

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

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FILER

KNIGHT RIDDER INC

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

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 OR 15(d) of
The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): April 26, 2005

Knight-Ridder, Inc.

(Exact name of registrant as specified in its charter)

Florida
(State or other jurisdiction
of incorporation)

1-7553
(Commission File Number)

38-0723657
(IRS Employer
Identification No.)

50 W. San Fernando Street, Suite 1500, San Jose, California
(Address of principal executive offices)

95113
(Zip Code)

Registrant's telephone number, including area code: (408) 938-7700

Not applicable

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry into a Material Definitive Agreement.

On April 26, 2005, the shareholders of Knight-Ridder, Inc. (“we” or “the Company”) approved the amendment and restatement of the Company’s Employee Stock Option Plan as the “Knight-Ridder, Inc. Employee Equity Incentive Plan.” Our shareholders also approved an increase of 2.2 million shares of common stock reserved for issuance under that plan. A description of the material terms of the Knight-Ridder, Inc. Employee Equity Incentive Plan, as amended (the “2005 Plan”), follows:

Administration of the 2005 Plan. The 2005 Plan is administered by the Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) or by the Board acting as the Committee. The Committee has the authority to (i) interpret the 2005 Plan, (ii) establish and revise rules and regulations relating to the 2005 Plan, (iii) select individuals to receive awards, (iv) determine the vesting, exercisability, transferability and payment of awards, and (v) make any other determinations that it believes necessary or advisable for the administration of the 2005 Plan.

Duration. The 2005 Plan will terminate on April 27, 2015, unless terminated earlier by the Board.

Amendment; Termination. The Board may terminate or amend the 2005 Plan at any time. However, no amendment may be made without the approval of our shareholders to the extent approval is required by applicable law. In addition, no amendment that is detrimental to a 2005 Plan participant may be made to any outstanding award without the consent of the participant.

Eligibility. Employees and directors of the Company and its subsidiaries who are selected by the Committee may be granted awards under the 2005 Plan, provided that only employees may receive incentive stock options.

Awards. The awards that may be granted under the 2005 Plan include non-qualified and incentive stock options, restricted stock awards, stock bonus awards, stock appreciation rights (“SARs”), restricted stock units and cash performance rights.

Shares Subject to the 2005 Plan. A total of 45,400,000 shares have previously been granted or are available for grant and issuance under the 2005 Plan since approval of the original plan thirty-four years ago. Shares that are subject to: (a) issuance upon exercise of an option or SAR granted under the 2005 Plan but are not issued by reason of forfeiture of the option or SAR; (b) an award granted under the 2005 Plan but are forfeited or are repurchased by us at the original issue price; or (c) an award granted under the 2005 Plan that otherwise terminates without shares being issued, will return to the pool of shares available for grant and issuance under the 2005 Plan.

Limit on Awards under the 2005 Plan. No employee will be eligible to receive more than 300,000 shares under awards in the year of his or her hire or 200,000 shares annually thereafter. The maximum number of shares that may be issued under the 2005 Plan as restricted stock, stock bonuses, restricted stock units and cash performance rights is 1,160,000. The exercise price of stock options and the grant price of SARs may not be less than the fair market value of our common stock on the date of grant.

Performance-based Awards. The Committee may specify that the achievement of certain performance measures as described below will determine the degree of granting, vesting and/or payout with respect to awards that the Committee intends will qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code. The performance measures include (i) revenue and/or revenue growth; (ii) earnings before interest expense, income taxes, depreciation and amortization and/or earnings before interest expense, income taxes, depreciation and amortization growth; (iii) operating income and/or operating income growth; (iv) net income and/or net income growth; (v) earnings per share and/or earnings per share growth; (vi) total shareholder return and/or total shareholder return growth; (vii) return on equity; (viii) operating cash flow margin; (ix) adjusted operating cash flow margin; (x) economic value added; (xi) individual business objectives; and (xii) Company specific operational metrics.

Certain Corporate Transactions. The 2005 Plan provides that, upon a Corporate Transaction (as defined in the 2005 Plan), the successor corporation may assume or replace outstanding awards or provide substitute equivalent awards or substantially similar consideration to participants as was provided to shareholders. If the successor corporation, if any, refuses to assume or replace the awards, the awards will immediately vest as to 100% of the shares subject to and on such conditions as the Board determines. If a participant is terminated by the Company or any subsidiary without cause or resigns for good reason within one year from the date of the Corporate Transaction, then the vesting of all outstanding awards for such participant will accelerate in full as to 100% of the shares on the date of such termination.

Repricing Prohibited. Repricing or reducing the exercise price of a stock option or stock appreciation right without shareholder approval is prohibited.

Transferability. Awards generally will be non-transferable except upon a participant's death, although the Committee may allow a participant to transfer a nonqualified stock option award to an authorized transferee.

Tax Withholding. We may deduct or withhold, or require a participant to remit, an amount sufficient to satisfy federal, state, local, domestic or foreign taxes required by law or regulation to be withheld with respect to any taxable event arising as a result of the 2005 Plan. The withholding requirement may be satisfied, in whole or in part, by having us withhold, or by tendering to us, shares having a fair market value equal to the minimum withholding obligation.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
99.1	Knight-Ridder, Inc. Employee Equity Incentive Plan, as restated and amended by the Compensation Committee and Board of Directors on February 1, 2005 and approved by the Shareholders on April 26, 2005.

EXHIBIT INDEX

Exhibit Number	Name
99.1	Knight-Ridder, Inc. Employee Equity Incentive Plan, as restated and amended by the Compensation Committee and Board of Directors on February 1, 2005 and approved by the Shareholders on April 26, 2005.

KNIGHT-RIDDER, INC.

EMPLOYEE EQUITY INCENTIVE PLAN

**As Amended and Restated by the Compensation Committee
and Board of Directors on February 1, 2005 and
Approved by the Shareholders on April 26, 2005**

1. PURPOSE. The purpose of the Plan is to provide incentives to attract, retain and motivate eligible persons whose present and potential contributions are important to the success of the Company, its Parent or Subsidiaries by offering them an opportunity to participate in the Company's future performance through awards of Options, Restricted Stock, Stock Bonuses, Stock Appreciation Rights (SARs), Restricted Stock Units and Cash Performance Rights. Capitalized terms not defined in the text are defined in Section 25. In order to accomplish this purpose, the Company's Employee Stock Option Plan as in effect on the Restatement Effective Date (as defined below) is amended and restated as the Knight-Ridder, Inc. Employee Equity Incentive Plan.

