

JOHNSON CONTROLS INC  
Form 425  
February 05, 2016

Filed by Tyco International plc  
pursuant to Rule 425 under the Securities Act of 1933  
and deemed filed pursuant to Rule 14a-12  
under the Securities Exchange Act of 1934  
Subject Company: Johnson Controls, Inc.

SEC File No.: 001-05097

Date: February 4, 2016

**Explanatory Note: The following presentation was distributed at an industry conference.**







































ting our stock. Shares used to make grants may be issued directly by us or purchased on the open market and then transferred to participants by us.

**TYPES OF GRANTS AVAILABLE UNDER THE 2005 PLAN** The following types of grants are available under the 2005 Plan: Incentive stock options; Nonqualified stock options; Stock appreciation rights; Stock appreciation rights; Stock Awards; and Restricted Stock Units.

**28 STOCK OPTIONS** The 2005 Plan provides for the award of incentive stock options and nonqualified stock options, which provide the option holder with the right to purchase shares of our common stock at a specified exercise price during a specified period of time. Nonqualified stock options may be awarded to anyone eligible to participate in the 2005 Plan. Only our employees or the employees of any subsidiaries are eligible to receive incentive stock options. Under the 2005 Plan, the exercise price of nonqualified and incentive stock options must be equal to or greater than the fair market value of a share of our stock on the date of grant. Only \$100,000 of any incentive stock options (based on the fair market value of the stock on the date(s) of grant) may first become exercisable by an employee during any calendar year. In other words, the aggregate amount of all incentive stock options granted under all of our plans that first become exercisable by an employee in any calendar year may not exceed \$100,000. Any options that exceed this limit must be nonqualified stock options. In addition, if an employee who receives an incentive stock option owns more than 10% of the voting power of our stock or the stock of a subsidiary, the exercise price must be at least equal to 110% of the fair market value of our stock on the date of grant, and the option term may not be longer than five years. See "Federal Income Tax Consequences" below, which includes a discussion regarding the tax differences between a nonqualified stock option and an incentive stock option.

**OPTION TERMS.** Each grant under the 2005 Plan will be accompanied by a grant instrument. The grant instrument will describe the type and number of grants that the option holder has been awarded and the terms and restrictions applicable to the grant. The grant instrument for an option will describe when the option will become exercisable.

**EXERCISE OF OPTIONS.** The exercise term of each option will be determined by the Compensation and Stock Option Committee and set forth in the applicable grant instrument. The term of an option may not exceed ten years; provided, however, if an option holder owns more than 10% of the voting power of our stock or the stock of a subsidiary, an incentive stock option may not have a term that exceeds five years from the date of grant. The Compensation and Stock Option Committee may accelerate the exercisability of options awarded under the 2005 Plan at any time for any reason. An option holder may pay the exercise price, as specified in the applicable grant instrument (i) in cash, (ii) through a broker by having a broker sell our stock simultaneously with the exercise of the option, or (iii) by such other method of payment as the Compensation and Stock Option Committee may approve.

**TERMINATION.** Unless the Compensation and Stock Option Committee determines otherwise or an option expires by its terms within a shorter period, if an option holder ceases to be employed by, or provide service to, the Company for any reason other than death, disability or termination for misconduct, the option holder will have 90 days from the date of termination to exercise any vested options. If an option holder is terminated for misconduct, the option holder will have 30 days from the date of 29 termination to exercise any vested options. Unless the Compensation and Stock Option Committee determines otherwise or an option expires by its terms within a shorter period, if an option holder ceases to be employed by, or provide services to, us on account of (i) disability, or (ii) death (during the term of service or within 90 days thereafter for reasons other than termination for misconduct), the

option holder will have one year from the termination date to exercise any vested options. If an option holder dies while employed by, or providing services to, the Company, all of the unexercised outstanding options of the person shall become immediately exercisable. Unless the Compensation and Stock Option Committee determines otherwise, all options that have not become exercisable on the date on which an option holder ceases to be employed by, or provide service to, us will terminate. To the extent a company sponsored plan, policy or agreement provides for a longer exercise period, that exercise period shall apply in lieu of the exercise periods summarized in this paragraph.

**STOCK APPRECIATION RIGHTS (SARS)** SARS give the recipient the right to receive the appreciation in the value of our stock over a specified period of time. SARS which shall be settled in shares of our stock shall be counted in full against the number of shares available for award under the 2005 Plan, regardless of the number of shares of stock issued upon the exercise and settlement of the SAR. The Compensation and Stock Option Committee may grant SARS separately or in tandem with any option. Tandem SARS may be granted either at the time the option is granted or at any time while the option remains outstanding; however, with respect to incentive stock options, tandem SARS may be granted only at the time of grant. When an option is exercised, any SARS relating to the stock covered by such option will terminate. When a tandem SAR is exercised, the related option will terminate to the extent of an equal number of shares of our stock. Value. When a SAR is exercised, the holder will receive an amount of our stock equal to the amount by which the fair market value of the underlying stock on the date of exercise exceeds the base amount of the SAR. Unless the Compensation and Stock Option Committee determines otherwise, the base amount of each SAR will be equal to the per share exercise price of the related option, or, if there is no related option, the fair market value of a share of our stock as of the date of grant of the SAR. Terms. SARS are exercisable and are subject to vesting and other restrictions as specified in the applicable grant instrument. The Compensation and Stock Option Committee may accelerate the exercisability of all or any outstanding SARS at any time for any reason.

**TERMINATION.** Unless the Compensation and Stock Option Committee determines otherwise or a SAR expires by its terms within a shorter period, SARS will terminate on the same terms as discussed above with respect to options.

**30 STOCK AWARDS** Stock awards are a grant of our stock that is subject to restrictions or no restrictions, as set forth in the grant instrument. The Compensation and Stock Option Committee will determine whether stock awards will be granted, the type of award (including without limitation, stock grants and restricted stock units), the number of shares that will be awarded, any restrictions applicable to the stock awards and when and how the restrictions will lapse. Until the restrictions lapse, stock awards cannot be sold, assigned, transferred, pledged or otherwise disposed of. Unless the Compensation and Stock Option Committee determines otherwise, if employment or service terminates while stock awards are subject to restrictions, any shares whose restrictions have not yet lapsed will be forfeited and returned to us.

**QUALIFIED PERFORMANCE-BASED COMPENSATION.** The Compensation and Stock Option Committee may determine that stock awards will be granted as qualified performance-based compensation for tax purposes. The Internal Revenue Code limits a company's ability to deduct compensation for each of its five highest paid executives in excess of \$1 million per year. The Internal Revenue Code provides an exception to this limit if the compensation is designated as qualified performance-based compensation. If the Compensation and Stock Option Committee grants stock awards that are intended to be qualified performance-based compensation, the Company must meet specified performance goals, designated by the Compensation and Stock Option Committee, in order for the qualified performance-based compensation to be payable. The Compensation and Stock Option Committee will establish the performance goals for qualified performance-based compensation, the performance period during which the goals must be met, the threshold, target and maximum amounts that may be paid if the performance goals are met, and any other conditions deemed appropriate and consistent with the 2005 Plan and legal requirements. The Compensation and Stock Option Committee will establish the performance goals for qualified performance-based compensation in writing at the beginning of the performance period, or during a period that is no later than the earlier of either 90 days after the beginning of the performance period, or the date on which 25% of the performance period has been completed, or such other date that is permitted under the Internal Revenue Code. The performance goals will be based on objective criteria such as stock price, earnings per share, net earnings, operating earnings, return on assets, stockholder return, return on equity, growth in assets, unit volume, sales, market share, or strategic business criteria based on our meeting specific revenue goals, market penetration goals, geographic business expansion goals, cost targets, or goals relating to acquisitions or divestitures. The performance goal results will be announced for each performance period immediately following the announcement of our financial results for the performance period. If the performance goals for a performance period are not met, the grants subject to the performance goals will be

