIONS MAY ALSO BE USED THOUGH NOT IN THE ABOVE LIST.

For Value Received _____ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE OF ASSIGNEE)

---------- Shares of the capital stock represented by the within Certificate, and do hereby irrevocably constitute and appoint

---------- Attorney to transfer the said stock on the books of the within named Corporation with full power of substitution in the premises.

Dated_____

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

SIGNATURE(S) GUARANTEED:

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C RULE 17Ad-15.

KEEP THIS CERTIFICATE IN A SAFE PLACE. IF IT IS LOST, STOLEN, MUTILATED OR DESTROYED, THE CORPORATION WILL REQUIRE A BOND OF INDEMNITY AS A CONDITION TO THE ISSUANCE OF A REPLACEMENT CERTIFICATE.

Exhibit 10.4.3

STOCK OPTION AGREEMENT

THIS STOCK OPTION AGREEMENT (the "Agreement") is entered into as of _____, between INVESTMENT TECHNOLOGY GROUP, INC., a Delaware corporation (the "Company") and _____, an employee of the Company ("Employee").

WHEREAS, the Compensation Committee of the Board of Directors of the Company has determined that it is in the interest of the Company to provide the Employee with an option to purchase the common stock of the Company:

NOW THEREFORE, the parties agree as follows:

1.1. The Company has granted to the Employee a nonqualified stock option (the "Option") to purchase _____ shares of the Company's Common Stock (the "Common Stock"), for a price per share equal to $_____per share (the "Option Price"). The date of grant of the Option is _____ ("Grant Date"). This Option is intended to be a nonqualified stock option and shall not be treated as an incentive stock option under the provisions of the Internal Revenue Code of 1986, as amended.

1.2. The Option is granted under Section 6.1 of the Company's 1994 Stock Option and Long-Term Incentive Plan (the "Plan"). All of the terms and conditions of the Plan are hereby incorporated by reference in this Agreement as though fully set forth herein. Terms defined in the Plan but not in this Agreement shall have the meanings set forth in the Plan. To the extent of any conflict between the provisions of this Agreement and those of the Plan, the provisions of the Plan shall govern. Employee acknowledges receipt of a copy of the Plan, accepts the Option subject to the terms and conditions set forth in the Plan and this Agreement, and consents to and agrees to comply with such terms and conditions.

1.3. This Option is granted for no consideration other than the services of Employee and Employee's agreements set forth herein.

1.4. The grant of the Option is exempt from the provisions of Section 16(b) of the Securities Exchange Act of 1934 (the "Exchange Act") pursuant to the provisions of Rule 16b-3, all of the requirements of which have been satisfied.

2.1. Except as provided herein, the Option will vest and become exercisable in three equal annual installments, beginning on the second anniversary of the Grant Date. In the event of termination of Employee's employment with the Company (including all subsidiaries) by reason of death or disability, the Option shall become vested and exercisable in full at the time of such termination. In the event of termination of Employee's employment with

the Company (including all subsidiaries) for any other reason, that portion of the Option that has not yet vested shall be forfeited. Notwithstanding any other provision of this Agreement to the contrary, the Option will become vested and exercisable in full immediately prior to a Change of Control (as defined in Section 3.2 below), provided the Employee's employment with the Company (including all subsidiaries) has not terminated prior to such time.

2.2. The Option (to the extent not earlier exercised or

forfeited) will expire at 5:00 p.m., Eastern time, on the earliest of (i) the fifth anniversary of the Grant Date, (ii) if Employee's employment with the Company (including all subsidiaries) terminates by reason of death or disability, one year following such termination of employment, or (iii) if Employee's employment with the Company (including all subsidiaries) terminates for any other reason, 60 days after the date of such termination. Notwithstanding any other provision of this Agreement to the contrary, in the event of a Change of Control at a time when the Employee is an employee of the Company (including all subsidiaries), the Option will be exercisable until 5:00 p.m., Eastern time, on the fifth anniversary of the Grant Date, without regard to whether the Employee's employment with the Company or any of its subsidiaries continues after such Change of Control.

3.1. To the extent the Option is exercisable under the provisions of Section 2.1 and 2.2 hereof, the Option may be exercised by giving written notice of exercise of the Option to the Secretary of the Company, and it shall be deemed to have been received either when delivered personally to the office of the Secretary or at 11:58 p.m. on the date of any U.S. Postal Service postmark on the notice, whichever is earlier (the "Exercise Date"). Such notice shall be irrevocable and must be accompanied by the payment of the purchase price as provided in Section 4 below. Upon the exercise of the Option, the Company will transfer or will cause to be issued a certificate or certificates for the Common Stock being purchased as promptly as practicable.

3.2. "Change of Control" means and shall be deemed to have occurred if:

(a) any person (within the meaning of the Exchange Act), other than the Company or a Related Party, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of Voting Securities representing 30% percent or more of the total voting power of all the then-outstanding Voting Securities; or

(b) the individuals who, as of the Grant Date, constitute the Board, together with those who first become directors subsequent to such date and whose recommendation, election or nomination for election to the Board was approved by a vote of at least a majority of the directors then still in office who either were directors as of the Grant Date or whose recommendation, election or nomination for election was previously so approved, cease for any reason to constitute a majority of the members of the Board; or

(c) the stockholders of the Company approve a merger, consolidation, recapitalization or reorganization of the Company or one of its subsidiaries, reverse split of any class of Voting Securities, or an acquisition of securities or assets by the Company or one of its subsidiaries, or consummation of any such transaction if stockholder approval is not obtained, other than (I) any such transaction in which the holders of outstanding Voting Securities immediately prior to the transaction receive (or retain), with respect to such Voting Securities, voting securities of the surviving or transferee entity representing more than 50 percent of the total voting power outstanding immediately after such transaction, with the voting power of each such continuing holder relative to other such continuing holders not substantially altered in the transaction, or (II) any such transaction which would result in a Related Party beneficially owning more than 50 percent of the voting securities of the surviving or transferee entity outstanding immediately after such transaction; or

(d) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets other than any such transaction which would result in a Related Party owning or acquiring more than 50 percent of the assets owned by the Company immediately prior to the transaction.

"Related Party" means (a) a majority-owned subsidiary of the Company; (b) an employee or group of employees of the Company or any majority-owned subsidiary of the Company; (c) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any majority-owned subsidiary of the Company; or (d) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportion as their ownership of Voting Securities.

"Voting Securities or Security" means any securities of the Company which carry the right to vote generally in the election of directors.

4.1. The purchase price of Common Stock purchased by the Employee upon exercise of the Option (the "Option Shares") shall be paid in full to the Company at the time of such exercise in cash (including by check) or by the surrender of Common Stock of the Company or a combination thereof, in accordance with Section 9.3 of the Plan, provided that Common Stock held for less than six months may be surrendered only with the approval of the Committee.

5.1. The number and kind of shares purchasable upon exercise of the Option, and other terms of the Option, may be appropriately adjusted, in the discretion of the Committee, in accordance with Section 5.5 of the Plan, in order to prevent dilution or enlargement of the rights of the Employee.

6.1. The Employee represents and warrants that the Employee is acquiring the Option for his own account and not with a view to distribution of this Option or the Option Shares. As a condition to the exercise of the Option, and in the event that the Option Shares have not yet been registered under the Securities Act of 1933, as amended (the "Act") at the time they are issued, the Company may require the Employee to make any representation and/or warranty to the Company as may, in the judgment of counsel to the Company, be required under any applicable law or regulation, including but not limited to a representation and warranty that the Option Shares are being acquired only for investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for the Company, such a representation is required under the Act or any other applicable law, regulation or rule of any governmental agency.

7.1. Neither the Employee nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey the Option or any amounts payable pursuant to the provisions of this Agreement, which Option and amounts are, and all rights under this Agreement are, expressly declared to be unassignable and nontransferable, other than by will or under the laws of descent and distribution. No part of the Option or such amounts payable shall be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by the Employee or any other person, nor be transferable by operation of law in the event of the Employee's or any other person's bankruptcy or insolvency.

8.1. Neither the Employee nor any other person shall acquire by reason of the Option or the Option Shares any right in or title to any assets, funds or property of the Company whatsoever including, without limiting the generality of the foregoing, any specific funds or assets which the Company, in its sole discretion, may set aside in anticipation of a liability. No trust shall be created in connection with or by the granting of the Option or the purchase of any Option Shares, and any benefits which become payable hereunder shall be paid from the general assets of the Company. The Employee shall have only a contractual right to the amounts, if any, payable pursuant to this Agreement, unsecured by any asset of the Company or any of its affiliates.

9.1. Nothing herein will limit the Company's right to issue Common Stock, or options or other rights to purchase Common Stock, to its employees, subject to vesting, expiration and other terms and conditions deemed

appropriate by the Company and its affiliates.

10.1. The Employee authorizes the Company to withhold, in accordance with any applicable law, from any compensation payable to him any taxes required to be withheld by federal, state or local law upon the issuance of Option Shares or the payment of money pursuant to the exercise of the Option. The Employee may elect to have the Company

withhold Option Shares to pay any applicable withholding taxes resulting from the exercise of the Option, in accordance with any rules or regulations of the Committee then in effect.

11.1. Shares issued pursuant to exercise of the Options shall be shares of Common Stock, the issuance of which is registered under the Act.

12.1. The terms of this Agreement shall be binding upon the executors, administrators, heirs, successors, transferees and assignees of the Employee and the Company.

13.1. In any action at law or in equity to enforce any of the provisions or rights under this Agreement, including any arbitration proceedings to enforce such provisions or rights, the unsuccessful party to such litigation or arbitration, as determined by the court in a final judgment or decree, or by the panel of arbitrators in its award, shall pay the successful party or parties all costs, expenses and reasonable attorneys' fees incurred by the successful party or parties (including without limitation costs, expenses and fees on any appeals), and if the successful party recovers judgment in any such action or proceeding such costs, expenses and attorneys' fees shall be included as part of the judgment.

14.1. The Employee agrees to perform all acts and execute and deliver any documents that may be reasonably necessary to carry out the provisions of this Agreement, including but not limited to all acts and documents related to compliance with federal and/or state securities laws.

15.1. For convenience, this Agreement may be executed in any number of identical counterparts, each of which shall be deemed a complete original in itself and may be introduced in evidence or used for any other purposes without the production of any other counterparts.

16.1. This Agreement shall be construed and enforced in accordance with Section 10 of the Plan.

17.1. This Agreement, together with the Plan, sets forth the entire agreement between the parties with reference to the subject matter hereof, and there are no agreements, understandings, warranties, or representations, written, express, or implied, between them with respect to the Option other than as set forth herein or therein, all prior agreements, promises, representations and understandings relative thereto being herein merged.

18.1. Nothing expressed or implied herein is intended or shall be construed to confer upon or give to any person, other than the parties hereto, any right, remedy or claim under or by reason of this Agreement or of any term, covenant or condition hereof.

19.1. This Agreement may be amended, modified, superseded, canceled, renewed or extended and the terms or covenants hereof may be waived only by a written instrument executed by the parties hereto or, in the case of a

waiver, by the party waiving compliance. Any such written instrument must be approved by the Committee to be effective as against the Company. The failure of any party at any time or times to require performance of any provision hereof shall in no manner affect the right at a later time to enforce the same. No waiver by any party of the breach of any term or provision contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such breach, or a waiver of the breach of any other term or covenant contained in this Agreement.

20.1. Any notice to be given hereunder shall be in writing and delivered personally or sent by registered or certified mail, postage prepaid, and, if to the Company, addressed to it at 380 Madison Avenue, New York, New York 10017, Attn: General Counsel, and, if to the Employee, addressed to him at the address set forth below his signature hereto, or to such other address of such party as that party may designate by written notice to the other.

21.1. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

22.1 Neither this Agreement nor any action taken hereunder shall be construed as giving Employee the right to be retained in the employ of the Company (or any of its subsidiaries) nor shall it interfere in any way with the right of the Company (or any of its subsidiaries) to terminate Employee's employment at any time.

IN WITNESS WHEREOF, the parties hereto have executed this Stock Option Agreement as of the date first above written.

INVESTMENT TECHNOLOGY
GROUP, INC.

By

EMPLOYEE

Exhibit 10.4.7

INVESTMENT TECHNOLOGY GROUP, INC.
DEFERRED COMPENSATION PLAN

The Investment Technology Group, Inc. Deferred Compensation Plan is effective as of January 1, 1999 (the "Effective Date").

SECTION 1

DEFINITIONS

When used herein, the following terms shall have the following meanings:

"Account" means the bookkeeping account maintained by the Company for the Participant which is credited with Benefits and earnings (or debited to reflect losses) attributable to the Investment Options selected by the Participant in respect of his Benefits, and which is debited to reflect distributions.

"Account Balance" means the total amount credited to the Participant's Account at any time.

"Affiliate" means any company controlling, controlled by, or under common control with, the Company.

"Beneficiary" means the beneficiary or beneficiaries designated in accordance with Section 9 to receive the amount, if any, payable upon the death of the Participant.

"Benefits" means the benefits described in Section 3.1 of the Plan.

"Board of Directors" means the Board of Directors of the Company.

"Code" means the Internal Revenue Code of 1986, as amended.

"Committee" means the Compensation Committee of the Board of Directors.

"Company" means Investment Technology Group, Inc. a Delaware corporation, or any successor under the provisions of Section 10.1.

"Investment Option" means the measure of investment return pursuant to which Benefits credited to the Participant's Account shall be further credited with earnings (or charged with losses) from the date such Benefits are originally credited. The Investment Options available under the Plan shall be determined from time to time by the Committee.

"Participant" means Raymond L. Killian, Jr.

"Plan" means the Investment Technology Group, Inc. Deferred Compensation Plan as set forth herein and as amended from time to time.

"Plan Year" means the 12-month period commencing each January 1 and ending on December 31.

SECTION 2

PARTICIPATION

2.1. PARTICIPATION. The Participant shall participate in the Plan, beginning as of the Effective Date, and no other person shall be entitled to participate in the Plan.

SECTION 3

BENEFITS

3.1. BENEFITS. Subject to the provisions of Section 5, for each Plan Year the following Benefits shall be credited to the Account of the Participant:

(i) The amount of the Participant's benefits under the Jefferies Group Inc. Capital Accumulation Plan which were assumed by the Company, credited as of the date of the assumption;

(ii) The amount of the Participant's bonus for calendar year 1998 which was deferred by the Board of Directors, credited as of the date of deferral;

(iii) Any other amount of salary, bonus or other incentive compensation payable to the Participant which is deferred by the Board of Directors or any committee thereof and directed by the Board of Directors or such committee to be payable pursuant to the terms of this Plan, credited as of the date of deferral; and

(iv) earnings or losses attributable to the Investment Options for the Participant's Account Balance pursuant to Section 4 below.

SECTION 4

EARNINGS

4.1. CREDITING OF EARNINGS. Earnings shall be credited (or losses shall be charged) to a Participant's Account based on the Investment Option or Options to which the Participant's Account has been allocated from the date the Benefits are credited to the Participant's Account. Any amount distributed from a Participant's Account shall be credited with earnings (or charged with losses) through the day on which the distribution is made. The Investment Options shall be determined and communicated to the Participant by the Committee; PROVIDED, HOWEVER, that the Investment Options may not be changed retroactively. Earnings will be credited quarterly or at such other intervals as the Committee shall determine.

4.2. SELECTION OF INVESTMENT OPTIONS. The amounts credited to the Participant's Account under this Plan shall be allocated among the Investment Options as elected in writing from time to time by the Participant. The Participant may allocate and reallocate his Account Balance among the Investment Options no more than once per calendar quarter by written notice from the Participant to the Company not less than two weeks prior to the beginning of the calendar quarter in which the change will be effective (or otherwise in accordance with the procedures established from time to by the Committee).

SECTION 5

VESTING AND PAYMENT

5.1. VESTING. The Participant's Benefits will be vested in full at all times.

5.2. DISTRIBUTION OPTIONS. Except as otherwise provided in this Section 5, Benefits shall be paid to the Participant, in accordance with his election pursuant to Section 5.3 hereof, either:

(i) in a single cash lump sum as soon as practicable after the first date on which the Participant is no longer employed by the Company or any subsidiary or Affiliate of the Company (with the payment including all deemed earnings or losses calculated in accordance with the Investment Options through such date); or

(ii) in annual, monthly or quarterly cash installments for up to ten years following termination of the Participant's employment, as elected by the Participant in accordance with the provisions of Section 5.3. The first such installment shall be payable as soon as practicable following the first date on which the Participant is no longer employed by the Company or any subsidiary or Affiliate of the Company. The amount of each such installment shall be determined by dividing the Participant's Account Balance under the Plan at such date (including all deemed earnings or losses, calculated in accordance with the Investment Options, credited through such date) by the number of installments remaining to be paid.

5.3. ELECTION. The Participant may elect to be paid under the Plan in accordance with one of the alternatives set forth in Section 5.2 above. Such an election must be made in the form designated by the Committee from time to time, must be made within 30 days after the Participant first becomes eligible to participate in the Plan, and shall be irrevocable once filed with the Company; PROVIDED, HOWEVER, that the Participant may file a new election as to the form of payment if such election is filed at least six months in advance of termination of the Participant's employment. In the absence of a timely election by the Participant pursuant to this Section 5.3, the Participant shall be deemed to have elected to be paid in a lump sum at termination of employment under Section 5.2(i).

5.4. BENEFICIARY PAYMENTS. Upon the death of the Participant, the Participant's Account Balance shall be paid in a single lump sum to the Participant's Beneficiary as soon as practicable following the Participant's death.

SECTION 6

SOURCE OF PAYMENT

6.1. GENERAL COMPANY FUNDS. All payments provided for under the Plan shall be paid in cash from the general funds of the Company. To the extent that the Participant or any Beneficiary acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured creditor of the Company.

SECTION 7

ADMINISTRATION AND INTERPRETATION OF THE PLAN

7.1. COMMITTEE. The Plan shall be administered by the Committee. The Committee shall have full discretion, power and authority to interpret, construe and administer the Plan, to provide for claims review procedures, and to review claims for benefits under the Plan. The Committee's interpretations

and constructions of the Plan and the actions taken

thereunder by the Committee shall be binding and conclusive on all persons and for all purposes.

7.2. ADVISORS. The Committee shall establish and maintain Plan records and may arrange for the engagement of such accounting, actuarial or legal advisors, who may be advisors to the Company, and make use of such agents and clerical or other personnel as it shall require or may deem advisable for purposes of the Plan. The Committee may rely upon the written opinion of such advisors engaged by the Committee. The Committee may appoint a subcommittee to assist it in carrying out its administrative duties under the Plan.

7.3. HOLD HARMLESS. To the maximum extent permitted by law, no member of the Board of Directors, the Committee or any subcommittee appointed pursuant to Section 7.2 hereof shall be personally liable by reason of any contract or other instrument executed by him or her or on his or her behalf in his or her capacity as a member of the Board of Directors, the Committee or such subcommittee nor for any mistake of judgment made in good faith, and the Company shall indemnify and hold harmless, directly from its own assets (including the proceeds of any insurance policy the premiums of which are paid from the Company's own assets), each member of the Board of Directors, the Committee, and any subcommittee appointed pursuant to Section 7.2 hereof and each other officer, employee, or director of the Company to whom any duty or power relating to the administration or interpretation of the Plan or to the management or control of the assets of the Plan may be delegated or allocated, against any cost or expense (including counsel fees) or liability (including any sum paid in settlement of a claim with the approval of the Company) arising out of any act or omission to act in connection with the Plan unless arising out of such person's own fraud or bad faith.

SECTION 8

AMENDMENT AND TERMINATION

8.1. AMENDMENT AND TERMINATION. The Plan may be amended, suspended or terminated, in whole or in part, by the Board of Directors, but no such action shall retroactively impair or otherwise adversely affect the rights of any person to benefits under the Plan which have accrued prior to the date of such action, as determined by the Board of Directors.

SECTION 9

DESIGNATION OF BENEFICIARIES

9.1. BENEFICIARY DESIGNATION. The Participant shall file with the Company a written designation of one or more persons or trusts as the Beneficiary who shall be entitled to receive the amount, if any, payable under the Plan upon his death. The Participant may, from time to time, revoke or change his Beneficiary designation without the consent of any prior Beneficiary by filing a new designation with the Company. The last such designation received by the Company shall be controlling; PROVIDED, HOWEVER, that no designation, or change or revocation thereof, shall be effective unless received by the Company prior to the Participant's death, and in no event shall it be effective as of a date prior to such receipt.

9.2. ESTATE. If no such Beneficiary designation is in effect at the time of the Participant's death, or if no designated Beneficiary survives the Participant, or if such designation conflicts with law, the Participant's estate shall be deemed to have been designated his Beneficiary and shall receive the payment of the amount, if any, payable under the Plan upon his death. If the Committee is in doubt as to the right of any person to receive such amount, the Committee may retain such amount until the rights thereto are determined, or the Committee may pay such amount into any court of appropriate jurisdiction and such payment shall be a complete discharge of the liability of the Plan and the Company therefor.

SECTION 10

GENERAL PROVISIONS

10.1. BINDING ON SUCCESSORS. This Plan shall be binding upon and inure to the benefit of the Company, its subsidiaries and Affiliates, and their successors and assigns and the Participant, his Beneficiary or designees and his estate. Nothing in this Plan shall preclude the Company from consolidating or merging into or with, or transferring all or substantially all of its assets to, another corporation which assumes this Plan and all obligations of the Company hereunder. Upon such a consolidation, merger or transfer of assets and assumption, the term "Company" shall refer to such other corporation and this Plan shall continue in full force and effect.

10.2. NO RIGHT OF EMPLOYMENT. Neither the Plan nor any action taken hereunder shall be construed as giving to the Participant or any employee the

right to be retained in the employ of the Company or any subsidiary or Affiliate of the Company or as affecting the right of the Company or such a subsidiary or Affiliate to dismiss the Participant with or without cause.

10.3. WITHHOLDING. The Company may provide for the withholding from any benefits payable under this Plan all Federal, state, city or other taxes as shall be required pursuant to any law or governmental regulation or ruling.

10.4. NOT ASSIGNABLE. No right to any amount payable at any time under the Plan may be assigned, transferred, pledged, or encumbered, either voluntarily or by operation of law, except as provided expressly herein as to payments to a Beneficiary or as may otherwise be required by law.

10.5. INCAPACITY. If the Committee shall find that any person to whom any amount is or was payable hereunder is unable to care for his or her affairs because of illness or accident, or has died, then the Committee, if it so elects, may direct that any payment due him or her or his or her estate (unless a prior claim therefore has been made by a duly appointed legal representative) or any part thereof be paid or applied for the benefit of such person or to or for the benefit of his or her spouse, children or other dependents, an institution maintaining or having custody of such person, any other person deemed by the Committee to be a proper recipient on behalf of such person otherwise entitled to payment, or any of them, in such manner and proportion as the Committee may deem proper. Any such payment shall be in complete discharge of the liability therefor of the Company, the Plan or the Committee or any member, officer or employee thereof.

10.6. COMMUNICATIONS TO COMMITTEE. All elections, designations, requests, notices, instruction, and other communications from a Participant, Beneficiary or other person to the Committee or the Company pursuant to the Plan shall be in such form as is prescribed from time to time by the Committee, shall be mailed by first-class mail or delivered to such location as shall be

specified by the Committee, and shall be deemed to have been given and delivered only upon actual receipt thereof at such location.

10.7. OTHER BENEFITS. Except as otherwise expressly provided, the benefits payable under this Plan shall be in addition to all other benefits provided for employees of the Company.

10.8. CAPTIONS. The captions preceding the sections and articles hereof have been inserted solely as a matter of convenience and in no way define or limit the scope or intent of any provisions of the Plan.

10.9. GOVERNING LAW. To the extent not preempted by Federal law, this Plan shall be governed by the laws of the State of New York, without regard to the principles of conflict of laws thereof, as from time to time in effect.

Exhibit 10.5.3

THIRD AMENDMENT TO LEASE
(400 CORPORATE POINTE)

THIS THIRD AMENDMENT TO LEASE ("THIRD AMENDMENT") is made and entered into as of the 13th day of March, 1998, by and between ARDEN REALTY FINANCE PARTNERSHIP, L.P., a California limited partnership ("LANDLORD") and INVESTMENT TECHNOLOGY GROUP, INC., a Delaware corporation ("TENANT").

R E C I T A L S :

A. 400 Corporate Pointe, Ltd., a California general partnership ("400 CORPORATE") and Integrated Analytics Corporation, a California corporation ("IAC") entered into that certain Standard Form Office Lease dated as of July 11, 1990 ("ORIGINAL LEASE"), whereby 400 Corporate leased to IAC and IAC leased from 400 Corporate certain office space located in that certain building located and addressed at 400 Corporate Pointe, Culver City, California 90230 (the "BUILDING"). The Original Lease was subsequently amended by that certain First Amendment to Lease dated June 1, 1995, by and between AEW/LBA Acquisition Co. LLC, a California limited liability company ("AEW") as successor-in-interest to 400 Corporate, and Tenant, as successor-in-interest to IAC (the "FIRST AMENDMENT") and by that certain Second Amendment to Lease dated December 5, 1996 by and between Arden Realty Limited Partnership, a Maryland limited partnership ("ARLP") as successor-in-interest to AEW and Tenant ("SECOND AMENDMENT"). Landlord is successor-in-interest to ARLP. The Original Lease, as amended by the First Amendment and the Second Amendment, is referred to herein as the "LEASE". Pursuant to the Lease, Tenant currently occupies 13,696 rentable square feet located on the eighth (8th) floor of the Building and known as Suite 855 and 5,295 rentable square feet located on the seventh (7th) floor of the Building and known as Suite 750 and 1,263 rentable square feet located on the seventh (7th) floor of the Building known as Suite 725, for a total of 20,254 rentable square feet (collectively, the "EXISTING PREMISES").

B. By this Third Amendment, Landlord and Tenant desire to add certain additional space on the sixth (6th) floor of the Building to the Existing Premises, and to otherwise modify the Lease as provided herein.

C. Unless otherwise defined herein, capitalized terms as used herein shall have the same meaning as given thereto in the Original Lease.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

A G R E E M E N T :

1. EXPANSION OF EXISTING PREMISES. Effective as of the Additional Space Effective Date (as defined below) and continuing until the expiration of the Lease Term, the Existing Premises shall be modified to add the sixth (6th) floor of the Building which the parties stipulate to contain 20,347 rentable (18,331 usable) square feet as outlined on the floor plan attached to this Third Amendment as Exhibit "A" and incorporated herein by this reference ("ADDITIONAL SPACE"). Accordingly, effective as of the Additional Space Effective Date, Tenant shall lease an aggregate of 40,601 rentable square feet of space in the Building consisting of the Existing Premises and the Additional Space, which shall be referred to collectively as the "PREMISES." The term "ADDITIONAL SPACE EFFECTIVE DATE" shall mean the first Monday following the date the Additional Space is Ready for Occupancy (as defined in Section 5.1 of the Tenant Work Letter attached to this Third Amendment as Exhibit "B"). The Additional Space Effective Date is anticipated to be July 1, 1998. Tenant's lease of the Additional Space shall expire co-terminously with Tenant's lease of the Existing Premises on December 31, 2005, subject to extension as provided in Section 10 below. Following the Additional Space Effective Date, the term

"Premises" as used in the Lease as amended by this Third Amendment shall refer to the Existing Premises and the Additional Space. Promptly after the Additional Space Effective Date, Landlord and Tenant shall execute a Confirmation of Lease Term Dates in a form similar to Exhibit "C" attached hereto and made a part hereof.

2. BASE RENT FOR THE ADDITIONAL SPACE. Effective as of the Additional Space Effective Date and continuing until the expiration of the Lease Term, Tenant shall pay, in accordance with the provisions of this Section 2, Base Rent for the Additional Space as follows:

MONTH	MONTHLY INSTALLMENT OF BASIC RENT	MONTHLY BASIC RENT PER RENTABLE SQUARE FOOT
1-24	$32,962.14	$1.62
25-48	$37,031.54	$1.82
49-- December 31, 2005	$42,728.70	$2.10

Concurrently with Tenant's execution of this Third Amendment, Tenant shall pay to Landlord an amount equal to Basic Rent for the first full month of Tenant's lease of the Additional Space.

3. TENANT'S PERCENTAGE OF TOTAL RENTABLE AREA. Commencing as of the Additional Space Effective Date, Tenant's Percentage of Total Rentable Area with regard to the Additional Space only shall be 12.36%, and the Base Year (as defined in Section 1.7 of the First Amendment) with regard to the Additional Space only shall be calendar year 1998.

4. IMPROVEMENTS TO ADDITIONAL SPACE. Landlord shall construct the tenant improvements to the Additional Space pursuant to the terms and conditions of the Tenant Work Letter attached hereto as Exhibit "B," and the initial construction of such tenant improvements shall be governed by the Tenant Work Letter rather than by the provisions of Article 14 of the Original Lease. Except as specifically set forth in the Tenant Work Letter, Tenant hereby acknowledges that Landlord shall not be obligated to provide or pay for any improvement work or services related to the improvement of the Additional Space. Tenant also acknowledges that, except as provided in Section 1 of the Tenant Work Letter, Landlord has made no representation or warranty regarding the condition of the Additional Space.

5. PARKING. Landlord and Tenant hereby acknowledge and agree that pursuant to Section 1(w) of the Original Lease, Tenant is entitled to lease parking spaces at a ratio of four (4) parking spaces per one thousand (1000) rentable square feet contained within the Premises from time to time. Therefore, in addition to the parking spaces currently rented by Tenant pursuant to Section 1.10 of the First Amendment and Section 5 of the Second Amendment, commencing as of the Additional Space Effective Date, Tenant shall be entitled to the use and rental of an allocation of up to eighty-one (81) additional parking spaces (some of which may, at Tenant's election, be reserved spaces, subject to the percentage limitation set forth in Paragraph 56 of the Original Lease) (collectively, the "ADDITIONAL SPACES") located in the Building's on-site parking facilities. Tenant shall pay to Landlord for such Additional Spaces the prevailing rate applicable to such parking in the Building's on-site parking facility; provided, however, that the rate charged by Landlord for such parking during each calendar year after calendar year 1998 shall not increase by more than five percent (5%) over the maximum rate chargeable in the immediately preceding calendar year (whether or not such maximum rate was actually charged). The maximum rate during calendar year 1998 shall be Fifty-five Dollars ($55.00)

per unreserved space per month and Seventy-five Dollars ($75.00) per reserved space per month, plus applicable parking taxes (if any).

6. STAIRWELL ACCESS. Section 12 of the Second Amendment is hereby amended to provide that, commencing upon the Additional Space Effective Date, Landlord agrees to allow Tenant access to the stairwells between the sixth (6th), seventh (7th) and eighth (8th) floors of the Building during normal business hours. In connection therewith, Tenant hereby acknowledges that Tenant shall be required to install and maintain a time clock and associated locking device at each of the two (2) stairwell doors on the sixth (6th) floor, at each of the two

(2) stairwell doors on the seventh (7th) floor, and at each of the two (2) stairwell doors on the eighth (8th) floor of the Building. Such time clocks and associated locking devices shall be installed by the Building-designated locksmith as a component of the Tenant Improvements to be constructed by Landlord pursuant to the Tenant Work Letter.

7. BROKERS. Each party represents and warrants to the other that no broker, agent or finder negotiated or was instrumental in negotiating or consummating this Third Amendment other than CB Commercial Real Estate Group, Inc., who shall be compensated by Landlord pursuant to a separate agreement. Each party further agrees to defend, indemnify and hold harmless the other party from and against any claim for commission or finder's fee by any entity who claims or alleges that they were retained or engaged by the first party or at the request of such party.

8. OPTION TO CANCEL. The parties hereby acknowledge and agree that Tenant's Cancellation Option specified in Section 1.11 of the First Amendment and as amended pursuant to Section 9 of the Second Amendment, shall continue to apply with respect to the Existing Premises (as defined in Recital A of this Third Amendment), but shall not apply to the Additional Space (as defined in Section 1 of this Third Amendment).

9. RIGHTS OF FIRST AND SECOND OFFER. Section 14 of Rider No. 1 to the Original Lease and Section 1.21 of the First Amendment (as amended by Section 10 of the Second Amendment) shall be null and void and of no force or effect. In lieu thereof, Landlord hereby grants to Tenant a right of first offer with respect to all space in the Building not leased by Tenant pursuant to the Lease (as amended by this Third Amendment) ("FIRST OFFER SPACE"). Notwithstanding the foregoing (i) such first offer right of Tenant shall commence only following the expiration or earlier termination of (A) any existing lease pertaining to the First Offer Space, and (B) as to any First Offer Space which is vacant as of the date of this Third Amendment, the first lease pertaining to any portion of such First Offer Space entered into by Landlord after the date of this Lease (collectively, the "SUPERIOR LEASES"), including any renewal or extension of such existing or future lease, whether or not such renewal or extension is pursuant to an express written provision in such lease, and regardless of whether any such renewal or extension is consummated pursuant to a lease amendment or a new lease, and (ii) such first offer right shall be subordinate and secondary to all rights of expansion, first refusal, first offer or similar rights (A) granted as of the date of this Third Amendment to any other tenant of the Building, and (B) granted after the date of this Third Amendment (with respect to any floor in the Building other than the seventh (7th) and eighth (8th) floors) to any other tenant of the Building who is not a tenant as of the date of this Third Amendment and who, at the time such tenant enters into its lease, leases more rentable square feet in the Building than Tenant (the rights described in items (i) and (ii), above to be known collectively as "SUPERIOR RIGHTS"). Tenant's right of first offer shall be on the terms and conditions set forth in this Section 9.

(i) PROCEDURE FOR OFFER. Landlord shall notify Tenant (the "FIRST OFFER NOTICE") from time to time when Landlord determines that Landlord shall commence the marketing of any First Offer Space because such space shall become

available for lease to third parties, where no holder of a Superior Right desires to lease such space. The First Offer Notice shall describe the space so offered to Tenant and shall set forth Landlord's proposed economic terms and conditions applicable to Tenant's lease of such space (collectively, the "ECONOMIC TERMS"). Notwithstanding the foregoing, Landlord's obligation to deliver the First Offer Notice shall not apply during (A) the last nine (9) months of the initial Lease Term or the First Option Term unless Tenant has exercised the upcoming Option to Renew pursuant to Section 10 of this Third Amendment, and (B) the last nine (9) months of the second (2nd) Option Term.