2. SHARES SUBJECT TO THE PLAN.

2.1 Number of Shares Available. Subject to Sections 2.2 and 21, 45,400,000 Shares have previously been granted or are available for grant and issuance under the Plan. Shares that are subject to: (a) issuance upon exercise of an Option or SAR granted under this Plan but cease to be subject to the Option or SAR by reason of forfeiture of the Option; (b) an Award granted under this Plan but are forfeited or are repurchased by the Company at the original issue price; or (c) an Award granted under this Plan that otherwise terminates without Shares being issued, will return to the pool of Shares available for grant and issuance under this Plan. No more than 1,160,000 Shares may be made subject to Awards having an Exercise Price or Purchase Price per Share that is less than Fair Market Value on the date of grant. In order that ISOs may be granted under this Plan, no more than 45,400,000 shares shall be issued as ISOs. The Company may issue Shares which are authorized but unissued or treasury shares pursuant to the Awards granted under this Plan. At all times the Company will reserve and keep available a sufficient number of Shares to satisfy the requirements of all outstanding Options and SARs granted under the Plan and all other outstanding but unvested Awards granted under the Plan.

2.2 Adjustment of Shares. If the number of outstanding Shares is changed by a stock dividend, recapitalization, stock split, reverse stock split, subdivision, combination, reclassification or similar change in the capital structure of the Company, without consideration, then (a) the number of Shares reserved for issuance and future grant under the Plan set forth in Section 2.1, (b) the Exercise Prices of and number of Shares subject to outstanding Options and SARs, (c) the number of Shares subject to other outstanding Awards, (d) the 45,400,000 maximum number of shares that may be issued as ISOs set forth in Section 2.1; (e) the 300,000 and 200,000 maximum number of shares that may be issued to an individual in any one calendar year set forth in Section 3 and (f) the 1,160,000 Share limit on the aggregate number of Shares that may be made subject to Awards having an Exercise Price or Purchase Price per Share that is less than Fair Market Value on the date of grant, will be proportionately adjusted, subject to any required action by the Board or the stockholders of the Company and compliance with applicable securities laws; provided that fractions of a Share will not be issued but will either be replaced by

a cash payment equal to the Fair Market Value of such fraction of a Share or will be rounded up to the nearest whole Share, as determined by the Committee; and provided further that the Exercise Price of any Option may not be decreased to below the par value of the Shares.

3. ELIGIBILITY. ISOs may be granted only to employees (including officers and directors who are also employees) of the Company or of a Parent or a Subsidiary; provided that such Subsidiary is a corporation or partnership in an unbroken chain of corporations and/or partnerships beginning with the Company if, at the time of granting the ISO, each of the corporations and partnerships other than the last corporation or partnership in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in a corporation in such chain or at least a 50% partnership interest in such chain. All other Awards may be granted to employees, officers and directors of the Company or any Parent or Subsidiary. The Committee will from time to time determine and designate among the eligible persons who will be granted one or more Awards under the Plan. A person may be granted more than one Award under the Plan. However, no person will be eligible to receive more than 200,000 Shares issuable under Awards granted in any calendar year, other than new employees of the Company or of a Parent or Subsidiary (including new employees who are also officers and directors of the Company or any Parent or Subsidiary), who are eligible to receive up to a maximum of 300,000 Shares issuable under Awards granted in the calendar year in which they commence their employment.

4. ADMINISTRATION.

4.1 Committee Authority. The Plan shall be administered by the Committee or by the Board acting as the Committee. Subject to the general purposes, terms and conditions of the Plan, the Committee will have full power to implement and carry out the Plan. Without limiting the previous sentence, the Committee will have the authority to:

- (a) construe and interpret the Plan, any Award and any other agreement or document executed pursuant to the Plan;
- (b) prescribe, amend and rescind rules and regulations relating to the Plan or any Award, including determining the forms and agreements used in connection with the Plan and that are not inconsistent with the Plan or with any resolutions of the Committee relating to the Plan;
- (c) select persons to receive Awards;
- (d) determine the terms of Awards;
- (e) determine the number of Shares or other consideration subject to Awards;
- (f) determine whether Awards will be granted singly, in combination, or in tandem with, in replacement of, or as alternatives to, other Awards under the Plan or any other incentive or compensation plan of the Company or any Parent or Subsidiary;
- (g) grant waivers of Plan or Award conditions;

(h) determine the vesting, exercisability, transferability, and payment of Awards;

(i) correct any defect, supply any omission, or reconcile any inconsistency in the Plan, any Award or any Award documentation;

(j) determine whether an Award has been earned;

(k) amend the Plan; or

(l) make all other determinations necessary or advisable for the administration of the Plan.

4.2 Committee Interpretation and Discretion. Any determination made by the Committee with respect to any Award shall be made in its sole discretion at the time of grant of the Award or, unless in contravention of any express term of the Plan or Award, at any later time, and such determination shall be final and binding on the Company and all persons having an interest in any Award under the Plan. Any dispute regarding the interpretation of the Plan or any Award shall be submitted by the Participant or Company to the Committee for review. The resolution of such a dispute by the Committee shall be final and binding on the Company and Participant. The Committee may delegate to one or more Executive Officers, the authority to review and resolve disputes with respect to Awards held by Participants who are not Insiders, and such resolution shall be final and binding on the Company and Participant.

5. OPTIONS. The Committee may grant Options to Participants and will determine (a) whether the Options will be ISOs or NSOs; (b) the number of Shares subject to the Option, (c) the Exercise Price of the Option, (d) the period during which the Option may be exercised, (e) the exercisability of the Option and (f) all other terms and conditions of the Option, subject to the provisions of this Section 5 and the Plan.

5.1 Form of Option Grant. Each Option granted under the Plan will be evidenced by a Stock Option Agreement that will expressly identify the Option as an ISO or NSO. The Stock Option Agreement will be substantially in a form and contain such provisions (which need not be the same for each Participant) that the Committee has from time to time approved, and will comply with and be subject to the terms and conditions of the Plan.

5.2 Date of Grant. The date of grant of an Option will be the date on which the Committee makes the determination to grant the Option, unless a later date is otherwise specified by the Committee. The Stock Option Agreement and a copy of the Plan (plus any additional documents required to be delivered under applicable laws) will be delivered to the Participant within a reasonable time after the Option is granted. The Stock Option Agreement, Plan and other documents may be delivered in any manner (including electronic distribution or posting) that meets applicable legal requirements.

5.3 Exercise Period and Expiration Date. An Option will vest and become exercisable within the times or upon the occurrence of events determined by the Committee and set forth in the Stock Option Agreement governing such Option, subject to the provisions of Section 5.6, and subject to Company policies established by the Committee from time to time. The Committee may provide for Options to vest and become exercisable at one time or from time to time, periodically or otherwise (including, without limitation, upon the attainment during a

Performance Period of performance goals based on Performance Factors), in such number of Shares or percentage of Shares subject to the Option as the Committee determines. The Stock Option Agreement shall set forth the Expiration Date; provided that no Option will be exercisable after the expiration of ten (10) years from the date the Option is granted; and provided further that no ISO granted to a Ten Percent Stockholder will be exercisable after the expiration of five years from the date the Option is granted. Notwithstanding the foregoing, any Option granted less than one year before a Participant' s Retirement shall terminate immediately upon such Participant' s Retirement.

An Option may only be exercised by the personal representative of a Participant or an Authorized Transferee or by the person or persons to whom a Participant' s rights under the Option shall pass by such person' s will or by the laws of descent and distribution of the state of such person' s domicile at the time of death, and then only as and to the extent that such person was entitled to exercise the Option on the date of death.