forfeited. **RESTRICTED STOCK UNITS** Restricted stock units provides a grant that represents the right of the holder to receive an amount of cash or Company stock based upon a value of the restricted stock unit, if performance goals are met or upon a vesting schedule. A restricted stock unit shall be based upon the fair market value of a share of Company stock or such other measurement base as the Compensation and Stock Option Committee deems appropriate. **31 CHANGE IN CONTROL** If a change of control (as defined in the 2005 Plan) occurs, where the Company is not the survivor corporation, unless the Company determines otherwise, (i) all outstanding options and SARs that are not exercised shall be assumed by, or replaced by the surviving corporation, and outstanding stock awards and restricted stock units shall be converted to stock awards and restricted stock units of the surviving corporation. In addition, any of the following actions may occur (i) outstanding options and SARs shall accelerate and become exercisable in whole or in part, (ii) the restrictions and conditions on all outstanding stock awards and restricted stock units shall lapse, in whole or in part, (iii) option holders shall be required to surrender their outstanding options and SARs in exchange for a payment in cash or stock, in an amount equal to the amount by which the fair market value of the shares of Company stock subject to the option exceeds the exercise price of the options or the base amount exceeds the unexercised SAR, (iv) after giving option holders an opportunity to exercise their outstanding options and SARs all outstanding options and SARs shall terminate as of the date of the change of control or such other date as specified. **TRANSFERABILITY** Generally, grants are not transferable except upon death. Grants may only be exercised during the lifetime of the recipient and may not be transferred except by will, through the laws of descent and distribution or, in the case of grants other than incentive stock options, pursuant to a domestic relations order, if permitted by the Compensation and Stock Option Committee. However, the Compensation and Stock Option Committee may permit the transfer of nonqualified stock options to family members or a trust or other entity established for the benefit of family members. **AMENDMENT** The Plan may be amended by our Board of Directors at any time. However, the stockholders must approve any amendment for which stockholder approval is required under applicable provisions of the Internal Revenue Code or under applicable exchange requirements. **FEDERAL INCOME TAX CONSEQUENCES** The current United States federal income tax treatment of options and stock awards under the 2005 Plan is generally described below. This description of tax consequences is not a complete description. There may be different income tax consequences under certain circumstances, and there may be gift and estate tax consequences. Local, state and other taxing authorities may also tax grants under the 2005 Plan. Tax laws are subject to change. Each award holder should consult with their personal tax advisor concerning the application of the general principles discussed below to their own situation and the application of other tax laws. The 2005 Plan is not subject to the Employee Retirement Income Security Act of 1974 and is not a tax-qualified plan under Section 401 of the Internal Revenue Code. **32 NONQUALIFIED STOCK OPTIONS.** There generally are no federal income tax consequences upon the grant of a nonqualified stock option. Upon the exercise of a nonqualified stock option, the recipient will recognize ordinary income in an amount equal to the difference between the exercise price and the fair market value on the date of exercise. Any gain or loss realized on disposition of shares purchased upon the exercise of a nonqualified stock option will be treated as a capital gain or loss for federal income tax purposes. The capital gain tax rate will depend on the length of time the participant holds the shares and other factors. We generally will be entitled to a corresponding federal income tax deduction. If a participant surrenders shares underlying a nonqualified stock option to pay the exercise price, such person will recognize no gain or loss on the surrendered shares, and the basis and holding period for the surrendered shares will continue to apply to that number of new shares equal to the surrendered shares. To the extent that the number of shares received upon the exercise of the option exceeds the number surrendered, the fair market value of the excess shares on the date of exercise, reduced by any cash paid by participant upon exercise, will be includible in gross income. The basis in the excess shares will equal the sum of the cash paid upon the exercise of the stock option plus any amount included in the exercising person's gross income as a result of the exercise. **INCENTIVE STOCK OPTIONS.** There generally are no federal income tax consequences upon the grant of an incentive stock option. A recipient will not recognize income for purposes of the regular federal income tax upon the exercise of an incentive stock option. However, for purposes of the alternative minimum tax, in the year in which an incentive stock option is exercised, the amount by which the fair market value of the shares acquired upon exercise exceeds the exercise price will be included in alternative minimum taxable income. Income will be recognized upon the sale of stock acquired upon exercise of an incentive stock option. If the shares acquired upon exercise of an incentive stock option are disposed after two years from the date the option was granted and after one year from the date the shares were transferred upon the exercise of the option, the person will recognize long-term

capital gain or loss in the amount of the difference between the amount realized on the sale and the exercise price. We will not be entitled to any corresponding tax deduction. If a participant disposes of shares acquired upon exercise of an incentive stock option before satisfying both holding period requirements (a disqualifying disposition), the gain recognized on the disposition will be taxed as ordinary income to the extent of the difference between the fair market value of the shares on the date of exercise (or the amount realized on the disposition, if less) and the exercise price, and generally, we will be entitled to a deduction in that amount. The gain, if any, in excess of the amount recognized as ordinary income will be long-term or short-term capital gain, depending upon the length of time the participant held the shares before the disposition. If a participant surrenders shares received upon the exercise of a prior incentive stock option to pay the exercise price of any option within either the two-year or one-year holding periods described above, the disqualifying disposition of the shares used to pay the exercise price will result in income (or loss) to the participant and, to the extent of recognized income, a tax deduction to us. If a participant surrenders the shares after the holding period requirements are met, or if a participant surrenders shares that were not received upon the exercise of an incentive stock option, the participant will recognize no gain or loss on the surrendered shares, and the basis and the holding period for the surrendered shares will continue to apply to that number of new shares that is equal to the surrendered shares. The holding period for purposes of determining whether a participant has a disqualifying disposition for the new shares when they sell the shares will begin on the date the shares were exercised. To the extent that the number of shares received exceeds the number of shares surrendered, the basis in the excess shares will equal the amount of cash, if any, paid for such excess shares and the holding period with respect to the excess shares will begin on the date the shares were exercised.

**STOCK APPRECIATION RIGHTS.** There generally are no federal income tax consequences upon the grant of a SAR. Upon exercise of a SAR, the participant will recognize ordinary income equal to the fair market value of any shares received. We generally will be entitled to a corresponding federal income tax deduction at the time of exercise of the SAR. When a participant sells any shares acquired by the exercise of a SAR, he or she will have capital gain or loss in an amount equal to the difference between the amount realized upon the sale and the adjusted tax basis in the shares (the amount of ordinary income recognized at the time of exercise of the SAR).

**STOCK AWARDS.** If a participant receives restricted stock awards, he or she generally will not recognize taxable income, and we will not be entitled to a deduction, until the stock is transferable or no longer subject to a substantial risk of forfeiture for federal tax purposes, whichever occurs earlier. When the stock is either transferable or is no longer subject to a substantial risk of forfeiture, the participant will recognize ordinary income in an amount equal to the fair market value of the shares (less any amounts paid for the shares) at that time, and generally, we will be entitled to a deduction in the same amount. However, a participant may elect to recognize ordinary income in the year when the restricted stock awards are granted in an amount equal to the fair market value of the shares subject to the award (less any amounts paid for such shares) at that time, determined without regard to any restrictions. In that event, we generally will be entitled to a corresponding deduction in the same year. Any gain or loss recognized by a participant upon a later disposition of the shares will be capital gain or loss. If a participant receives stock awards that are not subject to a substantial risk of forfeiture or are transferable at grant, the participant will recognize ordinary income on the value of the shares at the date of grant. We will generally be entitled to a corresponding tax deduction.

**TAX WITHHOLDING.** We have the right to deduct from all grants or other compensation payable to a participant any taxes required to be withheld with respect to grants under the 2005 Plan. We may require that a participant pay to us the amount of any required withholding. The Compensation and Stock Option Committee may permit a participant to satisfy our tax withholding obligation with respect to a grant by having shares withheld. However, the value of shares withheld may not exceed the minimum required tax withholding amount.

**TRANSFER OF STOCK OPTIONS.** A participant may be permitted to transfer nonqualified stock options to family members or a trust or other entity established for the benefit of family members, consistent with applicable law. The tax consequences of stock option transfers are complex and should be carefully evaluated by a participant with the advice of their tax advisor. Generally, a participant will not recognize income at the time such participant makes a gift of a nonqualified stock option to a family member or a trust or other entity. When the transferee later exercises the option, the transferor (and not the transferee) must recognize ordinary income on the difference between the fair market value of the stock and the exercise price. For federal gift tax purposes, if an option is transferred before the option has become exercisable, the transfer will not be considered by the Internal Revenue Service to be a completed gift until the option becomes exercisable. The value of the gift will be determined when the option becomes exercisable. Gifts of options may qualify for the \$10,000 gift tax annual exclusion. If a participant dies after

transferring an option in a completed gift transaction, the transferred option may be excluded from the participant's estate for estate tax purposes if the applicable estate tax requirements have been met. RECOMMENDATION THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THE RATIFICATION OF THE 2005 EQUITY COMPENSATION PLAN. SOLICITATION OF PROXIES This proxy solicitation is being made by the Board of Directors of NAC for use at the Annual Meeting. The cost of this proxy solicitation will be borne by NAC. In addition to solicitation by mail, solicitations also may be made by advertisement, telephone, telegram, facsimile transmission or other electronic media, or personal contacts. Proxies may be solicited by NAC and its directors, officers and employees (who will receive no compensation therefor in addition to their regular salaries). Arrangements will also be made with brokerage houses and other custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the common stock of NAC, and such persons will be reimbursed for their expenses. 35 OTHER MATTERS Management does not know of any business to be transacted at the meeting other than as indicated herein. However, certain stockholders may present topics for discussion from the floor. Should any such matter properly come before the meeting for a vote, the persons designated as proxies will vote thereon in accordance with their best judgment. You are urged to sign, date and mail the enclosed proxy in the prepaid envelope provided for such purpose. For planning purposes, it is hoped that registered stockholders will give us advance notice of their plans to attend the meeting by marking the box provided on the proxy card. A list of the Company's stockholders of record at the close of business on December 12, 2005, will be available at the Annual Meeting and during the ten days prior thereto, at the office of the Company, 555 Madison Avenue, 29th Floor, New York, New York, 10022. If you will need special assistance at the Annual Meeting because of a disability or if you require directions to the Annual Meeting, please contact Robert V. Cuddihy, Jr., the Secretary of the Company, at (212) 644-1400. Deadline for submitting proposals for next year's meeting. Stockholders who intend to present proposals in connection with the Company's 2006 Annual Meeting of Stockholders must submit their proposals to the Secretary of the Company in accordance with the Company's By-Laws not less than not less than fourteen (14) nor more than fifty (50) days prior to the meeting of stockholders at which directors may be elected. New York, New York December 14, 2005 Robert V. Cuddihy, Jr. Secretary YOUR VOTE IS IMPORTANT! YOU ARE URGED TO SIGN, DATE, AND MAIL YOUR PROXY PROMPTLY. 36 P NATIONAL AUTO CREDIT, INC. R PRELIMINARY PROXY CARD O PROXY SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS FOR THE X ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JANUARY 31, 2005 Y The undersigned hereby: (a) acknowledges receipt of the Notice of Annual Meeting of Stockholders of National Auto Credit, Inc. (the "Company") to be held on January 31, 2006 and the Proxy Statement in connection therewith, each dated December 14, 2005; (b) appoints James J. McNamara and Robert V. Cuddihy, Jr., and each of them with power of substitution, as Proxies; (c) authorizes the Proxies to represent and vote, as designated hereon, all the shares of Common Stock of the Company, held of record by the undersigned on December 12, 2005, at such Annual Meeting and at any adjournment(s) thereof; and (d) revokes any proxies heretofore given.