(ii) PROCEDURE FOR ACCEPTANCE. On or before the date which is five (5) business days after Tenant's receipt of the First Offer Notice (the "ELECTION DATE"), Tenant shall deliver written notice to Landlord ("TENANT'S ELECTION NOTICE") pursuant to which Tenant shall elect either to (A) lease the entire First Offer Space described in the First Offer Notice upon the Economic Terms set forth in the First Offer Notice and the same non-Economic Terms as set forth in the Lease (as then amended), (B) refuse to lease such First Offer Space identified in the First Offer Notice, specifying that such refusal is not based upon the Economic Terms set forth by Landlord in the First Offer Notice, but upon Tenant's lack of need for such First Offer Space,

in which event Landlord may lease such First Offer Space to any entity on any terms Landlord desires (the "SUBSEQUENT LEASE") and Tenant's right of first offer with respect to the First Offer Space specified in Landlord's First Offer Notice shall thereupon terminate and be of no further force or effect until such space once again becomes available after expiration of the Subsequent Lease including any renewal or extension of such Subsequent Lease, whether or not such renewal or extension is pursuant to an express written provision in such Subsequent Lease, and regardless of whether any such renewal or extension is consummated pursuant to a lease amendment or a new lease, or (C) refuse to lease the First Offer Space, specifying that such refusal is based upon the Economic Terms set forth in the First Offer Notice, in which event Tenant shall also specify in Tenant's Election Notice revised Economic Terms upon which Tenant would be willing to lease such First Offer Space from Landlord. If Tenant does not so respond in writing to Landlord's First Offer Notice by the Election Date, Tenant shall be deemed to have elected the option described in clause (ii)(B) above. If Tenant timely delivers to Landlord Tenant's Election Notice pursuant to clause (ii)(C) above, Landlord may elect either to: (a) lease such First Offer Space to Tenant upon the revised Economic Terms specified by Tenant in Tenant's Election Notice, and the same non-Economic Terms as set forth in the Lease (as then amended); or (b) lease the First Offer Space to any person or entity upon any terms Landlord desires; provided, however, if the Economic Terms of Landlord's proposed lease to said third party are not less favorable to the third party than those Economic Terms proposed by Tenant in Tenant's Election Notice, before entering into such third party lease, Landlord shall notify Tenant of such no less favorable Economic Terms and Tenant shall have the right to lease the First Offer Space upon such no less favorable Economic Terms by delivering written notice thereof to Landlord within three (3) business days after Tenant's receipt of Landlord's notice. If Tenant does not elect to lease such space from Landlord within said three (3) business-day period, Tenant shall be deemed to have elected the option described in clause (ii)(B) above. In determining whether the Economic Terms of Landlord's proposed lease to a third party are no less favorable to the third party than those Economic Terms proposed by Tenant in Tenant's Election Notice, all concessions shall be blended into an effective rental rate over the term of the proposed lease to said third party and such effective rental rate shall be compared with the effective rental rate of the Economic Terms proposed by Tenant in Tenant's Election Notice.

(iii) LEASE OF FIRST OFFER SPACE. If Tenant timely exercises Tenant's right to lease the First Offer Space as set forth herein, Landlord and Tenant shall execute an amendment adding such First Offer Space to the Premises upon the same non-economic terms and conditions as applicable to the Premises, and the economic terms and conditions as provided in this Section 9. Tenant shall commence payment of rent for the First Offer Space and the Lease Term of

the First Offer Space shall commence upon the date of delivery of such space to Tenant (except as otherwise specified in the Economic Terms). The Lease Term for the First Offer Space shall expire co-terminously with Tenant's lease of the Premises.

(iv) NO DEFAULTS. The rights contained in this Section 9 shall be personal to the Tenant named in this Third Amendment ("ORIGINAL TENANT") and any successor to Tenant by merger, consolidation or otherwise ("SUCCESSOR"), and may only be exercised by the Original Tenant or such Successor (and not any other assignee, sublessee or other transferee of the Original Tenant) if Tenant or such Successor occupies the entire Premises as of the date of the First Offer Notice. Tenant shall not have the right to lease First Office Space as provided in this Section 9 if, as of the date of the First Offer Notice, or, at Landlord's option, as of the scheduled date of delivery of such First Offer Space to Tenant, Tenant is in default under the Lease (as amended) beyond any applicable cure period.

10. OPTIONS TO RENEW. Section 1.12(a) of the First Amendment (as previously amended pursuant to Section 11 of the Second Amendment) is hereby amended in its entirety to read as follows:

> "(a) Landlord hereby grants to Tenant two (2) separate options to renew (the "OPTIONS TO RENEW") the Lease for (i) the entire sixth (6th) floor of the Building and/or any other full floors added to the Premises pursuant to Section 9 above (subject to the next sentence below), and/or (ii) a minimum of 5,000 rentable square feet of the remaining portion of the Premises on the seventh

> (7th), eighth (8th) and/or any other multi-Tenant floors of the Building on which a portion of the Premises is then located (subject to Landlord's prior reasonable approval of such 5,000 rentable square foot portion(s), which approval right shall be limited to the issue of whether the remaining space on such floors of the Building is in a configuration which is leasable to a third party) for terms (the "OPTION TERMS") of five (5) years each. Notwithstanding the foregoing, if at the time Tenant exercises its Option to Renew Tenant occupies three (3) or more full floors in the Building, Tenant may not exercise its Option to Renew as to any full floor unless Tenant also exercises its Option to Renew for either all of the full floors (if any) then leased by Tenant above such full floor or all of the full floors (if any) then leased by Tenant below such full floor. The first (1st) Option Term would extend the Term scheduled to expire on December 31, 2005 and the second (2nd) Option Term would extend the first Option Term. In no event shall Tenant be entitled to exercise an Option to Renew for any portion of the Premises for the second (2nd) Option Term unless Tenant timely and properly exercises the corresponding Option to Renew for the first Option Term. The Annual Basic Rent payable during the Option Terms shall be equal to 95% of the Fair Market Rental Rate (defined in Section 1.12(b) of the First Amendment) for the applicable portion of the Premises as of the date of such exercise for the first (1st) Option Term and 100% of the Fair Market Rental Rate for the applicable portion of the Premises as of the date of such exercise for the second (2nd) Option Term; however, (1) in no event shall the Annual Basic Rent for the first (1st) Option Term be below $2.10 per rentable square foot per month (after taking into consideration the concessions described in the definition of Fair Market Rental Rate), and (2) in no event shall the Annual Basic Rent for the second (2nd) Option Term be below that applicable during the last year of the first (1st) Option Term (after taking into consideration the concessions described in the definition of Fair Market Rental Rate). All other terms and

conditions of the Lease, as then amended, shall continue to apply during the Option Terms. Each Option to Renew shall be exercised, if at all, by written notice from Tenant to Landlord delivered not later than nine (9) months prior to the expiration of the then-existing Lease Term."

11. SIGNING AUTHORITY. Concurrently with Tenant's execution of this Third Amendment, Tenant shall provide to Landlord a copy of a resolution of the Board of Directors of Tenant authorizing the execution of this Third Amendment on behalf of such corporation, which copy of resolution shall be duly certified by the secretary or an assistance secretary of the corporation to be a true copy of the resolution duly adopted by the Board of Directors of said corporation and shall be in the form of Exhibit "D" attached hereto and made a part hereof, or in some other form reasonably acceptable to Landlord.

12. NO FURTHER MODIFICATION. Except as set forth in this Third Amendment, all of the terms and provisions of the Lease shall apply to the Additional Space and shall remain unmodified and in full force and effect. From and after the date of this Third Amendment, all references in the Lease to the "Premises" shall refer to the Existing Premises and the Additional Space.

IN WITNESS WHEREOF, this Third Amendment has been executed as of the day and year first above written.

"Landlord":

ARDEN REALTY FINANCE PARTNERSHIP, L.P., a California limited partnership

By: ARDEN REALTY FINANCE, INC., a California corporation
Its sole general partner

By: _____
VICTOR J. COLEMAN
Its: President and COO

By: _____
Its: _____

"Tenant":

INVESTMENT TECHNOLOGY GROUP, INC., a Delaware corporation

By: _____
Its: _____

By: _____
Its: _____

EXHIBIT "A"

FLOOR PLAN OF ADDITIONAL SPACE

EXHIBIT "B"

TENANT WORK LETTER

This Tenant Work Letter shall set forth the terms and conditions relating to the construction of the Additional Space. This Tenant Work Letter is essentially organized chronologically and addresses the issues of the construction of the Additional Space, in sequence, as such issues will arise during the actual construction of the Additional Space. The Additional Space may be referred to herein as the "IMPROVED SPACE." All references in this Tenant Work Letter to Articles or Sections of "this Third Amendment" shall mean the relevant portions of the Third Amendment to Lease to which this Tenant Work Letter is attached as Exhibit B, and all references in this Tenant Work Letter to Sections of "this Tenant Work Letter" shall mean the relevant portions of Sections 1 through 5 of this Tenant Work Letter.

SECTION 1

DELIVERY OF THE IMPROVED SPACE

Except as provided in this Section 1 below, the cost of any improvements to the Additional Space shall be charged to the Tenant Improvement Allowance and the Additional Space will be delivered for renovation in its presently existing "as is" condition. However, Landlord shall, at Landlord's sole cost and expense, perform the following work in the Additional Space prior to the Additional Space Effective Date: (i) ensure that the Building systems, including the HVAC and electrical systems are in good working order and condition, and (ii) perform any work in the elevator lobby, corridors and restrooms on the sixth (6th) floor of the Building required to bring such areas into compliance with all code requirements in existence as of the Additional Space Effective Date. In addition, if, as a result of applicable code requirements, Tenant is required to make any life safety improvements on the sixth (6th) floor of the Building and if, as a result of such life safety improvements installed by Tenant, any modifications to the "backbone" base Building life safety system is required, Landlord agrees to perform such modifications at Landlord's sole cost and expense. Tenant shall be entitled to add supplemental HVAC units to the Improved Space, subject to Landlord's review and reasonable approval of plans and specifications for such installation and Tenant's compliance with the terms and provisions of Article 14 of the Original Lease in connection with such installation and Tenant's payment, pursuant to Section 18 of the Original Lease, for any extraordinary usage of utilities resulting from such supplemental HVAC units. If Tenant does so install any supplemental HVAC units, Tenant shall maintain, at Tenant's sole cost and expense, a repair and maintenance contract with a contractor reasonably approved by Landlord throughout the Lease Term in order to provide repair and maintenance services for such equipment.

SECTION 2

TENANT IMPROVEMENTS

2.1 TENANT IMPROVEMENT ALLOWANCE. Tenant shall be entitled to a one-time tenant improvement allowance (the "TENANT IMPROVEMENT ALLOWANCE") in the amount of $458,275.00 (i.e., $25.00 per usable square foot of the Additional Space) for the costs relating to the design and construction of Tenant's improvements which are permanently affixed to the Additional Space (the "TENANT IMPROVEMENTS"); provided, however, that up to an amount equal to Two Dollars ($2.00) per usable square foot of the Additional Space of the Tenant Improvement Allowance may be used by Tenant, at Tenant's discretion, for Tenant Improvements to space leased by Tenant in the Building other than the Additional Space. In addition to the Tenant Improvement Allowance, Landlord shall make available to Tenant an allowance of up to ten cents ($0.10) per usable square foot of the Additional Space for costs relating to the preparation of a preliminary space plan for the Additional Space. In no event shall Landlord be obligated to make disbursements pursuant to this Tenant Work Letter in a total amount which exceeds the Tenant Improvement Allowance.

2.2 DISBURSEMENT OF THE TENANT IMPROVEMENT ALLOWANCE.

2.2.1 TENANT IMPROVEMENT ALLOWANCE ITEMS. Except as otherwise set forth in this Tenant Work Letter, the Tenant Improvement Allowance shall be disbursed by Landlord only for the following items and costs (collectively the "TENANT IMPROVEMENT ALLOWANCE Items"):

2.2.1.1 Payment of the fees of the "Architect" and the "Engineers," as those terms are defined in Section 3.1 of this Tenant Work Letter and of other engineers and consultants which Tenant may reasonably require for the design and construction of the Tenant Improvements (including, without limitation, lighting, acoustic and ergonomic consultants), and payment of the out-of-pocket costs (if any) incurred by Landlord and Landlord's consultants in connection with documents and materials supplied by Landlord (if any) and/or the review of the "Construction Drawings," as that term is defined in Section 3.1 of this Tenant Work Letter;

2.2.1.2 The payment of plan check, permit and license fees relating to construction of the Tenant Improvements;

2.2.1.3 The cost of construction of the Tenant Improvements, including, without limitation, testing and inspection costs, after-hours freight elevator usage, trash removal costs, and contractors' fees and general conditions (provided, however, the Contractor and any subcontractors shall not be charged for parking);

2.2.1.4 The cost of any changes to the Construction Drawings or Tenant Improvements required by applicable code; and

2.2.1.5 Sales and use taxes and Title 24 fees.

2.2.2 DISBURSEMENT OF TENANT IMPROVEMENT ALLOWANCE. Landlord shall make payment of the Tenant Improvement Allowance for the Tenant Improvement Allowance Items pursuant to Landlord's standard draw cycle throughout the course of construction of the Tenant Improvements. If the total amount of the Tenant Improvement Allowance Items exceeds the amount of the Tenant Improvement Allowance, Tenant shall pay such excess on a pro-rata basis throughout the course of construction of the Tenant Improvements as such costs are incurred. Such payment shall be deemed to constitute additional rent pursuant to the Lease (as amended) and shall be made within ten (10) days after Tenant's receipt of invoice therefore from Landlord. Landlord shall only be obligated to make disbursements from the Tenant Improvement Allowance to the extent costs are incurred for Tenant Improvement Allowance Items. All Tenant Improvement Allowance Items for which the Tenant Improvement Allowance has been made available shall be deemed Landlord's property. Tenant shall not be entitled to any portion of the Tenant Improvement Allowance not used by Tenant on or before the date which is six (6) months after the Additional Space Effective Date.

2.3 SPECIFICATIONS. Landlord has established specifications (the "Specifications") for the Building standard components to be used in the construction of the Tenant Improvements in the Improved Space (collectively, the "STANDARD IMPROVEMENT Package"). The quality of Tenant Improvements shall be equal to or of greater quality than the quality of the Specifications, provided that the Tenant Improvements shall comply with certain Specifications as designated by Landlord. Landlord may make changes to the Specifications for the Standard Improvement Package from time to time. However, Landlord's approval of the Final Working Drawings (as defined in Section 3.3 of this Tenant Work Letter) shall be conclusive as to the compliance of the Final Working Drawings with the Specifications (to the extent Specifications are expressly delineated in the Final Working Drawings) and Tenant shall not be obligated thereafter to modify the Approved Working Drawings or the Tenant Improvements by reason of any changes in the Specifications or any other failure of such drawings to comply with the Specifications (to the extent items to which the Specifications apply are expressly delineated in the Approved Working Drawings).

SECTION 3

CONSTRUCTION DRAWINGS

3.1 SELECTION OF ARCHITECT/CONSTRUCTION DRAWINGS. Tenant shall retain an architect/space planner reasonably approved by Landlord (the "ARCHITECT") to prepare the "Construction Drawings," as that term is defined in this Section 3.1. Tenant shall retain the engineering consultants designated by Landlord (the "ENGINEERS") to prepare all plans and engineering working drawings relating to the structural, mechanical, electrical, plumbing, HVAC and lifesafety work in the Improved Space, which work is not part of the Landlord Work. Landlord shall ensure that the charges of the Engineers are competitive (although not necessarily the lowest available). The plans and drawings to be prepared by Architect and the Engineers hereunder (consisting of the Final Space Plan and the Final Working Drawings (as those terms are defined below)) shall be known collectively as the "CONSTRUCTION DRAWINGS." All Construction Drawings shall comply with the drawing format and specifications determined by Landlord, and shall be subject to Landlord's approval, which Landlord shall not unreasonably withhold or delay. Tenant and Architect shall verify, in the field, the dimensions and conditions as shown on the relevant portions of the base building plans, and Tenant and Architect shall be solely responsible for the same, and Landlord shall have no responsibility in connection therewith. Landlord's review of the Construction Drawings as set forth in this Section 3, shall be for its sole purpose and shall not imply Landlord's review of the same, or obligate Landlord to review the same, for quality, design, Code compliance or other like matters. Accordingly, notwithstanding that any Construction Drawings are reviewed by Landlord or its space planner, architect, engineers and consultants, and notwithstanding any advice or assistance which may be rendered to Tenant by Landlord or Landlord's space planner, architect, engineers, and consultants, Landlord shall have no liability whatsoever in connection therewith and shall not be responsible for any omissions or errors contained in the Construction Drawings, and Tenant's waiver and indemnity set forth in Section 20 of the Original Lease shall specifically apply to the Construction Drawings.

3.2 FINAL SPACE PLAN. On or before March 9, 1998, Tenant shall supply Landlord with two (2) copies signed by Tenant of its final space plan for the Improved Space before any architectural working drawings or engineering drawings have been commenced. The final space plan (the "FINAL SPACE PLAN") shall include a layout and designation of all offices, rooms and other partitioning, their intended use, and equipment to be contained therein. Landlord may request clarification or more specific drawings for special use items not included in the Final Space Plan. Landlord shall advise Tenant within five (5) business days after Landlord's receipt of the Final Space Plan for the Improved Space if the same is unsatisfactory or incomplete in any respect and Landlord's failure to give Tenant written notice of any such objection within said five (5) business-day period shall be deemed approval by Landlord of the Final Space Plan. If Tenant is so advised, Tenant shall within three (3) business days thereafter cause the Final Space Plan to be revised to correct any deficiencies or other matters Landlord may reasonably require.

3.3 FINAL WORKING DRAWINGS. After the Final Space Plan has been approved by Landlord, Tenant shall supply the Engineers with a complete listing of standard and non-standard equipment and specifications, including, without limitation, B.T.U. calculations, electrical requirements and special electrical receptacle requirements for the Improved Space, to enable the Engineers and the Architect to complete the "Final Working Drawings" (as that term is defined below) in the manner as set forth below. Within twenty-eight (28) days after approval of the Final Space Plan by Landlord, Tenant shall promptly cause the Architect and the Engineers to complete the architectural and engineering drawings for the Improved Space, and Architect shall compile a fully coordinated set of architectural, structural, mechanical, electrical and plumbing working drawings in a form which is complete to allow subcontractors to bid on the work and to obtain all applicable permits (collectively, the "FINAL WORKING DRAWINGS") and shall submit the same to Landlord for Landlord's approval. However, if Tenant reasonably determines that the Engineers are not reasonably

responsive to Tenant's requirements, Tenant may so notify Landlord in writing and if Landlord does not cause such Engineers to be so responsive within one (1) business day after receipt of Tenant's notice, then said twenty-eight (28) day period shall be extended for each day after the expiration of said one (1) business day cure period that completion of the Final Working Drawings are so delayed as a result of the failure of the

Engineers to be reasonably responsive. Tenant shall supply Landlord with two (2) copies signed by Tenant of such Final Working Drawings. Landlord shall advise Tenant within five (5) business days after Landlord's receipt of the Final Working Drawings for the Improved Space if the same is unsatisfactory or incomplete in any respect and Landlord's failure to give Tenant written notice of any such objection within said five (5) business-day period shall be deemed approval by Landlord of the Final Working Drawings. If Tenant is so advised, Tenant shall within five (5) business days thereafter revise the Final Working Drawings in accordance with such review and any disapproval of Landlord in connection therewith.

3.4 APPROVED WORKING DRAWINGS. The Final Working Drawings shall be approved by Landlord (the "APPROVED WORKING DRAWINGS") prior to the commencement of construction of the Improved Space by Landlord. After approval by Landlord of the Final Working Drawings, Landlord shall submit the same to the appropriate municipality for all applicable building permits. No changes, modifications or alterations in the Approved Working Drawings may be made without the prior written consent of Landlord, which consent may not be unreasonably withheld or delayed. If Tenant proposes a change, modification or alteration to the Approved Working Drawings, Landlord shall advise Tenant of the potential cost associated with such change, modification or alteration and the potential Tenant Delay which may result therefrom.

SECTION 4

CONSTRUCTION OF THE TENANT IMPROVEMENTS

4.1 SELECTION OF CONTRACTOR. The contractor which shall construct the Tenant Improvements shall be a contractor selected pursuant to the following procedure. The Final Working Drawings shall be submitted by Landlord to (i) two (2) general contractors selected by Landlord and (ii) two (2) general contractors selected by Tenant on or before the date the Final Working Drawings are approved by Landlord and which contractors so selected by Tenant shall be subject to Landlord's reasonable approval. Each such contractor shall submit a sealed, fixed price contract bid (on such bid form as Landlord shall designate) to construct the Tenant Improvements. Each contractor shall be notified in the bid package of the time schedule for construction of the Tenant Improvements. The subcontractors utilized by the Contractor shall be subject to Landlord's reasonable approval and the bidding instructions shall provide that as to work affecting the structure of the Building and/or the systems and equipment of the Building, Landlord shall be entitled to designate the subcontractors. The bids shall be submitted promptly to Landlord and a reconciliation shall be performed by Landlord to adjust inconsistent or incorrect assumptions so that a like-kind comparison can be made and a low bidder determined. Within ten (10) days after the Final Working Drawings are approved by Landlord, Tenant shall select the contractor who shall be the lowest bidder and who states that it will be able to meet Landlord's reasonable construction schedule. The parties acknowledge that, for purposes of the immediately preceding sentence, Landlord's reasonable construction schedule shall not include any scheduled overtime. The contractor selected may be referred to herein as the "CONTRACTOR". Landlord shall retain the Contractor to construct the Tenant Improvements in accordance with the Approved Working Drawings.

4.2 WARRANTIES. Landlord shall require that the Contractor and all subcontractors provide industry-standard warranties for defects in workmanship and materials.

4.3 MEETINGS. Commencing upon the execution of this Third Amendment, Landlord and Tenant shall hold regular periodic meetings at a reasonable time with the Architect and the Contractor regarding the progress of the preparation of Construction Drawings and the construction of the Tenant Improvements, which meetings shall be held at a location reasonably designated by Landlord.

SECTION 5

MISCELLANEOUS

5.1 READY FOR OCCUPANCY. For purposes of this Third Amendment, the Additional Space shall be deemed "READY FOR OCCUPANCY" upon the Substantial Completion of the Tenant

Improvements in the Additional Space. For purposes of this Third Amendment, "SUBSTANTIAL COMPLETION" of the Tenant Improvements in the Additional Space shall occur upon the completion of construction of the Tenant Improvements in the Additional Space pursuant to the Approved Working Drawings, with the exception of any punch list items and any tenant fixtures, work-stations, built-in furniture, or equipment to be installed by Tenant.

5.2 DELAY OF THE SUBSTANTIAL COMPLETION. If there shall be a delay or there are delays in the Substantial Completion of the Tenant Improvements in the Additional Space as a result of any of the following (collectively, "TENANT DELAYS "):

5.2.1 Tenant's failure to comply with any of the time periods set forth in the Tenant Work Letter;

5.2.2 Tenant's failure to timely approve any matter requiring Tenant's approval;

5.2.3 A breach by Tenant of the terms of this Tenant Work Letter or the Lease;

5.2.4 Changes in any of the Construction Drawings after reasonable disapproval of the same by Landlord or because the same do not comply with Code or other applicable laws (provided, however, that changes required to the first Final Space Plan and/or the first set of Final Working Drawings submitted to Landlord due to Landlord's disapproval thereof (but not any subsequent disapproval) shall not constitute a Tenant Delay hereunder provided that Tenant resubmits revised Construction Drawings within the time periods specified in Sections 3.2 or 3.3 above (as applicable));

5.2.5 Tenant's request for changes in the Approved Working Drawings;

5.2.6 Tenant's requirement for materials, components, finishes or improvements which are not available in a commercially reasonable time given the anticipated date of Substantial Completion of the Tenant Improvements in the Additional Space, or which are different from, or not included in, the Standard Improvement Package;

5.2.7 Any other acts or omissions of Tenant, or its agents, or employees; then, notwithstanding anything to the contrary set forth in the Third Amendment or this Tenant Work Letter and regardless of the actual date of the Substantial Completion of the Tenant Improvements in the Additional Space, the date of Substantial Completion thereof shall be deemed to be the date that Substantial Completion would have occurred if no Tenant Delay or Delays, as set forth above, had occurred.

5.3 TENANT'S REPRESENTATIVE. Tenant has designated Mark Wright as its sole representative with respect to the matters set forth in this Tenant Work Letter, who shall have full authority and responsibility to act on behalf of the

Tenant as required in this Tenant Work Letter.

5.4 LANDLORD'S REPRESENTATIVE. Landlord has designated Herbert Porter and Kimberly Harris as its sole representatives with respect to the matters set forth in this Tenant Work Letter, each of whom, until further notice to Tenant, shall have full authority and responsibility to act on behalf of the Landlord as required in this Tenant Work Letter.

5.5 TIME OF THE ESSENCE IN THIS TENANT WORK LETTER. Unless otherwise indicated, all references herein to a "number of days" shall mean and refer to calendar days. If any item requiring approval is timely disapproved by Landlord, the procedure for preparation of the document and approval thereof shall be repeated until the document is approved by Landlord.

5.6 TENANT'S LEASE DEFAULT. Notwithstanding any provision to the contrary contained in this Lease, if an event of default as described in Section 25(a) of the Original Lease or this Tenant Work Letter has occurred at any time on or before the Substantial Completion of the Improved Space, then (i) in addition to all other rights and remedies granted to Landlord pursuant to this Lease, Landlord may cause Contractor to cease the construction of the Improved Space (in which case, Tenant shall be responsible for any delay in the substantial completion of the Improved Space caused by such work stoppage), and (ii) all other obligations of Landlord under

the terms of this Tenant Work Letter shall be forgiven until such time as such default is cured pursuant to the terms of the Lease, as amended by this Third Amendment (in which case, Tenant shall be responsible for any delay in the substantial completion of the Improved Space caused by such inaction by Landlord).

EXHIBIT "C"

NOTICE OF LEASE TERM DATES
AND TENANT'S PROPORTIONATE SHARE

TO:_____ DATE:_____
_____
_____

RE: Third Amendment to Lease dated March __, 1998, between ARDEN REALTY FINANCE PARTNERSHIP, L.P., a California limited partnership ("LANDLORD"), and INVESTMENT TECHNOLOGY GROUP, INC., a Delaware corporation ("TENANT"), concerning the sixth (6th) floor ("ADDITIONAL SPACE") of the building located at 400 Corporate Pointe, Culver City, California.

Ladies and Gentlemen:

In accordance with the Third Amendment, Landlord wishes to advise and/or confirm the following:

1. That the Additional Space has been accepted herewith by the Tenant as being substantially complete in accordance with the Third Amendment and that, to Tenant's knowledge, there is no deficiency in construction.

2. That the Tenant has taken possession of the Additional Space and acknowledges that under the provisions of the Third Amendment the Term of Tenant's lease of such space shall commence as of _____ for a term ending on December 31, 2005 (subject to extension as provided in Section 10 of the Third Amendment).

3. That in accordance with the Third Amendment, Basic Rental for the Additional Space commenced to accrue on _____.

4. If the Additional Space Effective Date is other than the first day of the month, the first billing will contain a prorata adjustment. Each billing thereafter shall be for the full amount of the monthly installment as provided for in the Third Amendment.

5. Rent is due and payable in advance on the first day of each and every month during the Term of said Lease. Your rent checks should be made payable to _____ at _____.

6. The exact number of rentable square feet within the Additional Space is 20,347 rentable square feet.

7. Tenant's Proportionate Share, as adjusted based upon the exact number of rentable square feet within the Additional Space is 12.36%.

AGREED AND ACCEPTED:

TENANT:

_____,
a_____

By: _____
Its:_____

EXHIBIT "D"

CERTIFIED COPY OF
BOARD OF DIRECTORS RESOLUTIONS
OF
INVESTMENT TECHNOLOGY GROUP, INC.

The undersigned, being the duly elected Corporate Secretary of Investment Technology Group, Inc., a Delaware corporation ("CORPORATION"), hereby certifies that the following is a true, full and correct copy of the resolutions adopted by the Corporation by unanimous written consent in lieu of a special meeting of its Board of Directors, and that said resolutions have not been amended or revoked as of the date hereof.

RESOLVED, that the Corporation, is hereby authorized to execute, deliver and fully perform that certain document entitled Third Amendment to Lease ("AMENDMENT") by and between the Corporation and Arden Realty Finance Partnership, L.P., a California limited partnership, for the lease of space at 400 Corporate Pointe, Culver City, California.

RESOLVED FURTHER, that the Corporation is hereby authorized and directed to make, execute and deliver any and all, consents, certificates, documents, instruments, amendments, confirmations, guarantees, papers or writings as may be required in connection with or in furtherance of the Amendment (collectively with the Amendment, the "DOCUMENTS") or any transactions described therein, and to do any and all other acts necessary or desirable to effectuate the foregoing resolution.

RESOLVED FURTHER, that the following officers acting together: _____ as _____ and _____ as _____ are authorized to execute and deliver the Documents on behalf of the Corporation, together with any other documents and/or instruments evidencing or ancillary to the Documents, and in such forms and on such terms as such officer(s) shall approve, the execution thereof to be conclusive evidence of such approval and to execute and deliver on behalf of the Corporation all other documents necessary to effectuate said transaction in conformance with these resolutions.

Date: _____________, 1998

____
________________, Corporate Secretary

Exhibit 10.5.4

FOURTH AMENDMENT TO LEASE

(400 CORPORATE POINTE)

THIS FOURTH AMENDMENT TO LEASE ("FOURTH AMENDMENT") is made and entered into as of the 29th day of February, 2000, by and between ARDEN REALTY FINANCE PARTNERSHIP, L.P., a California limited partnership ("LANDLORD") and INVESTMENT TECHNOLOGY GROUP, INC., a Delaware corporation ("TENANT").

R E C I T A L S:

A. 400 Corporate Pointe, Ltd., a California general partnership ("400 CORPORATE") and Integrated Analytics Corporation, a California corporation ("IAC") entered into that certain Standard Form Office Lease dated as of July 11, 1990 ("ORIGINAL LEASE"), whereby 400 Corporate leased to IAC and IAC leased from 400 Corporate certain office space located in that certain building located and addressed at 400 Corporate Pointe, Culver City, California 90230 (the "BUILDING"). The Original Lease was subsequently amended by that certain First Amendment to Lease dated June 1, 1995, by and between AEW/LBA Acquisition Co. LLC, a California limited liability company ("AEW") as successor-in-interest to 400 Corporate, and Tenant, as successor-in-interest to IAC (the "FIRST AMENDMENT"); by that certain Second Amendment to Lease dated December 5, 1996 by and between Arden Realty Limited Partnership, a Maryland limited partnership ("ARLP") as successor-in-interest to AEW and Tenant ("SECOND AMENDMENT"); and by that certain Third Amendment to Lease dated as of March 13, 1998 by and between Landlord as successor-in-interest to ARLP and Tenant ("THIRD AMENDMENT"). The Original Lease, as amended by the First Amendment, the Second Amendment, and the Third Amendment is referred to herein as the "LEASE". Pursuant to the Lease, Tenant currently occupies 13,696 rentable square feet located on the eighth (8th) floor of the Building and known as Suite 855 and 5,295 rentable square feet located on the seventh (7th) floor of the Building and known as Suite 750 and 1,263 rentable square feet located on the seventh (7th) floor of the Building known as Suite 725, and 20,347 rentable square feet consisting of the sixth (6th) floor of the Building, for a total of 40,601 rentable square feet (collectively, the "EXISTING PREMISES"). B. By this Fourth Amendment, Landlord and Tenant desire to expand the Existing Premises and to otherwise modify the Lease as provided herein. C. Unless otherwise defined herein, capitalized terms as used herein shall have the same meanings as given thereto in the Original Lease.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

A G R E E M E N T:

1. EXPANSION OF THE EXISTING PREMISES. That certain space located on the seventh (7th) floor of the Building outlined on the floor plan attached hereto as Exhibit "A" and made a part hereof, may be referred to herein as the "EXPANSION SPACE." Landlord and Tenant hereby stipulate that the Expansion Space contains 7,601 rentable (6,610 usable) square feet. Effective as of the date ("EXPANSION COMMENCEMENT DATE") that is the earlier of (a) the date Tenant commences business operations in the Expansion Space, and (b) the date of "Substantial Completion" of the "Tenant Improvements" (as those terms are defined in the Tenant Work Letter attached hereto as Exhibit "B") in the Expansion Space, Tenant shall lease from Landlord and Landlord shall lease to Tenant the Expansion Space. Landlord and Tenant hereby agree and acknowledge that construction of the Improvements in the Expansion Space shall not commence until the existing tenant of the Expansion Space has vacated the Expansion Space; provided that in the event the current tenant has not vacated the Expansion Space on or before August 31, 2000, Landlord shall immediately commence, and thereafter diligently prosecute, unlawful

detainer proceedings against such existing tenant. Except as provided in the immediately preceding sentence, Landlord makes no representation or guaranty as to when the existing tenant will vacate the Expansion Space and Landlord shall not be liable in the event the existing tenant fails to vacate the Expansion Space upon the expiration of the existing tenant's lease. Landlord and Tenant hereby agree that such addition of the Expansion Space to the Existing Premises shall, effective as of the Expansion Commencement Date, increase the number of rentable square feet leased by Tenant in the Building to a total of 48,202 rentable square feet. Effective as of the Expansion Commencement Date, all references to the "Premises" shall mean and refer to the Existing Premises as expanded by the Expansion Space.

2. TERM AND MONTHLY BASE RENT FOR THE EXPANSION SPACE. The Lease Term for Tenant's lease of the Expansion Space ("EXPANSION SPACE TERM") shall commence on the Expansion Commencement Date and shall expire co-terminously with Tenant's lease of the Existing Premises on December 31, 2005, subject to extension as provided in Section 10 of the Third Amendment. During the Expansion Space Term, Tenant shall pay in accordance with the provisions of this Section 2, Monthly Base Rent for the Expansion Space as follows:

MONTH OF EXPANSION SPACE TERM	MONTHLY BASE RENT	MONTHLY BASE RENT PER RENTABLE SQUARE FOOT
1-30	$16,722.20	$2.20
31 - 12/31/05	$17,482.30	$2.30

3. TENANT'S PERCENTAGE OF TOTAL RENTABLE AREA. Notwithstanding anything to the contrary in the Lease, during the Expansion Space Term, Tenant's Percentage of Total Rentable Area for the Expansion Space only shall be 4.62% and the Base Year (as defined in Section 1.7 of the First Amendment) for the Expansion Space only shall be the calendar year 2000. The Base Year shall remain the calendar year 1998 as to the space leased by Tenant on the sixth (6th) floor of the Building, 1997 as to Suites 725 and 750, and 1995 as to the remainder of the Premises.

4. TENANT IMPROVEMENTS. Tenant Improvements in the Expansion Space shall be installed and constructed in accordance with the terms of the Tenant Work Letter attached hereto as Exhibit "B" and made a part hereof.

5. PARKING. Effective as of the Expansion Commencement Date and continuing throughout the Expansion Space Term, Tenant may rent from Landlord up to an additional thirty (30) unreserved parking passes for use in the Building's parking facility. Tenant may convert up to twenty-five percent (25%) of its unreserved parking passes to reserved parking passes at a location in the Building's parking facility reasonably designated by Landlord. Tenant's rental and use of the additional parking passes shall be in accordance with, and subject to, all provisions of Section 1(w) of the Original Lease, as amended, including, without limitation, payment of the prevailing monthly parking rate for such passes.

6. OPTION TO CANCEL. The parties hereby agree and acknowledge that Tenant's Cancellation Option pursuant to Section 1.11 of the First Amendment as amended by Section 9 of the Second Amendment shall not apply to the Expansion Space.

7. NOTICE OF LEASE TERM DATES. Landlord shall deliver to Tenant a commencement letter in a form substantially similar to that attached hereto as Exhibit "C" and made a part hereof at any time within thirty (30) days after the Expansion Commencement Date, accurately stating the Expansion Commencement Date and otherwise completed in accordance with the terms of this Fourth Amendment. Tenant agrees to execute and return to Landlord said commencement letter within

five (5) days after Tenant's receipt thereof.

8. BROKERS. Each party represents and warrants to the other that no broker, agent or finder negotiated or was instrumental in negotiating or consummating this Fourth Amendment, other than CB Richard Ellis, Inc., which shall be compensated by Landlord pursuant to a separate agreement. Each party further agrees to defend, indemnify and hold harmless the other party from and against any claim for commission or finder's fee by any entity who claims or alleges

that they were retained or engaged by the first party or at the request of such party in connection with this Fourth Amendment.