5.4 Exercise Price. The Exercise Price of an Option will be determined by the Committee when the Option is granted and will not be less than the Fair Market Value of the Shares on the date of grant; provided that the Exercise Price of any ISO granted to a Ten Percent Stockholder will not be less than 110% of the Fair Market Value of the Shares on the date of grant. Payment for the Shares purchased must be made in accordance with Section 11 of the Plan and the Stock Option Agreement.

5.5 Procedures for Exercise. A Participant or Authorized Transferee may exercise Options by following the procedures established by the Company' s Stock Administration Department, as communicated and made available to Participants.

5.6 Termination.

(a) Vesting. Any Option granted to a Participant will cease to vest on the Participant' s Termination Date except as set forth in Section 5.6(b).

(b) Post-Termination Exercise Period. Following a Participant' s Termination, the Participant' s Option may be exercised to the extent vested as set forth below:

(i) Except as set forth in the Participant' s Stock Option Agreement and this Section 5.6, any Option may be exercised to the extent vested no later than 90 days after the Termination Date if a Participant is Terminated for any reason except Retirement, Disability or death, unless a longer time period, not exceeding five years, is specifically set forth in the Participant' s Stock Option Agreement; provided that no Option may be exercised after the Expiration Date of the Option.

(ii) In the event of Participant' s Retirement while in the employ of the Company or a Subsidiary, any Option granted one year or more prior to the Participant' s Retirement shall continue to vest and remain exercisable during such period of time as the Committee shall specify in the Stock Option Agreement either at the time of grant or by amendment, which period shall not exceed the first to expire of: (A) one (1) year after the date of such Retirement with respect to ISOs, (B) five (5) years after the date of such Retirement with respect to NSOs, and (C) the expiration of the term of such Option prescribed pursuant to Section 5.3.

(iii) In the event of a Participant's Disability or death while in the employ of the Company or a Subsidiary, or during the post-employment period referred to in the immediately preceding paragraph, any Option shall continue to vest and remain exercisable during such period of time as the Committee shall specify in the Stock Option Agreement, which period shall not exceed the first to expire of: (A) one (1) year after the date of such Disability or death with respect to ISOs, (B) five (5) years after the date of such Disability with respect to NSOs, (C) three (3) years after the date of such death in the case of NSOs, (D) the applicable post-Retirement period as set forth in the preceding paragraph and (E) the expiration of the term of such Option prescribed pursuant to Section 5.3.

5.7 Limitations on Exercise. The Committee may specify a reasonable minimum number of Shares that may be purchased on any exercise of an Option; provided that the minimum number will not prevent a Participant from exercising an Option for the full number of Shares for which it is then exercisable.

5.8 Limitations on ISOs. The aggregate Fair Market Value (determined as of the date of grant) of Shares with respect to which ISOs are exercisable for the first time by a Participant during any calendar year (under the Plan or under any other incentive stock option plan of the Company or any Parent or Subsidiary) shall not exceed \$100,000. If the Fair Market Value of Shares on the date of grant with respect to which ISOs are exercisable for the first time by a Participant during any calendar year exceeds \$100,000, the Options for the first \$100,000 worth of Shares to become exercisable in that calendar year will be ISOs, and the Options for the Shares with a Fair Market Value in excess of \$100,000 that become exercisable in that calendar year will be NSOs. If the Code is amended to provide for a different limit on the Fair Market Value of Shares permitted to be subject to ISOs, such different limit shall be automatically incorporated into the Plan and will apply to any Options granted after the effective date of the Code's amendment.

5.9 Notice of Disqualifying Dispositions of Shares Acquired on Exercise of an ISO. If a Participant sells or otherwise disposes of any Shares acquired pursuant to the exercise of an ISO on or before the later of (a) the date two years after the Date of Grant, and (b) the date one year after the exercise of the ISO (in either case, a "**Disqualifying Disposition**"), the Company may require the Participant to immediately notify the Company in writing of such Disqualifying Disposition.

5.10 Modification, Extension or Renewal. The Committee may modify, extend or renew outstanding Options and authorize the grant of new Options in substitution therefor; provided that any such action may not, without the written consent of Participant, impair any of Participant's rights under any Option previously granted; and provided, further that without stockholder approval, the modified, extended, renewed or new Option may not have a lower Exercise Price than the outstanding Option. Any outstanding ISO that is modified, extended, renewed or otherwise altered shall be treated in accordance with Section 424(h) of the Code. The Committee may reduce the Exercise Price of outstanding Options without the consent of Participants affected, by a written notice to them; provided, however, that unless prior stockholder approval is secured, the Exercise Price may not be reduced below that of the outstanding Option.

5.11 No Disqualification. Notwithstanding any other provision in the Plan, no term of the Plan relating to ISOs will be interpreted, amended or altered, and no discretion or authority granted under the Plan will be exercised, so as to disqualify the Plan under Section 422 of the Code or, without the consent of the Participant affected, to disqualify any ISO under Section 422 of the Code.

6. RESTRICTED STOCK AWARDS.

6.1 Awards of Restricted Stock. A Restricted Stock Award is an offer by the Company to sell to a Participant Shares that are subject to restrictions. The Committee will determine to whom an offer will be made, the number of Shares the person may purchase, the Purchase Price, the restrictions under which the Shares will be subject and all other terms and conditions of the Restricted Stock Award, subject to the following:

6.2 Restricted Stock Purchase Award. All purchases under a Restricted Stock Award will be evidenced by the Restricted Stock Award, which will be in substantially a form (which need not be the same for each Participant) that the Committee has from time to time approved, and will comply with and be subject to the terms and conditions of the Plan. A Participant accepts a Restricted Stock Award with full payment of the Purchase Price, within thirty days from the date the Restricted Stock Award was delivered to the Participant. If the Participant does not accept the Restricted Stock Award within thirty days, then the offer of the Restricted Stock Award will terminate, unless the Committee determines otherwise.. The Restricted Stock Award, Plan and other documents may be delivered in any manner (including electronic distribution or posting) that meets applicable legal requirements.

6.3 Purchase Price. The Purchase Price for a Restricted Stock Award will be determined by the Committee and, subject to the 1,160,000 Share limit of Section 2.1 hereof on the aggregate number of Shares that may be made subject to Awards having an Exercise Price or Purchase Price per Share that is less than Fair Market Value on the date of grant, may be less than Fair Market Value (but not less than the par value of the Shares) on the date the Restricted Stock Award is granted. Payment of the Purchase Price must be made in accordance with Section 11 of the Plan and the Restricted Stock Award, and in accordance with any procedures established by the Company and made available to Participants.