----- PLEASE SIGN AND DATE ON THE REVERSE SIDE AND MAIL THIS PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE ----- SEE REVERSE SIDE

----- 37 THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" EACH OF PROPOSALS 1, 2, 3, 4, 5, 6 AND 7. 1. ELECTION OF DIRECTORS DIRECTOR- NOMINEES: James J. McNamara James M. Augur John A. Gleason Donald Shek Henry Y. L. Toh [ ] FOR ALL NOMINEES [ ] WITHHOLD AUTHORITY TO VOTE FOR ALL NOMINEES (INSTRUCTION: TO WITHHOLD AUTHORITY TO VOTE FOR ANY INDIVIDUAL NOMINEE, MARK THE "FOR ALL NOMINEES" BOX AND WRITE THAT NOMINEE'S NAME IN THE SPACE PROVIDED IMMEDIATELY BELOW.) ----- 2. RATIFICATION OF GRANT THORNTON LLP AS THE COMPANY'S INDEPENDENT AUDITORS [ ] FOR [ ] AGAINST [ ] ABSTAIN 3. APPROVAL OF iDNA, INC. AS THE NEW NAME OF THE COMPANY [ ] FOR [ ] AGAINST [ ] ABSTAIN 4. APPROVAL OF INCREASE IN AUTHORIZED CAPITAL OF THE COMPANY TO 50 MILLION COMMON SHARES AND 5 MILLION PREFERRED SHARES [ ] FOR [ ] AGAINST [ ] ABSTAIN 5. APPROVAL OF DECREASE IN PRESCRIBED SIZE OF BOARD OF DIRECTORS TO BETWEEN 5 AND 9 DIRECTORS [ ] FOR [ ] AGAINST [ ] ABSTAIN 6. APPROVAL OF MODERNIZING UPDATES TO CERTIFICATE OF INCORPORATION TO REFLECT CURRENT DELAWARE LAW RESPECTING BUSINESS COMBINATIONS, STOCK REDEMPTION, RELATED PARTY TRANSACTIONS AND OFFICER/DIRECTOR/EMPLOYEE INSURANCE [ ] FOR [ ] AGAINST [ ] ABSTAIN 7. RATIFICATION OF THE 2005 EQUITY

COMPENSATION PLAN [ ] FOR [ ] AGAINST [ ] ABSTAIN THIS PROXY WILL BE VOTED AS DIRECTED, OR, IF NO CONTRARY DIRECTION IS INDICATED, WILL BE VOTED FOR PROPOSALS 1, 2, 3, 4, 5, 6 AND 7 AND AS SAID PROXIES DEEM ADVISABLE ON SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING. [ ] Check here if you plan to attend the meeting SIGNATURE(S)

----- SIGNATURE(S) ----- NOTE: Please sign exactly as name appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. DATE ----- 38 APPENDIX A SECOND AMENDED AND RESTATED CERTIFICATE OF INCORPORATION SECOND AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF NATIONAL AUTO CREDIT, INC. National Auto Credit, Inc. (the "Corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "GCL"), does hereby certify that: 1. The name of the corporation is National Auto Credit, Inc. 2. The original Certificate of Incorporation of the Corporation was filed with the Secretary of State of Delaware on October 27, 1995. 3. This Second Amended and Restated Certificate of Incorporation, which amends and restates the Corporation's Certificate of Incorporation in its entirety, has been duly adopted in accordance with the provisions of Sections 242 and 245 of the GCL, and the stockholders of the Corporation have voted in favor thereof at an annual meeting of the stockholders held in accordance with the provisions of the GCL. The provisions of the Second Amended and Restated Certificate of Incorporation are as follows: \* \* \* \* ARTICLE I NAME The name of this corporation is iDNA, Inc. (the "Corporation"). ARTICLE II REGISTERED OFFICE The address of the Corporation's registered office in the State of Delaware is 1209 West Orange Street, City of Wilmington, County of New Castle. The name of the registered agent at such address is The Corporation Trust Company. ARTICLE III PURPOSE The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the "GCL"). Without limiting the generality of the foregoing, the purpose or purposes for which the Corporation is formed are to engage in the business of the full service design, creative development, production, post production editing and transmission, via broadcast satellite videoconferencing, webcasting and traditional on-site presentations of corporate communication, education and training video and other services for use at corporate events and to operate in the movie exhibition industry. 39 In general, to do everything incidental or conducive to the full accomplishment of the foregoing objects; and to do any and everything necessary and proper to carry on any business authorized hereby, and to any other legitimate business not expressly mentioned herein which is not prohibited by the laws of the State of Delaware or the laws of any other state or jurisdiction in which the Corporation does or may do business; and to exercise all the powers conferred upon a corporation by the laws of the State of Delaware, the above enumerated powers being merely descriptive and not limiting as to any and all powers which the Corporation may be authorized to do and perform under the laws of the State of Delaware. ARTICLE IV AUTHORIZED CAPITAL The Corporation is authorized to issue two classes of capital stock to be designated, respectively, "Common Stock" and "Preferred Stock". The total number of shares that the Corporation is authorized to issue is fifty-five million (55,000,000). Fifty million (50,000,000) shares shall be Common Stock, par value \$0.05 per share, and five million (5,000,000) shares shall be Preferred Stock, par value \$0.05 per share. Section 4A. Common Stock. 4A.1. General. Subject to the powers, preferences and rights of any Preferred Stock having any preference priority over, or rights superior to, the Common Stock and except as otherwise provided by law and this Article, the holders of the Common Stock shall have and possess all powers and voting and other rights pertaining to the stock of the Corporation and each share of Common Stock shall be entitled to one vote. Except as otherwise provided by the GCL or this Certificate of Incorporation, the holders of record of Common Stock shall share ratably in all dividends payable in cash, stock or otherwise and other distributions, whether in respect of liquidation or dissolution (voluntary or involuntary) or otherwise. 4A.2. Voting. The holders of the Common Stock are entitled to one vote for each share of Common Stock held at all meetings of stockholders (including without limitation in the election of directors of the Corporation). There shall be no cumulative voting. 4A.3 Number. The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the stock of the Corporation entitled to vote, irrespective of the provisions of Section 242(b)(2) of the GCL. 4A.4 Dividends. Dividends may be declared and paid on the Common Stock from funds lawfully available therefor as and when determined by the Board of Directors of the Corporation (the "Board of Directors"), subject to any preferential dividend rights of any then outstanding Preferred Stock. 4A.5 Liquidation. Upon the dissolution or liquidation of the Corporation, whether voluntary or involuntary,