9. DEFAULTS. Tenant hereby represents and warrants to Landlord that, as of the date of this Fourth Amendment, Tenant is in full compliance with all terms, covenants and conditions of the Lease and that there are no breaches or defaults under the Lease by Landlord or Tenant, and that Tenant knows of no events or circumstances which, given the passage of time, would constitute a default under the Lease by either Landlord or Tenant.

10. SIGNING AUTHORITY. Concurrently with Tenant's execution of this Fourth Amendment, Tenant shall provide to Landlord reasonable evidence that the individuals executing this Fourth Amendment on behalf of Tenant are authorized to bind the Tenant.

11. NO FURTHER MODIFICATION. Except as set forth in this Fourth Amendment, all of the terms and provisions of the Lease shall apply with respect to the Expansion Space and shall remain unmodified and in full force and effect. Effective as of the Expansion Commencement Date, all references to the "Lease" shall refer to the Lease as amended by this Fourth Amendment.

IN WITNESS WHEREOF, this Fourth Amendment has been executed as of the day and year first above written.

"LANDLORD" ARDEN REALTY FINANCE PARTNERSHIP, L.P., a California limited partnership

By: ARDEN REALTY FINANCE, INC., a California corporation
Its: sole general partner

By: _____
VICTOR J. COLEMAN
Its: President and COO

By: _____
Its: _____

"TENANT" INVESTMENT TECHNOLOGY GROUP, INC., a Delaware corporation

By: _____
Print Name: _____
Its: _____

By: _____
Print Name:

Its:

EXHIBIT "A"

OUTLINE OF EXPANSION SPACE

EXHIBIT "B"

TENANT WORK LETTER

This Tenant Work Letter shall set forth the terms and conditions relating to the renovation of the tenant improvements in the Expansion Space. This Tenant Work Letter is essentially organized chronologically and addresses the issues of the renovation of the Expansion Space, in sequence, as such issues will arise.

SECTION 1

LANDLORD'S INITIAL CONSTRUCTION IN THE EXPANSION SPACE

Landlord has constructed, at its sole cost and expense, the base, shell and core (i) of the Expansion Space, and (ii) of the floor of the Building on which the Expansion Space is located (collectively, the "BASE, SHELL AND CORE"). Tenant has inspected and hereby approves the condition of the Base, Shell and Core, and agrees that the Base, Shell and Core shall be delivered to Tenant in its current "as-is" condition. The improvements to be initially installed in the Expansion Space shall be designed and constructed pursuant to this Tenant Work Letter. Any costs of initial design and construction of any improvements to the Expansion Space shall be an "Improvement Allowance Item", as that term is defined in Section 2.2 of this Tenant Work Letter.

SECTION 2

IMPROVEMENTS

2.1 IMPROVEMENT ALLOWANCE. Tenant shall be entitled to a one-time improvement allowance (the "IMPROVEMENT ALLOWANCE") in the amount of $132,200.00 (based upon $20.00 per usable square foot of the Expansion Space) for the costs relating to the initial design and construction of Tenant's improvements which are permanently affixed to the Expansion Space (the "IMPROVEMENTS"). In no event shall Landlord be obligated to make disbursements pursuant to this Tenant Work Letter in a total amount which exceeds the Improvement Allowance and in no event shall Tenant be entitled to any credit for any unused portion of the Improvement Allowance not used by Tenant by the date which is six (6) months after the date the existing tenant vacates the Expansion Space.

2.2 DISBURSEMENT OF THE IMPROVEMENT ALLOWANCE. Except as otherwise set forth in this Tenant Work Letter, the Improvement Allowance shall be disbursed by Landlord (each of which disbursements shall be made pursuant to Landlord's standard draw cycle and disbursement process, substantially similar to that followed with respect to the construction of improvements pursuant to the Third Amendment) for costs related to the construction of the Improvements and for the following items and costs (collectively, the "IMPROVEMENT ALLOWANCE ITEMS"): (i) payment of the fees of the "Architect" and the "Engineers," as those terms are defined in Section 3.1 of this Tenant Work Letter and of other engineers and consultants which Tenant may reasonably require for the design and construction of the Improvements (including, without limitation, lighting, acoustic and ergonomic consultants), and payment of the out of pocket fees incurred by, and the out of pocket cost of documents and materials supplied by, Landlord and Landlord's consultants in connection with the preparation and review of the "Construction Drawings," as that term is defined in Section 3.1 of this Tenant

Work Letter; (ii) the cost of plan check, permit and license fees relating to construction of the Tenant Improvements; (iii) the cost of construction of the Improvements, including, without limitation, testing and inspection costs, trash removal costs, and contractors' fees and general conditions (provided, however, the Contractor and any subcontractors shall not be charged for parking); (iv) the cost of any changes in the Base, Shell and Core required by the Construction Drawings; (v) the cost of any changes to the Construction Drawings or Improvements required by applicable building codes (the "CODE"); (vi) the fees of any project manager retained by Tenant to supervise the construction of the Improvements; and (vii) the "Landlord Supervision Fee", as that term is defined in Section 4.3.2 of this Tenant Work Letter. However, in no event shall more than Three and 00/100 Dollars ($3.00) per usable square foot of the Tenant Improvement Allowance be used for the items described in (i) and (ii) above; any additional amount incurred as a result of (i) and (ii) above shall be deemed to constitute an Over-Allowance Amount.

2.3 STANDARD IMPROVEMENT PACKAGE. Landlord has established specifications (the "SPECIFICATIONS") for the Building standard components to be used in the construction of the Improvements in the Expansion Space (collectively, the "STANDARD IMPROVEMENT PACKAGE"), which Specifications are available upon request. The quality of Improvements shall be equal to or of greater quality than the quality of the Specifications, provided that Landlord may, at Landlord's option, require the Improvements to comply with certain Specifications. However, Landlord's approval of the Final Working Drawings (as defined in Section 3.3 of this Tenant Work Letter) shall be conclusive as to the compliance of the Final Working Drawings with the Specifications (to the extent Specifications are expressly delineated in the Final Working Drawings) and Tenant shall not be obligated thereafter to modify the Approved Working Drawings or the Tenant Improvements by reason of any changes in the Specifications or any other failure of such drawings to comply with the Specifications (to the extent items to which the Specifications apply are expressly delineated in the Approved Working Drawings).

SECTION 3

CONSTRUCTION DRAWINGS

3.1 SELECTION OF ARCHITECT/CONSTRUCTION DRAWINGS. Tenant shall retain an architect/space planner reasonably approved by Landlord (the "ARCHITECT") to prepare the "Construction Drawings," as that term is defined in this Section 3.1. Tenant shall also retain the engineering consultants designated by Landlord (the "ENGINEERS") to prepare all plans and engineering working drawings relating to the structural, mechanical, electrical, plumbing, HVAC and lifesafety work of the Tenant Improvements. Landlord shall ensure that the charges of the Engineers are competitive (although not necessarily the lowest available). The plans and drawings to be prepared by Architect and the Engineers hereunder shall be known collectively as the "CONSTRUCTION DRAWINGS." All Construction Drawings shall comply with the drawing format and specifications as reasonably determined by Landlord, and shall be subject to Landlord's reasonable approval. Tenant and Architect shall verify, in the field, the dimensions and conditions as shown on the relevant portions of the base building plans, and Tenant and Architect shall be solely responsible for the same, and Landlord shall have no responsibility in connection therewith. Landlord's review of the Construction Drawings as set forth in this Section 3, shall be for its sole purpose and shall not imply Landlord's review of the same, or obligate Landlord to review the same, for quality, design, Code compliance or other like matters. Accordingly, notwithstanding that any Construction Drawings are reviewed by Landlord or its space planner, architect, engineers and consultants, and notwithstanding any advice or assistance which may be rendered to Tenant by Landlord or Landlord's space planner, architect, engineers, and consultants, Landlord shall have no liability whatsoever in connection therewith and shall not be responsible for any omissions or errors contained in the Construction Drawings.

3.2 FINAL SPACE PLAN. On or before the date set forth in Schedule 1, attached hereto, Tenant and the Architect shall prepare the final space plan for Improvements in the Expansion Space (collectively, the "FINAL SPACE PLAN"), which Final Space Plan shall include a layout and designation of all offices,

rooms and other partitioning, their intended use, and equipment to be contained therein, and shall deliver the Final Space Plan to Landlord for Landlord's approval. Landlord shall advise Tenant within five (5) business days after Landlord's receipt of the Final Space Plan for the Expansion Space if the same is unsatisfactory or incomplete in any respect and Landlord's failure to give Tenant written notice of any such objection within said five (5) business-day period shall be deemed approval by Landlord of the Final Space Plan. If Landlord notifies Tenant that the Final Space Plan is deficient in any respect, Tenant shall within three (3) business days thereafter cause the Final Space Plan to be revised to correct any deficiencies or other matters Landlord may reasonably require.

3.3 FINAL WORKING DRAWINGS. On or before the date set forth in Schedule 1, Tenant, the Architect and the Engineers shall complete the architectural and engineering drawings for the Expansion Space, and the final architectural working drawings in a form which is complete to allow subcontractors to bid on the work and to obtain all applicable permits (collectively, the "FINAL WORKING DRAWINGS") and shall submit the same to Landlord for Landlord's approval. However, if Tenant reasonably determines that the Engineers are not reasonably responsive to Tenant's requirements, Tenant may so notify Landlord in writing and if Landlord does not cause such Engineers to be so responsive within one (1) business day after receipt of Tenant's notice, then the time period set forth in Schedule 1 shall be extended for each day after the expiration of said one (1) business day cure period that completion of the Final Working Drawings are so

delayed as a result of the failure of the Engineers to be reasonably responsive. Landlord shall advise Tenant within five (5) business days after Landlord's receipt of the Final Working Drawings for the Expansion Space if the same is unsatisfactory or incomplete in any respect and Landlord's failure to give Tenant written notice of any such objection within said five (5) business-day period shall be deemed approval by Landlord of the Final Working Drawings. If Landlord notifies Tenant that the Final Working Drawings are deficient in any respect, Tenant shall within five (5) business days thereafter revise the Final Working Drawings in accordance with such review and any disapproval of Landlord in connection therewith.

3.4 PERMITS. The Final Working Drawings shall be approved by Landlord (the "APPROVED WORKING DRAWINGS") prior to the commencement of the construction of the Improvements. Tenant shall cause the Architect to immediately submit the Approved Working Drawings to the appropriate municipal authorities for all applicable building permits necessary to allow "Contractor," as that term is defined in Section 4.1, below, to commence and fully complete the construction of the Improvements (the "PERMITS"). No changes, modifications or alterations in the Approved Working Drawings may be made without the prior written consent of Landlord, which consent shall not be unreasonably withheld. If Tenant proposes a change, modification or alteration to the Approved Working Drawings, Landlord shall advise Tenant of the potential cost associated with such change, modification or alteration and the potential Tenant Delay which may result therefrom.

3.5 TIME DEADLINES. Tenant shall use its best, good faith efforts and all due diligence to cooperate with the Architect, the Engineers, and Landlord to complete all phases of the Construction Drawings and the permitting process and to receive the permits, and with Contractor for approval of the "Cost Proposal," as that term is defined in Section 4.2 of this Tenant Work Letter, as soon as possible after the execution of the Fourth Amendment and vacation of the Expansion Space by the existing tenant. The applicable dates for approval of items, plans and drawings as described in this Section 3, Section 4 below, and in this Tenant Work Letter are set forth and further elaborated upon in Schedule 1 (the "TIME DEADLINES"), attached hereto. Tenant agrees to comply with the Time Deadlines.

SECTION 4

CONSTRUCTION OF THE IMPROVEMENTS

4.1 CONTRACTOR. The contractor which shall construct the Improvements shall be a contractor selected pursuant to the following procedure. The Final Working Drawings shall be submitted by Landlord to three (3) general contractors: one (1) such general contractor shall be selected by Landlord and the other two (2) general contractors shall be selected by Tenant on or before the date the Final Working Drawings are approved by Landlord and Tenant and which contractor so selected by Tenant shall be subject to Landlord's reasonable approval. Each such contractor shall submit a sealed, fixed price contract bid (on such bid form as Landlord shall designate) to construct the Improvements. Each contractor shall be notified in the bid package of the time schedule for construction of the Improvements. The subcontractors utilized by the Contractor shall be subject to Landlord's reasonable approval and the bidding instructions shall provide that as to work affecting the structure of the Project and/or the systems and equipment of the Project, Landlord shall be entitled to designate the subcontractors. The bids shall be submitted promptly to Landlord and a reconciliation shall be performed by Landlord to adjust inconsistent or incorrect assumptions so that a like-kind comparison can be made and a low bidder determined. Landlord shall select the contractor who shall be the lowest bidder and who states that it will be able to meet Landlord's reasonable construction schedule. The contractor selected may be referred to herein as the "CONTRACTOR".

4.2 COST PROPOSAL. After the Approved Working Drawings are signed by Landlord and Tenant, Landlord shall provide Tenant with a cost proposal in accordance with the Approved Working Drawings, which cost proposal shall include, as nearly as possible, the cost of all Improvement Allowance Items to be incurred by Tenant in connection with the construction of the Improvements (the "COST PROPOSAL"). Tenant shall approve and deliver the Cost Proposal to Landlord within three (3) business days of the receipt of the same, and upon receipt of the same by Landlord, Landlord shall be released by Tenant to purchase the items set forth in the Cost Proposal and to commence the construction relating to such items. The date by which Tenant must approve and deliver the Cost Proposal to Landlord shall be known hereafter as the "COST PROPOSAL DELIVERY DATE."

4.3 CONSTRUCTION OF IMPROVEMENTS BY CONTRACTOR UNDER THE SUPERVISION OF LANDLORD.

4.3.1 OVER-ALLOWANCE AMOUNT. On the Cost Proposal Delivery Date, Landlord and Tenant shall determine the amount (the "OVER-ALLOWANCE AMOUNT") equal to the difference between (i) the amount of the Cost Proposal and (ii) the amount of the Improvement Allowance (less any portion thereof already disbursed by Landlord, or in the process of being disbursed by Landlord, on or before the Cost Proposal Delivery Date). Tenant shall pay such Over-Allowance Amount on a pro-rata basis throughout the course of construction of the Improvements as such costs are incurred. Such payment shall be deemed to constitute additional rent pursuant to the Lease (as amended) and shall be made within ten (10) days after Tenant's receipt of invoice therefore from Landlord. Any Over-Allowance Amount paid to Landlord shall be disbursed by Landlord prior to the disbursement of any then remaining portion of the Improvement Allowance, and such disbursement shall be pursuant to the same procedure as the Improvement Allowance. In the event that, after the Cost Proposal Delivery Date, any revisions, changes, or substitutions shall be made to the Construction Drawings or the Improvements, any additional costs which arise in connection with such revisions, changes or substitutions or any other additional costs shall be paid by Tenant to Landlord immediately upon Landlord's request as an addition to the Over-Allowance Amount.

4.3.2 LANDLORD'S RETENTION OF CONTRACTOR. Landlord shall independently retain Contractor to construct the Improvements in accordance with the Approved Working Drawings and the Cost Proposal and Landlord shall supervise the construction by Contractor, and Tenant shall pay a construction supervision and management fee (the "LANDLORD SUPERVISION FEE") to Landlord in an amount

equal to the product of (i) five percent (5%) and (ii) an amount equal to the Improvement Allowance plus the Over-Allowance Amount (as such Over-Allowance Amount may increase pursuant to the terms of this Tenant Work Letter). Notwithstanding the foregoing, Landlord shall waive the Landlord Supervision Fee in the event Tenant retains a construction manager reasonably approved by Landlord, which construction manager may be paid from the Improvement Allowance.

4.4 WARRANTIES. Landlord shall require that the Contractor and all subcontractors provide industry-standard warranties for defects in workmanship and materials.

4.5 MEETINGS. Commencing upon the execution of this Fourth Amendment, Landlord and Tenant shall hold regular periodic meetings at a reasonable time with the Architect and the Contractor regarding the progress of the preparation of Construction Drawings and the construction of the Improvements, which meetings shall be held at a location reasonably designated by Landlord.

SECTION 5

COMPLETION OF THE IMPROVEMENTS

5.1 SUBSTANTIAL COMPLETION. For purposes of this Fourth Amendment, "SUBSTANTIAL COMPLETION" of the Improvements in the Expansion Space shall occur upon the completion of construction of the Improvements in the Expansion Space pursuant to the Approved Working Drawings, with the exception of any punch list items and any tenant fixtures, work-stations, built-in furniture, or equipment to be installed by Tenant.

5.2 DELAY OF THE SUBSTANTIAL COMPLETION OF THE EXPANSION SPACE. Except as provided in this Section 5, the Expansion Commencement Date and Tenant's obligation to pay rent for the Expansion Space shall occur as set forth in the Fourth Amendment. However, if there shall be a delay or there are delays in the Substantial Completion of the Improvements in the Expansion Space as a result of the following (collectively, "TENANT DELAYS"):

5.2.1 Tenant's failure to comply with the Time Deadlines;

5.2.2 Tenant's failure to timely approve any matter requiring Tenant's approval;

5.2.3 A breach by Tenant of the terms of this Tenant Work Letter or the Lease, as amended;

5.2.4 Changes in any of the Construction Drawings after disapproval of the same by Landlord or because the same do not comply with Code or other applicable laws (provided,

however, that changes required to the first Final Space Plan and/or the first set of Final Working Drawings submitted to Landlord due to Landlord's disapproval thereof (but not any subsequent disapproval) shall not constitute a Tenant Delay hereunder provided that Tenant resubmits revised Construction Drawings within the time periods specified in Sections 3.2 or 3.3 above (as applicable));

5.2.5 Tenant's request for changes in the Approved Working Drawings;

5.2.6 Tenant's requirement for materials, components, finishes or improvements which are not available in a commercially reasonable time given the anticipated date of Substantial Completion of the Improvements in the Expansion Space, or which are different from, or not included in, the Standard Improvement Package;

5.2.7 Changes to the Base, Shell and Core required by the Approved Working Drawings; or

5.2.8 Any other acts or omissions of Tenant, or its agents, or employees;

then, notwithstanding anything to the contrary set forth in the Fourth Amendment or this Tenant Work Letter and regardless of the actual date of the Substantial Completion of Improvements in the Expansion Space, the date of Substantial Completion thereof shall be deemed to be the date that Substantial Completion would have occurred if no Tenant Delay or Delays, as set forth above, had occurred.

SECTION 6

MISCELLANEOUS

6.1 TENANT'S REPRESENTATIVE. Tenant has designated Susan Nelson as its sole representative with respect to the matters set forth in this Tenant Work Letter, who, until further notice to Landlord, shall have full authority and responsibility to act on behalf of the Tenant as required in this Tenant Work Letter.

6.2 LANDLORD'S REPRESENTATIVE. Prior to commencement of construction of Improvements, Landlord shall designate a representative with respect to the matters set forth in this Tenant Work Letter, who, until further notice to Tenant, shall have full authority and responsibility to act on behalf of the Landlord as required in this Tenant Work Letter.

6.3 TIME OF THE ESSENCE IN THIS TENANT WORK LETTER. Unless otherwise indicated, all references herein to a "number of days" shall mean and refer to calendar days.

6.4 OUTSIDE DATE. In the event that the Substantial Completion of the Improvements in the Expansion Space has not occurred by the "OUTSIDE DATE," which shall be March 15, 2001, as such March 15, 2001 date may be extended by the number of days of Tenant Delays and by the number of days of "Force Majeure Delays" (as defined below), then the sole remedy of Tenant shall be the right to deliver a notice to Landlord (the "OUTSIDE DATE TERMINATION NOTICE") electing to terminate Tenant's lease of the Expansion Space only (but not the Existing Premises) effective upon receipt of the Outside Date Termination Notice by Landlord (the "EFFECTIVE DATE"). Except as provided hereinbelow, the Outside Date Termination Notice must be delivered by Tenant to Landlord, if at all, not earlier than the Outside Date and not later than five (5) business days after the Outside Date. If Tenant delivers the Outside Date Termination Notice to Landlord, then Landlord shall have the right to suspend the Effective Date for a period ending thirty (30) days after the original Effective Date. In order to suspend the Effective Date, Landlord must deliver to Tenant, within five (5) business days after receipt of the Outside Date Termination Notice, a certificate of the Contractor certifying that it is such Contractor's best good faith judgment that Substantial Completion of the Improvements in the Expansion Space will occur within thirty (30) days after the original Effective Date. If Substantial Completion of the Improvements in the Expansion Space occurs within said thirty (30) day suspension period, then the Outside Date Termination Notice shall be of no further force and effect; if, however, Substantial Completion of the Improvements in the Expansion Space does not occur within said thirty (30) day suspension period, then Tenant's lease of the Expansion Space only (but not the Existing Premises) shall terminate as of the date of expiration of such thirty (30) day period. If prior to the Outside Date Landlord determines that Substantial Completion of the Improvements

in the Expansion Space will not occur by the Outside Date, Landlord shall have the right to deliver a written notice to Tenant stating Landlord's opinion as to the date by which Substantial Completion of the Improvements in the Expansion Space shall occur and Tenant shall be required, within five (5) business days after receipt of such notice, to either deliver the Outside Date Termination

Notice (which will mean that Tenant's lease of the Expansion Space only (but not the Existing Premises) shall thereupon terminate and shall be of no further force and effect) or agree to extend the Outside Date to that date which is set by Landlord. Failure of Tenant to so respond in writing within said five (5) business day period shall be deemed to constitute Tenant's agreement to extend the Outside Date to that date which is set by Landlord. If the Outside Date is so extended, Landlord's right to request Tenant to elect to either terminate or further extend the Outside Date shall remain and shall continue to remain, with each of the notice periods and response periods set forth above, until the Substantial Completion of the Improvements in the Expansion Space or until Tenant's lease of the Expansion Space only (but not the Existing Premises) is terminated. For purposes of this Section 6.4, "FORCE MAJEURE DELAYS" shall mean and refer to a period of delay or delays encountered by Landlord affecting the work of construction of the Improvements because of delays due to excess time in obtaining governmental permits or approvals beyond the time period normally required to obtain such permits or approvals for similar space, similarly improved, in commercial office buildings in Culver City, California; fire, earthquake or other acts of God; acts of the public enemy; riot; public unrest; insurrection; governmental regulations of the sales of materials or supplies or the transportation thereof; strikes or boycotts; shortages of material or labor or any other cause beyond the reasonable control of Landlord.

6.5 EXTENSION OF TIME DEADLINES. Landlord and Tenant hereby agree and acknowledge that the Time Deadlines attached as Schedule 1 hereto are based upon the current tenant of the Expansion Space vacating the Expansion Space no later than July 1, 2000. In the event Landlord is notified by the existing tenant, or otherwise determines that such existing tenant will be vacating the Expansion Space later than July 1, 2000, Landlord shall promptly notify Tenant of such revised date (the "VACATION DATE") and the May 1, 2000 date set forth in Section A of Schedule 1 shall be postponed by one day for each day from July 1, 2000 until the Vacation Date; provided that if such Vacation Date is after August 31, 2000, the Vacation Date shall be deemed to be the date Landlord reasonably estimates it will regain possession of the Expansion Space through unlawful detainer proceedings.

SCHEDULE 1

TIME DEADLINES

	Dates	Actions to be Performed
A.	May 1, 2000 (as such date may be extended pursuant to Section 6.5 of the Tenant Work Letter).	Tenant to deliver Final Space Plan to Landlord.
B.	Thirty (30) days after Landlord approves the Final Space Plan	Tenant to deliver Final Working Drawings to Landlord.
C.	Three (3) business days after the receipt of the Cost Proposal by Tenant.	Tenant to approve Cost Proposal and deliver Cost Proposal to Landlord.

EXHIBIT "C"

NOTICE OF LEASE TERM DATES

TO:_____ DATE:_____, 2000

_____

_____

Attention: _____

RE: Fourth Amendment dated _____, 2000, between ARDEN REALTY FINANCE PARTNERSHIP, L.P., a California limited partnership ("LANDLORD"), and _____, a _____ ("TENANT"), concerning Suite ____ (the "EXPANSION SPACE"), located at _____, California.

Dear Mr. [or Ms.] _____:

In accordance with the Fourth Amendment, Landlord wishes to advise and/or confirm the following:

1. That the Tenant is in possession of the Expansion Space and acknowledges that under the provisions of the Fourth Amendment, the Expansion Space Term commenced as of _____, 200_ and shall expire on _____.

2. That in accordance with the Fourth Amendment, Monthly Base Rent for the Expansion Space Term commenced to accrue on _____, 200_.

3. The exact number of rentable square feet within the Expansion Space is _____ square feet.

4. Tenant's Percentage of Total Rentable Area, as adjusted based upon the number of rentable square feet within the Expansion Space, is _____%.

AGREED AND ACCEPTED:

TENANT:

_____,
a_____

By:_____
Print Name:_____
Its:_____

By:_____
Print Name:_____
Its:_____

Exhibit 10.5.5

STANDARD OFFICE LEASE

This Standard Office Lease ("LEASE") is made and entered into as of this 29th day of February, 2000, by and between ARDEN REALTY FINANCE IV, L.L.C., a Delaware limited liability company ("LANDLORD"), and INVESTMENT TECHNOLOGY GROUP, INC., a Delaware corporation ("Tenant").

Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the premises described as Suite No. 1200, as designated on the plan attached hereto and incorporated herein as Exhibit "A" ("PREMISES"), of the project ("PROJECT") whose address is 600 Corporate Pointe, Culver City, California for the Term and upon the terms and conditions hereinafter set forth, and Landlord and Tenant hereby agree as follows:

ARTICLE 1

BASIC LEASE PROVISIONS

A.	TERM:	Five (5) years, nine (9) months and seventeen (17) days
	COMMENCEMENT DATE:	March 15, 2000.
	EXPIRATION DATE:	December 31, 2005.
B.	SQUARE FOOTAGE:	23,520 rentable (22,206 usable) square feet
C.	Basic Rental:	

Lease Month	Annual Basic Rental	Monthly Basic Rental	Monthly Basic Rental Per Rentable Square Foot
1-30*	$635,040.00	$52,920.00	$2.25
31-69	$663,264.00	$55,272.00	$2.35

*Including the partial month at the beginning of the Term

D.	BASE YEAR:	2000
E.	TENANT'S PROPORTIONATE SHARE:	8.60%
F.	SECURITY DEPOSIT:	A security deposit of $55,272.00 shall be due and payable by Tenant to Landlord upon Tenant's execution of this Lease.
G.	PERMITTED USE:	General office use
H.	BROKERS:	CB Richard Ellis, Inc.
I.	PARKING	PASSES: Tenant shall have the use of up to four (4) unreserved parking passes for each 1,000 usable square feet contained in the Premises, which equals eighty-nine (89)

		passes, at the rate provided in Article 23 hereof.
J.	FIRST MONTH'S RENT:	The first full month's rent of $52,920.00 shall be due and payable by Tenant to Landlord upon Tenant's execution of this Lease.

ARTICLE 2

TERM/PREMISES

The Term of this Lease shall commence on the Commencement Date as set forth in Article 1.A. of the Basic Lease Provisions and shall end on the Expiration Date set forth in Article 1.A. of the Basic Lease Provisions. For purposes of this Lease, the term "LEASE YEAR"

shall mean each consecutive twelve (12) month period during the Lease Term, with the first Lease Year commencing on the Commencement Date; however, (a) if the Commencement Date falls on a day other than the first day of a calendar month, the first Lease Year shall end on the last day of the eleventh (11th) month after the Commencement Date and the second (2nd) and each succeeding Lease Year shall commence on the first day of the next calendar month, and (b) the last Lease Year shall end on the Expiration Date. Landlord and Tenant hereby agree and acknowledge that this Lease is hereby made expressly contingent upon Landlord's successful consummation of a lease termination agreement with the existing tenant of the Premises. In the event Landlord does not consummate a lease termination agreement with the existing tenant on or before April 15, 2000, Tenant shall have the right to terminate this Lease upon written notice to Landlord given at any time prior to the time such termination agreement has been consummated and written notice thereof has been delivered to Tenant. In addition, in the event the current tenant has not actually vacated the Premises on or before May 15, 2000, Tenant shall have the right to terminate this Lease upon written notice to Landlord given at any time prior to the time such existing tenant vacates the Premises and Landlord makes possession of the Premises available to Tenant. If Landlord is unable to deliver possession of the Premises to Tenant on or before the anticipated Commencement Date, Landlord shall not be subject to any liability for its failure to do so, and, except as set forth above, such failure shall not affect the validity of this Lease nor the obligations of Tenant hereunder. Landlord and Tenant hereby stipulate that the Premises contains the number of square feet specified in Article 1.B. of the Basic Lease Provisions. Within thirty (30) days after the Commencement Date, Landlord shall deliver to Tenant a Commencement Letter in a form substantially similar to that attached hereto as Exhibit "C", accurately stating the Commencement Date and otherwise completed in accordance with the terms of this Lease. Within ten (10) days after receipt of the Commencement Letter, Tenant shall execute and return to Landlord the Commencement Letter after making any changes necessary to make such letter factually accurate. Failure of Tenant to timely execute and deliver the Commencement Letter shall constitute acknowledgment by Tenant that the statements included in such notice in good faith are true and correct, without exception.

ARTICLE 3

RENTAL

(a) BASIC RENTAL. Tenant agrees to pay to Landlord during the Term hereof, at Landlord's office or to such other person or at such other place as directed from time to time by written notice to Tenant from Landlord, the initial monthly and annual sums as set forth in Article 1.C of the Basic Lease Provisions, payable in advance on the first day of each calendar month, without demand, setoff or deduction, except as otherwise expressly provided in this Lease and in the event this Lease commences or the date of expiration of this Lease occurs other than on the first day or last day of a calendar month, the rent for such month shall be prorated. Notwithstanding the foregoing, the first full month's rent shall be paid to Landlord in accordance with Article 1.J. of

the Basic Lease. On the first day of the first full calendar month after the Commencement Date, Tenant shall pay a prorated amount of Basic Rental, which amount shall be prorated based upon the length of time from the Commencement Date through the last day of the calendar month in which the Commencement Date occurred.

(b) INCREASE IN DIRECT COSTS. The term "BASE YEAR" means the calendar year set forth in Article 1.D. of the Basic Lease Provisions. If, in any calendar year during the Term of this Lease, the "Direct Costs" (as hereinafter defined) paid or incurred by Landlord shall be higher than the Direct Costs for the Base Year, Tenant shall pay an additional sum for such and each subsequent calendar year equal to the product of the amount set forth in Article 1.E. of the Basic Lease Provisions multiplied by such increased amount of "Direct Costs." In the event either the Premises and/or the Project is expanded or reduced, then Tenant's Proportionate Share shall be appropriately adjusted, and as to the calendar year in which such change occurs, Tenant's Proportionate Share for such year shall be determined on the basis of the number of days during that particular calendar year that such Tenant's Proportionate Share was in effect. In the event this Lease shall terminate on any date other than the last day of a calendar year, the additional sum payable hereunder by Tenant during the calendar year in which this Lease terminates shall be prorated on the basis of the relationship which the number of days which have elapsed from the commencement of said calendar year to and including said date on which this Lease terminates bears to three hundred sixty-five (365). Any and all amounts due and payable by

Tenant pursuant to Article 3(b),(c) and (d) hereof shall be deemed "ADDITIONAL RENT" and Landlord shall be entitled to exercise the same rights and remedies upon default in these payments as Landlord is entitled to exercise with respect to defaults in monthly Basic Rental payments.

(c) DEFINITIONS. As used herein the term "DIRECT COSTS" shall mean the sum of the following:

(i) "TAX COSTS", which shall mean any and all real estate taxes and other similar charges on real property or improvements, assessments, water and sewer charges, and all other charges assessed, reassessed or levied upon the Project and appurtenances thereto and the parking or other facilities thereof, or the real property thereunder (collectively the "REAL PROPERTY") or attributable thereto or on the rents, issues, profits or income received or derived therefrom which are assessed, reassessed or levied by the United States, the State of California or any local government authority or agency or any political subdivision thereof, and shall include Landlord's reasonable legal fees, costs and disbursements incurred in connection with proceedings for reduction of Tax Costs or any part thereof; provided, however, if at any time after the date of this Lease the methods of taxation now prevailing shall be altered so that in lieu of or as a supplement to or a substitute for the whole or any part of any Tax Costs, there shall be assessed, reassessed or levied (a) a tax, assessment, reassessment, levy, imposition or charge wholly or partially on the rents, or (b) a tax, assessment, reassessment, levy (including but not limited to any municipal, state or federal levy), imposition or charge measured by or based in whole or in part upon the Real Property and imposed upon Landlord, or (c) a license fee measured by the rent payable under this Lease, then all such taxes, assessments, reassessments or levies or the part thereof so measured or based, shall be deemed to be included in the term "Direct Costs." In no event shall Tax Costs included in Direct Costs for any year subsequent to the Base Year be less than the amount of Tax Costs included in Direct Costs for the Base Year (i.e., in the event Tax Costs for any comparison year are lower than the Base Year Tax Costs, Tenant's Proportionate Share of Tax Costs for such comparison year shall be zero). In addition, when calculating Tax Costs for the Base Year, special assessments shall only be deemed included in Tax Costs for the Base Year to the extent that such special assessments are included in Tax Costs for the applicable subsequent calendar year during the Term. Notwithstanding anything to the contrary contained in this Section 3(c)(i),

there shall be excluded from Tax Costs (i) all excess profits taxes, franchise taxes, gift taxes, capital stock taxes, inheritance and succession taxes, estate taxes, federal and state income taxes, and other taxes to the extent applicable to Landlord's general or net income (as opposed to rents or receipts attributable to operations at the Project), (ii) any items included as Operating Costs, and (iii) any items paid by Tenant under Article 6 of this Lease.

(ii) "OPERATING COSTS", which shall mean all costs and expenses incurred by Landlord in connection with the maintenance, operation, replacement, ownership and repair of the Project, the equipment, the intrabuilding network cable, adjacent walks, malls and landscaped and common areas and the parking structure, areas and facilities of the Project, including, but not limited to, salaries, wages, medical, surgical and general welfare benefits and pension payments, payroll taxes, fringe benefits, employment taxes, workers' compensation, uniforms and dry cleaning thereof for all persons who perform duties connected with the operation, maintenance and repair of the Project, its equipment, the intrabuilding network cable and the adjacent walks and landscaped areas, including janitorial, gardening, security, parking, operating engineer, elevator, painting, plumbing, electrical, carpentry, heating, ventilation, air conditioning, window washing, hired services, a reasonable allowance for depreciation of the cost of acquiring or the rental expense of personal property used in the maintenance, operation and repair of the Project, accountant's fees incurred in the preparation of rent adjustment statements, legal fees, real estate tax consulting fees, personal property taxes on property used in the maintenance and operation of the Project, fees, costs, expenses or dues payable pursuant to the terms of any covenants, conditions or restrictions or owners' association pertaining to the Project, capital expenditures incurred to effect economies of operation of, or stability of services to, the Project and capital expenditures required by government regulations, laws, or ordinances not in effect as of the Commencement Date (provided that any capital costs shall be amortized over their useful life in accordance with Landlord's standard accounting practices); the cost of all charges for electricity, gas, water and other utilities furnished to the Project, including any taxes thereon; the cost of all charges for fire and extended coverage, liability and all other insurance for the Project carried by Landlord (provided, however, that if Landlord does not carry earthquake insurance for the

Project during any part of the Base Year, but subsequently obtains earthquake insurance for the Project during the Lease Term, then from and after the date upon which Landlord obtains such earthquake insurance and continuing throughout the period during which Landlord maintains such insurance, Operating Costs for the Base Year shall be deemed to be increased by the amount of the premium Landlord reasonably estimates it would have incurred had Landlord maintained such insurance for the same period of time during the Base Year as such insurance was maintained by Landlord during such subsequent calendar year); the cost of all building and cleaning supplies and materials; the cost of all charges for cleaning, maintenance and service contracts and other services with independent contractors and administration fees; a property management fee (which fee may be imputed if Landlord has internalized management or otherwise acts as its own property manager, but which fees shall be comparable to fees charged by comparable landlords for comparable services in the vicinity of the Project) and license, permit and inspection fees relating to the Project. In the event, during any calendar year, the Project is less than ninety-five percent (95%) occupied at all times, Operating Costs shall be adjusted to reflect the Operating Costs of the Project as though ninety-five percent (95%) were occupied at all times, and the increase or decrease in the sums owed hereunder shall be based upon such Operating Costs as so adjusted. Notwithstanding anything to the contrary set forth in this Article 3, when calculating Operating Costs for the Base Year, unless Operating Costs for the applicable subsequent calendar year include the following items, Operating Costs shall exclude (a) market-wide labor-rate increases due to extraordinary circumstances including, but not limited to, boycotts and strikes, (b) utility rate increases due to extraordinary circumstances including, but not limited to, conservation surcharges, boycotts, embargoes or other shortages, and (c) amortization of any

capital items including, but not limited to, capital improvements, capital repairs and capital replacements (including such amortized costs where the actual improvement, repair or replacement was made in prior years). Similarly, in calculating Operating Costs for the Base Year, there shall be added, to the extent Operating Costs for the applicable subsequent year are increased due to such items, the following extraordinary or non-recurring reductions in Operating Costs for the Base Year (to the extent applicable), (i) credits, refunds or rebates related to overpayments in prior years, (ii) "teaser" rates and one-time discounts, and (iii) delays or deferrals in assessment or billing for property tax increases due to a change of ownership or improvements occurring or completed during or prior to the Base Year.