6.4 Terms of Restricted Stock Awards. Restricted Stock Awards will be subject to such restrictions as the Committee may impose. These restrictions may be based on completion of a specified number of years of service with the Company or upon completion of the performance goals based on Performance Factors during any Performance Period as set out in advance in the Participant' s Restricted Stock Award. Prior to the grant of a Restricted Stock Award, the Committee shall: (a) determine the nature, length and starting date of any Performance Period for the Restricted Stock Award; (b) select from among the Performance Factors to be used to measure performance goals, if any; and (c) determine the number of Shares that may be awarded to the Participant. Prior to the payment for Shares to be purchased under any Restricted Stock Award, the Committee shall determine the extent to which such Restricted Stock Award has been earned. Performance Periods may overlap and a Participant may participate simultaneously with respect to Restricted Stock Awards that are subject to different Performance Periods and having different performance goals and other criteria. Notwithstanding the foregoing, any Restricted Stock Award granted less than one year before a Participant' s Retirement shall terminate immediately upon such Participant' s Retirement.

6.5 Termination. Except as set forth in the Participant' s Restricted Stock Award, any Restricted Stock Award vesting will cease to vest on the Participant' s Termination Date.

7. STOCK BONUS AWARDS.

7.1 Awards of Stock Bonuses. A Stock Bonus Award is an award to a Participant of Shares (which may consist of Restricted Stock or Restricted Stock Units) for services to be rendered or for past services already rendered to the Company or any Parent or Subsidiary. All Stock Bonus Awards shall be made pursuant to a Stock Bonus Award, which shall be in substantially a form (which need not be the same for each Participant) that the Committee has from time to time approved, and will comply with and be subject to the terms and conditions of the Plan. No payment will be required for Shares awarded pursuant to a Stock Bonus Award. Stock Bonus Awards shall be subject to the 1,160,000 share limit of Section 2.1 hereof on the aggregate number of Shares that may be made subject to Awards having an Exercise Price or Purchase Price per Share that is less than the Fair Market Value on the date of grant.

7.2 Terms of Stock Bonus Awards. The Committee will determine the number of Shares to be awarded to the Participant under a Stock Bonus Award and any restrictions thereon. These restrictions may be based upon completion of a specified number of years of service with the Company or upon satisfaction of performance goals based on Performance Factors during any Performance Period as set out in advance in the Participant's Stock Bonus Award. If the Stock Bonus Award is to be earned upon the satisfaction of performance goals, the Committee shall: (a) determine the nature, length and starting date of any Performance Period for the Stock Bonus Award; (b) select from among the Performance Factors to be used to measure performance goals; and (c) determine the number of Shares that may be awarded to the Participant. Prior to the issuance of any Shares or other payment to a Participant pursuant to a Stock Bonus Award, the Committee will determine the extent to which the Stock Bonus Award has been earned. Performance Periods may overlap and a Participant may participate simultaneously with respect to Stock Bonus Awards that are subject to different Performance Periods and different performance goals and other criteria. The number of Shares may be fixed or may vary in accordance with such performance goals and criteria as may be determined by the Committee. The Committee may adjust the performance goals applicable to a Stock Bonus Award to take into account changes in law and accounting or tax rules and to make such adjustments as the Committee deems necessary or appropriate to reflect the impact of extraordinary or unusual items, events or circumstances to avoid windfalls or hardships. Notwithstanding the foregoing, any Stock Bonus Award granted less than one year before a Participant's Retirement shall terminate immediately upon such Participant's Retirement. The Stock Bonus Award, Plan and other documents may be delivered in any manner (including electronic distribution or posting) that meets applicable legal requirements.

7.3 Form of Payment to Participant. The Stock Bonus Award will be paid currently. Payment may be made in the form of cash, whole Shares, or a combination thereof, based on the Fair Market Value of the Shares earned under a Stock Bonus Award on the date of payment, either in a lump sum payment or in installments, all as the Committee determines.

7.4 Termination. Except as set forth in the Participant's Stock Bonus Award, any Stock Bonus Award vesting will cease to vest on the Participant's Termination Date.

8. STOCK APPRECIATION RIGHTS.

8.1 Awards of SARs. A Stock Appreciation Right ("**SAR**") is an award to a Participant that may be settled in cash, or Shares (which may consist of Restricted Stock), having a value equal to the value determined by multiplying the difference between the Fair Market

Value on the date of exercise over the Exercise Price and the number of Shares with respect to which the SAR is being settled. The SAR may be granted for services to be rendered or for past services already rendered to the Company, or any Parent or Subsidiary. All SARs shall be made pursuant to a SAR Agreement, which shall be in substantially a form (which need not be the same for each Participant) that the Committee has from time to time approved, and will comply with and be subject to the terms and conditions of this Plan. Notwithstanding the foregoing, any SAR granted less than one year before a Participant's Retirement shall terminate immediately upon such Participant's Retirement.

8.2 Terms of SARs. The Committee will determine the terms of a SAR including, without limitation: (a) the number of Shares deemed subject to the SAR; (b) the Exercise Price and the time or times during which the SAR may be settled; (c) the consideration to be distributed on settlement of the SAR; and (d) the effect on each SAR of the Participant's Termination. The Exercise Price of the SAR will be determined by the Committee when the SAR is granted and may not be less than Fair Market Value on the date of grant. A SAR may be awarded upon satisfaction of such performance goals based on Performance Factors during any Performance Period as are set out in advance in the Participant's individual SAR Agreement. If the SAR is being earned upon the satisfaction of performance goals, then the Committee will: (x) determine the nature, length and starting date of any Performance Period for each SAR; and (y) select from among the Performance Factors to be used to measure the performance, if any. Prior to settlement of any SAR earned upon the satisfaction of performance goals pursuant to a SAR Agreement, the Committee shall determine the extent to which such SAR has been earned. Performance Periods may overlap and Participants may participate simultaneously with respect to SARs that are subject to different performance goals and other criteria. The SAR Agreement, Plan and other documents may be delivered in any manner (including electronic distribution or posting) that meets applicable legal requirements.

8.3 Exercise Period and Expiration Date. A SAR will vest and become exercisable within the times or upon the occurrence of events determined by the Committee and set forth in the SAR Agreement governing such SAR. The SAR Agreement shall set forth Expiration Date; provided that no SAR will be exercisable after the expiration of ten (10) years from the date the SAR is granted. The Committee may also provide for SARs to vest and become exercisable at one time or from time to time, periodically or otherwise (including, without limitation, upon the attainment during a Performance Period of performance goals based on Performance Factors), in such number of Shares or percentage of the Shares subject to the SAR as the Committee determines.

8.4 Termination.

(a) Vesting. Any SAR granted to a Participant will cease to vest on the Participant's Termination Date except as set forth in Section 8.4(b).

(b) Post-Termination Exercise Period. Following a Participant's Termination, the Participant's SAR may be exercised to the extent vested as set forth below:

(i) Except as set forth in the Participant's SAR Agreement and this Section 8.4, any SAR may be exercised to the extent vested no later than 90 days after the Termination Date if a Participant is Terminated for any reason except Retirement, Disability or death, unless a longer time period not exceeding five years is specifically set forth in the Participant's SAR Agreement; provided that no SAR may be exercised after the Expiration Date of the SAR.