holders of Common Stock will be entitled to participate ratably in all assets of the Corporation available for distribution to its stockholders, subject to any preferential rights of any then outstanding Preferred Stock. 40 Section 4B. Preferred Stock. 4B.1. General; Fixing of Preferences, Rights and Number of a Series. The shares of Preferred Stock may be issued as a class without series, or if so determined from time to time by the Board of Directors, either in whole or in part in one or more series, each series to be expressly designated by distinguishing number, letter, or title prior to the issue of any shares thereof. The shares of Preferred Stock, and each series thereof, may have such voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, liquidation, optional, or other special rights and qualifications, limitations, or restrictions thereof, as shall be stated and expressed in the resolution or resolutions providing for the issue of such stock adopted by the Board of Directors. There is hereby expressly granted to the Board of Directors the authority to fix or alter the dividend rights, dividend rates, dividend preferences and participations, conversion rights, voting rights, rights, and terms of redemption (including sinking fund provisions), the redemption price or prices, the rights and preferences in the event of voluntary or involuntary liquidation, dissolution or winding up of the Corporation or upon any distribution of assets by the Corporation and any other special rights, qualifications, limitations on and restrictions of, any wholly unissued class or series of shares of Preferred Stock and the number of shares constituting any such series and the designation thereof, or any of them, and to increase or decrease the number of shares of any series subsequent to the issue of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be so decreased, the shares constituting such decrease shall resume the status which they had prior to the adoption of the resolution originally fixing the number of shares of such series. Subject to the prior and superior rights of the Preferred Stock set forth in any resolution or resolutions of the Board of Directors providing for the initial issuance of any particular series of Preferred Stock, the holders of Preferred Stock shall not be entitled to participate in dividends (payable in cash, stock, or otherwise) as may be declared by the Board of Directors of the Corporation to be payable on the Common Stock. 4B.2. Voting. Except to the extent otherwise provided in the resolution or resolutions of the Board of Directors providing for the initial issue of shares of Preferred Stock or a particular series thereof, Preferred Stock shall be entitled to vote for each share thereof so held share for share with the holders of the Common Stock without distinction as to class, and shall not be entitled to vote separately as a class or series of a class. 4B.3. Number. The number of shares of Preferred Stock authorized to be issued may be increased or decreased from time to time (but not below the number of shares of Preferred Stock then outstanding) by the affirmative vote of the holders of a majority of the stock of the corporation entitled to vote, and the holders of the Preferred Stock shall not be entitled to vote separately as a class or series of a class on any such increase or decrease. 41 ARTICLE V NO PREEMPTIVE RIGHTS Except to the extent otherwise provided in the resolution or resolutions of the Board of Directors providing for the initial issue of shares of a particular series of Preferred Stock, no holder of stock of the Corporation of any class shall have any preferential, preemptive or other right to subscribe for or to purchase from the Corporation any stock of the Corporation of any class, whether or not now authorized, or to purchase any bonds, certificates of indebtedness, debentures, notes, obligations or other issue whether or not the same shall be convertible into stock of the Corporation of any class, or shall entitle the owner or holder to purchase stock of the Corporation of any class. ARTICLE VI SECTION 203 OF GCL Section 6A. General. Any merger or consolidation of the Corporation with or into any other corporation, or any sale, lease, exchange or other disposition of all or substantially all of the property and assets of the Corporation to or with any other corporation, person or other entity, with respect to which any stockholder vote or consent is required under the GCL, shall require the affirmative vote of the holders of at least two-thirds (2/3) of each class of stock outstanding and entitled to vote at any meeting of the stockholders. Such affirmative vote shall be required notwithstanding the fact that some lesser percentage may be specified by the GCL or otherwise. This Article VI may not be altered, added to, amended or repealed except by the affirmative vote the holders of two-thirds (2/3) in interest of each class of stock outstanding entitled to vote at a meeting called for said purpose, provided notice of the proposed alteration, addition, amendment or repeal shall have been given in the notice of such meeting of stockholders. Section 6B. Business Combinations with Interested Stockholders. The Corporation hereby elects to be governed by Section 203 of the GCL. ARTICLE VII STOCKHOLDER ACTION; CORPORATION'S BOOKS Stockholders of the Corporation shall take action by (i) meetings held pursuant to this Certificate of Incorporation and the By-Laws or (ii) written consent in lieu a meeting pursuant to the provisions of Section 228 of the GCL and Article II, Section 10 of the Corporation's By-Laws. Meetings of stockholders may be held within or without the State of Delaware, as the By-Laws may provide. Special meetings of the stockholders, for

any purpose or purposes, may be called by the Chairman of the Board of Directors or such other officers of the Corporation as the By-Laws shall provide, and shall be called upon the request in writing of a majority of the Board of Directors, or at the request in writing of stockholders owning a majority in amount of the entire capital stock of the Corporation issued and outstanding and entitled to vote. The books of the Corporation may be kept (subject to any provision contained in the GCL) outside of the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the By-Laws of the Corporation. 42 ARTICLE VIII PERPETUAL EXISTENCE The Corporation is to have a perpetual existence. ARTICLE IX MANAGEMENT OF BUSINESS OF THE CORPORATION The management of the business and the conduct of the affairs of the Corporation shall be vested in the Board of Directors, of which there shall be not less than five (5) nor more than nine (9) members, as may be determined from time to time by resolution of the Board of Directors and in accordance with the provisions of the Corporation's By-Laws. ARTICLE X AMENDMENT OF BY-LAWS In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to adopt, amend, alter or repeal the By-Laws of the Corporation. Such power of the Board of Directors shall not divest the stockholders of the power, nor limit their power to adopt, amend, alter or repeal the By-Laws of the Corporation. ARTICLE XI CREDITORS Whenever a compromise or arrangement is proposed between the Corporation and its creditors or any class of them and/or between the Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of the Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for the Corporation under Section 291 of the GCL or on the application of trustees in dissolution or of any receiver or receivers appointed for the Corporation under Section 279 of the GCL order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths (3/4) in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of the Corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of the Corporation, as the case may be, and also on the Corporation. ARTICLE XII REDEMPTION OF SHARES The Corporation may purchase, from time to time, and to the extent permitted by the GCL, shares of any class of stock issued by it. Such purchases may be made either in the open market or at private or public sale, and in such manner and amounts, from such holder or holders of outstanding shares of the Corporation and at such prices as the Board of Directors shall from time to time determine, and the Board of Directors is hereby empowered to authorize such purchases from time to time without any vote of the holders of any class of shares now or hereafter authorized and outstanding at the time of any such purchase, subject to the provisions of the By-Laws of the Corporation. ARTICLE XIII RELATED PARTY TRANSACTIONS Any director or officer of the Corporation shall not be disqualified by his office from dealing or contracting with the Corporation as a vendor, purchaser, employee, agent, lessor, lessee or otherwise. No transaction contract or other act of the Corporation shall be void or voidable or in any way affected or invalidated by reason of the fact that any director or officer, or any firm or corporation in which such director or officer is a member or is a shareholder, director or officer, is in any way interested in such transaction, contract or other act provided (i) the fact that such director, officer, firm or corporation is so interested shall be disclosed or shall be known to the Board of Directors or such members thereof as shall be present at any meeting of the Board of Directors at which action upon any such transaction, contract or other act shall be taken; and (ii) no other approval for such transaction is required under the Corporation's By-Laws; nor shall any such director or officer be accountable or responsible to the Corporation for or in respect of any such transaction, contract or other act of the Corporation or for any gains or profits realized by him by reason of the fact that he or any firm of which he is a member or any corporation of which is a shareholder, director or officer is interested in such transaction, contract or other act; and any such director may be counted in determining the existence of a quorum at any meeting of the Board of Directors which shall authorize or take action in respect of any such transaction, contract or other act, and may vote thereat to authorize, ratify or approve any such transaction, contract or other act with like force and effect as if he or any firm of which he is a member or any corporation of which is a shareholder, director or officer were not interested in such transaction, contract or other act. ARTICLE XIV LIMITATION OF DIRECTOR AND OFFICER LIABILITY To the fullest extent permitted by applicable law, the Corporation is authorized to provide

indemnification of (and advancement of expenses to) directors, officers, employees and agents (and any other persons to which Delaware law permits the Corporation to provide indemnification) through By-Law provisions, agreements with such agents or other persons, vote of stockholders or disinterested directors or otherwise, in excess of the indemnification and advancement otherwise permitted by Section 145 of the GCL, subject only to limits created by applicable Delaware law (statutory or non-statutory). To the fullest extent permitted by applicable law, the directors of the Corporation shall not be personally liable to the Corporation or any stockholder for monetary damages for breach of fiduciary duty as a director, except for any matter in respect of which such director shall be liable under Section 174 of the GCL or any amendment thereto or shall be liable by reason that, in addition to any and all other requirements for such liability, such director (1) shall have breached the director's duty of loyalty to the Corporation or its stockholders, (2) shall have acted in a manner involving intentional misconduct or a knowing violation of law or, in failing to act, shall have acted in a manner involving intentional misconduct or a knowing violation of law, or (3) shall have derived an improper personal benefit. If the GCL is hereafter amended to authorize the further 44 elimination or limitation of the liability of a director, the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the GCL, as so amended. To the fullest extent permitted by applicable law, each person who was or is made a party or is threatened to be made a party to or is in any way involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), including any appeal therefrom, by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer of the Corporation or a direct or indirect Subsidiary, or is or was serving at the request of the Corporation as a director or officer of another entity or enterprise, shall be indemnified and held harmless by the Corporation, and the Corporation shall advance all expenses incurred by any such person in defense of any such proceeding prior to its final determination, to the fullest extent authorized by the GCL. In any proceeding against the Corporation to enforce these rights, such person shall be presumed to be entitled to indemnification and the Corporation shall have the burden of proving that such person has not met the standards of conduct for permissible indemnification set forth in the GCL. The rights to indemnification and advancement of expenses conferred by this Article XIV shall be presumed to have been relied upon by the directors and officers of the Corporation in serving or continuing to serve the Corporation and shall be enforceable as contract rights. Said rights shall not be exclusive of any other rights to which those seeking indemnification may otherwise be entitled. The Corporation may, upon written demand presented by a director or officer of the Corporation or of a direct or indirect Subsidiary, or by a person serving at the request of the Corporation as a director or officer of another entity or enterprise, enter into contracts to provide such persons with specified rights to indemnification, which contracts may confer rights and protections to the maximum extent permitted by the GCL, as amended and in effect from time to time. If a claim under this Article XIV is not paid in full by the Corporation within sixty (60) days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expenses of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce the right to be advanced expenses incurred in defending any proceeding prior to its final disposition where the required undertaking, if any, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the GCL for the Corporation to indemnify the claimant for the amount claimed, but the claimant shall be presumed to be entitled to indemnification and the Corporation shall have the burden of proving that the claimant has not met the standards of conduct for permissible indemnification set forth in the GCL. If the GCL is hereafter amended to permit the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment, the indemnification rights conferred by this Article XIV shall be broadened to the fullest extent permitted by the GCL, as so amended. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss under the GCL. IN WITNESS WHEREOF, the undersigned, being the Chief Financial Officer, Secretary and Treasurer of the Corporation, hereby certifies that the facts hereinafter stated are truly set forth, and accordingly executes this Second Amended and Restated Certificate of Incorporation this \_\_\_ day of [January], 2006. 45  
----- (Signature) Robert V. Cuddihy, Jr., Chief Financial Officer, Secretary and Treasurer 46  
APPENDIX B 2005 EQUITY COMPENSATION PLAN NATIONAL AUTO CREDIT, INC. 2005 EQUITY  
COMPENSATION PLAN The purpose of the National Auto Credit, Inc. 2005 Equity Compensation Plan (the "Plan")

is to provide (i) designated employees of National Auto Credit, Inc. (the "Company") and its parents and subsidiaries, (ii) certain consultants and advisors who perform services for the Company or its parents or subsidiaries, and (iii) non-employee members of the Board of Directors of the Company (the "Board") with the opportunity to receive grants of incentive stock options, nonqualified stock options, stock awards, and stock appreciation rights. The Company believes that the Plan will encourage the participants to contribute materially to the growth of the Company, thereby benefiting the Company's stockholders, and will align the economic interests of the participants with those of the stockholders.