Notwithstanding anything above to the contrary, Operating Costs shall not include (1) the cost of providing any service directly to and paid directly by any tenant (outside of such tenant's Direct Cost payments); (2) the cost of any items for which Landlord is reimbursed by insurance proceeds, condemnation awards, a tenant of the Project, or otherwise to the extent so reimbursed; (3) any real estate brokerage commissions or other costs incurred in procuring tenants, or any fee in lieu of commission; (4) depreciation, amortization of principal and interest on mortgages or ground lease payments (if any); (5) costs of items considered capital repairs, replacements, improvements and equipment under generally accepted accounting principles consistently applied except as expressly included in Operating Costs pursuant to the definition above; (6) costs incurred by Landlord due to the violation by Landlord or any tenant of the terms and conditions of any lease of space in the Project or any law, code, regulation, ordinance or the like; (7) Landlord's general corporate overhead and general and administrative expenses; (8) any compensation paid to clerks, attendants or other persons in commercial concessions operated by Landlord (other than in the parking facility for the Project); (9) costs incurred in connection with upgrading the Project to comply with disability, life, seismic, fire and safety codes, ordinances, statutes, or other laws in effect prior to the Commencement Date, including, without limitation, the Americans with Disabilities Act ("ADA"), including penalties or damages incurred due to such non-compliance; (10) bad debt expenses and interest, principal, points and fees on debts (except in connection with the financing of items which may be included in Operating Costs) or amortization on any ground lease, mortgage or mortgages or any other debt instrument encumbering the Project (including the land on which the Project is situated); (11) marketing costs, including leasing commissions, attorneys' fees in connection with the negotiation and preparation of letters, deal memos, letters of intent, leases, subleases and/or assignments, space planning costs, and other costs and expenses incurred in connection with lease, sublease and/or assignment negotiations and transactions with present or prospective tenants or other occupants of the Project, including attorneys' fees and other costs and expenditures incurred in connection with disputes with present or prospective tenants or other occupants of the Project; (12) real estate brokers' leasing commissions; (13) costs, including permit, license and inspection costs, incurred with respect to the installation of other tenants' or occupants' improvements made for tenants or other occupants in the Project or incurred in renovating or otherwise improving,

decorating, painting or redecorating vacant space for tenants or other occupants in the Project; (14) any costs expressly excluded from Operating Costs elsewhere in this Lease; (15) costs of any items (including, but not limited to, costs incurred by Landlord for the repair of damage to the Project) to the extent Landlord receives reimbursement from insurance proceeds or from a third party (except that any deductible amount under any insurance policy shall be included within Operating Costs); (16) rentals and other related expenses for leasing an HVAC system, elevators, or other items (except when needed in connection with normal repairs and maintenance of the Project) which if purchased, rather than rented, would constitute a capital improvement not included in Operating Costs pursuant to this Lease; (17) depreciation, amortization and interest payments, except as specifically included in Operating Costs pursuant to the terms of this Lease and except on materials, tools, supplies and vendor-type equipment purchased by Landlord to enable Landlord to supply services Landlord might

otherwise contract for with a third party, where such depreciation, amortization and interest payments would otherwise have been included in the charge for such third party's services, all as determined in accordance with generally accepted accounting principles, consistently applied, and when depreciation or amortization is permitted or required, the item shall be amortized over its reasonably anticipated useful life; (18) costs incurred by Landlord for alterations (including structural additions), repairs, equipment and tools which are of a capital nature and/or which are considered capital improvements or replacements under generally accepted accounting principles, consistently applied, except as specifically included in Operating Costs pursuant to the terms of this Lease; (19) expenses in connection with services or other benefits which are not offered to Tenant or for which Tenant is charged for directly but which are provided to another tenant or occupant of the Project, without charge; (20) electric power costs or other utility costs for which any tenant directly contracts with the local public service company (but Landlord shall have the right to "gross up" as if such space was vacant); (21) costs incurred in connection with the operation of retail stores selling merchandise and restaurants in the Project to the extent such costs are in excess of the costs Landlord reasonably estimates would have been incurred had such space been used for general office use; (22) costs (including in connection therewith all attorneys' fees and costs of settlement, judgments and/or payments in lieu thereof) arising from claims, disputes or potential disputes in connection with potential or actual claims litigation or arbitrations pertaining to Landlord and/or the Project, other than such claims or disputes respecting any services or equipment used in the operation of the Building by Landlord, the cost of which are included in Operating Costs; (23) costs associated with the operation of the business of the partnership which constitutes Landlord as the same are distinguished from the costs of operation of the Project; (24) costs incurred in connection with the original construction of the Project; (25) costs of correcting defects in or inadequacy of the initial design or construction of the Project; (26) costs incurred to (i) comply with laws relating to the removal of any "Hazardous Material," as that term is defined in Article 28 of this Lease, which was in existence on the Project prior to the Commencement Date, and was of such a nature that a federal, state or municipal governmental authority, if it had then had knowledge of the presence of such Hazardous Material, in the state, and under the conditions that it then existed on the Project, would have then required the removal of such Hazardous Material or other remedial or containment action with respect thereto, and (ii) to remove, remedy, contain, or treat any Hazardous Material, which Hazardous Material is brought onto the Project after the date hereof by Landlord or any other tenant of the Project and is of such a nature, at that time, that a federal, state or municipal governmental authority, if it had then had knowledge of the presence of such Hazardous Material, in the state, and under the conditions, that it then exists on the Project, would have then required the removal of such Hazardous Material or other remedial or containment action with respect thereto; and (27) costs incurred in connection with the buying, selling, mortgaging or financing of the Project (provided that the foregoing shall not apply to any reassessment under Proposition 13); (28) costs and expenses otherwise includable in Operating Costs to the extent the same arise from the gross negligence or tortious acts of Landlord or any of Landlord's agents, employees or contractors; (29) any overhead and/or profit increment paid to Landlord or to subsidiaries or affiliates or Landlord for services in the Project to the extent the same exceed the amount which would generally be expected to be the cost of such services rendered by comparably qualified unaffiliated third parties; and (30) any item to the extent the costs thereof has already been included in Direct Costs under another category.

(d) DETERMINATION OF PAYMENT.

(i) If for any calendar year ending or commencing within the Term, Tenant's Proportionate Share of Direct Costs for such calendar year exceeds Tenant's Proportionate Share

of Direct Costs for the Base Year, then Tenant shall pay to Landlord, in the manner set forth in Sections 3(d)(ii) and (iii), below, and as additional rent,

an amount equal to the excess (the "EXCESS").

(ii) Landlord shall give Tenant a yearly expense estimate statement (the "ESTIMATE STATEMENT") which shall set forth Landlord's reasonable estimate (the "ESTIMATE") of what the total amount of Direct Costs for the then-current calendar year shall be and the estimated Excess (the "ESTIMATED EXCESS") as calculated by comparing Tenant's Proportionate Share of Direct Costs for such calendar year, which shall be based upon the Estimate, to Tenant's Proportionate Share of Direct Costs for the Base Year. The failure of Landlord to timely furnish the Estimate Statement for any calendar year shall not preclude Landlord from enforcing its rights to collect any Estimated Excess under this Article 3. If pursuant to the Estimate Statement an Estimated Excess is calculated for the then-current calendar year, Tenant shall pay, with its next installment of Monthly Basic Rental due, a fraction of the Estimated Excess for the then-current calendar year (reduced by any amounts paid pursuant to the last sentence of this Section 3(d)(ii)). Such fraction shall have as its numerator the number of months which have elapsed in such current calendar year to the month of such payment, both months inclusive, and shall have twelve (12) as its denominator. Until a new Estimate Statement is furnished, Tenant shall pay monthly, with the Monthly Basic Rental installments, an amount equal to one-twelfth (1/12) of the total Estimated Excess set forth in the previous Estimate Statement delivered by Landlord to Tenant.

(iii) In addition, Landlord shall endeavor to give to Tenant on or before the first day of April following the end of each calendar year, a statement (the "STATEMENT") which shall state the Direct Costs incurred or accrued for such preceding calendar year, and which shall indicate the amount, if any, of the Excess. Upon receipt of the Statement for each calendar year during the Term, if amounts paid by Tenant as Estimated Excess are less than the actual Excess as specified on the Statement, Tenant shall pay, with its next installment of Monthly Basic Rental due, the full amount of the Excess for such calendar year, less the amounts, if any, paid during such calendar year as Estimated Excess. If, however, the Statement indicates that amounts paid by Tenant as Estimated Excess are greater than the actual Excess as specified on the Statement, such overpayment shall be credited against Tenant's next installments of Estimated Excess. The failure of Landlord to timely furnish the Statement for any calendar year shall not prejudice Landlord from enforcing its rights under this Article 3. Even though the Term has expired and Tenant has vacated the Premises, when the final determination is made of Tenant's Proportionate Share of the Direct Costs for the calendar year in which this Lease terminates, if an Excess is present, Tenant shall immediately pay to Landlord an amount as calculated pursuant to the provisions of this Article 3(d). In the event the Statement shows that an overpayment has been made, Landlord will refund such overpayment to Tenant within thirty (30) days after delivery of the Statement by Landlord. The provisions of this Section 3(d)(iii) shall survive the expiration or earlier termination of the Term.

(iv) Within one hundred twenty (120) days after receipt of a Statement by Tenant ("REVIEW PERIOD"), if Tenant disputes the amount set forth in the Statement, Tenant's employees or an independent certified public accountant (which accountant is a member of a nationally or regionally recognized accounting firm and is hired on a non-contingency fee basis), designated by Tenant, may, after reasonable notice to Landlord and at reasonable times, inspect Landlord's records at Landlord's offices, provided that Tenant is not then in default after expiration of all applicable cure periods of any obligation under this Lease (including, but not limited to, the payment of the amount in dispute) and provided further that Tenant and such accountant or representative shall, and each of them shall use their commercially reasonable efforts to cause their respective agents and employees to, maintain all information contained in Landlord's records in strict confidence. Notwithstanding the foregoing, Tenant shall only have the right to review Landlord's records one (1) time during any twelve (12) month period. Tenant's failure to dispute the amounts set forth in any Statement within the Review Period shall be deemed to be Tenant's approval of such Statement and Tenant, thereafter, waives the right or ability to dispute the amounts set forth in such Statement. If after such inspection, but within thirty (30) days after the Review Period, Tenant notifies Landlord in writing that Tenant still disputes such amounts, a certification as to the proper amount shall be made in

accordance with Landlord's standard accounting practices, at Tenant's expense, by an independent certified public accountant selected by Landlord, and reasonably approved by Tenant, and who is a member of a nationally or regionally recognized accounting firm, which certification shall be binding upon

Landlord and Tenant. Landlord shall cooperate in good faith with Tenant and the accountant to show Tenant and the accountant the information upon which the certification is to be based. However, if such certification by the accountant proves that the Direct Costs set forth in the Statement were overstated by more than five percent (5%), then the cost of both accountants and the cost of such certification shall be paid for by Landlord, within thirty (30) days after invoicing by Tenant. Promptly following the parties receipt of such certification, the parties shall make such appropriate payments or reimbursements, as the case may be, to each other, as are determined to be owing pursuant to such certification. Tenant agrees that this section shall be the sole method to be used by Tenant to dispute the amount of any Direct Costs payable by Tenant pursuant to the terms of this Lease, and Tenant hereby waives any other rights at law or in equity relating thereto.

(v) If the Project is a party of a multi-building development those Direct Costs attributable to such development as a whole (and not attributable solely to any individual building therein) shall be allocated by Landlord to the Project and to the other buildings within such development on an equitable and consistent basis.

ARTICLE 4

SECURITY DEPOSIT

Tenant has deposited with Landlord the sum set forth in Article 1.F. of the Basic Lease Provisions as security for the full and faithful performance of every provision of this Lease to be performed by Tenant. If Tenant breaches any provision of this Lease, including but not limited to the payment of rent, Landlord may use all or any part of this security deposit for the payment of any rent or any other sums in default, or to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's default. If any portion of said deposit is so used or applied, Tenant shall, within five (5) days after written demand therefor, deposit cash with Landlord in an amount sufficient to restore the security deposit to its original amount. Tenant agrees that Landlord shall not be required to keep the security deposit in trust, segregate it or keep it separate from Landlord's general funds but Landlord may commingle the security deposit with its general funds and Tenant shall not be entitled to interest on such deposit. At the expiration of the Lease Term, and provided there exists no default by Tenant hereunder, the security deposit or any balance thereof shall be returned to Tenant (or, at Landlord's option, to Tenant's assignee), provided that subsequent to the expiration of this Lease, Landlord may retain from said security deposit (i) an amount reasonably estimated by Landlord to cover potential Direct Cost reconciliation payments due with respect to the calendar year in which this Lease terminates or expires (such amount so retained shall not, in any event, exceed ten percent (10%) of estimated Direct Cost payments due from Tenant for such calendar year through the date of expiration or earlier termination of this Lease and any amounts so retained and not applied to such reconciliation shall be returned to Tenant within thirty (30) days after Landlord's delivery of the Statement for such calendar year), (ii) any and all amounts reasonably estimated by Landlord to cover the anticipated costs to be incurred by Landlord to remove any signage provided to Tenant under this Lease and to repair any damage caused by such removal (in which case any excess amount so retained by Landlord shall be returned to Tenant within thirty (30) days after such removal and repair), and (iii) any and all amounts permitted by law or this Article 4. Tenant hereby waives the provisions of Section 1950.7 of the California Civil Code and all other provisions of law, now or hereafter in effect, to the extent the same are inconsistent with Landlord's right to claim those sums specified in this Article 4 above and/or those sums reasonably necessary to compensate Landlord for any

other loss or damage, foreseeable or unforeseeable, caused by the acts or omissions of Tenant or any officer, employee, agent, contractor or invitee of Tenant.

ARTICLE 5

HOLDING OVER

Should Tenant, without Landlord's written consent, hold over after termination of this Lease, Tenant shall become a tenant from month to month, only upon each and all of the terms herein provided as may be applicable to a month to month tenancy and any such holding over shall not constitute an extension of this Lease. During such holding over, Tenant shall pay in advance, monthly, Basic Rental at one hundred fifty percent (150%) of the rate in effect for the

last month of the Term of this Lease, in addition to, and not in lieu of, all other payments required to be made by Tenant hereunder including but not limited to Tenant's Proportionate Share of any increase in Direct Costs. Nothing contained in this Article 5 shall be construed as consent by Landlord to any holding over of the Premises by Tenant, and Landlord expressly reserves the right to require Tenant to surrender possession of the Premises to Landlord as provided in this Lease upon the expiration or earlier termination of the Term. If Landlord notifies Tenant in writing at least thirty (30) days prior to the Lease Expiration Date that Landlord has a signed proposal from a succeeding tenant to lease the Premises, and if Tenant fails to surrender the Premises upon the expiration or termination of this Lease, Tenant agrees to indemnify, defend and hold Landlord harmless from all costs, loss, expense or liability, including without limitation, claims made by any succeeding tenant and real estate brokers claims and attorney's fees and costs.

ARTICLE 6

PERSONAL PROPERTY TAXES

Tenant shall pay, prior to delinquency, all taxes assessed against or levied upon trade fixtures, furnishings, equipment and all other personal property of Tenant located in the Premises. In the event any or all of Tenant's trade fixtures, furnishings, equipment and other personal property shall be assessed and taxed with property of Landlord, or if the cost or value of any leasehold improvements in the Premises exceeds the cost or value of a Project-standard buildout as determined by Landlord and, as a result, real property taxes for the Project are increased, Tenant shall pay to Landlord its share of such taxes within ten (10) days after delivery to Tenant by Landlord of a statement in writing setting forth the amount of such taxes applicable to Tenant's property or above-standard improvements. Tenant shall assume and pay to Landlord at the time of paying Basic Rental any excise, sales, use, rent, occupancy, garage, parking, gross receipts or other taxes (other than net income taxes) which may be imposed on or on account of letting of the Premises or the payment of Basic Rental or any other sums due or payable hereunder, and which Landlord may be required to pay or collect under any law now in effect or hereafter enacted. Tenant shall pay directly to the party or entity entitled thereto all business license fees, gross receipts taxes and similar taxes and impositions which may from time to time be assessed against or levied upon Tenant, as and when the same become due and before delinquency. Notwithstanding anything to the contrary contained herein, any sums payable by Tenant under this Article 6 shall not be included in the computation of "Tax Costs."

ARTICLE 7

USE

Tenant shall use and occupy the Premises only for the use set forth in Article 1.G. of the Basic Lease Provisions and shall not use or occupy the

Premises or permit the same to be used or occupied for any other purpose without the prior written consent of Landlord, which consent may be given or withheld in Landlord's sole and absolute discretion, and Tenant agrees that it will use the Premises in such a manner so as not to interfere with or infringe the rights of other tenants in the Project. Tenant shall, at its sole cost and expense, promptly comply with all laws, statutes, ordinances and governmental regulations or requirements now in force or which may hereafter be in force relating to or affecting (i) the condition, use or occupancy of the Premises or the Project excluding structural changes to the Project not related to Tenant's particular use of the Premises, and (ii) improvements installed or constructed in the Premises by or for the benefit of Tenant. Tenant shall not do or permit to be done anything which would invalidate or increase the cost of any fire and extended coverage insurance policy covering the Project and/or the property located therein and Tenant shall comply with all rules, orders, regulations and requirements of any organization which sets out standards, requirements or recommendations commonly referred to by major fire insurance underwriters. Tenant shall promptly upon demand reimburse Landlord for any additional premium charges for any such insurance policy assessed or increased by reason of Tenant's failure to comply with the provisions of this Article. Landlord represents that Landlord has taken or shall take the necessary steps to comply with what Landlord reasonably believes are the requirements of ADA in effect as of the date of this Lease as it pertains to the common areas within the Project. Operating Costs shall not include any cost incurred by Landlord in connection with upgrading the Project to comply with the requirements

of the ADA that are in effect as of the date of this Lease, including penalties or damages incurred due to such noncompliance.

ARTICLE 8

CONDITION OF PREMISES

The parties acknowledge that until the "Start Date," as the term is defined in the Tenant Work Letter, the Premises shall be leased to Tenant in its "as is" condition. Thereafter, the Premises shall be renovated as provided in, and subject to, the Tenant Work Letter attached hereto as Exhibit "D" and made a part hereof. The existing leasehold improvements in the Premises as of the date of this Lease, together with the Improvements (as defined in the Tenant Work Letter) may be collectively referred to herein as the "TENANT IMPROVEMENTS." The taking of possession of the Premises by Tenant shall conclusively establish that the Premises and the Project were at such time in satisfactory condition; provided, however, that the foregoing shall not be deemed to relieve Landlord of any repair obligations otherwise set forth in this Lease. Tenant hereby waives subsection 1 of Section 1932 and Sections 1941 and 1942 of the Civil Code of California or any successor provision of law.

Landlord reserves the right from time to time, but subject to payment by and/or reimbursement from Tenant as otherwise provided herein: (i) to install, use, maintain, repair, replace and relocate for service to the Premises and/or other parts of the Project pipes, ducts, conduits, wires, appurtenant fixtures, and mechanical systems, wherever located in the Premises or the Project, (ii) to alter, close or relocate any facility in the Premises or the Common Areas or otherwise conduct any of the above activities for the purpose of complying with a general plan for fire/life safety for the Project or otherwise and (iii) to comply with any federal, state or local law, rule or order with respect thereto or the regulation thereof not currently in effect. Landlord shall attempt to perform any such work with the least inconvenience to Tenant as possible, but in no event shall Tenant be permitted to withhold or reduce Basic Rental or other charges due hereunder as a result of same, make any claim for constructive eviction or otherwise make claim against Landlord for interruption or interference with Tenant's business and/or operations.

ARTICLE 9

REPAIRS AND ALTERATIONS

Landlord shall maintain the structural portions of the Project including the foundation, floor/ceiling slabs, roof, curtain wall, exterior glass, columns, beams, shafts, stairs, stairwells, elevator cabs and common areas and shall also maintain and repair the basic mechanical, electrical, lifesafety, plumbing, sprinkler systems and heating, ventilating and air-conditioning systems. Except as expressly provided as Landlord's obligation in this Article 9, Tenant shall keep the Premises in good condition and repair. All damage or injury to the Premises or the Project resulting from the act or negligence of Tenant, its employees, agents or visitors, guests, invitees or licensees or by the use of the Premises shall be promptly repaired by Tenant, at its sole cost and expense, to the satisfaction of Landlord; provided, however, that for damage to the Project as a result of casualty or for any repairs that may impact the mechanical, electrical, plumbing, heating, ventilation or air-conditioning systems of the Project, Landlord shall have the right (but not the obligation) to select the contractor and oversee all such repairs. Landlord may make any repairs which are not promptly made by Tenant after Tenant's receipt of written notice and the reasonable opportunity of Tenant to make said repair within ten (10) business days from receipt of said written notice, and charge Tenant for the cost thereof, which cost shall be paid by Tenant within five (5) business days from invoice from Landlord. Tenant shall be responsible for the design and function of all non-standard improvements of the Premises, whether or not installed by Landlord at Tenant's request. Tenant waives all rights to make repairs at the expense of Landlord, or to deduct the cost thereof from the rent. Tenant shall make no alterations, changes or additions in or to the Premises (collectively, "ALTERATIONS") without Landlord's prior written consent, and then only by contractors or mechanics approved by Landlord in writing and upon the approval by Landlord in writing of fully detailed and dimensioned plans and specifications pertaining to the Alterations in question, to be prepared and submitted by Tenant at its sole cost and expense. Tenant shall at its sole cost and expense obtain all necessary approvals and permits pertaining to any Alterations. Tenant shall construct such Alterations in a good and workmanlike manner, in conformance with all applicable federal, state, county and

municipal laws, rules and regulations, pursuant to a valid building permit, and in conformance with Landlord's construction rules and regulations. If Landlord, in approving any Alterations, specifies a commencement date therefor, Tenant shall not commence any work with respect to such Alterations prior to such date. Notwithstanding anything to the contrary contained herein, Tenant may make strictly cosmetic changes to the finish work in the Premises (the "COSMETIC ALTERATIONS") without Landlord's consent, provided that the aggregate cost of any such alterations does not exceed $75,000.00 in any twelve (12) month period, and further provided that such alterations do not (i) require any structural or other substantial modifications to the Premises, (ii) require any changes to, nor adversely affect, the systems and equipment of the Project, and (iii) affect the exterior appearance of the Project. Tenant shall give Landlord at least fifteen (15) days prior notice of such Cosmetic Alterations, which notice shall be accompanied by reasonably adequate evidence that such changes meet the criteria contained in this Article 9. Tenant hereby indemnifies, defends and agrees to hold Landlord free and harmless from all liens and claims of lien, and all other liability, claims and demands arising out of any work done or material supplied to the Premises by or at the request of Tenant in connection with any Alterations. Prior to the commencement of any Alterations, Tenant shall provide Landlord with evidence that Tenant carries "Builder's All Risk" insurance in an amount approved by Landlord covering the construction of such Alterations, and such other insurance as Landlord may reasonably require, it being understood that all such Alterations shall be insured by Tenant pursuant to Article 14 of this Lease immediately upon completion thereof. In addition, Landlord may, in its discretion, require Tenant to obtain a lien and completion bond or some alternate form of security satisfactory to Landlord in an amount sufficient to ensure the lien free completion of such Alterations and naming Landlord as a co-obligee. If permitted Alterations are made, they shall be made at Tenant's sole cost and expense and shall be and become the property of Landlord, except

that Landlord may, by written notice to Tenant given at the time of Tenant's request for consent to such Alterations (provided Tenant requests that Landlord make such a determination at the time of Tenant's request for consent), require Tenant at Tenant's expense to remove all partitions, counters, railings and other Alterations installed by Tenant, and to repair any damages to the Premises caused by such removal. Any and all costs attributable to or related to the applicable building codes of the city in which the Project is located (or any other authority having jurisdiction over the Project) arising from Tenants plans, specifications, improvements, alterations or otherwise shall be paid by Tenant at its sole cost and expense. With regard to repairs, Alterations or any other work arising from or related to this Article 9, Landlord shall be entitled to receive an administrative/supervision fee (which fee shall vary depending upon whether or not Tenant orders the work directly from Landlord, but which fee shall not exceed five percent (5%) of the cost of such Alterations; provided that if Tenant hires a construction supervisor reasonably approved by Landlord, such supervision fee shall be waived) sufficient to compensate Landlord for all overhead, general conditions, fees and other costs and expenses arising from Landlord's involvement with such work. The construction of initial improvements to the Premises shall be governed by the terms of the Tenant Work Letter and not the terms of this Article 9.

ARTICLE 10

LIENS

Tenant shall keep the Premises and the Project free from any mechanics' liens, vendors liens or any other liens arising out of any work performed, materials furnished or obligations incurred by Tenant, and agrees to defend, indemnify and hold harmless Landlord from and against any such lien or claim or action thereon, together with costs of suit and reasonable attorneys' fees incurred by Landlord in connection with any such claim or action. Before commencing any work of alteration, addition or improvement to the Premises, Tenant shall give Landlord at least ten (10) business days' written notice of the proposed commencement of such work (to afford Landlord an opportunity to post appropriate notices of non-responsibility). In the event that there shall be recorded against the Premises or the Project or the property of which the Premises is a part any claim or lien arising out of any such work performed, materials furnished or obligations incurred by Tenant and such claim or lien shall not be removed or discharged within twenty (20) days of filing, Landlord shall have the right but not the obligation to pay and discharge said lien without regard to whether such lien shall be lawful or correct or to require that Tenant deposit with Landlord in cash, lawful money of the United States, one hundred fifty percent (150%) of the amount of such claim, which sum may be retained by Landlord until such claim shall have been removed of record or until judgment shall have been rendered on such

claim and such judgment shall have become final, at which time Landlord shall have the right to apply such deposit in discharge of the judgment on said claim and any costs, including attorneys' fees and costs incurred by Landlord, and shall remit the balance thereof to Tenant.

ARTICLE 11

PROJECT SERVICES

(a) Landlord agrees to furnish to the Premises, at a cost to be included in Operating Costs, from 7:00 a.m. to 6:00 p.m. Mondays through Fridays and 9:00 a.m. to 1:00 p.m. on Saturdays, excepting local and national holidays, air conditioning and heat all in such reasonable quantities as in the judgment of Landlord is reasonably necessary for the comfortable occupancy of the Premises. In addition, Landlord shall provide electric current for normal lighting and normal office machines, elevator service and water on the same floor as the Premises for lavatory and drinking purposes in such reasonable quantities as in the judgment of Landlord is reasonably necessary for general

office use. Janitorial and maintenance services shall be furnished five (5) days per week, excepting local and national holidays. Tenant shall comply with all rules and regulations which Landlord may reasonably establish for the proper functioning and protection of the common area air conditioning, heating, elevator, electrical intrabuilding network cable and plumbing systems. Except as provided in Section 11(g) below, Landlord shall not be liable for, and there shall be no rent abatement as a result of, any stoppage, reduction or interruption of any such services caused by governmental rules, regulations or ordinances, riot, strike, labor disputes, breakdowns, accidents, necessary repairs or other cause. Except as specifically provided in this Article 11, Tenant agrees to pay for all utilities and other services utilized by Tenant and additional building services furnished to Tenant not uniformly furnished to all tenants of the Project at the rate generally charged by Landlord to tenants of the Project.

(b) Tenant will not, without the prior written consent of Landlord, use any apparatus or device in the Premises which will in any way increase the amount of electricity or water usually furnished or supplied for use of the Premises as general office space; nor connect any apparatus, machine or device with water pipes or electric current (except through existing electrical outlets in the Premises), for the purpose of using electric current or water.

(c) If Tenant shall require electric current in excess of that which Landlord is obligated to furnish under Article 11(a) above, Tenant shall first obtain the written consent of Landlord, which Landlord may refuse in its sole and absolute discretion, to the use thereof and Landlord may cause an electric current meter or submeter to be installed in the Premises to measure the amount of such excess electric current consumed by Tenant in the Premises. The cost of any such meter and of installation, maintenance and repair thereof shall be paid for by Tenant and Tenant agrees to pay to Landlord, promptly upon demand therefor by Landlord, for all such excess electric current consumed by any such use as shown by said meter at the rates charged for such service by the city in which the Project is located or the local public utility, as the case may be, furnishing the same, plus any additional expense incurred by Landlord in keeping account of the electric current so consumed.

(d) If any lights, machines or equipment (including but not limited to computers) are used by Tenant in the Premises which materially affect the temperature otherwise maintained by the air conditioning system, or generate substantially more heat in the Premises than would be generated by the building standard lights and usual office equipment, Landlord shall have the right to install any machinery and equipment which Landlord reasonably deems necessary to restore temperature balance, including but not limited to modifications to the standard air conditioning equipment, and the cost thereof, including the cost of installation and any additional cost of operation and maintenance occasioned thereby, shall be paid by Tenant to Landlord upon demand by Landlord. Landlord shall not be liable under any circumstances for loss of or injury to property or injury to, or interference with, Tenant's business (including, but not limited to, loss of profits), however occurring, through or in connection with or incidental to failure to furnish any of the services or utilities specified in this Article 11.

(e) If Tenant requires heating, ventilation and/or air conditioning during times other than the times provided in Article 11(a) above, Tenant shall give Landlord such advance notice as Landlord shall reasonably require and shall pay Landlord's reasonable and standard charge for such after-hours use.

(f) Landlord may impose a reasonable charge for any utilities or services (other than electric current and heating, ventilation and/or air conditioning which shall be governed by Articles 11(c) and (e) above) utilized by Tenant in excess of the amount or type that Landlord reasonably determines is typical for general office use.

(g) An "ABATEMENT EVENT" shall be defined as an event that prevents

Tenant from using the Premises or any portion thereof, as a result of any failure to provide services or access to the Premises, where (i) Tenant does not actually use the Premises or such portion thereof, and (ii) such event is not caused by the negligence or willful misconduct of Tenant, its agents, employees or contractors. Tenant shall give Landlord notice ("ABATEMENT NOTICE") of any such Abatement Event, and if such Abatement Event continues beyond the "Eligibility Period" (as that term is defined below), then the Basic Rental and Tenant's Proportionate Share of Direct Costs and Tenant's obligation to pay for parking shall be abated entirely or reduced, as the case may be, after expiration of the Eligibility Period for such time that Tenant continues to be so prevented from using, and does not use, the Premises or a portion thereof, in the proportion that the rentable area of the portion of the Premises that Tenant is prevented from using, and does not use, bears to the total rentable area of the Premises; provided, however, in the event that Tenant is prevented from using, and does not use, a portion of the Premises for a period of time in excess of the Eligibility Period and the remaining portion of the Premises is not sufficient to allow Tenant to effectively conduct its business therein, and if Tenant does not conduct its business from such remaining portion, then for such time after expiration of the Eligibility Period during which Tenant is so prevented from effectively conducting its business therein, the Basic Rental and Tenant's Proportionate Share of Direct Costs and Tenant's obligation to pay for parking for the entire Premises shall be abated entirely for such time as Tenant continues to be so prevented from using, and does not use, the Premises. If, however, Tenant reoccupies any portion of the Premises during such period, the Basic Rental and Tenant's Proportionate Share of Direct Costs allocable to such reoccupied portion, based on the proportion that the rentable area of such reoccupied portion of the Premises bears to the total rentable area of the Premises, shall be payable by Tenant from the date Tenant reoccupies such portion of the Premises. The term "ELIGIBILITY PERIOD" shall mean a period of five (5) consecutive business days after Landlord's receipt of any Abatement Notice(s). Such right to abate Basic Rental and Tenant's Proportionate Share of Direct Costs shall be Tenant's sole and exclusive remedy at law or in equity for an Abatement Event.

ARTICLE 12

RIGHTS OF LANDLORD

Landlord and its agents shall have the right to enter the Premises at all reasonable times for the purpose of cleaning the Premises, examining or inspecting the same, serving or posting and keeping posted thereon notices as provided by law, or which Landlord deems necessary for the protection of Landlord or the Property, showing the same during normal business hours to prospective tenants, lenders or purchasers of the Project (during the last nine (9) months of the Term only), in the case of an emergency, and for making such alterations, repairs, improvements or additions to the Premises or to the Project as Landlord may deem necessary or desirable. If Tenant shall not be personally present to open and permit an entry into the Premises at any time when such an entry by Landlord is necessary or permitted hereunder, Landlord may enter by means of a master key or may enter forcibly, only in the case of an emergency, without liability to Tenant and without affecting this Lease.

ARTICLE 13

INDEMNITY; EXEMPTION OF LANDLORD FROM LIABILITY

(a) INDEMNITY. Tenant shall indemnify, defend and hold Landlord harmless from any and all claims arising from Tenant's use of the Premises or the Project including Tenant's Signage rights set forth in Article 33 or from the conduct of its business or from any activity, work or thing which may be permitted or suffered by Tenant in or about the Premises or the Project and shall further indemnify, defend and hold Landlord harmless from and against any and all claims arising from any breach or default in the performance of any obligation on Tenant's part to be performed under this Lease or arising from any negligence or intentional misconduct of Tenant or any of its agents, contractors, employees or invitees, patrons, customers

or members in or about the Project and from any and all costs, attorneys' fees and costs, expenses and liabilities incurred in the defense of any claim or any action or proceeding brought thereon, including negotiations in connection therewith. However, notwithstanding the foregoing, Tenant shall not be required to indemnify and/or hold Landlord harmless from any loss, cost, liability, damage or expense, including, but not limited to, penalties, fines, attorneys' fees or costs (collectively, "CLAIMS"), to any person, property or entity to the extent resulting from the negligence or intentional misconduct of Landlord or its agents, contractors, or employees (except for damage to the Improvements and Tenant's personal property, fixtures, furniture and equipment in the Premises in which case Tenant shall be responsible to the extent Tenant is required to obtain the requisite insurance coverage pursuant to this Lease). Landlord hereby indemnifies Tenant and holds Tenant harmless from any Claims to the extent resulting from the negligence or willful misconduct of Landlord or its agents, contractors or employees; provided, however, that because Landlord maintains insurance on the Project and Tenant compensates Landlord for such insurance as part of Tenant's Proportionate Share of Direct Costs and because of the existence of waivers of subrogation set forth in Article 14 of this Lease, Landlord hereby indemnifies and holds Tenant harmless from any Claims with respect to any property outside of the Premises to the extent such Claim is covered by such insurance, even if resulting from the negligent acts or omissions of Tenant or those of its agents, contractors, or employees. Similarly, since Tenant must carry insurance pursuant to Article 14 to cover its personal property within the Premises and the Improvements, Tenant hereby indemnifies and holds Landlord harmless from any Claim with respect to any property within the Premises, to the extent such Claim is covered by such insurance, even if resulting from the negligent acts or omissions of Landlord or those of its agents, contractors, or employees. Tenant hereby assumes all risk of damage to property or injury to persons in or about the Premises from any cause, and Tenant hereby waives all claims in respect thereof against Landlord, excepting where the damage is caused solely by the gross negligence or intentional misconduct of Landlord.