(ii) In the event of Participant' s Retirement while in the employ of the Company or a Subsidiary, any SAR granted one year or more prior to the Participant' s Retirement shall continue to vest and remain exercisable during such period of time as the Committee shall specify in the SAR Agreement either at the time of grant or by amendment, which period shall not exceed the first to expire of: (A) five (5) years after the date of such Retirement, and (B) the expiration of the term of such SAR prescribed pursuant to Section 8.3.

(iii) In the event of a Participant' s Disability or death while in the employ of the Company or a Subsidiary, or during the post-employment period referred to in the immediately preceding paragraph, the SARs theretofore granted to him shall continue to vest and remain exercisable during such period of time as the Committee shall specify in the SAR Agreement, which period shall not exceed the first to expire: (A) five (5) years after the date of such Disability, (B) three (3) years after the date of such death, (C) the applicable post-Retirement period as set forth in the preceding paragraph, and (D) the expiration of the term of said SAR prescribed pursuant to Section 8.3.

(iv) A SAR may only be exercised by the personal representative of a Participant or an Authorized Transferee or by the person or persons to whom a Participant' s rights under the SAR shall pass by such person' s will or by the laws of descent and distribution of the state of such person' s domicile at the time of death, and then only as and to the extent that such person was entitled to exercise the SAR on the date of death.

8.5 Form and Timing of Settlement. The portion of a SAR being settled shall be paid currently. Payment may be made in the form of cash or whole Shares or a combination thereof, either in a lump sum payment or in installments, as the Committee determines.

9. RESTRICTED STOCK UNITS

9.1 Awards of Restricted Stock Units. A Restricted Stock Unit ("**RSU**") is an award to a Participant covering a number of Shares that may be settled in cash, or by issuance of those Shares (which may consist of Restricted Stock) for services to be rendered or for past services already rendered to the Company or any Parent or Subsidiary. All RSUs shall be evidenced by an RSU Award, which shall be in substantially a form (which need not be the same for each Participant) that the Committee has from time to time approved, and will comply with and be subject to the terms and conditions of the Plan. RSUs are subject to the 1,160,000 share limit of Section 2.1 hereof on the aggregate number of Shares that may be made subject to Awards having an Exercise Price or Purchase Price per Share that is less than the Fair Market Value on the date of grant.

9.2 Terms of RSUs. The Committee will determine the terms of a RSU including, without limitation: (a) the number of Shares deemed subject to the RSU; (b) the time or times during which the RSU may be exercised; (c) the consideration to be distributed on settlement, and the effect on each RSU of the Participant' s Termination. A RSU may be awarded upon satisfaction of such performance goals based on Performance Factors during any Performance Period as are set out in advance in the Participant' s individual RSU Award. If the RSU is being earned upon satisfaction of performance goals, then the Committee will: (x) determine the nature, length and starting date of any Performance Period for the RSU; (y) select from among the Performance Factors to be used to measure the performance, if any; and (z) determine the number of Shares deemed subject to the RSU. Prior to settlement of any RSU

earned upon the satisfaction of performance goals pursuant to an RSU Award, the Committee shall determine the extent to which such RSU has been earned. Performance Periods may overlap and participants may participate simultaneously with respect to RSUs that are subject to different Performance Periods and different performance goals and other criteria. The number of Shares may be fixed or may vary in accordance with such performance goals and criteria as may be determined by the Committee. The Committee may adjust the performance goals applicable to the RSUs to take into account changes in law and accounting and to make such adjustments as the Committee deems necessary or appropriate to reflect the impact of extraordinary or unusual items, events or circumstances to avoid windfalls or hardships. Notwithstanding the foregoing, any RSU granted less than one year before a Participant's Retirement shall terminate immediately upon such Participant's Retirement. The RSU Award, Plan and other documents may be delivered in any manner (including electronic distribution or posting) that meets applicable legal requirements.

9.3 Form and Timing of Settlement. The portion of a RSU being settled shall be paid currently. To the extent permissible under law, the Committee may also permit a Participant to defer payment under a RSU to a date or dates after the RSU is earned provided that the terms of the RSU and any deferral satisfy the requirements of Section 409A of the Code and any regulations or rulings promulgated by the Internal Revenue Service. Payment may be made in the form of cash or whole Shares or a combination thereof, either in a lump sum payment or in installments, all as the Committee determines.

9.4 Termination. Except as set forth in the Participant's RSU Award, any RSU Award vesting will cease to vest on the Participant's Termination Date.

10. CASH PERFORMANCE RIGHTS.

10.1 Awards of Cash Performance Right. A Cash Performance Right is an award of a cash dollar amount that is payable in cash or Shares upon satisfaction of certain Performance Factors and subject to such performance conditions as may be specified by the Committee. The Committee may exercise its discretion to reduce the amounts payable under any Award subject to Performance Factors.

10.2 Awards of Cash Performance Right. Cash Performance Right Awards shall be subject to the 1,160,000 share limit of Section 2.1 hereof on the aggregate number of Shares that may be made subject to Awards having an Exercise Price or Purchase Price per Share that is less than the Fair Market Value on the date of grant. The Cash Performance Right Award, Plan and other documents may be delivered in any manner (including electronic distribution or posting) that meets applicable legal requirements.

10.3 Terms of Cash Performance Right. The Committee will determine the number of Shares to be awarded to the Participant under a Cash Performance Right Award and any restrictions thereon. These restrictions may be based upon completion of a specified number of years of service with the Company or upon satisfaction of performance goals based on Performance Factors during any Performance Period as set out in advance in the Participant's Cash Performance Right Award. If the Cash Performance Right Award is to be earned upon the satisfaction of performance goals, the Committee shall: (a) determine the nature, length and starting date of any Performance Period for the Cash Performance Right Award; (b) select from among the Performance Factors to be used to measure performance goals; and (c) determine the number of Shares that may be awarded to the Participant. Prior to the issuance of any Shares or other payment to a Participant pursuant to a Cash Performance Right Award, the Committee will

determine the extent to which the Cash Performance Right Award has been earned. Performance Periods may overlap and a Participant may participate simultaneously with respect to Cash Performance Right Awards that are subject to different Performance Periods and different performance goals and other criteria. The number of Shares may be fixed or may vary in accordance with such performance goals and criteria as may be determined by the Committee. The Committee may adjust the performance goals applicable to a Cash Performance Right Award to take into account changes in law and accounting or tax rules and to make such adjustments as the Committee deems necessary or appropriate to reflect the impact of extraordinary or unusual items, events or circumstances to avoid windfalls or hardships. Notwithstanding the foregoing, any Cash Performance Right granted less than one year before a Participant's Retirement shall terminate immediately upon such Participant's Retirement. The Cash Performance Right Award, Plan and other documents may be delivered in any manner (including electronic distribution or posting) that meets applicable legal requirements.

10.4 Form of Payment to Cash Performance Right Participant. The Cash Performance Right Award being settled will be paid currently. To the extent permissible under law, the Committee may also permit a Participant to defer payment under a Cash Performance Right Award to a date or dates after the Cash Performance Right Award is earned, provided that the terms of the Cash Performance Right and any deferred satisfy the requirements of Section 409A of the Code and any regulations promulgated by the Internal Revenue Service. Payment may be made in the form of cash, whole Shares, or a combination thereof, based on the Fair Market Value of the Shares earned under a Cash Performance Right Award on the date of payment, either in a lump sum payment or in installments, all as the Committee determines.