**1. ADMINISTRATION**

(a) **Committee.** The Plan shall be administered and interpreted by the members of the Compensation and Stock Option Committee of the Board (the "Committee"), which consists of "outside directors" as defined under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), and related Treasury regulations, and "non-employee directors" as defined under Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). However, the Board may ratify or approve any grants as it deems appropriate, and the Board shall approve and administer all grants made to non-employee directors. The Committee may delegate authority to one (1) or more delegates as it deems appropriate.

(b) **Committee Authority.** The Committee or its delegate shall have the sole authority to (i) determine the individuals to whom grants shall be made under the Plan; (ii) determine the type, size, and terms of the grants to be made to each such individual; (iii) determine the time when the grants will be made and the duration of any applicable exercise or restriction period, including the criteria for exercisability and the acceleration of exercisability; (iv) amend the terms of any previously issued grant; and (v) deal with any other matters arising under the Plan. Notwithstanding anything in this Plan to the contrary, but subject to adjustments as described in Section 3(b) below, in no event may the Board, the Committee or its or their delegate (A) amend or modify an Option (as defined below) in a manner that would reduce the Exercise Price (as defined below) of such Option; (B) substitute an Option for another Option with a lower Exercise Price; (C) cancel an Option and issue a new Option with a lower Exercise Price to the holder of the cancelled Option within six (6) months following the date of the cancellation of the cancelled Option; or (D) cancel an outstanding Option that is under water (i.e., for which the Fair Market Value, as defined below, of the underlying Shares are less than the Option's Exercise Price) for the purpose of granting a replacement Grant (as defined below) of a different type within six (6) months following the date of cancellation of the cancelled Option.

(c) **Committee Determinations.** The Committee shall have full power and authority to administer and interpret the Plan, to make factual determinations and to adopt or amend such rules, regulations, agreements, and instruments for implementing the Plan and for the conduct of its 47 business as it deems necessary or advisable, in its sole discretion. The Committee's interpretations of the Plan and all determinations made by the Committee pursuant to the powers vested in it hereunder shall be conclusive and binding on all persons having any interest in the Plan or in any awards granted hereunder. All powers of the Committee shall be executed in its sole discretion, in the best interest of the Company, not as a fiduciary, and in keeping with the objectives of the Plan and need not be uniform as to similarly situated individuals.

**2. GRANTS**

(a) **Awards under the Plan** may consist of grants of incentive stock options as described in Section 5 below ("Incentive Stock Options"), nonqualified stock options as described in Section 5 below ("Nonqualified Stock Options") (Incentive Stock Options and Nonqualified Stock Options are collectively referred to as "Options"), stock awards as described in Section 6 below ("Stock Awards"), restricted stock units as described Section 6 below ("Restricted Units") and stock appreciation rights described in Section 7 below ("SARs") (hereinafter collectively referred to as "Grants"). All Grants shall be subject to the terms and conditions set forth herein and to such other terms and conditions consistent with this Plan and as specified in the individual grant instrument or an amendment to the grant instrument (the "Grant Instrument"). All Grants shall be made conditional upon the Grantee's (as defined below) acknowledgement, in writing or by acceptance of the Grant, that all decisions and determination of the Company shall be final and binding on the Grantee, his or her beneficiaries and any other person having or claiming an interest under such Grant. Grants under a particular Section of the Plan need not be uniform as among the Grantees.

**3. SHARES SUBJECT TO THE PLAN**

(a) **Shares Authorized.** Subject to adjustment as described below, (i) the maximum aggregate number of shares of common stock of the Company ("Company Stock") that may be issued or transferred under any forms of Grants under the Plan is 2,000,000 shares, (ii) the maximum aggregate number of shares of Company Stock that may be issued under the Plan under Incentive Stock Options is , and (iii) the maximum aggregate number of shares of Company Stock that may be issued under the Plan under awards other than Options and SARs is 2,000,000 shares. For purposes of this Section 3(a), SARs to be settled in shares of Company Stock shall be counted in full against the number of shares of Company Stock available for award under the Plan, regardless of the number of exercise gain

shares issued upon the settlement of the SAR. The maximum aggregate number of shares of Company Stock that shall be subject to Grants made under the Plan to any individual during any calendar year shall be 2,000,000 shares, subject to adjustment as described below. The shares may be authorized but unissued shares of Company Stock or reacquired shares of Company Stock, including shares purchased by the Company on the open market for purposes of the Plan. If and to the extent Options granted under the Plan terminate, expire, or are canceled, forfeited, exchanged, or surrendered without having been exercised or if any Stock Awards (including restricted Stock Awards received upon the exercise of Options) are forfeited, the shares subject to such Grants shall again be available for purposes of the Plan. (b) Adjustments. If there is any change in the number or kind of shares of Company Stock outstanding (i) by reason of a stock dividend, spin-off, recapitalization, stock split, or combination or exchange of shares; (ii) by reason of a merger, reorganization, or consolidation; (iii) by reason of a reclassification or change in par value; or (iv) by reason of any other extraordinary or unusual event affecting the outstanding Company Stock as a class without the Company's receipt of consideration, or if the value of outstanding shares of Company Stock is substantially reduced as a result of a spin-off or the Company's payment of an extraordinary dividend or distribution, the 48 maximum number of shares of Company Stock available for Grants, the maximum number of shares of Company Stock that any individual participating in the Plan may be granted in any year, the number of shares covered by outstanding Grants, the kind of shares issued under the Plan, and the price per share of such Grants shall be appropriately adjusted by the Company to reflect any increase or decrease in the number of, or change in the kind or value of, issued shares of Company Stock to preclude the enlargement or dilution of rights and benefits under such Grants; provided, however, that any fractional shares resulting from such adjustment shall be rounded down to the nearest whole share. Any adjustments determined by the Company shall be final, binding, and conclusive. 4. ELIGIBILITY FOR PARTICIPATION (a) Eligible Persons. All employees of the Company and its parents or subsidiaries ("Employees"), including Employees who are officers or members of the Board, and members of the Board who are not Employees ("Non-Employee Directors") shall be eligible to participate in the Plan. Consultants and advisors who perform services for the Company or any of its parents or subsidiaries ("Key Advisors") shall be eligible to participate in the Plan if the Key Advisors render bona fide services to the Company or its parents or subsidiaries, the services are not in connection with the offer and sale of securities in a capital-raising transaction, and the Key Advisors do not directly or indirectly promote or maintain a market for the Company's securities. (b) Selection of Grantees. The Company shall select the Employees, Non-Employee Directors, and Key Advisors to receive Grants and shall determine the number of shares of Company Stock subject to a particular Grant. Employees, Non-Employee Directors, and Key Advisors who receive Grants under this Plan shall hereinafter be referred to as "Grantees." 5. GRANTING OF OPTIONS The Company may grant an Option to an Employee, Non-Employee Director, or Key Advisor. The following provisions are applicable to Options. (a) Number of Shares. The Company shall determine the number of shares of Company Stock that will be subject to each Grant of Options to Employees, Non-Employee Directors, and Key Advisors. (b) Type of Option and Price. (i) Incentive Stock Options are intended to satisfy the requirements of Section 422 of the Code. Nonqualified Stock Options are not intended to so qualify. Incentive Stock Options may be granted only to employees of the Company or its parents or subsidiaries, as defined in Section 424 of the Code. Nonqualified Stock Options may be granted to Employees, Non-Employee Directors, and Key Advisors. (ii) The purchase price (the "Exercise Price") of Company Stock subject to an Option may be equal to or greater than the Fair Market Value of a share of Company Stock on the date the Option is granted; provided, however, that (A) the Exercise Price of an Incentive Stock Option shall be equal to, or greater than, the Fair Market Value of a share of Company Stock on the date the Incentive Stock Option is granted and (B) an Incentive Stock Option may not be granted to an Employee who, at the time of grant, owns or beneficially owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any 49 parent or subsidiary of the Company, unless the Exercise Price per share is not less than one hundred ten percent (110%) of the Fair Market Value of Company Stock on the date of grant. (iii) So long as the Company Stock is publicly traded, the Fair Market Value per share shall be determined as follows: (A) if the principal trading market for the Company Stock is a national securities exchange or the Nasdaq National Market, the last reported sale price thereof on the relevant date or (if there were no trades on that date) the latest preceding date upon which a sale was reported, or (B) if the Company Stock is not principally traded on such exchange or market, the mean between the last reported "bid" and "asked" prices of Company Stock on the relevant date, as reported on Nasdaq or, if not so reported, as reported by the National Daily Quotation Bureau, Inc. or as reported in a customary financial reporting service, as applicable and as the Company determines. If the Company