(b) EXEMPTION OF LANDLORD FROM LIABILITY. Landlord shall not be liable for injury to Tenant's business, or loss of income therefrom, or, except in connection with damage or injury resulting from the gross negligence or willful misconduct of Landlord, or its authorized agents, for damage that may be sustained by the person, goods, wares, merchandise or property of Tenant, its employees, invitees, customers, agents, or contractors, or any other person in, on or about the Premises directly or indirectly caused by or resulting from fire, steam, electricity, gas, water, or rain which may leak or flow from or into any part of the Premises, or from the breakage, leakage, obstruction or other defects of the pipes, sprinklers, wires, appliances, plumbing, air conditioning, light fixtures, or mechanical or electrical systems or from intrabuilding network cable, whether such damage or injury results from conditions arising upon the Premises or upon other portions of the Project or from other sources or places and regardless of whether the cause of such damage or injury or the means of repairing the same is inaccessible to Tenant. Landlord shall not be liable to Tenant for any damages arising from any act or neglect of any other tenant of the building.

Landlord shall not be liable for losses due to theft, vandalism, or like causes.

ARTICLE 14

INSURANCE

(a) TENANT'S INSURANCE. Tenant, shall at all times during the Term of this Lease, and at its own cost and expense, procure and continue in force the following insurance coverage: (i) Commercial General Liability Insurance with a combined single limit for bodily injury and property damages of not less than Two Million Dollars ($2,000,000) per occurrence and Three Million Dollars ($3,000,000) in the annual aggregate, including products liability coverage if applicable, covering the insuring provisions of this Lease and the performance

of Tenant of the indemnity and exemption of Landlord from liability agreements set forth in Article 13 hereof; (ii) a policy of standard fire, extended coverage and special extended coverage insurance (all risks), including a vandalism and malicious mischief endorsement, sprinkler leakage coverage and earthquake sprinkler leakage where sprinklers are provided in an amount equal to the full replacement value new without deduction for depreciation of all (A) Tenant Improvements, Alterations, fixtures and other improvements in the Premises and (B) trade fixtures, furniture, equipment and other personal property installed by or at the expense of Tenant; (iii) Worker's Compensation coverage as required by law; and (iv) business interruption, loss of income and

extra expense insurance covering failure of Tenant's telecommunications equipment and covering all other perils, failures or interruptions. Tenant shall carry and maintain during the entire Lease Term (including any option periods, if applicable), at Tenant's sole cost and expense, increased amounts of the insurance required to be carried by Tenant pursuant to this Article 14 and such other reasonable types of insurance coverage and in such reasonable amounts covering the Premises and Tenant's operations therein, as may be reasonably required by Landlord, so long as such increased amounts and/or other types of insurance coverage are then generally required by comparable landlords of comparable first-class, institutional quality office buildings in the vicinity of the Project.

(b) FORM OF POLICIES. The aforementioned minimum limits of policies and Tenant's procurement and maintenance thereof shall in no event limit the liability of Tenant hereunder. The Commercial General Liability Insurance policy shall name Landlord, Landlord's property manager, Landlord's lender(s) and such other persons or firms as Landlord specifies from time to time, as additional insureds with an appropriate endorsement to the policy(s). All such insurance policies carried by Tenant shall be with companies having a rating of not less than A-VIII in Best's Insurance Guide. Tenant shall furnish to Landlord, from the insurance companies, or cause the insurance companies to furnish, certificates of coverage. No such policy shall be cancelable or subject to reduction of coverage or cancellation except after thirty (30) days prior written notice to Landlord by the insurer. All such policies shall be endorsed to agree that Tenant's policy is primary as to Claims arising within the Premises and that any insurance carried by Landlord is excess and not contributing with any Tenant insurance requirement hereunder. Tenant shall, at least twenty (20) days prior to the expiration of such policies, furnish Landlord with renewals or binders. Tenant agrees that if Tenant does not take out and maintain such insurance or furnish Landlord with renewals or binders, Landlord may (but shall not be required to), upon prior notice to Tenant and the expiration of a five (5) day cure period, procure said insurance on Tenant's behalf and charge Tenant the cost thereof, which amount shall be payable by Tenant upon demand with interest (at the rate set forth in Section 20(e) below) from the date such sums are extended. Tenant shall have the right to provide such insurance coverage pursuant to blanket policies obtained by Tenant, provided such blanket policies expressly afford coverage to the Premises and to Tenant as required by this Lease.

(c) LANDLORD'S INSURANCE. Landlord shall, as a cost to be included in Operating Costs, procure and maintain at all times during the Term of this Lease, a policy or policies of insurance covering loss or damage to the Project in the amount of the full replacement costs without deduction for depreciation thereof (exclusive of Tenant's trade fixtures, inventory, personal property and equipment), providing protection against all perils included within the classification of fire and extended coverage, vandalism coverage and malicious mischief, sprinkler leakage, water damage, and special extended coverage on building. Additionally, Landlord may (but shall not be required to) carry: (i) Bodily Injury and Property Damage Liability Insurance and/or Excess Liability Coverage Insurance; and (ii) Earthquake and/or Flood Damage Insurance; and (iii) Rental Income Insurance at its election or if required by its lender from time to time during the Term hereof, in such amounts and with such limits as Landlord or its lender may deem appropriate. The costs of such insurance shall be

included in Operating Costs.

(d) WAIVER OF SUBROGATION. Landlord and Tenant each agree to have their respective insurers issuing the insurance described in Sections 14(a)(ii), 14(a)(iv) and the first sentence of Section 14(c) waive any rights of subrogation that such companies may have against the other party. Tenant hereby waives any right that Tenant may have against Landlord and Landlord hereby waives any right that Landlord may have against Tenant as a result of any loss or damage to the extent such loss or damage is insurable under such policies.

(e) COMPLIANCE WITH LAW. Tenant agrees that it will not, at any time, during the Term of this Lease, carry any stock of goods or do anything in or about the Premises that will in any way tend to increase the insurance rates upon the Project. Tenant agrees to pay Landlord forthwith upon demand the amount of any increase in premiums for insurance against loss by fire that may be charged during the Term of this Lease on the amount of insurance to be carried by Landlord on the Project resulting from the foregoing, or from Tenant doing any act in or about said Premises that does so increase the insurance rates, whether or not Landlord shall have consented to such act on the part of Tenant. If Tenant installs upon the Premises any electrical equipment which constitutes an overload of electrical lines of the Premises, Tenant shall at its own cost and expense in accordance with all other Lease provisions, and subject to the

provisions of Article 9, 10 and 11, hereof, make whatever changes are necessary to comply with requirements of the insurance underwriters and any governmental authority having jurisdiction thereover, but nothing herein contained shall be deemed to constitute Landlord's consent to such overloading. Tenant shall, at its own expense, comply with all requirements of the insurance authority having jurisdiction over the Project necessary for the maintenance of reasonable fire and extended coverage insurance for the Premises, including without limitation thereto, the installation of fire extinguishers or an automatic dry chemical extinguishing system.

ARTICLE 15

ASSIGNMENT AND SUBLETTING

Tenant shall have no power to, either voluntarily, involuntarily, by operation of law or otherwise, sell, assign, transfer or hypothecate this Lease, or sublet the Premises or any part thereof, or permit the Premises or any part thereof to be used or occupied by anyone other than Tenant or Tenant's employees without the prior written consent of Landlord which shall not be unreasonably withheld. Tenant may transfer its interest pursuant to this Lease only upon the following express conditions, which conditions are agreed by Landlord and Tenant to be reasonable:

(a) That the proposed transferee shall be subject to the prior written consent of Landlord, which consent will not be unreasonably withheld but, without limiting the generality of the foregoing, it shall be reasonable for Landlord to deny such consent if:

(i) The use to be made of the Premises by the proposed transferee is (a) not generally consistent with the character and nature of all other tenancies in the Project, or (b) a use which conflicts with any so-called "exclusive" then in favor of, or for any use which is the same as that stated in any percentage rent lease to, another tenant of the Project or any other buildings which are in the same complex as the Project, or (c) a use which would be prohibited by any other portion of this Lease (including but not limited to any Rules and Regulations then in effect);

(ii) The financial responsibility of the proposed transferee is not reasonably satisfactory to Landlord;

(iii) The proposed transferee is either a governmental agency

or instrumentality thereof; or

(iv) Either the proposed transferee or any person or entity which directly or indirectly controls, is controlled by or is under common control with the proposed transferee is negotiating with Landlord to lease space in the Project.

(b) Whether or not Landlord consents to any such transfer, Tenant shall pay to Landlord Landlord's then standard processing fee and reasonable attorneys' fees and costs incurred in connection with the proposed transfer up to the aggregate sum of $1,500.00;

(c) That the proposed transferee shall execute an agreement pursuant to which it shall agree to perform faithfully and be bound by all of the terms, covenants, conditions, provisions and agreements of this Lease applicable to that portion of the Premises so transferred; and

(d) That an executed duplicate original of said assignment and assumption agreement or other transfer on a form reasonably approved by Landlord, shall be delivered to Landlord within five (5) days after the execution thereof, and that such transfer shall not be binding upon Landlord until the delivery thereof to Landlord and the execution and delivery of Landlord's consent thereto. It shall be a condition to Landlord's consent to any subleasing, assignment or other transfer of part or all of Tenant's interest in the Premises (hereinafter referred to as a "TRANSFER") that (i) upon Landlord's consent to any Transfer, Tenant shall pay and continue to pay fifty percent (50%) of any "Transfer Premium" (defined below), received by Tenant from the transferee; (ii) any sublessee of part or all of Tenant's interest in the Premises shall agree that in the event Landlord gives such sublessee notice that Tenant is in default under this Lease, such sublessee shall thereafter make all sublease or other payments directly to Landlord, which will be received by Landlord without any liability whether to honor the sublease or otherwise (except to credit such payments against sums due under this Lease), and any sublessee shall agree to attorn

to Landlord or its successors and assigns at their request should this Lease be terminated for any reason, except that in no event shall Landlord or its successors or assigns be obligated to accept such attornment; (iii) any such Transfer and consent shall be effected on forms supplied by Landlord and/or its legal counsel; (iv) Landlord may require that Tenant not then be in default hereunder in any respect; and (v) Tenant or the proposed subtenant or assignee (collectively, "TRANSFEREE") shall agree to pay Landlord, upon demand, as additional rent, a sum equal to the additional costs, if any, incurred by Landlord for maintenance and repair as a result of any change in the nature of occupancy caused by such subletting or assignment. "TRANSFER PREMIUM" shall mean all rent, additional rent or other consideration payable by a Transferee in connection with a Transfer in excess of the rent and Additional Rent payable by Tenant under this Lease during the term of the Transfer and if such Transfer is less than all of the Premises, the Transfer Premium shall be calculated on a rentable square foot basis. In any event, the Transfer Premium shall be calculated after deducting the reasonable expenses incurred by Tenant for (1) any changes, alterations and improvements to the Premises paid for by Tenant in connection with the Transfer, (2) any other out-of-pocket monetary concessions provided by Tenant to the Transferee, and (3) any brokerage commissions paid for by Tenant in connection with the Transfer. "Transfer Premium" shall also include, but not be limited to, key money, bonus money or other cash consideration paid by a transferee to Tenant in connection with such Transfer, and any payment in excess of fair market value for services rendered by Tenant to the Transferee and any payment in excess of fair market value for assets, fixtures, inventory, equipment, or furniture transferred by Tenant to the Transferee in connection with such Transfer. Any sale, assignment, hypothecation, transfer or subletting of this Lease which is not in compliance with the provisions of this Article 15 shall be void and shall, at the option of Landlord, terminate this Lease. In no event shall the consent by Landlord to an

assignment or subletting be construed as relieving Tenant, any assignee, or sublessee from obtaining the express written consent of Landlord to any further assignment or subletting, or as releasing Tenant from any liability or obligation hereunder whether or not then accrued and Tenant shall continue to be fully liable therefor. No collection or acceptance of rent by Landlord from any person other than Tenant shall be deemed a waiver of any provision of this Article 15 or the acceptance of any assignee or subtenant hereunder, or a release of Tenant (or of any successor of Tenant or any subtenant). Notwithstanding anything to the contrary in this Lease, if Tenant or any proposed Transferee claims that Landlord has unreasonably withheld or delayed its consent under this Article 15 or otherwise has breached or acted unreasonably under this Article 15, their sole remedies shall be a declaratory judgment, an injunction for the relief sought and/or monetary damages, and Tenant hereby waives any right at law or equity to terminate this Lease.

Notwithstanding anything to the contrary contained in this Article 15, Landlord shall have the option, by giving written notice to Tenant within thirty (30) days after Landlord's receipt of a request for consent to a proposed Transfer, to terminate this Lease as to the portion of the Premises that is the subject of the Transfer. If this Lease is so terminated with respect to less than the entire Premises, the Basic Rental and Tenant's Proportionate Share shall be prorated based on the number of rentable square feet retained by Tenant as compared to the total number of rentable square feet contained in the original Premises, and this Lease as so amended shall continue thereafter in full force and effect, and upon the request of either party, the parties shall execute written confirmation of the same.

Notwithstanding anything in this Article 15, Tenant shall be permitted, without obtaining Landlord's prior written consent but upon notice to Landlord, to sublease all or any portion of the Premises to Archive.com. Landlord's right of recapture and Tenant's obligation to pay any Transfer Premium shall not apply to Tenant's sublease to Archive.com. For purposes of this Lease, a sublease to a third party other than Archive.com which sublease commences prior to Tenant's occupancy of any portion of the Premises pursuant to this Lease, shall be referred to as the "INITIAL SUBLEASE." In the event Tenant enters into an Initial Sublease of the Premises, such Initial Sublease shall not trigger the recapture right set forth above, nor shall the Initial Sublease trigger the obligation to pay any Transfer Premium to Landlord (so long as such Initial Sublease is not more than ten percent (10%) higher than the rent which would have been payable by Archive.com), but the Initial Sublease will be subject to all other provisions of this Article 15.

ARTICLE 16

DAMAGE OR DESTRUCTION

Within sixty (60) days after the date Landlord learns of the necessity for repairs as a result of damage, Landlord shall notify Tenant ("DAMAGE REPAIR ESTIMATE") of Landlord's estimated assessment of the period of time in which the repairs will be completed. If the Project is damaged by fire or other insured casualty and the insurance proceeds have been made available therefor by the holder or holders of any mortgages or deeds of trust covering the Premises or the Project, the damage shall be repaired by Landlord to the extent such insurance proceeds are available therefor and provided the Damage Repair Estimate indicates that repairs can be completed within one hundred eighty (180) days after the necessity for repairs as a result of such damage becomes known to Landlord without the payment of overtime or other premiums, and until such repairs are completed rent shall be abated in proportion to the part of the Premises which is unusable by Tenant in the conduct of its business (but there shall be no abatement of rent by reason of any portion of the Premises being unusable for a period equal to one (1) day or less). However, if the damage is due to the fault or neglect of Tenant, its employees, agents, contractors, guests, invitees and the like, there shall be no abatement of rent, unless and to the extent Landlord receives rental income insurance proceeds. Upon the

occurrence of any damage to the Premises, Tenant shall assign to Landlord (or to any party designated by Landlord) all insurance proceeds payable to Tenant under Section 14(a)(ii)(A) above; provided, however, that if the cost of repair of improvements within the Premises by Landlord exceeds the amount of insurance proceeds received by Landlord from Tenant's insurance carrier, as so assigned by Tenant, such excess costs shall be paid by Tenant to Landlord prior to Landlord's repair of such damage. If, however, the Damage Repair Estimate indicates that repairs cannot be completed within one hundred eighty (180) days after the necessity for repairs as a result of such damage becomes known to Landlord without the payment of overtime or other premiums, Landlord may, at its option, either (i) make them in a reasonable time and in such event this Lease shall continue in effect and the rent shall be abated, if at all, in the manner provided in this Article 16, or (ii) elect not to effect such repairs and instead terminate this Lease, by notifying Tenant in writing of such termination within sixty (60) days after Landlord learns of the necessity for repairs as a result of damage, such notice to include a termination date giving Tenant sixty (60) days to vacate the Premises, and rent shall be abated during such time to the extent permitted by this Article 16. In addition, Landlord may elect to terminate this Lease if the Project shall be damaged by fire or other casualty or cause, whether or not the Premises are affected, and the damage is not fully covered, except for deductible amounts, by Landlord's insurance policies. However, if Landlord does not elect to terminate this Lease pursuant to Landlord's termination right as provided above, and the Damage Repair Estimate indicates that repairs cannot be completed within two hundred ten (210) days after the necessity for repairs as a result of such damage becomes known to Landlord without the payment of overtime or other premiums, Tenant may elect, not later than thirty (30) days after Tenant's receipt of the Damage Repair Estimate, to terminate this Lease by written notice to Landlord effective as of the date specified in Tenant's notice. Finally, if the Premises or the Project is damaged to any substantial extent during the last twelve (12) months of the Term, then notwithstanding anything contained in this Article 16 to the contrary, Landlord shall have the option to terminate this Lease by giving written notice to Tenant of the exercise of such option within sixty (60) days after Landlord learns of the necessity for repairs as the result of such damage. In the event that the Premises or the Project is destroyed or damaged to any substantial extent during the last twelve (12) months of the Lease Term and if such damage shall take longer than sixty (60) days to repair and if such damage is not the result of the negligence or willful misconduct of Tenant or Tenant's employees, licensees, invitees or agents, then notwithstanding anything in this Article 16 to the contrary, Tenant shall have the option to terminate this Lease by written notice to Landlord of the exercise of such option within sixty (60) days after Tenant learns of the necessity for repairs as the result of such damage. A total destruction of the Project shall automatically terminate this Lease. Except as provided in this Article 16, there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with Tenant's business or property arising from such damage or destruction or the making of any repairs, alterations or improvements in or to any portion of the Project or the Premises or in or to fixtures, appurtenances and equipment therein. Tenant understands that Landlord will not carry insurance of any kind on Tenant's furniture, furnishings, trade fixtures or equipment, and that Landlord shall not be obligated to repair any damage thereto or replace the same. Except for proceeds relating to Tenant's furniture, furnishings, trade fixtures and equipment, Tenant

acknowledges that Tenant shall have no right to any proceeds of insurance relating to property damage. With respect to any damage which Landlord is obligated to repair or elects to repair, Tenant, as a material inducement to Landlord entering into this Lease, irrevocably waives and releases its rights under the provisions of Sections 1932 and 1933 of the California Civil Code.

ARTICLE 17

SUBORDINATION

Landlord hereby agrees to use commercially reasonable efforts to obtain a commercially reasonable non-disturbance agreement in favor of Tenant from the current lender for the Project. This Lease is subject and subordinate to all ground or underlying leases, mortgages and deeds of trust which affect the property or the Project, including all renewals, modifications, consolidations, replacements and extensions thereof; provided, however, if the lessor under any such lease or the holder or holders of any such mortgage or deed of trust shall advise Landlord that they desire or require this Lease to be prior and superior thereto, upon written request of Landlord to Tenant, Tenant agrees to promptly execute, acknowledge and deliver any and all documents or instruments which Landlord or such lessor, holder or holders deem necessary or desirable for purposes thereof. Landlord shall have the right to cause this Lease to be and become and remain subject and subordinate to any and all ground or underlying leases, mortgages or deeds of trust which may hereafter be executed covering the Premises, the Project or the property or any renewals, modifications, consolidations, replacements or extensions thereof, for the full amount of all advances made or to be made thereunder and without regard to the time or character of such advances, together with interest thereon and subject to all the terms and provisions thereof; provided, however, that Landlord obtains from the lender or other party in question a written undertaking in favor of Tenant to the effect that such lender or other party will not disturb Tenant's right of possession under this Lease if there does not then or thereafter exist an Event of Default by Tenant under this Lease beyond any applicable cure period. Tenant agrees, within ten (10) days after Landlord's written request therefor, to execute, acknowledge and deliver upon request any and all documents or instruments requested by Landlord or necessary or proper to assure the subordination of this Lease to any such mortgages, deed of trust, or leasehold estates. Tenant agrees that in the event any proceedings are brought for the foreclosure of any mortgage or deed of trust or any deed in lieu thereof, to attorn to the purchaser or any successors thereto upon any such foreclosure sale or deed in lieu thereof as so requested to do so by such purchaser and to recognize such purchaser as the lessor under this Lease; Tenant shall, within ten (10) days after request execute such further instruments or assurances as such purchaser may reasonably deem necessary to evidence or confirm such attornment. Tenant agrees to provide copies of any notices of Landlord's default under this Lease to any mortgagee or deed of trust beneficiary whose address has been provided to Tenant and Tenant shall provide such mortgagee or deed of trust beneficiary a commercially reasonable time after receipt of such notice within which to cure any such default. Tenant waives the provisions of any current or future statute, rule or law which may give or purport to give Tenant any right or election to terminate or otherwise adversely affect this Lease and the obligations of the Tenant hereunder in the event of any foreclosure proceeding or sale.

ARTICLE 18

EMINENT DOMAIN

If the whole of the Premises or the Project or so much thereof as to render the balance unusable by Tenant shall be taken under power of eminent domain, or is sold, transferred or conveyed in lieu thereof, this Lease shall automatically terminate as of the date of such condemnation, or as of the date possession is taken by the condemning authority, at Landlord's option. No award for any partial or entire taking shall be apportioned, and Tenant hereby assigns to Landlord any award which may be made in such taking or condemnation, together with any and all rights of Tenant now or hereafter arising in or to the same or any part thereof; provided, however, that nothing contained herein shall be deemed to give Landlord any interest in or to require Tenant to assign to Landlord any award made to Tenant for the taking of personal property and trade fixtures belonging to Tenant and removable by Tenant at the expiration of the Term hereof as provided hereunder or for the interruption of, or damage to, Tenant's business. In the event of a partial taking described in this Article 18, or a sale, transfer or conveyance in lieu thereof, which does not result in a termination of this Lease, the rent shall be apportioned

according to the ratio that the part of the Premises remaining useable by Tenant bears to the total area of the Premises. Tenant hereby waives any and all rights it might otherwise have pursuant to Section 1265.130 of the California Code of Civil Procedure.

ARTICLE 19

DEFAULT

(a) TENANT'S DEFAULT. Each of the following acts or omissions of Tenant or of any guarantor of Tenant's performance hereunder, or occurrences, shall constitute an "EVENT OF DEFAULT":

(i) Failure or refusal to pay Basic Rental, Additional Rent or any other amount to be paid by Tenant to Landlord hereunder within five (5) business days after notice that the same is due or payable hereunder; said five (5) business day period shall be in lieu of, and not in addition to, the notice requirements of Section 1161 of the California Code of Civil Procedure or any similar or successor law;

(ii) Except as set forth in items (i) above and (iii) below, failure to perform or observe any other covenant or condition of this Lease to be performed or observed within thirty (30) days following written notice to Tenant of such failure; however, if the nature of such default is such that the same cannot be reasonably cured within a thirty (30) day period, Tenant shall not be deemed to be in default if Tenant diligently commences such cure within such period and thereafter diligently proceeds to rectify and cure said default. Such thirty (30) day notice shall be in lieu of, and not in addition to, any required under Section 1161 of the California Code of Civil Procedure or any similar or successor law; or

(iii) Tenant's failure to observe or perform according to the provisions of Articles 7, 17 or 25 within five (5) business days after notice from Landlord; provided that as to Article 7 only, if the nature of such default is such that the same cannot be reasonably cured within a five (5) business day period, Tenant shall not be deemed to be in default if Tenant diligently commences such cure within such period and thereafter diligently proceeds to rectify and cure said default.

(b) LANDLORD'S DEFAULT. Notwithstanding anything to the contrary set forth in this Lease, Landlord shall be in default in the performance of any obligation required to be performed by Landlord pursuant to this Lease if Landlord fails to perform such obligation within thirty (30) days after the receipt of notice from Tenant specifying in detail Landlord's failure to perform; provided, however, if the nature of Landlord's obligation is such that more than thirty (30) days are required for its performance, then Landlord shall not be in default under this Lease if it shall commence such performance within such thirty (30) day period and thereafter diligently pursue the same to completion. Upon any such default by Landlord under this Lease, Tenant may, except as otherwise specifically provided in this Lease to the contrary, exercise any of its rights provided at law or in equity.

ARTICLE 20

REMEDIES

(a) Upon the occurrence of an Event of Default under this Lease as provided in Article 19 hereof, Landlord may exercise all of its remedies as may be permitted by law, including but not limited to the remedy provided by Section 1951.4 of the California Civil Code, and including without limitation, terminating this Lease, reentering the Premises and removing all persons and property therefrom, which property may be stored by Landlord at a warehouse or elsewhere at the risk, expense and for the account of Tenant. If Landlord elects to terminate this Lease, Landlord shall be entitled to recover from Tenant the aggregate of all amounts permitted by law, including but not limited to (i) the worth at the time of award of the amount of any unpaid rent which had been earned at the time of such termination; plus (ii) the worth at the time of award

of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the Lease Term after the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus (iv) any

other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom; and (v) at Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable law. The term "rent" as used in this Article 20(a) shall be deemed to be and to mean all sums of every nature required to be paid by Tenant pursuant to the terms of this Lease, whether to Landlord or to others. As used in items (i) and (ii), above, the "worth at the time of award" shall be computed by allowing interest at the rate set forth in item (e), below, but in no case greater than the maximum amount of such interest permitted by law. As used in item (iii), above, the "worth at the time of award" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

(b) Nothing in this Article 20 shall be deemed to affect Landlord's right to indemnification for liability or liabilities arising prior to the termination of this Lease for personal injuries or property damage under the indemnification clause or clauses contained in this Lease. (c) Notwithstanding anything to the contrary set forth herein, Landlord's re-entry to perform acts of maintenance or preservation of or in connection with efforts to relet the Premises or any portion thereof, or the appointment of a receiver upon Landlord's initiative to protect Landlord's interest under this Lease shall not terminate Tenant's right to possession of the Premises or any portion thereof and, until Landlord does elect to terminate this Lease, this Lease shall continue in full force and effect and Landlord may enforce all of Landlord's rights and remedies hereunder including, without limitation, the remedy described in California Civil Code Section 1951.4 (lessor may continue lease in effect after lessee's breach and abandonment and recover rent as it becomes due, if lessee has the right to sublet or assign, subject only to reasonable limitations). Accordingly, if Landlord does not elect to terminate this Lease on account of any default by Tenant, Landlord may, from time to time, without terminating this Lease, enforce all of its rights and remedies under this Lease, including the right to recover all rent as it becomes due.

(d) All rights, powers and remedies of Landlord hereunder and under any other agreement now or hereafter in force between Landlord and Tenant shall be cumulative and not alternative and shall be in addition to all rights, powers and remedies given to Landlord by law, and the exercise of one or more rights or remedies shall not impair Landlord's right to exercise any other right or remedy.

(e) Any amount due from Tenant to Landlord hereunder which is not paid when due shall bear interest at the lower of twelve percent (12%) per annum or the maximum lawful rate of interest from the due date until paid, unless otherwise specifically provided herein, but the payment of such interest shall not excuse or cure any default by Tenant under this Lease. In addition to such interest: (i) if Basic Rental is not paid within ten (10) days after Landlord delivers notice to Tenant that the same is due, a late charge equal to five percent (5%) of the amount overdue shall be assessed and shall accrue for each calendar month or part thereof until such rental, including the late charge, is paid in full, which late charge Tenant hereby agrees is a reasonable estimate of the damages Landlord shall suffer as a result of Tenant's late payment and (ii) an additional charge of $25 shall be assessed for any check given to Landlord by or on behalf of Tenant which is not honored by the drawee thereof; which damages include Landlord's additional administrative and other costs associated with such late payment and unsatisfied checks and the parties agree that it would be

impracticable or extremely difficult to fix Landlord's actual damage in such event. Such charges for interest and late payments and unsatisfied checks are separate and cumulative and are in addition to and shall not diminish or represent a substitute for any or all of Landlord's rights or remedies under any other provision of this Lease.

ARTICLE 21

TRANSFER OF LANDLORD'S INTEREST

In the event of any transfer or termination of Landlord's interest in the Premises or the Project by sale, assignment, transfer, foreclosure, deed-in-lieu of foreclosure or otherwise whether voluntary or involuntary, Landlord shall be automatically relieved of any and all obligations and liabilities on the part of Landlord from and after the date of such transfer or

termination, including furthermore without limitation, the obligation of Landlord under Article 4 and California Civil Code 1950.7 above to return the security deposit, provided said security deposit is transferred to said transferee. Tenant agrees to attorn to the transferee upon any such transfer and to recognize such transferee as the lessor under this Lease and Tenant shall, within ten (10) days after request, execute such further instruments or assurances as such transferee may reasonably deem necessary to evidence or confirm such attornment.

ARTICLE 22

BROKER

In connection with this Lease, Tenant warrants and represents that it has had dealings only with firm(s) set forth in Article 1.H. of the Basic Lease Provisions and that it knows of no other person or entity who is or might be entitled to a commission, finder's fee or other like payment in connection herewith and does hereby indemnify and agree to hold Landlord, its agents, members, partners, representatives, officers, affiliates, shareholders, employees, successors and assigns harmless from and against any and all loss, liability and expenses that Landlord may incur should such warranty and representation prove incorrect, inaccurate or false.

ARTICLE 23

PARKING

Within one (1) year after the date Archive.com (or the subtenant under the Initial Sublease of the Premises) vacates the Premises, Tenant shall, by written notice ("PARKING NOTICE") to Landlord, indicate the number of parking passes to which Tenant is entitled hereunder and to which Tenant shall commit to lease for the remainder of the Term of this Lease. If Tenant fails to deliver a Parking Notice to Landlord within twelve (12) months after the above date, Tenant shall be deemed to have committed to lease all of the parking passes specified in Section 1(I) of the Basic Lease Provisions. If Tenant's Parking Notice indicates that Tenant commits to lease less than the entire number of parking passes to which Tenant is entitled, any such parking passes which Tenant does not commit to lease shall be subsequently available to Tenant only if, at the time Tenant wishes to lease such additional parking passes, Landlord reasonably determines that such parking passes are then available. Tenant shall pay to Landlord for automobile parking passes the prevailing rate charged from time to time at the location of such parking passes. In addition to the rates described above, Tenant shall be responsible for the full amount of any taxes imposed by any governmental authority in connection with the renting of such parking passes by Tenant or the use of the parking facility by Tenant. Tenant shall have the right, upon prior written notice to Landlord, to convert from the allotment set forth in Section 1(I) of the Basic Lease Provisions up to one (1) parking pass per 1,000 usable square feet of the Premises into reserved parking,

and Tenant shall pay the prevailing parking rate charged by Landlord for such reserved parking (plus any applicable taxes). The reserved parking shall be at a location in the Project parking facility reasonably designated by Landlord. Tenant's continued right to use the parking passes is conditioned upon Tenant abiding by all rules and regulations which are prescribed from time to time for the orderly operation and use of the parking facility where the parking passes are located, including any sticker or other identification system established by Landlord, Tenant's cooperation in seeing that Tenant's employees and visitors also comply with such rules and regulations, and Tenant not being in default under this Lease. Landlord specifically reserves the right to change the size, configuration, design, layout and all other aspects of the Project parking facility at any time and Tenant acknowledges and agrees that Landlord may, without incurring any liability to Tenant and without any abatement of rent under this Lease, from time to time, close-off or restrict access to the Project parking facility for purposes of permitting or facilitating any such construction, alteration or improvements. Landlord may relocate any reserved parking spaces rented by Tenant to another location in the Parking project facility. Landlord may delegate its responsibilities hereunder to a parking operator or a lessee of the parking facility in which case such parking operator or lessee shall have all the rights of control attributed hereby to the Landlord. The parking passes rented by Tenant pursuant to this Article 23 are provided to Tenant solely for use by Tenant's own personnel and such passes may not be transferred, assigned, subleased or otherwise alienated by Tenant without Landlord's prior approval, except in connection with the Initial Sublease of the Premises or in connection with a Transfer which is approved by Landlord pursuant to Article 15.

Tenant may validate visitor parking by such method or methods as the Landlord may establish, at the validation rate from time to time generally applicable to visitor parking.

ARTICLE 24

WAIVER

No waiver by Landlord or Tenant of any provision of this Lease shall be deemed to be a waiver of any other provision hereof or of any subsequent breach of the same or any other provision. No provision of this Lease may be waived by Landlord or Tenant, except by an instrument in writing executed by Landlord and Tenant. Landlord's consent to or approval of any act by Tenant requiring Landlord's consent or approval shall not be deemed to render unnecessary the obtaining of Landlord's consent to or approval of any subsequent act of Tenant, whether or not similar to the act so consented to or approved. No act or thing done by Landlord or Landlord's agents during the Term of this Lease shall be deemed an acceptance of a surrender of the Premises, and no agreement to accept such surrender shall be valid unless in writing and signed by Landlord. The subsequent acceptance of rent hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Lease, other than the failure of Tenant to pay the particular rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such rent. Any payment by Tenant or receipt by Landlord of an amount less than the total amount then due hereunder shall be deemed to be in partial payment only thereof and not a waiver of the balance due or an accord and satisfaction, notwithstanding any statement or endorsement to the contrary on any check or any other instrument delivered concurrently therewith or in reference thereto. Accordingly, Landlord may accept any such amount and negotiate any such check without prejudice to Landlord's right to recover all balances due and owing and to pursue its other rights against Tenant under this Lease, regardless of whether Landlord makes any notation on such instrument of payment or otherwise notifies Tenant that such acceptance or negotiation is without prejudice to Landlord's rights.

ARTICLE 25

ESTOPPEL CERTIFICATE

Tenant shall, at any time and from time to time, upon not less than ten (10) days' prior written notice from Landlord, execute, acknowledge and deliver to Landlord a statement in writing certifying the following information, (but not limited to the following information in the event further information is requested by Landlord): (i) that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease, as modified, is in full force and effect); (ii) the dates to which the rental and other charges are paid in advance, if any; (iii) the amount of Tenant's security deposit, if any; and (iv) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of Landlord hereunder, and no events or conditions then in existence which, with the passage of time or notice or both, would constitute a default on the part of Landlord hereunder, or specifying such defaults, events or conditions, if any are claimed. It is expressly understood and agreed that any such statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion of the Real Property. Tenant's failure to deliver such statement within such time shall constitute an admission by Tenant that all statements contained therein are true and correct. In connection with a proposed Transfer, corporate financing or corporate reorganization by Tenant, Landlord agrees to, within twenty (20) days after written request from Tenant, execute and deliver to Tenant a statement in writing prepared by Tenant and edited by Landlord as reasonably necessary, stating (i) that the Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and specifying such modifications), (ii) the dates to which Tenant has paid Rent, adjustments to Rent, and other charges paid by Tenant in advance, if any, and (iii) whether or not, to the best of Landlord's knowledge, Tenant is in default in the performance of any covenant, agreement or condition contained in the Lease or whether there are events or conditions in existence which, with the passage of time or notice or both, would constitute a default by Tenant hereunder, and, if so, specifying each such default of which Landlord may have knowledge.