10.5 Termination. Except as set forth in the Participant's Cash Performance Right Award, any Cash Performance Right Award vesting will cease to vest on the Participant's Termination Date.

11. PAYMENT FOR SHARE PURCHASES.

11.1 Payment. Payment for Shares purchased pursuant to the Plan may be made by any of the following methods (or any combination of such methods) that are described in the applicable Award and that are permitted by law:

(a) in cash (by check);

(b) in the case of exercise by the Participant, Participant's guardian or legal representative or the authorized legal representative of Participants' heirs or legatees after Participant's death, by cancellation of indebtedness of the Company to the Participant;

(c) by surrender of shares of the Company's Common Stock that either: (1) were obtained by the Participant or Authorized Transferee in the public market; or (2) if the shares were not obtained in the public market, they have been owned by the Participant or Authorized Transferee for more than six months and have been paid for within the meaning of SEC Rule 144 (and, if the shares were purchased from the Company by use of a promissory note, the note has been fully paid with respect to the shares);

(d) in the case of exercise by the Participant, Participant's guardian or legal representative or the authorized legal representative of Participants' heirs or legatees after Participant's death, by waiver of compensation due or accrued to Participant for services rendered;

(e) by tender of property; or

(f) with respect only to purchases upon exercise of an Option, and provided that a public market for the Company's stock exists:

(i) through a "same day sale" commitment from the Participant or Authorized Transferee and an NASD Dealer meeting the requirements of the Company's "same day sale" procedures and in accordance with law; or

(ii) through a "margin" commitment from Participant or Authorized Transferee and an NASD Dealer meeting the requirements of the Company's "margin" procedures and in accordance with law.

11.2 Issuance of Shares. Upon payment of the applicable Purchase Price or Exercise Price (or a commitment for payment from the NASD Dealer designated by the Participant or Authorized Transferee in the case of an exercise by means of a "same-day sale" or "margin" commitment), and compliance with other conditions and procedures established by the Company for the purchase of shares, the Company shall issue the Shares registered in the name of Participant or Authorized Transferee (or in the name of the NASD Dealer designated by the Participant or Authorized Transferee in the case of an exercise by means of a "same-day sale" or "margin" commitment) and shall deliver certificates representing the Shares (in physical or electronic form, as appropriate). The Shares may be subject to legends or other restrictions as described in Section 15 of the Plan.

12. WITHHOLDING TAXES.

12.1 Withholding Generally. Whenever Shares are to be issued in satisfaction of Awards granted under the Plan, the Company may require the Participant to remit to the Company an amount sufficient to satisfy federal, state and local withholding tax requirements prior to the delivery of any certificate(s) for the Shares. If a payment in satisfaction of an Award is to be made in cash, the payment will be net of an amount sufficient to satisfy federal, state, and local withholding tax requirements.

12.2 Stock Withholding. When, under applicable tax laws, a Participant incurs tax liability in connection with the exercise or vesting of any Award that is subject to tax withholding and the Participant is obligated to pay the Company the amount required to be withheld, the Committee may, in its sole discretion, allow the Participant to satisfy the minimum withholding tax obligation by electing to have the Company withhold from the Shares to be issued that number of whole Shares having a Fair Market Value equal to the minimum amount required to be withheld, determined on the date that the amount of tax to be withheld is to be determined. All elections by a Participant to have Shares withheld for this purpose shall be made in accordance with the requirements established by the Committee and be in writing in a form acceptable to the Committee.

13. PRIVILEGES OF STOCK OWNERSHIP. No Participant or Authorized Transferee will have any rights as a stockholder of the Company with respect to any Shares until the Shares are issued to the Participant or Authorized Transferee. After Shares are issued to the Participant or Authorized Transferee, the Participant or Authorized Transferee will be a stockholder and have all the rights of a stockholder with respect to the Shares including the right to vote and receive all dividends or other distributions made or paid with respect to such Shares;

provided, that if the Shares are Restricted Stock, any new, additional or different securities the Participant or Authorized Transferee may become entitled to receive with respect to the Shares by virtue of a stock dividend, stock split or any other change in the corporate or capital structure of the Company will be subject to the same restrictions as the Restricted Stock; provided further, that the Participant or Authorized Transferee will have no right to retain such dividends or distributions with respect to Shares that are repurchased at the Participant's original Exercise Price or Purchase Price pursuant to Section 15.

14. TRANSFERABILITY. No Award and no interest therein, shall be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent and distribution, and no Award may be made subject to execution, attachment or similar process; provided, however that with the consent of the Committee a Participant may transfer a NSO to an Authorized Transferee. Transfers by the Participant for consideration are prohibited.

15. RESTRICTIONS ON SHARES. At the discretion of the Committee, the Company may reserve to itself and/or its assignee(s) in the Award documentation a right to repurchase all or a portion of a Participant's Shares that are not "Vested" (as defined in the Award documentation), following the Participant's Termination, at any time within ninety days after the later of (a) the Participant's Termination Date or (b) the date the Participant purchases Shares under the Plan, for cash or cancellation of purchase money indebtedness with respect to Shares, at the Participant's original Exercise Price or Purchase Price; provided that upon assignment of the right to repurchase, the assignee must pay the Company, upon assignment of the right to repurchase, cash equal to the excess of the Fair Market Value of the Shares over the original Purchase Price.

16. CERTIFICATES. All certificates for Shares or other securities delivered under the Plan (whether in physical or electronic form, as appropriate) will be subject to stock transfer orders, legends and other restrictions that the Committee deems necessary or advisable, including without limitation restrictions under any applicable federal, state or foreign securities law, or any rules, regulations and other requirements of the SEC or any stock exchange or automated quotation system on which the Shares may be listed.

17. ESCROW. To enforce any restrictions on a Participant's Shares, the Committee may require the Participant to deposit all certificates representing Shares, together with stock powers or other transfer instruments approved by the Committee, appropriately endorsed in blank, with the Company or an agent designated by the Company, to hold in escrow until such restrictions have lapsed or terminated, and the Committee may cause a legend or legends referencing such restrictions to be placed on the certificates.

18. SECURITIES LAW AND OTHER REGULATORY COMPLIANCE. An Award shall not be effective unless the Award is in compliance with all applicable state, federal and foreign securities laws, rules and regulations of any governmental body, and the requirements of any stock exchange or automated quotation system on which the Shares may then be listed, as they are in effect on the date of grant of the Award and also on the date of exercise or other issuance. Notwithstanding any other provision in the Plan, the Company shall have no obligation to issue or deliver certificates for Shares under the Plan prior to (a) obtaining any approvals from governmental agencies that the Company determines are necessary or advisable, and/or (b) completion of any registration or other qualification of such shares under any state, federal or foreign law or ruling of any governmental body that the Company determines to be necessary or advisable. The Company shall be under no obligation to register the Shares with the SEC or to

effect compliance with the registration, qualification or listing requirements of any state, federal or foreign securities laws, stock exchange or automated quotation system, and the Company shall have no liability for any inability or failure to do so.