Stock is not publicly traded or, if publicly traded, is not subject to reported transactions or "bid" or "asked" quotations as set forth above, the Fair Market Value per share shall be as determined by the Company. (c) Option Term. The term of any Option shall not exceed ten (10) years from the date of grant. However, an Incentive Stock Option that is granted to an Employee who, at the time of grant, owns or beneficially owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company, or any parent or subsidiary of the Company, may not have a term that exceeds five (5) years from the date of grant. (d) Exercisability of Options. (i) Options shall become exercisable in accordance with such terms and conditions of the Plan and specified in the Grant Instrument. The Company may accelerate the exercisability of any or all outstanding Options at any time for any reason. (ii) The Company may provide in a Grant Instrument that the Grantee may elect to exercise part or all of an Option before it otherwise has become exercisable. Any shares so purchased shall be restricted shares and shall be subject to a repurchase right in favor of the Company during a specified restriction period, with the repurchase price equal to the lesser of (A) the Exercise Price or (B) the Fair Market Value of such shares at the time of repurchase, and (C) any other restrictions determined by the Company. (e) Grants to Non-Exempt Employees. Options granted to persons who are non-exempt employees under the Fair Labor Standards Act of 1938, as amended, shall have an Exercise Price not less than one hundred percent (100%) of the Fair Market Value of the Company Stock on the date of grant, and may not be exercisable for at least six (6) months after the date of grant (except that such Options may become exercisable upon the Grantee's death, Disability (as defined below) or retirement, or upon a Change in Control (as defined below) or other circumstances permitted by applicable regulations). (f) Termination of Employment, Disability, or Death. (i) Except as provided below, an Option may only be exercised while the Grantee is employed by, or providing service to, the Employer (as defined below) as an Employee, Key Advisor or member of the Board. In the event that a Grantee ceases to be employed by, or provide service to, the Employer for any reason other than Disability, death, termination for Cause (as defined below), or as set forth in Section 5(f)(v) of this Plan, any Option which is otherwise exercisable by the Grantee shall terminate unless exercised within ninety (90) days after the date on which the Grantee ceases to be employed by, or provide service to, the Employer (or within such 50 other period of time as may be specified by the Company), but in any event no later than the date of expiration of the Option term. Except as otherwise provided, any of the Grantee's Options that are not otherwise exercisable as of the date on which the Grantee ceases to be employed by, or provide service to, the Employer shall terminate as of such date. (ii) In the event the Grantee ceases to be employed by, or provide service to, the Employer on account of a termination by the Employer for Cause, any Option held by the Grantee shall terminate as of the date on which the Grantee ceases to be employed by, or provide service to, the Employer. In addition, notwithstanding any other provisions of this Section 5, if after the Grantee's termination of employment or service, the Company determines that the Grantee engaged in conduct that constitutes Cause, any Option held by the Grantee shall terminate as the date the Company determines that the Grantee engaged in such conduct. Upon any exercise of an Option, the Company may withhold delivery of share certificates pending resolution of an inquiry that could lead to a finding resulting in a forfeiture. (iii) In the event the Grantee ceases to be employed by, or provide service to, the Employer because of a Disability, any Option which is otherwise exercisable by the Grantee shall terminate unless exercised within one (1) year after the date on which the Grantee ceases to be employed by, or provide service to, the Employer (or within such other period of time as may be specified by the Company), but in any event no later than the date of expiration of the Option term. Except as otherwise provided, any of the Grantee's Options that are not otherwise exercisable as of the date on which the Grantee ceases to be employed by, or provide service to, the Employer shall terminate as of such date. (iv) If the Grantee dies while employed by, or providing service to, the Employer, any Option which is otherwise exercisable by the Grantee shall terminate unless exercised within one (1) year after the date the Grantee's death (or within such other period of time as may be specified by the Company), but in any event no later than the date of expiration of the Option term. If the Grantee dies within ninety (90) days after the date on which the Grantee ceased to be employed or provide service on account of a termination specified in Section 5(f)(i) above (or within such other period of time as may be specified by the Company), any Option that is otherwise exercisable by the Grantee shall terminate unless exercised within one (1) year after the date on which the Grantee ceased to be employed by, or provide service to, the Employer (or within such other period of time as may be specified), but in any event no later than the date of expiration of the Option term. Except as otherwise provided, any of the Grantee's Options that are not otherwise exercisable as of the date of the Grantee's death shall terminate as of such date. (v) Notwithstanding anything herein to the contrary, to the extent that any Company-sponsored plan, policy or arrangement, or any agreement to which the Company is a party

provides for a longer exercise period for a Grantee's Options under applicable circumstances than the exercise period that is provided for in this Section 5(f) under those circumstances, then the exercise period set forth in such plan, policy, arrangement or agreement applicable to such circumstances shall apply in lieu of the exercise period provided for in this Section 5(f). (vi) For purposes of this Section 5(f) and Section 6 below: (a) (A) The term "Employer" shall mean the Company and its parent and subsidiary corporations or other entities, as determined by the Board. (B) "Employed by, or provide service to, the Employer" shall mean employment or service as an Employee, Key Advisor or member of the Board (so that, for purposes 51 of exercising Options or SARs and satisfying conditions with respect to Stock Awards, or Restricted Units a Grantee shall not be considered to have terminated employment or service until the Grantee ceases to be an Employee, Key Advisor or member of the Board). (C) "Disability" shall mean a Grantee's becoming disabled within the meaning of the Employer's long-term disability plan applicable to the Grantee, as determined in the sole discretion of the Committee or its delegate. (D) "Cause" means (i) willful and continued failure by the Grantee to substantially perform the Grantee's duties with the Company (other than any such failure resulting from the Grantee's incapacity due to physical or mental illness) or (ii) the willful engaging by the Grantee in conduct which is demonstrably injurious to the Company, monetarily or otherwise. For purposes of this definition, no act, or failure to act, on the Grantee's part shall be deemed "willful" unless done, or omitted to be done, by the Grantee not in good faith or without reasonable belief that the Grantee's act, or failure to act, was in the best interest of the Company. Notwithstanding the preceding definition, the term "Cause" shall have the same meaning given to such term or similar term in an employment or other agreement between a Grantee and an Employer. (g) Exercise of Options. A Grantee may exercise an Option that has become exercisable, in whole or in part, by delivering a notice of exercise to the Company. The Grantee shall pay the Exercise Price for an Option as specified by the Company (i) in cash, (ii) payment through a broker in accordance with procedures permitted by Regulation T of the Federal Reserve Board, or (iii) by such other method as the Company may approve. Shares of Company Stock used to exercise an Option shall have been held by the Grantee for the requisite period of time to avoid adverse accounting consequences to the Company with respect to the Option. The Grantee shall pay the Exercise Price and the amount of any withholding tax due (pursuant to Section 8 below). (h) Limits on Incentive Stock Options. Each Incentive Stock Option shall provide that, if the aggregate Fair Market Value of the Company Stock on the date of the grant with respect to which Incentive Stock Options are exercisable for the first time by a Grantee during any calendar year, under the Plan or any other stock option plan of the Company or a parent or subsidiary, exceeds One Hundred Thousand Dollars (\$100,000), then the Option, as to the excess, shall be treated as a Nonqualified Stock Option. An Incentive Stock Option shall not be granted to any person who is not an employee of the Company or a parent or subsidiary (within the meaning of Section 424(f) of the Code) of the Company. 6. STOCK AWARDS The Company may transfer shares of Company Stock or cash to an Employee, Non-Employee Director, or Key Advisor under a Stock Award. The following provisions are applicable to Stock Awards. (a) General Requirements. Shares of Company Stock issued or transferred pursuant to Stock Awards may be issued or transferred for consideration or for no consideration, and subject to restrictions or no restrictions. Restrictions on Stock Awards shall lapse over a period of time or according to such other criteria as set forth in the Grant Instrument. The period of time during which the Stock Award will remain subject to restrictions will be designated in the Grant Instrument as the "Restriction Period." 52 (b) Number of Shares. The Grant Instrument shall set forth the number of shares of Company Stock to be issued or transferred pursuant to a Stock Award and the restrictions applicable to such shares. (c) Requirement of Employment or Service. If the Grantee ceases to be employed by, or provide service to, the Employer (as defined in Section 5(f) above) during a period designated in the Grant Instrument as the Restriction Period, or if other specified conditions are not met, the Stock Award shall terminate as to all shares covered by the Stock Award as to which the restrictions have not lapsed, and those shares of Company Stock must be immediately returned to the Company. The Company may, however, provide for complete or partial exceptions to this requirement as it deems appropriate. (d) Restrictions on Transfer and Legend on Stock Certificate. During the Restriction Period, a Grantee may not sell, assign, transfer, pledge, or otherwise dispose of the shares of the Stock Award except to a successor under Section 9(a) below. Each certificate for Stock Awards shall contain a legend giving appropriate notice of the restrictions in the Grant. The Grantee shall be entitled to have the legend removed from the stock certificate covering the shares subject to restrictions when all restrictions on such shares have lapsed. The Company may determine that it will not issue certificates for Stock Awards until all restrictions on such shares have lapsed, or that the Company will retain possession of certificates for Stock Awards until all restrictions on such shares have lapsed. (e) Right to Vote and to Receive Dividends. The right to vote the