ARTICLE 26

LIABILITY OF LANDLORD

Notwithstanding anything in this Lease to the contrary, any remedy of Tenant for the collection of a judgment (or other judicial process) requiring the payment of money by Landlord in the event of any default by Landlord hereunder or any claim, cause of action or obligation, contractual, statutory or otherwise by Tenant against Landlord concerning, arising out of or relating to any matter relating to this Lease and all of the covenants and conditions or any obligations, contractual, statutory, or otherwise set forth herein, shall be limited solely and exclusively to an amount which is equal to the lesser of (i) the interest of Landlord in and to the Project, and (ii) the interest Landlord would have in the Project if the Project were encumbered by third party debt in an amount equal to ninety percent (90%) of the then current value of the Project. No other property or assets of Landlord, or any member, officer, director, shareholder, partner, trustee, agent, servant or employee of Landlord (the "REPRESENTATIVE") shall be subject to levy, execution or other enforcement procedure for the satisfaction of Tenant's remedies under or with respect to this Lease, Landlord's obligations to Tenant, whether contractual, statutory or otherwise, the relationship of Landlord and Tenant hereunder, or Tenant's use or occupancy of the Premises. Tenant further understands that any liability, duty or obligation of Landlord to Tenant, shall automatically cease and terminate as of the date that Landlord or any of Landlord's Representatives no longer have any right, title or interest in or to the Project. Notwithstanding anything to the contrary in this Lease, Landlord shall not be liable under any circumstances for injury or damage to, or interference with, Tenant's business, including but not limited to, loss of profits, loss of rents or other revenues, loss of business opportunity, loss of goodwill or loss of use, in each case, however occurring.

ARTICLE 27

INABILITY TO PERFORM

This Lease and the obligations of both parties hereunder shall not be affected or impaired because such party is unable to fulfill any of its obligations hereunder or is delayed in doing so, if such inability or delay is caused by reason of any prevention, delay, stoppage due to strikes, lockouts, acts of God, or any other cause previously, or at such time, beyond the reasonable control or anticipation of such party (collectively, a "FORCE MAJEURE") and both parties' obligations under this Lease shall be forgiven and suspended by any such Force Majeure; provided, however, that this Article 27 is not intended to, and shall not, extend the time period for the payment of any monetary amounts due (including, without limitation, rent payments from Tenant) from either party to the other under this Lease nor relieve either party from their monetary obligations to the other under this Lease.

ARTICLE 28

HAZARDOUS WASTE

(a) Tenant shall not cause or permit any Hazardous Material (as defined in Article 28(c) below) to be brought, kept or used in or about the Project by Tenant, its agents, employees, contractors, or invitees. Tenant indemnifies Landlord from and against any breach by Tenant of the obligations stated in the preceding sentence, and agrees to defend and hold Landlord harmless from and against any and all claims, judgments, damages, penalties, fines, costs, liabilities, or losses (including, without limitation, diminution in value of the Project, damages for the loss or restriction or use of rentable or usable space or of any amenity of the Project, damages arising from any adverse impact or marketing of space in the Project, and sums paid in settlement of claims, attorneys' fees and costs, consultant fees, and expert fees) which arise during or after the Term of this Lease as a result of such breach. This indemnification of Landlord by Tenant includes, without limitation, costs incurred in connection with any investigation of site conditions or any cleanup, remedial, removal, or restoration work required by any federal, state, or local governmental agency or political subdivision because of Hazardous Material present in the soil or ground water on or under the Project. Without limiting the foregoing, if the presence of any Hazardous Material on the Project caused or permitted by Tenant results in any contamination of the Project and subject to the provisions of Articles 9, 10 and 11, hereof, Tenant shall promptly take all actions at its sole expense as are necessary to

return the Project to the condition existing prior to the introduction of any such Hazardous Material and the contractors to be used by Tenant for such work must be approved by Landlord, which approval shall not be unreasonably withheld so long as such actions would not potentially have any material adverse long-term or short-term effect on the Project and so long as such actions do not materially interfere with the use and enjoyment of the Project by the other tenants thereof.

(b) It shall not be unreasonable for Landlord to withhold its consent to any proposed Transfer if (i) the proposed transferee's anticipated use of the Premises involves the generation, storage, use, treatment, or disposal of Hazardous Material; (ii) the proposed Transferee has been required by any prior landlord, lender, or governmental authority to take remedial action in connection with Hazardous Material contaminating a property if the contamination resulted from such Transferee's actions or use of the property in question; or (iii) the proposed Transferee is subject to an enforcement order issued by any governmental authority in connection with the use, disposal, or storage of a Hazardous Material.

(c) As used herein, the term "HAZARDOUS MATERIAL" means any hazardous

or toxic substance, material, or waste which is or becomes regulated by any local governmental authority, the State of California or the United States Government. The term "Hazardous Material" includes, without limitation, any material or substance which is (i) defined as "Hazardous Waste," "Extremely Hazardous Waste," or "Restricted Hazardous Waste" under Sections 25115, 25117 or 25122.7, or listed pursuant to Section 25140, of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law), (ii) defined as a "Hazardous Substance" under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act), (iii) defined as a "Hazardous Material," "Hazardous Substance," or "Hazardous Waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory), (iv) defined as a "Hazardous Substance" under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances), (v) petroleum, (vi) asbestos, (vii) listed under Article 9 or defined as Hazardous or extremely hazardous pursuant to Article 11 of Title 22 of the California Administrative Code, Division 4, Chapter 20, (viii) designated as a "Hazardous Substance" pursuant to Section 311 of the Federal Water Pollution Control Act (33 U.S.C. ss. 1317), (ix) defined as a "Hazardous Waste" pursuant to Section 1004 of the Federal Resource Conservation and Recovery Act, 42 U.S.C. ss. 6901 et seq. (42 U.S.C. ss. 6903), or (x) defined as a "Hazardous Substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. ss. 9601 et seq. (42 U.S.C. ss. 9601). Notwithstanding anything to the contrary contained herein, the term "Hazardous Materials" shall not be deemed to include (A) general office supplies typically used in the ordinary course of business (e.g., copier toner, liquid paper, glue, ink, and cleaning solvents) or (B) gasoline or diesel fuel contained in the fuel tanks of motor vehicles parked within the Project parking facility, so long as in each case of (A) and (B) above, such materials are incidental to Tenant's use of the Premises for the Permitted Use and are used in compliance with all applicable Laws.

(d) As used herein, the term "LAWS" mean any applicable federal, state or local laws, ordinances, or regulations relating to any Hazardous Material affecting the Project, including, without limitation, the laws, ordinances, and regulations referred to in Article 28(c) above.

ARTICLE 29

SURRENDER OF PREMISES; REMOVAL OF PROPERTY

(a) The voluntary or other surrender of this Lease by Tenant to Landlord, or a mutual termination hereof, shall not work a merger, and shall at the option of Landlord, operate as an assignment to it of any or all subleases or subtenancies affecting the Premises.

(b) Upon the expiration of the Term of this Lease, or upon any earlier termination of this Lease, Tenant shall quit and surrender possession of the Premises to Landlord in as good order and condition as the same are now and hereafter may be improved by Landlord or Tenant, reasonable wear and tear and repairs which are Landlord's obligation excepted, and shall, without expense to Landlord, remove or cause to be removed from the Premises all debris and rubbish, all furniture, equipment, business and trade fixtures, free-standing cabinet work, moveable partitioning, telephone and data cabling and other articles of personal property owned by Tenant

or installed or placed by Tenant at its own expense in the Premises, and all similar articles of any other persons claiming under Tenant unless Landlord exercises its option to have any subleases or subtenancies assigned to it, and Tenant shall repair all damage to the Premises resulting from the installation and removal of such items to be removed.

(c) Whenever Landlord shall reenter the Premises as provided in Article 12 hereof, or as otherwise provided in this Lease, any property of Tenant not

removed by Tenant upon the expiration of the Term of this Lease (or within forty-eight (48) hours after a termination by reason of Tenant's default), as provided in this Lease, shall be considered abandoned and Landlord may remove any or all of such items and dispose of the same in any manner or store the same in a public warehouse or elsewhere for the account and at the expense and risk of Tenant, and if Tenant shall fail to pay the cost of storing any such property after it has been stored for a period of ninety (90) days or more, Landlord may sell any or all of such property at public or private sale, in such manner and at such times and places as Landlord, in its sole discretion, may deem proper, without notice or to demand upon Tenant, for the payment of all or any part of such charges or the removal of any such property, and shall apply the proceeds of such sale as follows: first, to the cost and expense of such sale, including reasonable attorneys' fees for services rendered; second, to the payment of the cost of or charges for storing any such property; third, to the payment of any other sums of money which may then or thereafter be due to Landlord from Tenant under any of the terms hereof; and fourth, the balance, if any, to Tenant.

(d) All fixtures, equipment, leasehold improvements, Alterations and/or appurtenances attached to or built into the Premises prior to or during the Term, whether by Landlord or Tenant and whether at the expense of Landlord or Tenant, or of both, shall be and remain part of the Premises and shall not be removed by Tenant at the end of the Term unless otherwise expressly provided for in, or requested by Landlord in accordance with, this Lease or unless such removal is required by Landlord. Such fixtures, equipment, leasehold improvements, Alterations, additions, improvements and/or appurtenances shall include but not be limited to: all floor coverings, drapes, paneling, built-in cabinetry, molding, doors, vaults (including vault doors), plumbing systems, security systems, electrical systems, lighting systems, silencing equipment, communication systems, all fixtures and outlets for the systems mentioned above and for all telephone, radio, telegraph and television purposes, and any special flooring or ceiling installations.

ARTICLE 30

MISCELLANEOUS

(a) SEVERABILITY; ENTIRE AGREEMENT. Any provision of this Lease which shall prove to be invalid, void, or illegal shall in no way affect, impair or invalidate any other provision hereof and such other provisions shall remain in full force and effect. This Lease and the Exhibits and any Addendum attached hereto constitute the entire agreement between the parties hereto with respect to the subject matter hereof, and no prior agreement or understanding pertaining to any such matter shall be effective for any purpose. No provision of this Lease may be amended or supplemented except by an agreement in writing signed by the parties hereto or their successor in interest.

(b) ATTORNEYS' FEES; WAIVER OF JURY TRIAL.

(i) In any action to enforce the terms of this Lease, including any suit by Landlord for the recovery of rent or possession of the Premises, the losing party shall pay the successful party a reasonable sum for attorneys' fees and costs in such suit and such attorneys' fees and costs shall be deemed to have accrued prior to the commencement of such action and shall be paid whether or not such action is prosecuted to judgment.

(ii) EACH PARTY HEREBY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION SEEKING SPECIFIC PERFORMANCE OF ANY PROVISION OF THIS LEASE, FOR DAMAGES FOR ANY BREACH UNDER THIS LEASE, OR OTHERWISE FOR ENFORCEMENT OF ANY RIGHT OR REMEDY HEREUNDER.

(c) TIME OF ESSENCE. Time is of the essence with respect to the performance of every provision of this Lease.

(d) HEADINGS; JOINT AND SEVERAL. The article headings contained in this

Lease are for convenience only and do not in any way limit or amplify any term or provision hereof. The terms "Landlord" and "Tenant" as used herein shall include the plural as well as the singular, the neuter shall include the masculine and feminine genders and the obligations herein imposed upon Tenant shall be joint and several as to each of the persons, firms or corporations of which Tenant may be composed.

(e) RESERVED AREA. Tenant hereby acknowledges and agrees that the exterior walls of the Premises and the area between the finished ceiling of the Premises and the slab of the floor of the project thereabove have not been demised hereby and the use thereof together with the right to install, maintain, use, repair and replace pipes, ducts, conduits and wires leading through, under or above the Premises in locations which will not materially interfere with Tenant's use of the Premises and serving other parts of the Project are hereby excepted and reserved unto Landlord. Notwithstanding the foregoing, Tenant shall have the right to use the plenum space above the ceiling, subject to obtaining all required approvals of Landlord pursuant to this Lease.

(f) NO OPTION. THE SUBMISSION OF THIS LEASE BY LANDLORD, ITS AGENT OR REPRESENTATIVE FOR EXAMINATION OR EXECUTION BY TENANT DOES NOT CONSTITUTE AN OPTION OR OFFER TO LEASE THE PREMISES UPON THE TERMS AND CONDITIONS CONTAINED HEREIN OR A RESERVATION OF THE PREMISES IN FAVOR OF TENANT, IT BEING INTENDED HEREBY THAT THIS LEASE SHALL ONLY BECOME EFFECTIVE UPON THE EXECUTION HEREOF BY LANDLORD AND TENANT AND DELIVERY OF A FULLY EXECUTED LEASE TO TENANT.

(g) USE OF PROJECT NAME; IMPROVEMENTS. Tenant shall not be allowed to use the name, picture or representation of the Project, or words to that effect, in connection with any business carried on in the Premises or otherwise (except as Tenant's address) without the prior written consent of Landlord. In the event that Landlord undertakes any additional improvements on the Real Property including but not limited to new construction or renovation or additions to the existing improvements, Landlord shall not be liable to Tenant for any noise, dust, vibration or interference with access to the Premises or disruption in Tenant's business caused thereby; provided that Landlord shall use commercially reasonable efforts to minimize any disruption of Tenant's use caused by such construction or renovation, and shall not block Tenant's access to the Premises.

(h) RULES AND REGULATIONS. Tenant shall observe faithfully and comply strictly with the Rules and Regulations attached to this Lease as Exhibit "B" and made a part hereof, and such other Rules and Regulations as Landlord may from time to time reasonably adopt for the safety, care and cleanliness of the Project, the facilities thereof, or the preservation of good order therein. Landlord shall not be liable to Tenant for violation of any such Rules and Regulations, or for the breach of any covenant or condition in any lease by any other tenant in the Project. A waiver by Landlord of any Rule or Regulation for any other tenant shall not constitute nor be deemed a waiver of the Rule or Regulation for this Tenant. Landlord shall not enforce the Rules and Regulations in a discriminatory manner, or so as to deprive Tenant of any material right or benefit provided to Tenant by this Lease.

(i) QUIET POSSESSION. Upon Tenant's paying the Basic Rent, Additional Rent and other sums provided hereunder and observing and performing all of the covenants, conditions and provisions on Tenant's part to be observed and performed hereunder, Tenant shall have quiet possession of the Premises for the entire Term hereof, subject to all of the provisions of this Lease.

(j) RENT. All payments required to be made hereunder to Landlord shall be deemed to be rent, whether or not described as such.

(k) SUCCESSORS AND ASSIGNS. Subject to the provisions of Article 15 hereof, all of the covenants, conditions and provisions of this Lease shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns.

(l) NOTICES. Any notice required or permitted to be given hereunder shall be in writing and may be given by personal service evidenced by a signed receipt or sent by registered

or certified mail, return receipt requested, or via overnight courier, and shall be effective upon proof of delivery, addressed to Tenant at 44 Farnsworth Street, 9th floor, Boston, Massachusetts 02210, Attention: Susan Nelson, Vice President of Administration, with a courtesy copy to Investment Technology Group, Inc., 380 Madison Avenue, 4th Floor, New York, New York 10017, Attention: Saul Sarrett, Esq., Associate General Counsel or to Landlord at the management office for the Project, with a copy to Landlord, c/o Arden Realty, Inc., 11601 Wilshire Boulevard, Fourth Floor, Los Angeles, California 90025, Attn: Legal Department. Either party may by notice to the other specify a different address for notice purposes except that, upon Tenant's taking possession of the Premises, the Premises shall constitute Tenant's address for notice purposes. A copy of all notices to be given to Landlord hereunder shall be concurrently transmitted by Tenant to such party hereafter designated by notice from Landlord to Tenant.

(m) INTENTIONALLY OMITTED.

(n) RIGHT OF LANDLORD TO PERFORM. All covenants and agreements to be performed by Tenant under any of the terms of this Lease shall be performed by Tenant at Tenant's sole cost and expense and without any abatement of rent. If Tenant shall fail to pay any sum of money, other than rent, required to be paid by it hereunder or shall fail to perform any other act on its part to be performed hereunder, and such failure shall continue beyond any applicable cure period set forth in this Lease, Landlord may, but shall not be obligated to, without waiving or releasing Tenant from any obligations of Tenant, make any such payment or perform any such other act on Tenant's part to be made or performed as is in this Lease provided. All sums so paid by Landlord and all reasonable incidental costs, together with interest thereon at the rate of ten percent (10%) per annum from the date of such payment by Landlord, shall be payable to Landlord on demand and Tenant covenants to pay any such sums, and Landlord shall have (in addition to any other right or remedy of Landlord) the same rights and remedies in the event of the nonpayment thereof by Tenant as in the case of default by Tenant in the payment of the rent.

(o) ACCESS, CHANGES IN PROJECT, FACILITIES, NAME.

(i) Every part of the Project except the inside surfaces of all walls, windows and doors bounding the Premises (including exterior building walls, core corridor walls and doors and any core corridor entrance), and any space in or adjacent to the Premises used for shafts, stacks, pipes, conduits, fan rooms, ducts, electric or other utilities, sinks or other building facilities, and the use thereof, as well as access thereto through the Premises for the purposes of operation, maintenance, decoration and repair, are reserved to Landlord.

(ii) Tenant shall permit Landlord to install, use and maintain pipes, ducts and conduits within the walls, columns and ceilings of the Premises.

(iii) Landlord reserves the right, without incurring any liability to Tenant therefor, to make such changes in or to the Project and the fixtures and equipment thereof, as well as in or to the street entrances, halls, passages, elevators, stairways and other improvements thereof, as it may deem necessary or desirable.

(iv) Landlord may adopt any name for the Project and Landlord reserves the right to change the name or address of the Project at any time.

(p) SIGNING AUTHORITY. Concurrently with Tenant's execution of this Lease, Tenant shall provide to Landlord reasonably satisfactory evidence that the individuals executing this Lease on behalf of Tenant are authorized to bind Tenant and to enter into this Lease.

(q) INTENTIONALLY OMITTED.

(r) INTENTIONALLY OMITTED.

(s) SURVIVAL OF OBLIGATIONS. Any obligations of Landlord or Tenant occurring prior to the expiration or earlier termination of this Lease shall survive such expiration or earlier termination.

(t) INTENTIONALLY OMITTED.

(u) GOVERNING LAW. This Lease shall be governed by and construed in accordance with the laws of the State of California. No conflicts of law rules of any state or country (including, without limitation, California conflicts of law rules) shall be applied to result in the application of any substantive or procedural laws of any state or country other than California. All controversies, claims, actions or causes of action arising between the parties hereto and/or their respective successors and assigns, shall be brought, heard and adjudicated by the courts of the State of California, with venue in the County of Los Angeles. Each of the parties hereto hereby consents to personal jurisdiction by the courts of the State of California in connection with any such controversy, claim, action or cause of action, and each of the parties hereto consents to service of process by any means authorized by California law and consent to the enforcement of any judgment so obtained in the courts of the State of California on the same terms and conditions as if such controversy, claim, action or cause of action had been originally heard and adjudicated to a final judgment in such courts. Each of the parties hereto further acknowledges that the laws and courts of California were freely and voluntarily chosen to govern this Lease and to adjudicate any claims or disputes hereunder.

(v) EXHIBITS AND ADDENDUM. The Exhibits and Addendum, if applicable, attached hereto are incorporated herein by this reference as if fully set forth herein.

(w) REASONABLE CONSENT. Except for matters for which there is a standard of consent or approval specifically set forth in this Lease (other than a reasonableness standard), and except for matters which could affect (i) the systems and equipment of the Project; (ii) structural aspects of the Project or (iii) the exterior appearance of the Project, in which case Landlord shall have the right to act in its sole and absolute discretion (but at all times in good faith), any time the consent or approval of Landlord or Tenant is required under this Lease, such consent or approval shall not be unreasonably withheld, conditioned or delayed.

(x) COMMUNICATION EQUIPMENT. If Tenant desires to use the roof of the Project to install communication equipment to be used from the Premises, Tenant may negotiate with Landlord's rooftop management company (currently APEX) for a license to install such equipment. Any communication equipment installed by Tenant shall not exceed two (2) feet in height or diameter, shall be at a location reasonably designated by Landlord and shall be subject to all governmental laws, rules and regulations and covenants, conditions and restrictions. Tenant's communication equipment license will be memorialized pursuant to a separate license agreement between Tenant and such management company. Tenant's rights pursuant to this Section 30(x) are contingent upon availability of space on the roof of the Project and the negotiation of a mutually acceptable license agreement. The rent payable by Tenant for such rooftop communication equipment shall be the prevailing rate charged by Apex for such communication equipment.

ARTICLE 31

DIRECTORY

Provided Tenant is not in default hereunder, Tenant, at Tenant's sole cost and expense, shall have the right to ten (10) lines in the lobby directory

during the Lease Term.

ARTICLE 32

OPTION TO EXTEND

(a) OPTION RIGHT. Landlord hereby grants the Tenant named in this Lease (the "ORIGINAL TENANT") two (2) options (each, an "OPTION") to extend the Lease Term for the entire Premises for a period of five (5) years each (each, an "OPTION TERM"), which option shall be exercisable only by written notice delivered by Tenant to Landlord set forth below. The second Option shall be exercisable only in the event Tenant has exercised the first Option pursuant to this Article 32. The rights contained in this Article 32 shall be personal to the Original Tenant and may only be exercised by the Original Tenant (and not any assignee, sublessee or other transferee of the Original Tenant's interest in this Lease) if the Original Tenant occupies the entire Premises as of the date of Tenant's Acceptance (as defined in Section 32(c) below).

(b) OPTION RENT. The rent payable by Tenant during the Option Term ("OPTION RENT") shall be equal to the "Market Rent" (defined below), but in no event shall the Option Rent

be less than Tenant is paying under the Lease on the month immediately preceding the applicable Option Term for monthly Basic Rental, including all escalations, Direct Costs, additional rent and other charges. Notwithstanding the foregoing, in the event Tenant exercises the first Option to extend granted pursuant to this Article 32, and also exercises Tenant's option to extend for all of the premises currently leased by Tenant from Landlord's affiliate at 400 Corporate Pointe, which space consists of approximately 48,202 rentable square feet, the rent payable by Tenant during the Option Term shall be equal to ninety-five percent (95%) of the Market Rent; provided that, as to the second Option, regardless of whether Tenant exercises its Option to extend its lease of space at 400 Corporate Pointe, the rent payable during the second Option Term shall be one hundred percent (100%) of the Market Rent. "MARKET RENT" shall mean the applicable Monthly Basic Rental, including all escalations, Direct Costs, additional rent and other charges at which tenants, as of the time of Landlord's "Option Rent Notice" (as defined below), are entering into leases with comparable landlords of comparable buildings in the vicinity of the Project for non-sublease, non-equity (i.e., not being offered equity in the building), non-expansion, and non-affiliated tenants for comparable space, for a comparable use, and for a comparable term, with the determination of Market Rent to take into account all relevant factors, including, without limitation, the following to the extent applicable: (i) rental abatement (exclusive of construction periods), (ii) lease takeovers/ assumptions by the landlord, (iii) relocation/moving allowances, (iv) tenant improvement allowances, and (v) any other concessions or inducements.

(c) EXERCISE OF OPTION. The Options shall be exercised by Tenant only in the following manner: (i) Tenant shall not be in default, and shall not have been in default under this Lease more than once, on the delivery date of the Interest Notice and Tenant's Acceptance; (ii) Tenant shall deliver written notice ("INTEREST NOTICE") to Landlord not more than fifteen (15) months nor less than nine (9) months prior to the expiration of the Lease Term (or the first Option Term, as applicable), stating that Tenant is interested in exercising the Option, (iii) within fifteen (15) business days of Landlord's receipt of Tenant's written notice, Landlord shall deliver notice ("OPTION RENT NOTICE") to Tenant setting forth the Option Rent; and (iv) if Tenant desires to exercise such Option, Tenant shall provide Landlord written notice within five (5) business days after receipt of the Option Rent Notice ("TENANT'S ACCEPTANCE") and upon, and concurrent with such exercise, Tenant may, at its option, object to the Option Rent contained in the Option Rent Notice. Tenant's failure to deliver the Interest Notice or Tenant's Acceptance on or before the dates specified above shall be deemed to constitute Tenant's election not to exercise the Option. If Tenant timely and properly exercises its Option, the

Lease Term (or the first Option Term, as applicable) shall be extended for the Option Term upon all of the terms and conditions set forth in this Lease, except that the rent for the Option Term shall be as indicated in the Option Rent Notice unless Tenant, concurrently with Tenant's Acceptance, objects to the Option Rent contained in the Option Rent Notice, in which case the parties shall follow the procedure and the Option Rent shall be determined, as set forth in Section 32(d) below.

(d) DETERMINATION OF MARKET RENT. If Tenant timely and appropriately objects to the Market Rent in Tenant's Acceptance, Landlord and Tenant shall attempt to agree upon the Market Rent using their best good-faith efforts. If Landlord and Tenant fail to reach agreement within twenty-one (21) days following Tenant's Acceptance ("OUTSIDE AGREEMENT Date"), then each party shall make a separate determination of the Market Rent which shall be submitted to each other and to arbitration in accordance with the following items (i) through (vii):

(i) Landlord and Tenant shall each appoint, within ten (10) days of the Outside Agreement Date, one arbitrator who shall by profession be a current real estate broker or appraiser of commercial high-rise properties in the immediate vicinity of the Project, and who has been active in such field over the last five (5) years. The determination of the arbitrators shall be limited solely to the issue of whether Landlord's or Tenant's submitted Market Rent is the closest to the actual Market Rent as determined by the arbitrators, taking into account the requirements of item (b), above.

(ii) The two arbitrators so appointed shall within five (5) business days of the date of the appointment of the last appointed arbitrator agree upon and appoint a third arbitrator who shall be qualified under the same criteria set forth hereinabove for qualification of the initial two arbitrators.

(iii) The three arbitrators shall within fifteen (15) days of the appointment of the third arbitrator reach a decision as to whether the parties shall use Landlord's or Tenant's submitted Market Rent, and shall notify Landlord and Tenant thereof.

(iv) The decision of the majority of the three arbitrators shall be binding upon Landlord and Tenant.

(v) If either Landlord or Tenant fails to appoint an arbitrator within ten (10) days after the applicable Outside Agreement Date, the arbitrator appointed by one of them shall reach a decision, notify Landlord and Tenant thereof, and such arbitrator's decision shall be binding upon Landlord and Tenant.

(vi) If the two arbitrators fail to agree upon and appoint a third arbitrator, or both parties fail to appoint an arbitrator, then the appointment of the third arbitrator or any arbitrator shall be dismissed and the matter to be decided shall be forthwith submitted to arbitration under the provisions of the American Arbitration Association, but subject to the instruction set forth in this item (d).

(vii) The cost of arbitration shall be paid by Landlord and Tenant equally.

IN WITNESS WHEREOF, the parties have executed this Lease, consisting of the foregoing provisions and Articles, including all exhibits and other attachments referenced therein, as of the date first above written.

"LANDLORD"

ARDEN REALTY FINANCE IV, L.L.C.,
a Delaware limited liability company

By: _____

VICTOR J. COLEMAN
Its: President and COO

By:

Its:

"TENANT" INVESTMENT TECHNOLOGY GROUP, INC.,

a Delaware corporation

By:

Print Name:

Title:

By:

Print Name:

Title:

EXHIBIT "A"

PREMISES

EXHIBIT "B"

RULES AND REGULATIONS

1. No sign, advertisement or notice shall be displayed, printed or affixed on or to the Premises or to the outside or inside of the Project or so as to be visible from outside the Premises or Project without Landlord's prior written consent. Landlord shall have the right to remove any non-approved sign, advertisement or notice, without notice to and at the expense of Tenant, and Landlord shall not be liable in damages for such removal. All approved signs or lettering on doors and walls shall be printed, painted, affixed or inscribed at the expense of Tenant by Landlord or by a person selected by Landlord and in a manner and style acceptable to Landlord.

2. Tenant shall not obtain for use on the Premises ice, waxing, cleaning, interior glass polishing, rubbish removal, towel or other similar services, or accept barbering or bootblackening, or coffee cart services, milk, soft drinks or other like services on the Premises, except from persons authorized by Landlord and at the hours and under regulations fixed by Landlord. No vending machines or machines of any description shall be installed, maintained or operated upon the Premises without Landlord's prior written consent.

3. The sidewalks, halls, passages, exits, entrances, elevators and stairways shall not be obstructed by Tenant or used for any purpose other than for ingress and egress from Tenant's Premises. Under no circumstances is trash to be stored in the corridors. Notice must be given to Landlord for any large deliveries. Furniture, freight and other large or heavy articles, and all other deliveries may be brought into the Project only at times and in the manner designated by Landlord, and always at Tenant's sole responsibility and risk. Landlord may impose reasonable charges for use of freight elevators after or before normal business hours. All damage done to the Project by moving or maintaining such furniture, freight or articles shall be repaired by Landlord at

Tenant's expense. Tenant shall not take or permit to be taken in or out of entrances or passenger elevators of the Project, any item normally taken, or which Landlord otherwise reasonably requires to be taken, in or out through service doors or on freight elevators. Tenant shall move all supplies, furniture and equipment as soon as received directly to the Premises, and shall move all waste that is at any time being taken from the Premises directly to the areas designated for disposal.

4. Toilet rooms, toilets, urinals, wash bowls and other apparatus shall not be used for any purpose other than for which they were constructed and no foreign substance of any kind whatsoever shall be thrown therein.

5. Tenant shall not overload the floor of the Premises or mark, drive nails, screw or drill into the partitions, ceilings or floor or in any way deface the Premises. Tenant shall not place typed, handwritten or computer generated signs in the corridors or any other common areas. Should there be a need for signage additional to the Project standard tenant placard, a written request shall be made to Landlord to obtain approval prior to any installation. All costs for said signage shall be Tenant's responsibility.

6. In no event shall Tenant place a load upon any floor of the Premises or portion of any such flooring exceeding the floor load per square foot of area for which such floor is designed to carry and which is allowed by law, or any machinery or equipment which shall cause excessive vibration to the Premises or noticeable vibration to any other part of the Project. Prior to bringing any heavy safes, vaults, large computers or similarly heavy equipment into the Project, Tenant shall inform Landlord in writing of the dimensions and weights thereof and shall obtain Landlord's consent thereto. Such consent shall not constitute a representation or warranty by Landlord that the safe, vault or other equipment complies, with regard to distribution of weight and/or vibration, with the provisions of this Rule 6 nor relieve Tenant from responsibility for the consequences of such noncompliance, and any such safe, vault or other equipment which Landlord determines to constitute a danger of damage to the Project or a nuisance to other tenants, either alone or in combination with other heavy and/or vibrating objects and equipment, shall be promptly removed by Tenant, at Tenant's cost, upon Landlord's written notice of such determination and demand for removal thereof.

7. Tenant shall not use or keep in the Premises or Project any kerosene, gasoline or inflammable, explosive or combustible fluid or material, or use any method of heating or air-conditioning other than that supplied by Landlord.

8. Tenant shall not lay linoleum, tile, carpet or other similar floor covering so that the same shall be affixed to the floor of the Premises in any manner except as approved by Landlord.

9. Tenant shall not install or use any blinds, shades, awnings or screens in connection with any window or door of the Premises and shall not use any drape or window covering facing any exterior glass surface other than the standard drapes, blinds or other window covering established by Landlord.

10. Tenant shall cooperate with Landlord in obtaining maximum effectiveness of the cooling system by closing window coverings when the sun's rays fall directly on windows of the Premises. Tenant shall not obstruct, alter, or in any way impair the efficient operation of Landlord's heating, ventilating and air-conditioning system. Tenant shall not tamper with or change the setting of any thermostats or control valves.

11. The Premises shall not be used for manufacturing or for the storage of merchandise except as such storage may be incidental to the permitted use of the Premises. Tenant shall not, without Landlord's prior written consent, occupy or permit any portion of the Premises to be occupied or used for the manufacture or sale of liquor or tobacco in any form, or a barber or manicure shop, or as an employment bureau. The Premises shall not be used for lodging or sleeping or for any improper, objectionable or immoral purpose. No auction shall be conducted on the Premises.

12. Tenant shall not make, or permit to be made, any unseemly or disturbing noises, or disturb or interfere with occupants of Project or neighboring buildings or premises or those having business with it by the use of any musical instrument, radio, phonographs or unusual noise, or in any other way.

13. No bicycles, vehicles or animals of any kind shall be brought into or kept in or about the Premises, and no cooking shall be done or permitted by any tenant in the Premises, except that the preparation of coffee, tea, hot chocolate and similar items for tenants, their employees and visitors shall be permitted. No tenant shall cause or permit any unusual or objectionable odors to be produced in or permeate from or throughout the Premises. The foregoing notwithstanding, Tenant shall have the right to use a microwave and to heat microwavable items typically heated in an office. No hot plates, toasters, toaster ovens or similar open element cooking apparatus shall be permitted in the Premises.

14. The sashes, sash doors, skylights, windows and doors that reflect or admit light and air into the halls, passageways or other public places in the Project shall not be covered or obstructed by any tenant, nor shall any bottles, parcels or other articles be placed on the window sills.

15. No additional locks or bolts of any kind shall be placed upon any of the doors or windows by any tenant, nor shall any changes be made in existing locks or the mechanisms thereof unless Landlord is first notified thereof, gives written approval, and is furnished a key therefor. Each tenant must, upon the termination of his tenancy, give to Landlord all keys and key cards of stores, offices, or toilets or toilet rooms, either furnished to, or otherwise procured by, such tenant, and in the event of the loss of any keys so furnished, such tenant shall pay Landlord the cost of replacing the same or of changing the lock or locks opened by such lost key if Landlord shall deem it necessary to make such change. If more than two keys for one lock are desired, Landlord will provide them upon payment therefor by Tenant. Tenant shall not key or re-key any locks. All locks shall be keyed by Landlord's locksmith only.

16. Landlord shall have the right to prohibit any advertising by any tenant which, in Landlord's opinion, tends to impair the reputation of the Project or its desirability as an office building and upon written notice from Landlord any tenant shall refrain from and discontinue such advertising.

17. Landlord reserves the right to control access to the Project by all persons after reasonable hours of generally recognized business days and at all hours on Sundays and legal holidays. Each tenant shall be responsible for all persons for whom it requests after hours access and shall be liable to Landlord for all acts of such persons. Landlord shall have the right from time to time to establish reasonable rules pertaining to freight elevator usage, including the

allocation and reservation of such usage for tenants' initial move-in to their premises, and final departure therefrom.

18. Any person employed by any tenant to do janitorial work shall, while in the Project and outside of the Premises, be subject to and under the control and direction of the Office of the Project or its designated representative such as security personnel (but not as an agent or servant of Landlord, and the Tenant shall be responsible for all acts of such persons).

19. All doors opening on to public corridors shall be kept closed, except when being used for ingress and egress. Tenant shall cooperate and comply with any reasonable safety or security programs, including fire drills and air raid drills, and the appointment of "fire wardens" developed by Landlord for the Project, or required by law. Before leaving the Premises unattended, Tenant shall close and securely lock all doors or other means of entry to the Premises and shut off all lights and water faucets in the Premises.