19. NO OBLIGATION TO EMPLOY. Nothing in the Plan or any Award granted under the Plan shall confer or be deemed to confer on any Participant any right to continue in the employ of, or to continue any other relationship with, the Company or any Parent or Subsidiary or limit in any way the right of the Company or any Parent or Subsidiary to terminate Participant' s employment or other relationship at any time, with or without cause.

20. REPRICING PROHIBITED; EXCHANGE AND BUYOUT OF AWARDS. The repricing of Options or SARs is prohibited without prior stockholder approval. The Committee may, at any time or from time to time, authorize the Company, with prior stockholder approval, in the case of an Option or SAR exchange, and the consent of the respective Participants, to issue new Awards in exchange for the surrender and cancellation of any or all outstanding Awards. The Committee may at any time buy from a Participant an Option previously granted with payment in cash, Shares or other consideration, based on such terms and conditions as the Committee and the Participant shall agree.

21. CORPORATE TRANSACTIONS.

21.1 Assumption or Replacement of Awards by Successor. In the event of a Corporate Transaction any or all outstanding Awards may be assumed or replaced by the successor corporation, which assumption or replacement shall be binding on all Participants. In the alternative, the successor corporation may substitute equivalent Awards or provide substantially similar consideration to Participants as was provided to stockholders (after taking into account the existing provisions of the Awards). The successor corporation may also issue, in place of outstanding Shares of the Company held by the Participant, substantially similar shares or other property subject to repurchase restrictions no less favorable to the Participant. However, in the event a Participant is Terminated by the Company or any Subsidiary without Cause or a Resignation for Good Reason within one (1) year from the date of the Corporate Transaction, then the vesting of all outstanding Awards for such Participant will accelerate in full as to 100% of the Shares that are unvested on the date of such Termination. In the event such successor corporation, if any, refuses to assume or replace the Awards, as provided above, pursuant to a Corporate Transaction or if there is no successor corporation due to a dissolution or liquidation of the Company, such Awards shall immediately vest as to 100% of the Shares subject thereto at such time and on such conditions as the Board shall determine and the Awards shall expire at the closing of the transaction or at the time of dissolution or liquidation.

21.2 Other Treatment of Awards. Subject to any greater rights granted to Participants under Section 21.1, in the event of a Corporate Transaction, any outstanding Awards shall be treated as provided in the applicable agreement or plan of merger, consolidation, dissolution, liquidation or sale of assets.

21.3 Assumption of Awards by the Company. The Company, from time to time, also may substitute or assume outstanding awards granted by another company, whether in connection with an acquisition of such other company or otherwise, by either (a) granting an Award under the Plan in substitution of such other company' s award, or (b) assuming such award as if it had been granted under the Plan if the terms of such assumed award could be applied to an Award granted under the Plan. Such substitution or assumption shall be permissible if the holder of the substituted or assumed award would have been eligible to be granted an Award under the

Plan if the other company had applied the rules of the Plan to such grant. In the event the Company assumes an award granted by another company, the terms and conditions of such award shall remain unchanged (except that the exercise price and the number and nature of Shares issuable upon exercise of any such option will be adjusted appropriately pursuant to Section 424(a) of the Code). In the event the Company elects to grant a new Option rather than assuming an existing option, such new Option may be granted with a similarly adjusted Exercise Price.

22. TERM OF PLAN. The Plan will terminate ten years following the Restated Effective Date.

23. AMENDMENT OR TERMINATION OF PLAN. The Board may at any time terminate or amend the Plan in any respect, including without limitation amendment of any form of Award documentation or instrument to be executed pursuant to the Plan. Notwithstanding the foregoing, neither the Board nor the Committee shall, without the approval of the stockholders of the Company, amend the Plan in any manner that requires such stockholder approval pursuant to the Code or the regulations promulgated thereunder as such provisions apply to ISO plans, or pursuant to the Exchange Act or any rule promulgated thereunder. In addition, no amendment that is detrimental to a Participant may be made to any outstanding Award without the consent of the Participant.

24. NONEXCLUSIVITY OF THE PLAN; UNFUNDED PLAN. Neither the adoption of the Plan by the Board, the submission of the Plan to the stockholders of the Company for approval, nor any provision of the Plan shall be construed as creating any limitations on the power of the Board to adopt such additional compensation arrangements as it may deem desirable, including, without limitation, the granting of stock options and bonuses otherwise than under the Plan, and such arrangements may be either generally applicable or applicable only in specific cases. The Plan shall be unfunded. Neither the Company nor the Board shall be required to segregate any assets that may at any time be represented by Awards made pursuant to the Plan. Neither the Company, the Committee, nor the Board shall be deemed to be a trustee of any amounts to be paid under the Plan.

25. DEFINITIONS. As used in the Plan, the following terms shall have the following meanings:

(a) “Authorized Transferee” means the permissible recipient, as authorized by this Plan and the Committee, of an NSO that is transferred during the Participant’s lifetime by the Participant by gift or domestic relations order. For purposes of this definition a “permissible recipient” is: (i) a child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of the Participant, including any such person with such relationship to the Participant by adoption; (ii) any person (other than a tenant or employee) sharing the Participant’s household; (iii) a trust in which the persons in (i) or (ii) have more than fifty percent of the beneficial interest; (iv) a foundation in which the persons in (i) or (ii) or the Participant control the management of assets; or (v) any other entity in which the person in (i) or (ii) or the Participant own more than fifty percent of the voting interest.

(b) “Award” means any award under the Plan, including any Option, Restricted Stock, Stock Bonus, Stock Appreciation Right, Restricted Stock Unit or Cash Performance Right.

(c) “Board” means the Board of Directors of the Company.

(d) "Cash Performance Right" means an Award granted pursuant to Section 10 of the Plan.

(e) "Cash Performance Right Award" means an agreement evidencing a Cash Performance Right granted pursuant to Section 10 of the Plan.

(f) "Cause" means termination of the Participant's employment on the basis of the Participant's conviction (or a plea of *nolo contendere*) of fraud, misappropriation, embezzlement or any other act or acts of dishonesty constituting a felony and resulting or intended to result directly or indirectly in a substantial gain or personal enrichment to the Participant at the expense of the Company or any Subsidiary. Notwithstanding the foregoing, the Participant shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to the Participant a copy of a resolution (i) duly adopted by three-quarters (3/4) of the entire membership of the Committee, or of the Board, at a meeting called and held for such purpose after reasonable notice to the Participant and an opportunity for the Participant, together with the Participant's counsel, to be heard before such Committee or Board, as the case may be, and (ii) finding that in the good faith opinion of such Committee or Board, as the case may be, the Participant was guilty of conduct described in the preceding sentence of this subparagraph and specifying the particulars of such conduct in detail.