shares of a Stock Award during the Restriction Period shall be exercisable only by the manager of the business unit of the Company for which the Grantee performs services or with which the Grantee is most closely associated (the "Voting Trustee"). The Voting Trustee shall vote the shares of a Stock Award during the Restriction Period for or against any given matter upon which the shareholders of the Company are provided with the right to vote in proportion to the results of such vote taken by the shareholders of the Company on such matter. The Committee may, but shall not be required to, adopt additional rules and provisions governing the voting trust of which this paragraph is subject. The Grantee shall have the right to receive any dividends or other distributions paid on such restricted shares, subject to any restrictions deemed appropriate by the Committee. (f) Lapse of Restrictions. All restrictions imposed on Stock Awards shall lapse upon the expiration of the applicable Restriction Period and the satisfaction of all conditions. The Company may determine, as to any or all Stock Awards, that the restrictions shall lapse without regard to any Restriction Period. (g) Restricted Stock Units. The Committee or its delegate may grant Restricted Units ("Restricted Units") to an Employee or Key Advisor. Each Restricted Unit shall represent the right of the Grantee to receive an amount in cash or Company Stock (as determined by the Committee or its delegate) based on the value of the Restricted Unit, if performance goals established by the Committee are met or upon the lapse of a specified vesting period. A Restricted Unit shall be based on the Fair Market Value of a share of Company Stock or on such other measurement base as the Committee or its delegate deems appropriate. The Committee or its delegate shall determine the number of Restricted Units to be granted and the requirements applicable to such Restricted Units. (h) Designation as Qualified Performance-Based Compensation. The Committee may determine that Stock Awards or Restricted Units granted to an Employee shall be considered "qualified performance-based compensation" under Section 162(m) of the Code. The provisions of 53 this paragraph (g) shall apply to Stock Awards or Restricted Units that are to be considered "qualified performance-based compensation" under Section 162(m) of the Code. (i) Performance Goals. When Stock Awards or Restricted Units are to be considered "qualified performance-based compensation" are granted, the Committee shall establish in writing (A) the objective performance goals that must be met, (B) the performance period during which the performance goals must be met (the "Performance Period"), (C) the threshold, target and maximum amounts that may be paid if the performance goals are met, and (D) any other conditions that the Committee deems appropriate and consistent with the Plan and Section 162(m) of the Code. The performance goals may relate to the Employee's business unit or the performance of the Company and its parents and subsidiaries as a whole, or any combination of the foregoing. The Committee shall use objectively determinable performance goals based on one (1) or more of the following criteria: stock price, earnings per share, net earnings, operating earnings, return on assets, stockholder return, return on equity, growth in assets, unit volume, sales, market share, or strategic business criteria consisting of one (1) or more objectives based on meeting specified revenue goals, market penetration goals, geographic business expansion goals, cost targets or goals relating to acquisitions or divestitures. (ii) Establishment of Goals. The Committee shall establish the performance goals in writing either before the beginning of the Performance Period or during a period ending no later than the earlier of (A) ninety (90) days after the beginning of the Performance Period or (B) the date on which twenty-five percent (25%) of the Performance Period has been completed, or such other date as may be required or permitted under applicable regulations under Section 162(m) of the Code. The performance goals shall satisfy the requirements for "qualified performance-based compensation," including the requirement that the achievement of the goals be substantially uncertain at the time they are established and that the goals be established in such a way that a third party with knowledge of the relevant facts could determine whether and to what extent the performance goals have been met. The Committee shall not have discretion to increase the amount of compensation that is payable upon achievement of the designated performance goals. (iii) Announcement of Grants. The Committee shall certify and announce the results for each Performance Period to all Grantees immediately following the announcement of the Company's financial results for the Performance Period. If and to the extent that the Committee does not certify that the performance goals have been met, the grants of Stock Awards for the Performance Period shall be forfeited or shall not be made, as applicable. (iv) Death, Disability or Other Circumstances. The Committee may provide that Stock Awards or Restricted Units shall be payable or restrictions on Stock Awards shall lapse, in whole or in part, in the event of the Grantee's death or Disability during the Performance Period, or under other circumstances consistent with the Treasury regulations and rulings under Section 162(m) of the Code. 7. STOCK APPRECIATION RIGHTS The Company may grant SARs to an Employee, Non-Employee Director, or Key Advisor. The following provisions are applicable to SARs. (a) General Requirements. The Company may grant SARs to an Employee, Non-Employee Director or Key Advisor separately or

in tandem with any Option (for all or a portion of the applicable Option). Tandem SARs may be granted either at the time the Option is granted or at any time thereafter while the Option remains outstanding; provided, however, that, in 54 the case of an Incentive Stock Option, SARs may be granted only at the time of the grant of the Incentive Stock Option. Unless otherwise specified in the Grant Instrument, the base amount of each SAR shall be equal to the per share Exercise Price of the related Option or, if there is no related Option, the Fair Market Value of a share of Company Stock as of the date of grant of the SAR. (b) Tandem SARs. In the case of tandem SARs, the number of SARs granted to a Grantee that shall be exercisable during a specified period shall not exceed the number of shares of Company Stock that the Grantee may purchase upon the exercise of the related Option during such period. Upon the exercise of an Option, the SARs relating to the Company Stock covered by such Option shall terminate. Upon the exercise of SARs, the related Option shall terminate to the extent of an equal number of shares of Company Stock. (c) Exercisability. A SAR shall be exercisable during the period specified in the Grant Instrument and shall be subject to such vesting and other restrictions as may be specified. The Company may accelerate the exercisability of any or all outstanding SARs at any time for any reason. SARs may only be exercised while the Grantee is employed by, or providing service to, the Employer or during the applicable period after termination of employment or service as described in Section 5(f) above. A tandem SAR shall be exercisable only during the period when the Option to which it is related is also exercisable. (d) Grants to Non-Exempt Employees. Notwithstanding the foregoing, SARs granted to persons who are non-exempt employees under the Fair Labor Standards Act of 1938, as amended, shall have a base amount not less than one hundred percent (100%) of the Fair Market Value of the Company Stock on the date of grant, and may not be exercisable for at least six (6) months after the date of grant (except that such SARs may become exercisable, as determined by the Committee, upon the Grantee's death, Disability or retirement, or upon a Change of Control or other circumstances permitted by applicable regulations). (e) Value of SARs. When a Grantee exercises SARs, the Grantee shall receive in settlement of such SARs an amount equal to the value of the stock appreciation for the number of SARs exercised, payable in Company Stock. The stock appreciation for a SAR is the amount by which the Fair Market Value of the underlying Company Stock on the date of exercise of the SAR exceeds the base amount of the SAR as described in Section 7(a) above. For purposes of calculating the number of shares of Company Stock to be received, shares of Company Stock shall be valued at their Fair Market Value on the date of exercise of the SAR. Notwithstanding anything to the contrary, the Company may pay the appreciation of a SAR in the form of cash, shares of Company Stock, or a combination of the two (2), so long as the ability to pay such amount in cash does not result in the Grantee incurring taxable income related to the SAR prior to the Grantee's exercise of the SAR. (f) Number of SARs Authorized for Issuance. For purposes of Section 3(a) of the Plan, SARs to be settled in shares of Company Stock shall be counted in full against the number of shares of Company Stock available for award under the Plan, regardless of the number of exercise gain shares issued upon the settlement of the SAR. 8. WITHHOLDING OF TAXES (a) Required Withholding. All Grants under the Plan shall be subject to applicable federal (including FICA), state, and local tax withholding requirements. The Employer may require that the Grantee or other person receiving or exercising Grants pay to the Employer the amount of 55 any federal, state, or local taxes that the Employer is required to withhold with respect to such Grants, or the Employer may deduct from other wages paid by the Employer the amount of any withholding taxes due with respect to such Grants. (b) Election to Withhold Shares. If the Company so permits, a Grantee may elect to satisfy the Employer's income tax withholding obligation with respect to a Grant by having shares withheld up to an amount that does not exceed the Grantee's minimum applicable withholding tax rate for federal (including FICA), state, and local tax liabilities. The election must be in a form and manner prescribed by the Company. 9. TRANSFERABILITY OF GRANTS (a) Nontransferability of Grants. Except as provided below, only the Grantee may exercise rights under a Grant during the Grantee's lifetime. A Grantee may not transfer those rights except (i) by will or by the laws of descent and distribution or (ii) with respect to SARs and Option grants other than Incentive Stock Options, pursuant to a domestic relations order or otherwise as permitted by the Company. When a Grantee dies, the personal representative or other person entitled to succeed to the rights of the Grantee may exercise such rights. Any such successor must furnish proof satisfactory to the Company of his or her right to receive the Grant under the Grantee's will or under the applicable laws of descent and distribution. (b) Transfer of Nonqualified Stock Options. Notwithstanding the foregoing, the Grant Instrument may provide that a Grantee may transfer Nonqualified Stock Options to family members, or one (1) or more trusts or other entities for the benefit of or owned by family members, consistent with applicable securities laws, provided that the Grantee receives no consideration for the transfer of an Option and the transferred Option shall continue to be subject to the same terms