20. The requirements of tenants will be attended to only upon application to the Office of the Project.

21. Canvassing, soliciting and peddling in the Project are prohibited and each tenant shall cooperate to prevent the same.

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

23. No air-conditioning unit or other similar apparatus shall be installed or used by any tenant without the prior written consent of Landlord. Tenant shall pay the cost of all electricity used for air-conditioning in the Premises if such electrical consumption exceeds normal office requirements, regardless of whether additional apparatus is installed pursuant to the preceding sentence.

24. There shall not be used in any space, or in the public halls of the Project, either by any tenant or others, any hand trucks except those equipped with rubber tires and side guards.

25. All electrical ceiling fixtures hung in offices or spaces along the perimeter of the Project must be fluorescent and/or of a quality, type, design and bulb color approved by Landlord. Tenant shall not permit the consumption in the Premises of more than 2 1/2 watts per net usable square foot in the Premises in respect of office lighting nor shall Tenant permit the consumption in the Premises of more than 1 1/2 watts per net usable square foot of space in the Premises in respect of the power outlets therein, at any one time. In the event that such limits are exceeded, Landlord shall have the right to require Tenant to remove lighting fixtures and equipment and/or to charge Tenant for the cost of the additional electricity consumed.

26. Parking.

(a) Project parking facility hours shall be 7:00 a.m. to 7:00 p.m., Monday through Friday, and closed on weekends, state and federal holidays excepted, as such hours may be revised from time to time by Landlord.

(b) Automobiles must be parked entirely within the stall lines on the floor.

(c) All directional signs and arrows must be observed.

(d) The speed limit shall be 5 miles per hour.

(e) Parking is prohibited in areas not striped for parking.

(f) Parking cards or any other device or form of identification supplied by Landlord (or its operator) shall remain the property of Landlord (or its operator). Such parking identification device must be displayed as requested and may not be mutilated in any manner. The serial number of the parking identification device may not be obliterated. Devices are not transferable or assignable and any device in the possession of an unauthorized holder will be void. There will be a replacement charge to the Tenant or person designated by Tenant of

$25.00 for loss of any parking card. There shall be a security deposit of $25.00 due at issuance for each card key issued to Tenant.

(g) The monthly rate for parking is payable one (1) month in advance and must be paid by the third business day of each month. Failure to do so will automatically cancel parking privileges and a charge at the prevailing daily rate will be due. No deductions or allowances from the monthly rate will be made for days parker does not use the parking facilities.

(h) Tenant may validate visitor parking by such method or methods as the Landlord may approve, at the validation rate from time to time generally applicable to visitor parking.

(i) Landlord (and its operator) may refuse to permit any person who violates the within rules to park in the Project parking facility, and any violation of the rules shall subject the automobile to removal from the Project parking facility at the parker's expense. In either of said events, Landlord (or its operator) shall refund a prorata portion of the current monthly parking rate and the sticker or any other form of identification supplied by Landlord (or its operator) will be returned to Landlord (or its operator).

(j) Project parking facility managers or attendants are not authorized to make or allow any exceptions to these Rules and Regulations.

(k) All responsibility for any loss or damage to automobiles or any personal property therein is assumed by the parker.

(l) Loss or theft of parking identification devices from automobiles must be reported to the Project parking facility manager immediately, and a lost or stolen report must be filed by the parker at that time.

(m) The Parking facilities are for the sole purpose of parking one automobile per space. Washing, waxing, cleaning or servicing of any vehicles by the parker or his agents is prohibited.

(n) Landlord (and its operator) reserves the right to refuse the issuance of monthly stickers or other parking identification devices to any Tenant and/or its employees who refuse to comply with the above Rules and Regulations and all City, State or Federal ordinances, laws or agreements.

(o) Tenant agrees to acquaint all employees with these Rules and Regulations.

(p) No vehicle shall be stored in the Project parking facility for a period of more than one (1) week.

27. The Project is a non-smoking Project. Smoking or carrying lighted cigars or cigarettes in the Premises or the Project, including the elevators in the Project, is prohibited.

EXHIBIT "C"

NOTICE OF LEASE TERM DATES
AND TENANT'S PROPORTIONATE SHARE

TO:_____ DATE:_____
_____
_____

RE: Lease dated _____, 2000, between _____
_____ "LANDLORD"), and _____
_____ ("TENANT"), concerning Suite _____,
located at _____.

Ladies and Gentlemen:

In accordance with the Lease, Landlord wishes to advise and/or confirm the following:

1. That the Premises have been accepted herewith by the Tenant as being

substantially complete in accordance with the Lease and that there is no deficiency in construction.

2. That the Tenant has taken possession of the Premises and acknowledges that under the provisions of the Lease the Term of said Lease shall commence as of _____ for a term of _____ ending on _____.

3. That in accordance with the Lease, Basic Rental commenced to accrue on _____.

4. If the Commencement Date of the Lease is other than the first day of the month, the first billing will contain a prorata adjustment. Each billing thereafter shall be for the full amount of the monthly installment as provided for in said Lease.

5. Rent is due and payable in advance on the first day of each and every month during the Term of said Lease. Your rent checks should be made payable to _____ at _____.

6. The exact number of rentable square feet within the Premises is _____ square feet.

7. Tenant's Proportionate Share, as adjusted based upon the exact number of rentable square feet within the Premises is _____%.

AGREED AND ACCEPTED:

TENANT:

_____,

a_____

By:_____
Its:_____

EXHIBIT "D"

TENANT WORK LETTER

This Tenant Work Letter shall set forth the terms and conditions relating to the renovation of the tenant improvements in the Premises. This Tenant Work Letter is essentially organized chronologically and addresses the issues of the renovation of the Premises, in sequence, as such issues will arise.

SECTION 1

LANDLORD'S INITIAL CONSTRUCTION IN THE PREMISES

Landlord has constructed, at its sole cost and expense, the base, shell and core (i) of the Premises, and (ii) of the floor of the Project on which the Premises is located (collectively, the "BASE, SHELL AND CORE"). Tenant has inspected and hereby approves the condition of the Base, Shell and Core, and agrees that the Base, Shell and Core shall be delivered to Tenant in its current "as-is" condition. The improvements to be initially installed in the Premises shall be designed and constructed pursuant to this Tenant Work Letter.

SECTION 2

IMPROVEMENTS

2.1 IMPROVEMENT ALLOWANCE. Tenant shall be entitled to a one-time improvement allowance (the "IMPROVEMENT ALLOWANCE ") in the amount of $444,120.00 (based upon $20.00 per usable square foot of the Premises) for the

costs relating to the initial design and construction of Tenant's improvements which are permanently affixed to the Premises (the "IMPROVEMENTS"). In no event shall Landlord be obligated to make disbursements pursuant to this Tenant Work Letter in a total amount which exceeds the Improvement Allowance and in no event shall Tenant be entitled to any credit for any unused portion of the Improvement Allowance not used by Tenant by the date which is (i) the last day of the calendar month which is thirty-six (36) full calendar months after the Commencement Date, in the event Tenant enters into a sublease with Archive.com or another Initial Sublease, or (ii) one (1) year after the Commencement Date in the event Archive.com does not enter into a sublease for the Premises and there is no other Initial Sublease.

2.2 DISBURSEMENT OF THE IMPROVEMENT ALLOWANCE. Except as otherwise set forth in this Tenant Work Letter, the Improvement Allowance shall be disbursed by Landlord (each of which disbursements shall be made pursuant to Landlord's disbursement process provided below) for costs related to the construction of the Improvements and for the following items and costs (collectively, the "IMPROVEMENT ALLOWANCE ITEMS "): (i) payment of the fees of the "Architect" and the "Engineers," as those terms are defined in Section 3.1 of this Tenant Work Letter and of other engineers and consultants which Tenant may reasonably require for the design and construction of the Improvements (including, without limitation, lighting, acoustic and ergonomic consultants), and payment of the out of pocket fees incurred by, and the out of pocket cost of documents and materials supplied by, Landlord and Landlord's consultants in connection with the preparation and review of the "Construction Drawings," as that term is defined in Section 3.1 of this Tenant Work Letter; (ii) the cost of plan check, permit, license fees and construction supervision fees relating to the construction of the Improvements; (iii) the cost of construction of the Improvements, including, without limitation, testing and inspection costs, trash removal costs, and contractors' fees and general conditions (provided, however, the Contractor and any subcontractors shall not be charged for parking); (iv) the cost of any changes in the Base, Shell and Core required by the Construction Drawings; (v) the cost of any changes to the Construction Drawings or Improvements required by applicable building codes (the "CODE "); (vi) the fees of any project manager retained by Tenant to supervise the construction of the Improvements; and (vii) the "Landlord Coordination Fee", as that term is defined in Section 4.3 of this Tenant Work Letter. However, in no event shall more than Three and 00/100 Dollars ($3.00) per usable square foot of the Improvement Allowance be used for the items described in (i) and (ii) above; any additional amount incurred as a result of (i) and (ii) above shall be deemed to constitute an Over-Allowance Amount. During the construction of the Improvements, Landlord shall make monthly disbursements of the Improvement Allowance for Improvement

Allowance Items for the benefit of Tenant and shall authorize the release of monies for the benefit of Tenant as follows.

2.2.1 MONTHLY DISBURSEMENTS. On or before the first day of each calendar month during the construction of the Improvements (or such other date as Landlord may designate), Tenant shall deliver to Landlord: (i) a request for payment of the "Contractor," as that term is defined in Section 4.1 of this Tenant Work Letter, approved by Tenant, in a form to be provided by Landlord, showing the schedule, by trade, of percentage of completion of the Improvements in the Premises, detailing the portion of the work completed and the portion not completed; (ii) invoices from all of "Tenant's Agents," as that term is defined in Section 4.2 of this Tenant Work Letter, for labor rendered and materials delivered to the Premises; (iii) executed mechanic's lien releases from all of Tenant's Agents which shall comply with the appropriate provisions, as reasonably determined by Landlord, of California Civil Code Section 3262(d); and (iv) all other information reasonably requested by Landlord. Tenant's request for payment shall be deemed Tenant's acceptance and approval of the work furnished and/or the materials supplied as set forth in Tenant's payment request. Thereafter, Landlord shall deliver a check to Tenant in payment of the lesser of: (A) the amounts so requested by Tenant, as set forth in this Section 2.2.1, above, less a ten percent (10%) retention (the aggregate amount of such retentions to be known as the "FINAL RETENTION"), and (B) the balance of any remaining available portion of the Improvement Allowance (not including the Final Retention), provided that Landlord does not dispute any request for

payment based on non-compliance of any work with the "Approved Working Drawings," as that term is defined in Section 3.4 below, or due to any substandard work, or for any other reason. Landlord's payment of such amounts shall not be deemed Landlord's approval or acceptance of the work furnished or materials supplied as set forth in Tenant's payment request.

2.2.2 FINAL RETENTION. Subject to the provisions of this Tenant Work Letter, a check for the Final Retention payable to Tenant shall be delivered by Landlord to Tenant following the completion of construction of the Premises, provided that (i) Tenant delivers to Landlord properly executed mechanics lien releases in compliance with both California Civil Code Section 3262(d)(2) and either Section 3262(d)(3) or Section 3262(d)(4), (ii) Landlord has determined that no substandard work exists which adversely affects the mechanical, electrical, plumbing, heating, ventilating and air conditioning, life-safety or other systems of the Project, the curtain wall of the Project, the structure or exterior appearance of the Project, or any other tenant's use of such other tenant's leased premises in the Project and (iii) Architect delivers to Landlord a certificate, in a form reasonably acceptable to Landlord, certifying that the construction of the Improvements in the Premises has been substantially completed.

2.2.3 OTHER TERMS. Landlord shall only be obligated to make disbursements from the Improvement Allowance to the extent costs are incurred by Tenant for Improvement Allowance Items. All Improvement Allowance Items for which the Improvement Allowance has been made available shall be deemed Landlord's property.

2.3 STANDARD IMPROVEMENT PACKAGE. Landlord has established specifications (the "SPECIFICATIONS ") for the Project standard components to be used in the construction of the Improvements in the Premises (collectively, the "STANDARD IMPROVEMENT PACKAGE "), which Specifications are available upon request. The quality of Improvements shall be equal to or of greater quality than the quality of the Specifications, provided that Landlord may, at Landlord's option, require the Improvements to comply with certain Specifications.

SECTION 3

CONSTRUCTION DRAWINGS

3.1 SELECTION OF ARCHITECT/CONSTRUCTION DRAWINGS. Tenant shall retain an architect/space planner reasonably approved by Landlord (the "ARCHITECT ") to prepare the "Construction Drawings," as that term is defined in this Section 3.1. Tenant shall also retain the engineering consultants designated by Landlord (the "ENGINEERS ") to prepare all plans and engineering working drawings relating to the structural, mechanical, electrical, plumbing, HVAC and lifesafety work of the Tenant Improvements. Landlord shall ensure that the charges of the Engineers are competitive (although not necessarily the lowest available). The plans and drawings to be prepared by Architect and the Engineers hereunder shall be known collectively as the "CONSTRUCTION DRAWINGS ." All Construction Drawings shall comply with the drawing

format and specifications as reasonably determined by Landlord, and shall be subject to Landlord's reasonable approval. Tenant and Architect shall verify, in the field, the dimensions and conditions as shown on the relevant portions of the base building plans, and Tenant and Architect shall be solely responsible for the same, and Landlord shall have no responsibility in connection therewith. Landlord's review of the Construction Drawings as set forth in this Section 3, shall be for its sole purpose and shall not imply Landlord's review of the same, or obligate Landlord to review the same, for quality, design, Code compliance or other like matters. Accordingly, notwithstanding that any Construction Drawings are reviewed by Landlord or its space planner, architect, engineers and consultants, and notwithstanding any advice or assistance which may be rendered to Tenant by Landlord or Landlord's space planner, architect, engineers, and

consultants, Landlord shall have no liability whatsoever in connection therewith and shall not be responsible for any omissions or errors contained in the Construction Drawings.

3.2 FINAL SPACE PLAN. Tenant and the Architect shall prepare the final space plan for Improvements in the Premises (collectively, the "FINAL SPACE PLAN"), which Final Space Plan shall include a layout and designation of all offices, rooms and other partitioning, their intended use, and equipment to be contained therein, and shall deliver the Final Space Plan to Landlord for Landlord's approval. Landlord shall advise Tenant within five (5) business days after Landlord's receipt of the Final Space Plan for the Premises if the same is unsatisfactory or incomplete in any respect and Landlord's failure to give Tenant written notice of any such objection within said five (5) business-day period shall be deemed approval by Landlord of the Final Space Plan. If Landlord notifies Tenant that the Final Space Plan is deficient in any respect, Tenant shall within three (3) business days thereafter cause the Final Space Plan to be revised to correct any deficiencies or other matters Landlord may reasonably require.

3.3 FINAL WORKING DRAWINGS. After Landlord approves the Final Space Plan, Tenant, the Architect and the Engineers shall complete the architectural and engineering drawings for the Premises, and the final architectural working drawings in a form which is complete to allow subcontractors to bid on the work and to obtain all applicable permits (collectively, the "FINAL WORKING DRAWINGS ") and shall submit the same to Landlord for Landlord's approval. However, if Tenant reasonably determines that the Engineers are not reasonably responsive to Tenant's requirements, Tenant may so notify Landlord in writing and if Landlord does not cause such Engineers to be so responsive within one (1) business day after receipt of Tenant's notice, then the thirty (30) day period set forth above shall be extended for each day after the expiration of said one (1) business day cure period that completion of the Final Working Drawings are so delayed as a result of the failure of the Engineers to be reasonably responsive. Landlord shall advise Tenant within five (5) business days after Landlord's receipt of the Final Working Drawings for the Premises if the same is unsatisfactory or incomplete in any respect and Landlord's failure to give Tenant written notice of any such objection within said five (5) business-day period shall be deemed approval by Landlord of the Final Working Drawings. If Landlord notifies Tenant that the Final Working Drawings are deficient in any respect, Tenant shall within five (5) business days thereafter revise the Final Working Drawings in accordance with such review and any disapproval of Landlord in connection therewith.

3.4 PERMITS. The Final Working Drawings shall be approved by Landlord (the "APPROVED WORKING DRAWINGS ") prior to the commencement of the construction of the Improvements. Tenant shall cause the Architect to immediately submit the Approved Working Drawings to the appropriate municipal authorities for all applicable building permits necessary to allow "Contractor," as that term is defined in Section 4.1, below, to commence and fully complete the construction of the Improvements (the "PERMITS "). No changes, modifications or alterations in the Approved Working Drawings may be made without the prior written consent of Landlord, which consent shall not be unreasonably withheld.

SECTION 4

CONSTRUCTION OF THE IMPROVEMENTS

4.1 CONTRACTOR. The contractor which shall construct the Improvements shall be a contractor selected pursuant to the following procedure. The Final Working Drawings shall be submitted by Tenant to three (3) general contractors: one (1) such general contractor shall be selected by Landlord and the other two (2) general contractors shall be selected by Tenant on or before the date the Final Working Drawings are approved by Landlord and Tenant and which contractor so selected by Tenant shall be subject to Landlord's reasonable approval. Each such

contractor shall submit a sealed, fixed price contract bid (on such bid form as Landlord shall designate) to construct the Improvements. Each contractor shall be notified in the bid package of the time schedule for construction of the Improvements. The subcontractors utilized by the Contractor shall be subject to Landlord's reasonable approval and the bidding instructions shall provide that as to work affecting the structure of the Project and/or the systems and equipment of the Project, Landlord shall be entitled to designate the subcontractors. The bids shall be submitted promptly to Tenant and a reconciliation shall be performed by Tenant to adjust inconsistent or incorrect assumptions so that a like-kind comparison can be made and a low bidder determined. Tenant shall select the contractor who shall be the lowest bidder and who states that it will be able to meet Tenant's reasonable construction schedule. The contractor selected may be referred to herein as the "CONTRACTOR".

4.2 TENANT'S AGENTS. All subcontractors, laborers, materialmen, and suppliers used by the Tenant (such subcontractors, laborers, materialmen, and suppliers, and the Contractor to be known collectively as "TENANT'S AGENTS") must be approved in writing by Landlord, which approval shall not be unreasonably withheld or delayed. If Landlord does not approve any of the Tenant's proposed subcontractors, laborers, materialmen or suppliers, the Tenant shall submit other proposed subcontractors, laborers, materialmen or suppliers for Landlord's written approval. Notwithstanding the foregoing, the Tenant shall be required to utilize subcontractors designated by Landlord for any mechanical, electrical, plumbing, life-safety, sprinkler, structural and air-balancing work.

4.3 CONSTRUCTION OF IMPROVEMENTS BY CONTRACTOR. The Tenant shall independently retain, in accordance with Section 4.1 above, Contractor to construct the Improvements in accordance with the Approved Working Drawings. The Tenant shall pay a logistical coordination fee (the "LANDLORD COORDINATION FEE ") to Landlord in an amount equal to three percent (3%) of the total amount of the construction contract and general conditions between the Tenant and the Contractor. The Landlord Coordination Fee shall be waived in the event Tenant hires a construction manager reasonably approved by Landlord.

4.4 INDEMNIFICATION & INSURANCE.

4.4.1 INDEMNITY. Tenant's indemnity of Landlord as set forth in Article 13 of the Lease shall also apply with respect to any and all costs, losses, damages, injuries and liabilities related in any way to any act or omission of Tenant or Tenant's Agents.

4.4.2 REQUIREMENTS OF TENANT'S AGENTS. Each of Tenant's Agents shall guarantee to Tenant and for the benefit of Landlord that the portion of the Improvements for which it is responsible shall be free from any defects in workmanship and materials for a period of not less than one (1) year from the date of completion thereof. All such warranties or guarantees as to materials or workmanship of or with respect to the Improvements shall be contained in the contract or subcontract and shall be written such that such guarantees or warranties shall inure to the benefit of both Landlord and Tenant, as their respective interests may appear, and can be directly enforced by either. Tenant covenants to give to Landlord any assignment or other assurances which may be necessary to effect such right of direct enforcement.

4.4.3 INSURANCE REQUIREMENTS.

4.4.3.1 ENERAL COVERAGES. All of Tenant's Agents shall carry worker's compensation insurance covering all of their respective employees, and shall also carry public liability insurance, including property damage, all with limits, in form and with companies as are required to be carried by Tenant as set forth in Article 14 of this Lease.

4.4.3.2 PECIAL COVERAGES. Tenant shall carry "Builder's All Risk" insurance in an amount approved by Landlord covering the construction of the Improvements, and such other insurance as Landlord may require. Such insurance shall be in amounts and shall include such extended coverage endorsements as may be reasonably required by Landlord.

4.4.3.3. GENERAL TERMS. Certificates for all insurance carried pursuant to this Section 4.4.3 shall be delivered to Landlord before the commencement of construction of the Improvements and before the Contractor's equipment is moved onto the site. In the event that the Improvements are damaged by any cause during the course of the construction thereof,

Tenant shall immediately repair the same at Tenant's sole cost and expense. Landlord may, in its discretion, require Tenant to obtain a lien and completion bond or some alternate form of security satisfactory to Landlord in an amount sufficient to ensure the lien-free completion of the Improvements and naming Landlord as a co-obligee.

SECTION 5

MISCELLANEOUS

5.1 TENANT'S REPRESENTATIVE. Tenant has designated Susan Nelson as its sole representative with respect to the matters set forth in this Tenant Work Letter, who, until further notice to Landlord, shall have full authority and responsibility to act on behalf of the Tenant as required in this Tenant Work Letter.

5.2 LANDLORD'S REPRESENTATIVE. Prior to commencement of construction of Improvements, Landlord shall designate a representative with respect to the matters set forth in this Tenant Work Letter, who, until further notice to Tenant, shall have full authority and responsibility to act on behalf of the Landlord as required in this Tenant Work Letter.

5.3 TIME OF THE ESSENCE IN THIS TENANT WORK LETTER. Unless otherwise indicated, all references herein to a "number of days" shall mean and refer to calendar days.

5.4 COMPLETION OF IMPROVEMENTS DURING THE TERM. Tenant hereby agrees and acknowledges that the Improvements in the Premises shall be constructed during the Term of this Lease and that the performance of such work shall not be deemed a constructive eviction nor shall Tenant be entitled to any abatement of rent in connection therewith. Further, until substantial completion of the construction of the Improvements, Tenant shall not be entitled to occupy the Premises; provided, however, that Tenant will remain responsible for the payment of Basic Rental and all Additional Rent during such non-occupancy period. Tenant shall be entitled to occupy the Premises upon the date of substantial completion of the Improvements in the Premises, which date shall occur upon the completion of construction of the Improvements in the Premises pursuant to the Approved Working Drawings, with the exception of any punch list items.

STANDARD OFFICE LEASE

BY AND BETWEEN

ARDEN REALTY FINANCE IV, L.L.C.,

A DELAWARE LIMITED LIABILITY COMPANY,

AS LANDLORD,

AND

INVESTMENT TECHNOLOGY GROUP, INC,

A DELAWARE CORPORATION

AS TENANT

SUITE 1200

600 CORPORATE POINTE

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EXHIBIT 10.5.9

THIRD SUPPLEMENTAL AGREEMENT

THIRD SUPPLEMENTAL AGREEMENT (hereinafter called this "Agreement"), dated as of the _____ day of September, 1999, between SPARTAN MADISON CORP., a Delaware corporation, having an address c/o HRO International Ltd., Tower 56, 126 East 56th Street, New York, New York 10022 (hereinafter referred to as "Landlord"), and INVESTMENT TECHNOLOGY GROUP, INC., a Delaware corporation, having an address at 380 Madison Avenue, New York, New York 10017 (hereinafter called "Tenant").

W I T N E S S E T H:

WHEREAS:

A. Landlord and Tenant heretofore entered into a certain lease dated as of October 4, 1996, as amended by that certain First Supplemental Agreement dated January 29, 1997, Added Space Agreement dated as of September 4, 1997, and Second Supplemental Agreement dated as of November 25, 1997 (such lease, as the same has been and may hereafter be amended, is hereinafter called the "Lease") with respect to the entire fourth (4th) floor and a portion of the fifth (5th) floor and basement (hereinafter called the "Demised Premises") in the building known as 380 Madison Avenue, New York, New York (hereinafter called the "Building"), for a term ending on January 31, 2013, or on such earlier date upon which said term may expire or be terminated pursuant to any conditions of limitation or other provisions of the Lease or pursuant to law; and

B. The parties hereto desire to modify the Lease to provide for the inclusion therein of additional space and the extension of term thereof, upon the terms, provisions and conditions as are more particularly hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and mutual covenants hereinafter contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree to modify said Lease as follows:

1. All capitalized terms contained in this Agreement shall, for the purposes hereof, have the same meanings ascribed to them in the Lease unless otherwise defined herein.

2. Effective as of the date hereof (hereinafter called the "7th Floor Added Space Date"), and for the remainder of the term of the Lease, there shall be added to and included in the Demised Premises, the following additional space in the Building, to wit:

> The portion of the seventh (7th) floor of the Building substantially as shown hatched on the floor plan annexed hereto as Exhibit A (hereinafter called the "7th Floor Added Space"), which the parties hereto agree for purposes of this Agreement shall be deemed to contain approximately 25,520 rentable square feet.

Landlord does hereby lease to Tenant and Tenant does hereby hire from Landlord, the 7th Floor Added Space subject and subordinate to all superior leases and superior mortgages as provided in the Lease and upon and subject to all the

covenants, agreements, terms and conditions of the Lease, as supplemented by this Agreement, other than the provisions of Sections 1.05, 2.02, 2.03, 2.05, 25.06, and Articles 24, 43 of the Lease and Schedules N and Q which shall be deemed inapplicable to the 7th Floor Added Space.

3. Effective during the period commencing on the 7th Floor Added Space Date and ending on the Expiration Date:

(a) The fixed annual rent payable by Tenant to Landlord pursuant to Section 1.01(b) of the Lease (as modified by Paragraph 3 of the Added Space Agreement and by Paragraph 3(a) of the Second Supplemental Agreement, respectively) shall be increased on account of the inclusion of the 7th Floor Added Space, by the following amounts during the following periods:

(i) ONE MILLION FORTY SIX THOUSAND THREE HUNDRED TWENTY AND 00/100 ($1,046,320.00) DOLLARS per annum during the period beginning on the 7th Floor Added Space Date and ending on April 30, 2003;

(ii) ONE MILLION ONE HUNDRED FORTY-EIGHT THOUSAND FOUR HUNDRED AND 00/100 ($1,148,400.00) DOLLARS per annum during the period beginning on May 1, 2003 and ending on September 30, 2008; and

(iii) ONE MILLION TWO HUNDRED TWENTY-FOUR THOUSAND NINE HUNDRED SIXTY AND 00/100 ($1,224,960.00) DOLLARS per annum during the period beginning on October 1, 2008 and ending on the Expiration Date.

(b) With respect to the adjustments of rent set forth in Article 3 of the Lease (hereinafter called the "Basic Escalations") there shall be computed, in addition to the Basic Escalations, adjustments of rent with respect to increases of Taxes and Expenses attributable to the 7th Floor Added Space. Adjustments of rent with respect to Taxes and Expenses with respect to the 7th Floor Added Space will be computed in the same manner as adjustments of rent with respect to Taxes and Expenses for the purpose of the Basic Escalations under the Lease, except that for the purpose of such computations with respect to the 7th Floor Added Space only:

(i) The term "Base Tax" (as defined in subsection 3.01.A(a) of the Lease) with respect to the 7th Floor Added Space shall mean the Taxes, as finally determined, for the Tax Year commencing July 1, 1998 and ending June 30, 1999;

(ii) The term "Tenant's Tax Share" (as defined in subsection 3.01.A(d) of the Lease) with respect to the 7th Floor Added Space shall mean 3.0273%, calculated as a fraction, the numerator of which is 25,520, reflecting the number of rentable square feet which Landlord and Tenant agree comprises the 7th Floor Added Space and the denominator of which is 842,997, reflecting the number of rentable square feet which Landlord and Tenant agree comprises the rentable square footage of the office and retail area of the Building. If the physical size of the

rentable area of the Building shall increase, Tenant's Tax Share shall be appropriately recalculated;

(iii) The term "Expense Base Factor" (as defined in subsection 3.02.A(a) of the Lease) with respect to the 7th Floor Added Space shall mean the Expenses for the Operating Year 1999;

(iv) The term "Tenant's Expense Share" (as defined in subsection 3.02.A(c) of the Lease) with respect to the 7th Floor Added Space shall mean 3.2601%, calculated as a fraction, the numerator of which is 25,520, reflecting the number of rentable square feet which Landlord and Tenant agree comprises the 7th Floor Added Space and the denominator of which is 782,787, reflecting the number of rentable square feet which Landlord and Tenant agree comprises the rentable square footage of the office area of the Building. If the physical size of the rentable area of the Building shall increase, Tenant's Expense Share shall be appropriately recalculated;

(v) The date "July 1, 1997" set forth in the third line of subsection 3.01.B of the Lease shall be changed to "July 1, 1999" with respect only to the 7th Floor Added Space; and

(vi) The term "Base Operating Year" (as defined in subsection 3.02.A(b) of the Lease) with respect only to the 7th Floor Added Space shall mean the calendar year 1999.

(vii) Landlord confirms that the representation with respect to the definition of Expenses set forth in the final paragraph of Section 3.02A of the Lease is true and accurate as of the date hereof.

(c) The provisions of Article 4 of the Lease shall apply with respect to the furnishing of electricity to the 7th Floor Added Space, including, without limitation, the provisions of Section 4.07 thereof with respect to the electrical capacity of the 7th Floor Added Space, provided that in accordance with Section 4.03(a) thereof, Landlord shall charge Tenant its proportionate share of the charges for Common Area Electric with respect to the seventh (7th) floor of the Building, plus any sales tax and the administrative fee referred to therein.

(d) For purposes of this Agreement, subsection 21.01(b) of the Lease shall not apply with respect to HVAC service to the 7th Floor Added Space and in lieu thereof, the following provisions shall apply with respect thereto:

"Maintain in good repair the Base building air conditioning, heating and ventilating systems in and serving the 7th Floor Added Space. Such air conditioning, heating and ventilation systems will function when seasonably required (subject to the design criteria, including occupancy and connected electric load design criteria, set forth on Schedule O, and except for any special requirements of Tenant arising from its particular use of the 7th Floor Added Space) on business days from 7:00 a.m. to 6:00 p.m. as more fully described in, and subject to the conditions of, the specifications set forth in Schedule O of the Lease. The core air-conditioning system (as it relates to the 7th Floor Added Space) shall be activated by use of a telephone dial access number which Landlord

shall provide and may be activated by Tenant as required by Tenant. The perimeter heat pump system (as it relates to the 7th Floor Added Space) shall have separate controls for each unit in the 7th Floor Added Space and may be operated by Tenant as required by Tenant. Landlord has informed Tenant that the windows of the 7th Floor Added Space and the Building are sealed, and that the 7th Floor Added Space may become uninhabitable and the air therein may become unbreathable during the hours or days when the aforesaid systems do not function automatically as described herein or when Tenant does not operate the perimeter heat pump units or activate the core air conditioning system. Any use or occupancy of the 7th Floor Added Space under the conditions set forth in the immediately preceding sentence shall be at the sole risk, responsibility and hazard of Tenant, and Landlord shall have no responsibility or liability therefor. Such condition of the 7th Floor Added Space shall not constitute nor be deemed to be a breach or a violation of this Lease or of any provision thereof, nor shall it be deemed an actual or constructive eviction nor shall Tenant claim or be entitled to claim any abatement of rent nor make any claim for any damages or compensation by reason of such condition of the 7th Floor Added Space. Tenant shall cause and keep entirely unobstructed all the vents, intakes, outlets and grilles, at all times and shall comply with and observe all regulations and requirements prescribed by Landlord for the proper functioning of the heating, ventilating and air-conditioning systems serving the 7th Floor Added Space. Nothing contained herein shall be deemed to require Landlord to furnish at Landlord's expense such electric energy as is required to operate the air conditioning, heating and ventilating systems serving the 7th Floor Added Space. Subject to the provisions of Article 4 of this Lease, all such electric energy shall be furnished to Tenant at Tenant's cost and expense. All tenants who require air-conditioning from the core system during the hours or days when the core system does not function automatically as described herein shall have the responsibility of activating the core air-conditioning system by use of the core air-conditioning telephone system (which will be activated by use of a telephone dial access number which Landlord shall provide). All tenants who require air conditioning, heat or ventilating from the perimeter heat pump system during the hours or days when the perimeter heat pump system does not function automatically as described herein shall have the responsibility of operating the perimeter heat pump units by use of the separate controls provided with each unit."

At Tenant's request, Landlord will permit Tenant to tap into the Building condenser water system, without charge to Tenant (except that the initial hook-up shall be performed by Tenant at Tenant's expense) for up to fifty (50) additional tons of condenser water to operate supplemental air-conditioning units installed by Tenant in or serving the 7th Floor Added Space. Such units shall be installed in accordance with the provisions of this Lease. In the event Tenant installs supplementary air-conditioning units serving the 7th Floor Added Space, Tenant covenants and agrees, at its sole cost and expense, to maintain in full force and effect for so long as such air-conditioning unit remains in the Building, a maintenance agreement for the periodic maintenance of such unit on customary terms with a contractor reasonably acceptable to Landlord and to furnish a

copy of said contract and all extensions thereof to Landlord within ten (10) days after demand. Landlord shall perform routine testing and maintenance of such Building condenser water tower and shall give Tenant reasonable prior notice of such testing. Landlord shall cooperate with Tenant in order to schedule such testing so as to minimize material interference with the conduct of Tenant's business.

In addition, Landlord shall permit Tenant to penetrate the facade of the Building for the purposes of installing louvers for supplemental air-cooled air-conditioning units installed in the 7th Floor Added Space provided and on condition that such louvers shall be installed in the same locations on the seventh (7th) floor facade as those installed by Tenant on the fourth (4th) and fifth (5th) floor facades of the Building in accordance with Schedule P of the Lease, and such installation shall be performed in accordance with the provisions of the Lease."

(e) Section 25.06 of the Lease shall be deemed inapplicable to the 7th Floor Added Space and shall be replaced by the following with respect to the 7th Floor Added Space:

"25.06.(a) Landlord represents that as of the date of the Third Supplemental Agreement the following is a comprehensive list of all Superior Instruments:

(i) a certain mortgage, as modified by a certain Mortgage Modification Agreement, dated as of June 20, 1991 between Mortgagee and Landlord's predecessor in interest and a further Project Loan Agreement, dated December 20, 1991 between Mortgagee and Landlord,

(ii) a certain ground lease dated January 26, 1989 between ComMet 380, Inc. ("Ground Lessor"), as ground lessor and Landlord's predecessor in interest, as ground lessee,

(iii) a certain Agreement of Consolidation, Extension and Modification of Mortgages, dated as of July 1, 1997 between GMAC Commercial Mortgage Corporation and Ground Lessor."

(b) Landlord represents that as of the date of the Third Supplemental Agreement all the Superior Instruments are in full force and effect and Landlord has received no notices of defaults thereunder which have remained uncured beyond the applicable grace period set forth in the applicable Superior Instrument."

(f) Notwithstanding anything to the contrary contained in the Lease, including without limitation Section 8.01 thereof, (i) Landlord shall have no liability for, and Tenant shall be solely responsible for compliance with, the Disabilities Act in the 7th Floor

Added Space to the extent that the requirement for such compliance arises from a condition existing in the 7th Floor Added Space as of the date hereof and/or to the extent that Tenant shall make any alterations or improvements in the 7th Floor Added Space, and (ii) the provisions of the third sentence of Section 8.01 of the Lease shall not apply to the 7th Floor Added Space, but, as of the date hereof, Landlord covenants that Landlord has received no notice of any violation of Legal Requirements in the 7th Floor Added Space which remains uncured.