(g) "Code" means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

(h) "Committee" means the Compensation Committee of the Board or such other committee appointed by the Board to administer the Plan, or if no committee is appointed, the Board. Each member of the Committee shall be (i) a "non-employee director" for purposes of Section 16 and Rule 16b-3 of the Exchange Act, and (ii) an "outside director" for purposes of Section 162(m) of the Code, unless the Board has fewer than two such outside directors.

(i) "Company" means Knight-Ridder, Inc., a corporation organized under the laws of the State of Florida, or any successor corporation.

(j) "Corporate Transaction" means (i) the consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if more than 65% of the combined voting power of the continuing or surviving entity's securities outstanding immediately after such merger, consolidation or other reorganization is owned by persons who were not stockholders of the Company immediately prior to such merger, consolidation or other reorganization; (ii) the sale, transfer or other disposition of all or substantially all of the Company's assets; (iii) a change in the composition of the Board of the Company, as a result of which fewer than one-half of the incumbent directors are directors who either (a) had been directors of the Company on the date 24 months prior to the date of the event that may constitute a Corporate Transaction (the "original directors") or (b) were elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the aggregate of the original directors who were still in office at the time of the election or nomination and the directors whose election or nomination was previously so approved; or (iv) any transaction as a result of which any person is the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing at least 20% of the total voting power represented by the Company's then outstanding voting securities. For purposes of this subparagraph, the term "person" shall have the same meaning as when used in sections 13(d) and 14(d) of the Exchange Act but shall exclude: (A) trustee or other

fiduciary holding securities under an employee benefit plan of the Company or a subsidiary of the Company; and (B) corporation owned directly or indirectly by the shareholders of the Company in substantially the same proportions as their ownership of the common stock of the Company. A transaction shall not constitute a Corporate Transaction if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transactions.

(k) "Disability" means a disability within the meaning of Section 22(e)(3) of the Code, as determined by the Committee.

(l) "Exchange Act" means the Securities Exchange Act of 1934, as amended, and the regulations promulgated thereunder.

(m) "Executive Officer" means a person who is an "executive officer" of the Company as defined in Rule 3b-7 promulgated under the Exchange Act.

(n) "Exercise Price" means the price at which a Participant who holds an Option or SAR may purchase the Shares issuable upon exercise of the Option or SAR.

(o) "Expiration Date" means the last date on which an Option or SAR may be exercised as determined by the Committee.

(p) "Fair Market Value" means, as of any date, the value of a share of the Company's Common Stock determined as follows:

(i) if such Common Stock is then quoted on the New York Stock Exchange, its high-low average price on the New York Stock Exchange on such date;

(ii) if such Common Stock is publicly traded and is then listed on a national securities exchange, the last reported sale price on such date or, if no such reported sale takes place on such date, the average of the closing bid and asked prices on the principal national securities exchange on which the Common Stock is listed or admitted to trading;

(iii) if such Common Stock is publicly traded but is not quoted on the New York Stock Exchange nor listed or admitted to trading on a national securities exchange, the average of the closing bid and asked prices on such date, as reported by The Wall Street Journal, for the over-the-counter market; or

(iv) if none of the foregoing is applicable, by the Board of Directors in good faith.

(q) "Insider" means an officer or director of the Company or any other person whose transactions in the Company's Common Stock are subject to Section 16 of the Exchange Act.

(r) "ISO" means an Incentive Stock Option within the meaning of the Code.

(s) “NSO” means a nonqualified stock option that does not qualify as an ISO.

(t) “Option” means an Award pursuant to Section 5 of the Plan.

(u) “Parent” means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if at the time of the granting of an Award under the Plan, each of such corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain or such lesser percentage as determined by the Committee.

(v) “Participant” means a person who receives an Award under the Plan.

(w) “Performance Factors” means the factors selected by the Committee from among the following measures (whether or not in comparison to other peer companies) to determine whether the performance goals established by the Committee and applicable to Awards have been satisfied:

(i) Net revenue and/or net revenue growth;

(ii) Earnings before income taxes and amortization and/or earnings before income taxes and amortization growth;

(iii) Operating income and/or operating income growth;

(iv) Net income and/or net income growth;

(v) Earnings per share and/or earnings per share growth;

(vi) Total stockholder return and/or total stockholder return growth;

(vii) Return on equity;

(viii) Operating cash flow return on income;

(ix) Adjusted operating cash flow return on income;

(x) Economic value added;

(xi) Individual business objectives; and

(xii) Company specific operational metrics.

(x) “Performance Period” means the period of service determined by the Committee, not to exceed five years, during which years of service or performance is to be measured for the Award.

(y) “Plan” means this Knight-Ridder, Inc. Amended and Restated Employee Equity Incentive Plan, as amended from time to time.

(z) "Purchase Price" means the price to be paid for Shares acquired under the Plan, other than Shares acquired upon exercise of an Option.

(aa) "Resignation for Good Reason" means the Participant's resignation due to (i) a material diminution of Participant's duties without Participant's consent, (ii) a diminution of Participant's base salary in effect immediately prior to a Corporate Transaction, or (iii) a requirement that Participant's commute distance increase by more than fifty (50) miles without Participant's consent.

(bb) "Restatement Effective Date" means the date this amendment and restatement is approved by stockholders of the Company.

(cc) "Restricted Stock Award" means an award of Shares pursuant to Section 6 of the Plan.

(dd) "Restricted Stock Unit" means an Award granted pursuant to Section 9 of the Plan.

(ee) "RSU Award" means an agreement evidencing a Restricted Stock Unit Award granted pursuant to Section 9 of the Plan.

(ff) "SAR Agreement" means an agreement evidencing a Stock Appreciation Right granted pursuant to Section 8 of the Plan.

(gg) "SEC" means the Securities and Exchange Commission.

(hh) "Securities Act" means the Securities Act of 1933, as amended, and the regulations promulgated thereunder.

(ii) "Shares" means shares of the Company's Common Stock reserved for issuance under the Plan, as adjusted pursuant to Sections 2 and 21, and any successor security.

(jj) "Stock Appreciation Right" means an Award granted pursuant to Section 8 of the Plan.

(kk) "Stock Bonus" means an Award granted pursuant to Section 7 of the Plan.

(ll) "Stock Option Agreement" means the agreement which evidences a Stock Option, granted pursuant to Section 5 of the Plan.

(mm) "Subsidiary" means any entity directly or indirectly controlled by the Company, as determined by the Committee.

(nn) "Ten Percent Stockholder" means any person who directly or by attribution owns more than ten percent of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary.

(oo) "Termination" or "Terminated" means, for purposes of the Plan with respect to a Participant, that the Participant has ceased to provide services as an employee or director of the Company or a Parent or Subsidiary; provided that a Participant shall not be deemed to be Terminated if the Participant is on a leave of absence approved by the Committee or by an officer of the Company designated by the Committee; and provided further, that during any approved leave of absence, vesting of Awards shall be suspended or continue in accordance with guidelines established from time to time by the Committee. Subject to the foregoing, the Committee shall have sole discretion to determine whether a Participant has ceased to provide services and the effective date on which the Participant ceased to provide services (the "**Termination Date**").