and conditions as were applicable to the Option immediately before the transfer. 10. CHANGE IN CONTROL OF THE COMPANY As used herein, a "Change of Control" shall be deemed to have occurred if: (a) Any "person" (as such term is used in sections 13(d) and 14(d) of the Exchange Act) (other than persons who are shareholders on the effective date of the Plan) becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than 50% of the voting power of the then outstanding securities of the Company; provided that a Change of Control shall not be deemed to occur as a result of a change of ownership resulting from the death of a shareholder, and a Change of Control shall not be deemed to occur as a result of a transaction in which the Company becomes a subsidiary of another corporation and in which the shareholders of the Company, immediately prior to the transaction, will beneficially own, immediately after the transaction, shares entitling such shareholders to more than 50% of all votes to which all shareholders of the parent corporation would be entitled in the election of directors (without consideration of the rights of any class of stock to elect directors by a separate class vote); or (b) The consummation of (i) a merger or consolidation of the Company with another corporation where the shareholders of the Company, immediately prior to the merger or consolidation, will not beneficially own, immediately after the merger or consolidation, shares entitling such shareholders to more than 50% of all votes to which all shareholders of the surviving corporation would be entitled in the election of directors (without consideration of the rights of any 56 class of stock to elect directors by a separate class vote), (ii) a sale or other disposition of all or substantially all of the assets of the Company or (iii) a liquidation or dissolution of the Company. 11. CONSEQUENCES OF A CHANGE IN CONTROL (a) Notice. Upon a Change of Control, the Company shall provide each Grantee with outstanding Grants written notice of such Change of Control. (b) Assumption of Grants. Upon a Change of Control where the Company is not the surviving corporation (or survives only as a subsidiary of another corporation), unless otherwise determined, all outstanding Options and SARs that are not exercised shall be assumed by, or replaced with comparable options by the surviving corporation (or a parent or subsidiary of the surviving corporation), and outstanding Stock Awards and Restricted Units shall be converted to Stock Awards or Restricted Units of the surviving corporation (or a parent or subsidiary of the surviving corporation). (c) Other Alternatives. Notwithstanding the foregoing, in the event of a Change of Control, any of the following actions with respect to any or all outstanding Grants may occur as determined by the Company (i) outstanding Options and SARs shall accelerate and become exercisable, in whole or in part, (ii) the restrictions and conditions on outstanding Stock Awards and Restricted Units shall lapse, in whole or in part, (iii) Grantees shall be required to surrender their outstanding Options and SARs in exchange for a payment in cash or stock, in an amount equal to the amount by which the then Fair Market Value of the shares of Company Stock subject to the Grantee's unexercised Options exceeds the Exercise Price of the Options or the base amount exceeds the unexercised SAR, (iv) after giving Grantees an opportunity to exercise their outstanding Options and SARs all outstanding Options and SARs shall terminate as of the date of the Change of Control or such other date as specified. The Company shall have no obligation to take any of the foregoing actions, and, in the absence of any such actions, outstanding Options, SARs, Stock Awards and Restricted Units shall continue in effect according to their terms (subject to any assumption pursuant to subsection (b)). 12. REQUIREMENTS FOR ISSUANCE OR TRANSFER OF SHARES (a) Limitations on Issuance or Transfer of Shares. No Company Stock shall be issued or transferred in connection with any Grant hereunder unless and until all legal requirements applicable to the issuance or transfer of such Company Stock have been complied with. Any Grant made shall be conditioned on the Grantee's undertaking in writing to comply with such restrictions on his or her subsequent disposition of such shares of Company Stock, and certificates representing such shares may be legended to reflect any such restrictions. Certificates representing shares of Company Stock issued or transferred under the Plan will be subject to such stop-transfer orders and other restrictions as may be required by applicable laws, regulations and interpretations, including any requirement that a legend be placed thereon. (b) Lock-Up Period. If so requested by the Company or any representative of the underwriters (the "Managing Underwriter") in connection with any underwritten offering of securities of the Company under the Securities Act of 1933, as amended (the "Securities Act"), a Grantee (including any successor or assigns) shall not sell or otherwise transfer any shares or other securities of the Company during the thirty (30) day period preceding and the one hundred eighty (180)-day period following the effective date of a registration statement of the Company filed under the Securities Act for such underwriting (or such shorter period as may be requested by the Managing Underwriter and agreed to by the Company) (the "Market Standoff Period"). The 57 Company may impose stop-transfer instructions with respect to securities subject to the foregoing restrictions until the end of such Market Standoff Period. 13.

AMENDMENT AND TERMINATION OF THE PLAN (a) Amendment. The Board or its delegate may amend or terminate the Plan at any time; provided, however, that neither the Board nor its delegate shall have the authority to amend the Plan without stockholder approval if such approval is required in order to comply with the Code or other applicable laws, or to comply with applicable stock exchange requirements. (b) Termination of Plan. The Plan shall terminate on the day immediately preceding the tenth (10th) anniversary of its effective date, unless the Plan is terminated earlier by the Company or is extended by the Company with the approval of the stockholders. (c) Termination and Amendment of Outstanding Grants. A termination or amendment of the Plan that occurs after a Grant is made shall not materially impair the rights of a Grantee unless the Grantee consents or unless the Company acts under Section 19(b) below. The termination of the Plan shall not impair the power and authority of the Company with respect to an outstanding Grant. Whether or not the Plan has terminated, an outstanding Grant may be terminated or amended under Section 19(b) below or may be amended by agreement of the Company and the Grantee consistent with the Plan. (d) Governing Document. The Plan shall be the controlling document. No other statements, representations, explanatory materials or examples, oral or written, may amend the Plan in any manner. The Plan shall be binding upon and enforceable against the Company and its successors and assigns.

14. FUNDING OF THE PLAN This Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of any Grants under this Plan. In no event shall interest be paid or accrued on any Grant, including unpaid installments of Grants.

15. RIGHTS OF PARTICIPANTS Nothing in this Plan shall entitle any Employee, Non-Employee Director, Key Advisor, or other person to any claim or right to be granted a Grant under this Plan. Neither this Plan nor any action taken hereunder shall be construed as giving any individual any rights to be retained by or in the employ of the Employer or any other employment rights.

16. NO FRACTIONAL SHARES No fractional shares of Company Stock shall be issued or delivered pursuant to the Plan or any Grant. The Company shall determine whether cash, other awards or other property shall be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

17. HEADINGS Section headings are for reference only. In the event of a conflict between a title and the content of a Section, the content of the Section shall control.

18. EFFECTIVE DATE OF THE PLAN The Plan shall be effective on October 31, 2005, subject to the subsequent approval of the Plan by the shareholders of the Company.

19. MISCELLANEOUS (a) Grants in Connection with Corporate Transactions and Otherwise. Nothing contained in this Plan shall be construed to (i) limit the right of the Company to make Grants under this Plan in connection with the acquisition, by purchase, lease, merger, consolidation or otherwise, of the business or assets of any corporation, firm or association, including Grants to employees thereof who become Employees, or for other proper corporate purposes, or (ii) limit the right of the Company to grant stock options or make other awards outside of this Plan. Without limiting the foregoing, the Company may make a Grant to an employee of another corporation who becomes an Employee by reason of a corporate merger, consolidation, acquisition of stock or property, reorganization or liquidation involving the Company, the parent or any of their subsidiaries in substitution for a stock option or stock award grant made by such corporation. The terms and conditions of the substitute grants may vary from the terms and conditions required by the Plan and from those of the substituted stock incentives. The Company shall prescribe the provisions of the substitute grants. (b) Compliance with Law. The Plan, the exercise of Options and SARs, and the obligations of the Company to issue or transfer shares of Company Stock under Grants shall be subject to all applicable laws and to approvals by any governmental or regulatory agency as may be required. With respect to persons subject to Section 16 of the Exchange Act it is the intent of the Company that the Plan and all transactions under the Plan comply with all applicable provisions of Rule 16b-3 or its successors under the Exchange Act. In addition, it is the intent of the Company that the Plan and applicable Grants under the Plan comply with the applicable provisions of Section 162(m) of the Code and Section 422 of the Code. To the extent that any legal requirement of Section 16 of the Exchange Act or Section 162(m) or Section 422 of the Code as set forth in the Plan ceases to be required under Section 16 of the Exchange Act or Section 162(m) or Section 422 of the Code, that Plan provision shall cease to apply. The Company may revoke any Grant if it is contrary to law or modify a Grant to bring it into compliance with any valid and mandatory government regulation. The Company may also adopt rules regarding the withholding of taxes on payments to Grantees. The Company may, in its sole discretion, agree to limit its authority under this Section 19(b). (c) Employees Subject to Taxation Outside the United States. With respect to Grantees who are subject to taxation in countries other than the United States, Grants may be made on such terms and conditions as the Company deems appropriate to comply with the laws of the applicable countries, and the Company may create

such procedures, addenda and subplans and make such modifications as may be necessary or advisable to comply with such laws. (d) Governing Law. The validity, construction, interpretation, and effect of the Plan and Grant Instruments issued under the Plan shall be governed and construed by and determined in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof. 59