(g) Tenant shall have the right to exclusive use of up to four (4) of the existing vacant sleeves in the Building's communications closet on the fourth (4th) and seventh (7th) floors of the Building for purpose of connecting Tenant's communications and electrical facilities between the 7th Floor Added Space and the balance of the Demised Premises. Landlord agrees that Tenant shall have the right, at Tenant's sole cost and expense, to core drill (and thereafter have exclusive use of) two (2) additional sleeves in the Building's electricity closets extending from the fourth (4th) to seventh (7th) floors of the Building in locations first approved by Landlord, such approval not to be unreasonable withheld or delayed; provided and on condition that all such work shall be performed in accordance with plans and specifications first

approved by Landlord (such approval not to be unreasonably withheld or delayed) and otherwise in accordance with the provisions of the Lease regarding Tenant work, including, without limitation, Articles 6 and 42 thereof, and all such work shall be performed only at such times and in such manner as reasonably designated by Landlord for the performance of such work. With respect to Tenant's cabling and wiring installed within the foregoing sleeves as to which Tenant has exclusive use, Tenant shall have the right to encase same with conduit of up to three (3") inches in diameter. In addition, Tenant may run such cabling and wiring through the ceiling

plenum of the common areas of the 7th floor provided and on condition that: (i) sufficient space exists in such plenum for such installation, in Landlord's reasonable judgment (and Landlord makes no representation with respect thereto) and Landlord shall reasonably designate the location of such installation, and (ii) Landlord shall approve Tenant's plans for such installation, such approval not to be unreasonably withheld or delayed.

4. Tenant agrees to accept the 7th Floor Added Space on the 7th Floor Added Space Date in the "as is" condition in which it exists on the date hereof and understands and agrees that Landlord is not obligated to perform any work, supply any materials or incur any expense in connection with preparing the 7th Floor Added Space for Tenant's occupancy, except that Tenant shall be entitled to the "Added Space Work Credit" (as hereinafter defined in subparagraph 5(b) hereof). Landlord shall deliver the 7th Floor Added Space to Tenant in broom clean condition and free of tenancies, other than the "Existing Tenant" (as such term is hereinafter defined) as hereinafter set forth; provided, however, that Tenant acknowledges that it is currently negotiating with the current occupant of the 7th Floor Added Space (the "Existing Tenant") to sublet a portion of the 7th Floor Added Space to the Existing Tenant, and in the event of the consummation of a written sublease between Tenant and the Existing Tenant, the Existing Tenant shall continue in occupancy of the portion of the 7th Floor Added Space so sublet.

5. (a) Tenant hereby covenants and agrees that Tenant will, at Tenant's own cost and expense (except that Tenant shall be entitled to the Added Space Work Credit), and in a good and workmanlike manner, make and complete the initial work and installations in and to the 7th Floor Added Space set forth below in such manner so that the 7th Floor Added Space will be administrative and general offices of a standard which is generally consistent with the

nature and quality of Tenant's existing installations in the Building (such work is hereinafter called "Tenant's Added Space Work"). Tenant shall perform Tenant's Added Space Work in accordance with the provisions of Article 6 and Article 42 of the Lease, except that for purposes hereof, all references in the Lease to "Tenant's Work" shall be deemed to mean Tenant's Added Space Work, and all references therein to the "demised premises" shall be deemed to mean the 7th Floor Added Space.

(b) Landlord shall allow Tenant a credit in an amount of up to Five Hundred Eighty-Six Thousand Nine Hundred Sixty and 00/100 ($586,960.00) Dollars (the "Added Space Work Credit"), which shall be applied against the cost and expense of the construction work in connection with Tenant's Added Space Work and Tenant's actual and reasonable out-of-pocket expenses incurred for architectural, engineering, design and other professional fees and relocation costs. In the event that the cost and expense of Tenant's Added Space Work shall exceed the amount of the Added Space Work Credit, Tenant shall be entirely responsible for such excess. If Tenant does not use all or any part of the Added Space Work Credit for Tenant's Added Space Work (or for Tenant's relocation

costs in connection therewith), then the Added Space Work Credit shall be reduced accordingly.

(c) The Added Space Work Credit shall be payable by Landlord to Tenant upon written requisition to Landlord, in installments as Tenant's Added Space Work progresses, but no more frequently than monthly. The amount of each such installment shall be an amount equal to the product obtained by multiplying ninety (90%) percent of the Added Space Work Credit by a fraction, the numerator of which is equal to the actual costs paid or incurred by Tenant for completed portions of Tenant's Added Space Work referenced in such requisition (as

evidenced by paid or incurred invoices delivered to Landlord in accordance with the next sentence) and the denominator of which is equal to the total estimated cost of Tenant's Added Space Work, which estimate shall be made, and certified to, by Tenant's architect in good faith based on the final plan for Tenant's Added Space Work. Prior to the payment of any such installment, Tenant shall deliver to Landlord a written request for disbursement which shall be accompanied by (1) paid or incurred invoices for the portion of Tenant's Added Space Work performed since the last disbursement of the Added Space Work Credit, (2) a certificate signed by Tenant's architect and an officer of Tenant certifying that the portion of Tenant's Added Space Work referenced in said requisition and represented by the aforesaid invoices has been satisfactorily completed in accordance with Tenant's final plan for Tenant's Added Space Work, and (3) partial lien waivers (in form reasonably satisfactory to Landlord) from contractors, subcontractors and all materialmen who shall have performed any such work and services incurred up to and including the last disbursement of the Added Space Work Credit releasing Landlord and Tenant from all liability for Tenant's Added Space Work. Tenant acknowledges and agrees that the final ten (10%) percent of the Added Space Work Credit shall be held back by Landlord, and shall not be paid to Tenant, until after the completion of Tenant's Added Space Work and upon Landlord's receipt from Tenant of all Building Department sign-offs, inspection certificates and any permits required to be issued by any governmental entities having jurisdiction thereover. Such final payment of the Added Space Work Credit shall be due ten (10) Business Days after Tenant submits its requisition with accompanying documentation as hereinbefore set forth in the preceding sentence.

(c) At any and all times during the progress of Tenant's Added Space Work, representatives of Landlord shall have the right of access to the 7th Floor Added Space and inspection thereof and Landlord shall have the right to withhold payment of all or any portion of the Added Space Work Credit as shall equal the cost of correcting any portions of Tenant's Added Space Work which shall not have been performed in a manner reasonably satisfactory to Landlord; PROVIDED, HOWEVER, that Landlord shall incur no liability, obligation or responsibility to Tenant or any third party by reason of such access and inspection, and provided further that Landlord's inspection shall not interfere with the performance of Tenant's Added Space Work except to a de minimis extent.

(d) The Added Space Work Credit is being given for the benefit of Tenant only. No third party shall be permitted to make any claims against Landlord or Tenant with respect to any portion of the Added Space Work Credit.

6. Intentionally omitted.

7. Notwithstanding the foregoing provisions of Paragraph 3(a) hereof, Tenant shall be entitled to free rent in the amount of Two Hundred Forty-Five Thousand, Six Hundred Twenty-Nine and 99/00 ($245,629.99) Dollars, which free rent amount shall be applied by Landlord against the fixed annual rent payable by Tenant under the Lease with respect to the 7th Floor Added Space.

8. Tenant covenants, represents and warrants that Tenant has had no dealings or communications with any broker or agent other than Landlord's leasing agent, if any, and Newmark & Company Real Estate, Inc. (hereinafter called the "Broker") in connection with the consummation of this Agreement. Landlord and Tenant covenant and agree to pay, hold

harmless and indemnify each other from and against any and all cost, expense (including reasonable attorneys' fees and court costs), loss and liability for any compensation, commissions or charges claimed by any broker or agent, other than the brokers specifically set forth in this Paragraph, with respect to this Agreement or the negotiation thereof if such claim or claims by any such broker or agent are based in whole or in part on dealing with the indemnifying party or its representatives. Landlord agrees to pay to Landlord's leasing agent and the Broker such compensation, commissions or charges to which they are entitled pursuant to a separate agreement between said broker and Landlord.

9. Except as modified by this Agreement, 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.

10. The covenants, agreements, terms and conditions contained in this Agreement shall bind and inure to the benefit of the parties hereto and except as otherwise provided in the Lease as hereby supplemented, their respective legal successors and assigns.

11. This Agreement may not be changed or terminated orally but only by a writing signed by the party against whom enforcement thereof is sought.

12. This Agreement shall not be binding upon Landlord unless and until it is signed by Landlord and a fully executed counterpart thereof is delivered to Tenant.

13. This Agreement may be executed in any number of counterparts, each of which shall, when executed, be deemed to be an original and all of which shall be deemed to be one and the same instrument. In addition, the parties may execute separate signature pages, and such signature pages (and/or signature pages which have been detached from one or more

duplicate original copies of this Agreement) may be combined and attached to one or more copies of this Agreement so that such copies shall contain the signatures of all of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

Witness: SPARTAN MADISON CORP., Landlord

By:

Name:
Title:

Witness: INVESTMENT TECHNOLOGY GROUP, INC.,
Tenant

---------- ----------
Name:
Title:

State of New York)
):ss
County of)

On the ____ day of _____ in the year 19__, before me, the undersigned, a Notary Public in and for said state, personally appeared _____ personally known to me or proved to me on the basis or satisfactory evidence to be the person(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 person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

Notary Public

State of New York)
):ss
County of)

On the ____ day of _____ in the year 19__, before me, the undersigned, a Notary Public in and for said state, personally appeared _____ personally known to me or proved to me on the basis or satisfactory evidence to be the person(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 person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

Notary Public

EXHIBIT A

Floor Plan of 7th Floor Added Space

Exhibit 10.6

QUANTEX(R) HARDWARE AND SOFTWARE LICENSE AGREEMENT

This Hardware and Software License Agreement ("Agreement") is made and entered into on the date set forth below by and between ITG Inc. ("ITG") and _____ ("Customer").

Subject to the terms of this Agreement, Customer agrees to license from ITG, and ITG agrees to license to Customer (i) certain software which services a workstation-based analytics, information and routing system known as QUANTEX(R) and the user documentation describinG the operation and use of such system (collectively, the "Software") and (ii) a workstation, terminal, PC or other hardware and related modem (the "Hardware") for use with a phone line for communication with ITG.

1. INSTALLATION. ITG will, free of charge, deliver and install the Hardware and Software (the "Installation") on Customer's premises. The Hardware and Software shall remain the property of ITG.

2. LICENSE TO HARDWARE AND SOFTWARE. Subject to the terms of this Agreement, ITG hereby grants Customer a revocable, non-assignable, non-transferable, nonexclusive license to use the Software in object code form but solely for use in direct connection with ITG's brokerage services on the Hardware. Customer will use the Software only under the terms and conditions of this Agreement and all rights not expressly granted hereunder are reserved by ITG. Customer shall use the Software only on the Hardware provided by ITG, and shall not use the Software on any other computer system or make the Software available over a network or otherwise permit use of the Software by more than one user at a time without the prior written consent of ITG. Customer shall grant ITG access to the Hardware during normal business hours.

3. PROHIBITED USES. CUSTOMER SHALL NOT AND SHALL NOT PERMIT ANY OTHER PARTY other than ITG to: (a) copy, modify, alter, print, list, decompile, disassemble or otherwise seek to reverse engineer the Software whether in whole or in part or to attach or otherwise connect the Software to any computer hardware other than the Hardware or other computer software without ITG's prior written consent given in its sole discretion; (b) allow anyone other than its employees to access or have access to the Software or the Hardware; (c) sell, rent, lease, license, sublicense, transfer or assign the Software or permit a timesharing, service bureau or similar arrangement using the Software; (d) write or develop any derivative software or any other software program based on the Software or any Proprietary Information (as defined in Section 9); (e) use the Software or the analytical data derived from the Software (the "Information") to execute securities trades of any kind, directly or indirectly, on any electronic trade execution system other than the Software without the prior written consent of ITG, given in its sole discretion, or for any purposes other than in connection with its own trading via ITG's brokerage services; or (f) remove the Software from the Hardware, central

processing unit or any other location of original installation without the prior written consent of ITG in each instance; provided that Customer may move the Software to other like hardware in the same location solely in the event of a Hardware failure.

Customer further agrees to strictly comply with all governmental, stock exchange and NASD laws, rules and regulations in connection with the use of the Software, including, but not limited to, any applicable SEC or NYSE regulations.

4. TERM AND EFFECT OF TERMINATION.

(a) This Agreement will take effect immediately upon execution of this Agreement and will remain in force until terminated in accordance with this Agreement.

(b) ITG may terminate this license at any time and for any reason, including, without limitation, if ITG discontinues the QuantEX(R) service, if the Customer ceases to be a customer oF ITG, or if Customer breaches any term or condition of this Agreement or the Addendum hereto.

(c) If ITG terminates the license for any reason, Customer shall permit ITG to remove the Installation from the Customer's premises. Customer shall also deliver to ITG all copies of the Software (including, without limitation, any documentation related thereto) in the Customer's possession within ten days of such termination. Upon termination of the license, ITG shall have no further liability to Customer hereunder.

(d) The provisions of Sections 7, 8 and 9 shall survive the termination of this Agreement.

5. MAINTENANCE, SOFTWARE SUPPORT AND TECHNICAL ASSISTANCE. As a service to its customers, ITG intends to provide maintenance for the Hardware, support of the Software and technical assistance as and when determined appropriate by ITG. If Customer requires an increased level of maintenance, response time or level of qualification for technical support, or additional support or maintenance beyond the maintenance, support or technical assistance determined appropriate by ITG, separate arrangements must be made in writing and a fee may be charged by ITG. Absent such separate arrangements, ITG does not guarantee any particular level of software support or technical support or time for response by its personnel or subcontractors.

6. EXCLUSION OF WARRANTIES. While ITG has tested prior versions of the Software, as with any state-of-the-art product, the Software and any updates thereto may have features that do not perform according to their specifications, or which cause loss of data, cause the Software to terminate, or cause the Hardware or its operating system to crash (collectively, "Bugs"). Moreover, the Software may not always be updated to

reflect the changing financial markets, which can lead to Bugs which did not originally exist in the Software. There can be changes in the data feeds that could cause problems in the Software that were not originally anticipated. Accordingly, THE HARDWARE IS PROVIDED TO THE CUSTOMER AND THE SOFTWARE IS LICENSED TO CUSTOMER ON AN "AS IS" BASIS WITHOUT WARRANTY OF ANY KIND. ITG MAKES NO EXPRESS OR IMPLIED WARRANTY CONCERNING THE PERFORMANCE OF THE HARDWARE OR SOFTWARE, AND ITG EXPRESSLY EXCLUDES ANY IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE HARDWARE AND SOFTWARE.

NEITHER ITG NOR ANY THIRD PARTY FURNISHING INFORMATION TO ITG GUARANTEES OR MAKES ANY REPRESENTATIONS OR WARRANTIES WHATSOEVER (A) WITH RESPECT TO THE SEQUENCE, ACCURACY, CURRENCY OR COMPLETENESS OF ANY QUOTATIONS OR DERIVED DATA, MARKET INFORMATION OR ANY OTHER INFORMATION FURNISHED HEREUNDER, OR (B) THAT ANY DATA DISSEMINATED MAY BE RELIED ON FOR TRADING PURPOSES, AND CUSTOMER AGREES TO INDEPENDENTLY DETERMINE MARKET PRICES THROUGH CUSTOMARY TRADING CHANNELS.

Notwithstanding the foregoing, if Customer suffers a loss due to a Hardware defect or failure, to the extent such warranties are assignable, ITG will, on request, make reasonable efforts to assign its rights against the vendors of such Hardware to Customer.

7. LIMITATION OF DAMAGES. NEITHER ITG NOR ANY THIRD PARTY PROVIDER OF INFORMATION OR HARDWARE SHALL IN ANY EVENT BE LIABLE FOR ANY CONSEQUENTIAL, SPECIAL OR INDIRECT DAMAGES OR OTHER ALLEGED BREACH OF WARRANTY OR ACTION BROUGHT IN TORT OR STRICT LIABILITY OR UNDER ANY OTHER THEORY OF LIABILITY FROM ANY BUG, THE PERFORMANCE OF THE INSTALLATION, THE OPERATION OF THE SOFTWARE, OR

ITG'S SUPPORT PERSONNEL, INCLUDING ANY TRADING LOSSES, FOREGONE GAINS OR FAILURE TO SUCCESSFULLY IMPLEMENT ANY INVESTMENT STRATEGY. IN ADDITION, THE AMOUNT OF ANY DAMAGES SHALL BE LIMITED IN ALL CASES TO THE COMMISSIONS CHARGED BY ITG IN THE TWO WEEKS PRECEDING THE DAMAGE INCURRED BY THE CUSTOMER.

8. INDEMNITY.

(a) Customer agrees to indemnify, defend, and hold ITG harmless of and from any demands, claims or suits by any third party (other than claims that use of the Software infringes upon the proprietary rights of a third party) arising out of or related to Customer's use of the Hardware, Software or any portion thereof.

(b) ITG shall defend, or at its option settle, any suit or proceeding brought against Customer based upon a claim that the Software constitutes an infringement of any United States patent, trademark or copyright of any third party existing prior to the date of this Agreement, and shall pay any final judgment or settlement amount in any such suit or proceeding. ITG shall not be responsible for any cost, expense or compromise incurred or made by Customer without ITG's prior written consent. ITG shall have no obligation hereunder for or with respect to claims, actions or demands alleging infringement which arise by reason of the combination of the Software with any product not supplied by ITG or use of Software in a manner other than its intended use. The foregoing indemnities are conditioned on (i) prompt notice of any claim, action, or demand for which indemnity is claimed, (ii) complete control of the defense and settlement thereof by ITG, (iii) and the cooperation of Customer in such defense.

(c) The foregoing provisions of this Section 8 state the entire liability and obligations of ITG and the exclusive remedy of Customer with respect to any alleged infringement of patents, copyrights, trademarks or other intellectual property rights by the Software, Hardware or the Installation.

9. PROPRIETARY RIGHTS; CONFIDENTIALITY.

(a) Customer agrees that (i) Customer has no right, title or interest in the Hardware or Software except as expressly set forth in this Agreement, (ii) the Hardware, including its operating system, and the Software contain proprietary information and trade secrets of ITG and/or third parties (the "ITG Proprietary Information") and (iii) Customer shall not publish, disclose, or otherwise make available any of the ITG Proprietary Information to any person other than its employees authorized to use the ITG Proprietary Information. Customer shall advise each authorized employee as to the confidential nature of the ITG Proprietary Information and the restrictions placed upon its use and disclosure, and does hereby agree to indemnify ITG against any loss, damage and expense due to any disclosure of confidential material by any employee or agent of Customer. Customer agrees to notify ITG immediately should it become aware of the unauthorized possession or use of the ITG Proprietary Information or any portion thereof by any person not authorized by this Agreement to such possession or use. Customer agrees to promptly furnish full details of such possession or use to ITG, and to cooperate with ITG in any litigation against third parties deemed necessary by ITG to protect ITG's proprietary rights.

(b) "Confidential Information" means any proprietary information, technical data, or know-how, including, but not limited to, that which relates to specifications, research, product plans, products, services, orders, strategies, forecasts, forecast assumptions, methodologies, models, customers, markets, software, developments, inventions, processes, designs, drawings, engineering, hardware configuration information, marketing or finances, disclosed by one party (the "Disclosing Party") to the other (the "Receiving

Party"). Confidential Information shall not include information, technical data or know-how which: (i) was in the possession of, or demonstrably known by, the Receiving Party prior to its receipt from the Disclosing Party; (ii) is in the public domain at the time of disclosure, not as a result of any inaction or action of the Receiving Party; (iii) is approved for release by the Disclosing Party in writing or (iv) is independently developed by the Receiving Party without reliance on or use of the Confidential Information.

(c) Each party agrees to maintain the confidentiality of the Confidential Information using procedures no less rigorous than those used to protect and preserve the confidentiality of its own similar proprietary information, and shall not, directly or indirectly, (i) transfer or disclose any Confidential Information to any third party, (ii) use any Confidential Information other than as contemplated under this Agreement or (iii) take any other action with respect to Confidential Information inconsistent with the confidential and proprietary nature of such information. In the event that either party or their respective directors, officers, employees, consultants or agents are requested or required by legal process to disclose any of the Confidential Information of the other party, the party required to make such disclosure shall, to the extent permitted by law, give prompt notice so that the other party may seek a protective order or other appropriate relief. In the event that such protective order is not obtained, the party required to make such disclosure shall disclose only that portion of the Confidential Information which its counsel advises that it is legally required to disclose.

10. TIME FOR COMPLAINTS, LIMITATION OF ACTIONS. ITG can only remedy a Bug or service problem, subject to the limitations set forth in Paragraph 5 above, if it knows of the problem, and ITG relies on its customers to promptly notify ITG of any such problem. Accordingly, Customer agrees to promptly notify ITG of any such problem as soon as Customer becomes aware of the same. Subject to the limitations set forth above in Section 5, in no instance shall ITG have any obligation with respect to any Bug or service complaint unless the Customer has notified ITG of the Bug or service complaint in writing within 7 days of discovery by the Customer.

11. ARBITRATION. IN CONNECTION WITH THE FOLLOWING AGREEMENT TO ARBITRATE, CUSTOMER UNDERSTANDS THAT:

a. ARBITRATION IS FINAL AND BINDING ON THE PARTIES;

b. THE PARTIES ARE WAIVING THEIR RIGHT TO SEEK REMEDIES IN COURT, INCLUDING THE RIGHT TO A JURY TRIAL.

c. PRE-ARBITRATION DISCOVERY IS GENERALLY MORE LIMITED AND DIFFERENT FROM COURT PROCEEDINGS;

d. THE ARBITRATOR'S AWARD IS NOT REQUIRED TO INCLUDE FACTUAL FINDINGS OR LEGAL REASONING, AND ANY PARTY'S RIGHT TO APPEAL OR TO SEEK MODIFICATION OF THE RULING BY THE ARBITRATORS IS STRICTLY LIMITED; AND

e. THE PANEL OF ARBITRATORS WILL TYPICALLY INCLUDE A MINORITY OF ARBITRATORS WHO WERE OR ARE AFFILIATED WITH THE SECURITIES INDUSTRY.

ACKNOWLEDGING THE PRECEDING DISCLOSURES, CUSTOMER AGREES THAT ANY AND ALL CONTROVERSIES WHICH MAY ARISE BETWEEN CUSTOMER AND ITG CONCERNING CUSTOMER ACCOUNTS, ANY TRANSACTION OR THE CONSTRUCTION, PERFORMANCE OR BREACH OF THIS OR ANY OTHER AGREEMENT BETWEEN CUSTOMER AND ITG, WHETHER ENTERED INTO ON, PRIOR OR SUBSEQUENT TO THE DATE HEREOF, SHALL BE DETERMINED BY ARBITRATION. ANY ARBITRATION UNDER THIS AGREEMENT SHALL BE DETERMINED BEFORE THE NASD OR AN EXCHANGE OF WHICH ITG IS A MEMBER IN ACCORDANCE WITH THE RULES OF THAT PARTICULAR REGULATORY AGENCY OR EXCHANGE THEN IN EFFECT. CUSTOMER MAY ELECT IN

THE FIRST INSTANCE WHETHER ARBITRATION SHALL BE BY THE NASD OR ANOTHER APPROPRIATE SPECIFIC NATIONAL SECURITIES EXCHANGE, BUT IF CUSTOMER FAILS TO MAKE SUCH ELECTION BY REGISTERED LETTER OR TELEGRAM WITHIN FIVE (5) DAYS AFTER CUSTOMER RECEIVES A WRITTEN REQUEST FROM ITG THAT CUSTOMER MAKES SUCH ELECTION, THEN ITG SHALL MAKE THE ELECTION AS TO THE ARBITRATION FORUM WHICH WILL HAVE JURISDICTION OVER THE DISPUTE. JUDGMENT UPON ARBITRATION AWARDS MAY BE ENTERED IN ANY COUNTY, STATE OR FEDERAL COURT, HAVING JURISDICTION.

No person shall bring a putative or certified class action to arbitration, nor seek to enforce any pre-dispute arbitration agreement against any person who has initiated in court a putative class action; or who is a member of a putative class who has not opted out of the class with respect to any claims encompassed by the putative class action until: (i) the class certification is denied; or (ii) the class is decertified; or (iii) the customer is excluded from the class by the court. Such forbearance to enforce an Agreement to arbitrate shall not constitute a waiver of any rights under this agreement except to the extent stated herein.

12. EQUITABLE RELIEF. Notwithstanding anything contained in Paragraph 11 to the contrary, ITG shall have the right to institute judicial proceedings against Customer or anyone acting by, through or under Customer in order to enforce ITG's rights hereunder through specific performance, injunction or similar equitable relief. In addition, Customer acknowledges and agrees that the obligations contained in Paragraphs 3 and 9 hereof are of special and unique character which give them peculiar value to ITG and ITG cannot be adequately compensated in damages in an action at law in the event Customer breaches such obligations. Customer therefore agrees that, in addition to any other remedies which ITG may possess, ITG shall be entitled to specific performance, injunctive or other equitable relief in the form of preliminary and permanent injunctions or other appropriate or similar equitable remedies, without bond or other security, in the event of an actual or threatened breach of said obligations by Customer, and Customer agrees in advance to waive its rights to contest ITG's pursuit of such remedies. Customer further agrees that the United States District Court for the Southern District of New York, or any state court located in New York, shall have jurisdiction to enter such specific performance, injunctive or other equitable relief as may be requested by ITG pursuant to this Paragraph. Customer hereby agrees to submit to, and not to contest, the jurisdiction of such state or Federal courts in connection with any suit brought by ITG to obtain such relief.

13. FILING OF FINANCING STATEMENTS. ITG or its affiliates may, at their option, file a financing statement with respect to the Hardware or the Software pursuant to the Uniform Commercial Code and, by executing this Agreement, Customer irrevocably appoints ITG as its attorney-in-fact in making such filing.

14. ASSIGNMENT: This Agreement and the license granted hereunder are personal in nature and may not be assigned by Customer without the prior written consent of ITG. Any attempt to sublicense, assign or transfer this Agreement or any of the rights, licenses, duties or obligations under this Agreement, whether by operation of law or otherwise, shall be null and void AB INITIO.

15. MISCELLANEOUS. A waiver or breach of any provision of this Agreement shall not be construed as a continuing waiver of other breaches of the same or other provisions of this Agreement. There are no prior representations, warranties or agreements between the parties not contained in this Agreement. All headings contained herein are for directory purposes only and are not part of this Agreement. This Agreement may be signed in any number of counterparts, all of which taken together shall constitute one and the same document. This Agreement shall be governed by the laws of the State of New York without giving effect to conflict of laws principles. The whole or partial invalidity of any provision of this Agreement shall not affect the validity of any other provision of this Agreement.

THIS AGREEMENT EXCLUDES ALL WARRANTIES, INCLUDING ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS IN PARAGRAPH 6 ON PAGE 3.

THIS AGREEMENT CONTAINS A PREDISPUTE ARBITRATION CLAUSE IN PARAGRAPH 11 ON PAGES 5-6.

BY SIGNING THIS AGREEMENT, YOU ACKNOWLEDGE THAT YOU HAVE RECEIVED A COPY OF IT.

ITG INC.

By:

Name:
Title:
Date:

[Insert Customer Name]

By:

Name:
Title:
Date:

Exhibit 21

Subsidiaries of the Company

ITG Inc.

EXHIBIT 23

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Investment Technology Group, Inc.:

We consent to incorporation by reference in the registration statements (No. 333-78309, No. 333-42725 and No. 333-26309) on Form S-8 of Investment Technology Group, Inc. of our report dated January 19, 2000, relating to the consolidated statements of financial condition of Investment Technology Group, Inc. and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1999, which report appears in the December 31, 1999 annual report on Form 10-K of Investment Technology Group, Inc.

/s/ KPMG LLP
New York, New York
March 28, 2000

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THE SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED STATEMENT OF FINANCIAL CONDITION AND THE CONSOLIDATED STATEMENT OF OPERATIONS AS OF DECEMBER 31, 1999 AND FOR THE YEAR THEN ENDED AND THE NOTES THERETO AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS FILED IN THE 1999 INVESTMENT TECHNOLOGY GROUP, INC. ANNUAL 10-K FILING.
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<EPS-BASIC>	1.48
<EPS-DILUTED>	1.42

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THE SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED STATEMENT OF FINANCIAL CONDITION AND THE CONSOLIDATED STATEMENT OF OPERATIONS AS OF DECEMBER 31, 1998 AND FOR THE YEAR THEN ENDED AND THE NOTES THERETO AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS FILED IN THE 1999 INVESTMENT TECHNOLOGY GROUP, INC. ANNUAL 10-K FILING.
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<RESTATED>
<MULTIPLIER> 1,000

<PERIOD-TYPE>	12-MOS
<FISCAL-YEAR-END>	DEC-31-1998
<PERIOD-START>	JAN-01-1998
<PERIOD-END>	DEC-31-1998
<CASH>	77,324
<RECEIVABLES>	24,849
<SECURITIES-RESALE>	0
<SECURITIES-BORROWED>	0
<INSTRUMENTS-OWNED>	40,615
<PP&E>	19,662
<TOTAL-ASSETS>	180,512
<SHORT-TERM>	0
<PAYABLES>	30,105
<REPOS-SOLD>	0
<SECURITIES-LOANED>	0
<INSTRUMENTS-SOLD>	288
<LONG-TERM>	0
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	310
<OTHER-SE>	143,399
<TOTAL-LIABILITY-AND-EQUITY>	180,512
<TRADING-REVENUE>	0
<INTEREST-DIVIDENDS>	3,635
<COMMISSIONS>	208,570
<INVESTMENT-BANKING-REVENUES>	0
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<INTEREST-EXPENSE>	20
<COMPENSATION>	51,462
<INCOME-PRETAX>	80,935
<INCOME-PRE-EXTRAORDINARY>	80,935
<EXTRAORDINARY>	0
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<NET-INCOME>	43,394
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<PERIOD-TYPE>	9-MOS	
<FISCAL-YEAR-END>		DEC-31-1998
<PERIOD-START>		JAN-01-1998
<PERIOD-END>		SEP-25-1998
<CASH>		97,702
<RECEIVABLES>		17,630
<SECURITIES-RESALE>		0
<SECURITIES-BORROWED>		0
<INSTRUMENTS-OWNED>		11,580
<PP&E>		19,270
<TOTAL-ASSETS>		166,652
<SHORT-TERM>		0
<PAYABLES>		35,666
<REPOS-SOLD>		0
<SECURITIES-LOANED>		0
<INSTRUMENTS-SOLD>		0
<LONG-TERM>		0
<PREFERRED-MANDATORY>		0
<PREFERRED>		0
<COMMON>		306
<OTHER-SE>		127,059
<TOTAL-LIABILITY-AND-EQUITY>		166,652
<TRADING-REVENUE>		0
<INTEREST-DIVIDENDS>		2,411
<COMMISSIONS>		147,578
<INVESTMENT-BANKING-REVENUES>		0
<FEE-REVENUE>		0
<INTEREST-EXPENSE>		8
<COMPENSATION>		36,962
<INCOME-PRETAX>		57,448
<INCOME-PRE-EXTRAORDINARY>		57,448
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		31,174
<EPS-BASIC>		1.07
<EPS-DILUTED>		1.02

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<PERIOD-TYPE>	6-MOS	
<FISCAL-YEAR-END>		DEC-31-1998
<PERIOD-START>		JAN-01-1998
<PERIOD-END>		JUN-26-1998
<CASH>		79,011
<RECEIVABLES>		15,877
<SECURITIES-RESALE>		0
<SECURITIES-BORROWED>		0
<INSTRUMENTS-OWNED>		11,416
<PP&E>		20,054
<TOTAL-ASSETS>		149,078
<SHORT-TERM>		0
<PAYABLES>		28,927
<REPOS-SOLD>		0
<SECURITIES-LOANED>		0
<INSTRUMENTS-SOLD>		0
<LONG-TERM>		0
<PREFERRED-MANDATORY>		0
<PREFERRED>		0
<COMMON>		303
<OTHER-SE>		114,448
<TOTAL-LIABILITY-AND-EQUITY>		149,078
<TRADING-REVENUE>		0
<INTEREST-DIVIDENDS>		1,679
<COMMISSIONS>		90,613
<INVESTMENT-BANKING-REVENUES>		0
<FEE-REVENUE>		0
<INTEREST-EXPENSE>		14
<COMPENSATION>		22,810
<INCOME-PRETAX>		31,717
<INCOME-PRE-EXTRAORDINARY>		31,717
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		17,290
<EPS-BASIC>		0.59
<EPS-DILUTED>		0.57

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<PERIOD-TYPE>	3-MOS	
<FISCAL-YEAR-END>		DEC-31-1998
<PERIOD-START>		JAN-01-1998
<PERIOD-END>		MAR-27-1998
<CASH>		64,460
<RECEIVABLES>		12,607
<SECURITIES-RESALE>		0
<SECURITIES-BORROWED>		0
<INSTRUMENTS-OWNED>		11,153
<PP&E>		18,753
<TOTAL-ASSETS>		126,940
<SHORT-TERM>		0
<PAYABLES>		21,989
<REPOS-SOLD>		0
<SECURITIES-LOANED>		0
<INSTRUMENTS-SOLD>		0
<LONG-TERM>		0
<PREFERRED-MANDATORY>		0
<PREFERRED>		0
<COMMON>		301
<OTHER-SE>		101,903
<TOTAL-LIABILITY-AND-EQUITY>		126,940
<TRADING-REVENUE>		0
<INTEREST-DIVIDENDS>		800
<COMMISSIONS>		40,587
<INVESTMENT-BANKING-REVENUES>		0
<FEE-REVENUE>		0
<INTEREST-EXPENSE>		13
<COMPENSATION>		10,585
<INCOME-PRETAX>		13,050
<INCOME-PRE-EXTRAORDINARY>		13,050
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		7,362
<EPS-BASIC>		0.25
<EPS-DILUTED>		0.24

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<PERIOD-TYPE>	12-MOS	
<FISCAL-YEAR-END>		DEC-31-1997
<PERIOD-START>		JAN-01-1997
<PERIOD-END>		DEC-31-1997
<CASH>		51,263
<RECEIVABLES>		11,367
<SECURITIES-RESALE>		0
<SECURITIES-BORROWED>		0
<INSTRUMENTS-OWNED>		11,293
<PP&E>		19,506
<TOTAL-ASSETS>		113,641
<SHORT-TERM>		0
<PAYABLES>		15,388
<REPOS-SOLD>		0
<SECURITIES-LOANED>		0
<INSTRUMENTS-SOLD>		3
<LONG-TERM>		0
<PREFERRED-MANDATORY>		0
<PREFERRED>		0
<COMMON>		300
<OTHER-SE>		93,463
<TOTAL-LIABILITY-AND-EQUITY>		113,641
<TRADING-REVENUE>		0
<INTEREST-DIVIDENDS>		2,659
<COMMISSIONS>		134,383
<INVESTMENT-BANKING-REVENUES>		0
<FEE-REVENUE>		0
<INTEREST-EXPENSE>		146
<COMPENSATION>		30,479
<INCOME-PRETAX>		47,260
<INCOME-PRE-EXTRAORDINARY>		47,260
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		26,917
<EPS-BASIC>		0.93
<EPS-DILUTED>		0.89