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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported):

April 27, 2005

Chicago Mercantile Exchange Holdings Inc.

(Exact name of registrant as specified in its charter)

Delaware

001-31553

36-4459170

(State or other jurisdiction
of incorporation)

(Commission
File Number)

(I.R.S. Employer
Identification No.)

20 South Wacker Drive, Chicago, Illinois

60606

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code:

312-930-1000

Not Applicable

Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

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

On April 27, 2005, the shareholders of Chicago Mercantile Exchange Holdings Inc. (the "Company") approved the Chicago Mercantile Exchange Holdings Inc. 2005 Director Stock Plan (the "Director Stock Plan") and the Chicago Mercantile Exchange Holdings Inc. Employee Stock Purchase Plan (the "ESPP"), pursuant to proposals that were submitted to the shareholders for approval at the Company's Annual Meeting of Shareholders.

DIRECTOR STOCK PLAN

The following summary of the Director Stock Plan is qualified in its entirety by reference to the complete text of the Director Stock Plan, which is filed as Exhibit 99.1 to this Current Report and is hereby incorporated by reference.

Purpose

The purpose of the Director Stock Plan is to provide the Company with an effective means of attracting, retaining, and motivating non-executive directors of the Company and to further align their interests with those of the Company's shareholders by providing for or increasing their stock ownership interests in the Company.

Administration of the Plan

The Director Stock Plan will be administered by the Compensation Committee of the Board of Directors. The Compensation Committee has, among other powers, the exclusive power to interpret and administer the Director Stock Plan and to grant awards under the Director Stock Plan. The Compensation Committee's authority includes determining the types and terms of the awards to be granted and selecting award recipients from among persons eligible to participate in the Director Stock Plan.

Shares Reserved under the Plan

The number of shares of common stock that may be issued or awarded under the Director Stock Plan shall not exceed 25,000, subject to adjustment by the Compensation Committee. The shares issuable under the Director Stock Plan may be drawn from either authorized but previously unissued shares of common stock or from reacquired shares of common stock, including shares purchased by us in the open market and held as treasury shares.

Adjustments

In the event of any merger, reorganization, consolidation, recapitalization, liquidation, stock dividend, split-up, share combination or other similar change in the corporate structure of the Company affecting its common stock, the Compensation Committee may, in its discretion, adjust the number and kind of shares available under the Director Stock Plan and the number and kind of shares subject to awards and the exercise price of outstanding options.

Awards under the Plan

Restricted Stock Awards. The Compensation Committee may award shares of our Class A common stock that are subject to certain restrictions. The Compensation Committee shall fix the restrictions on transfer and forfeiture conditions and the restriction period applicable to each restricted share award. The recipient of a restricted share award will be unable to dispose of the shares prior to the expiration of the restricted period. Unless otherwise provided by the Compensation Committee, the term of restriction for a restricted share award shall be one year. During the period of restriction, the recipient shall be entitled to vote the shares and receive any cash dividends and other distributions on such shares.

Stock Options. The Compensation Committee may grant rights to purchase a specified number of shares of Class A common stock at a specified exercise price and subject to the terms and conditions set forth in the option grant. At the time the option is granted, the Compensation Committee will determine the number of shares subject to the option, the exercise (or purchase) price per share, the period during which the option may be exercised and the restrictions and conditions on and to that exercise. However, the exercise price of each option will be at least equal to the market value of the Company's common stock on the date of grant and no option may be exercised more than three years after termination of a director's service on the Board. Payment of the exercise price of a stock option may be in cash, common stock owned by the participant, other consideration permitted by the Compensation Committee, withholding shares otherwise issuable with the consent of the Compensation Committee or by a combination of the foregoing.

Other Stock-Based Awards. Under the Director Stock Plan, the Compensation Committee has the right to grant other awards of common stock or awards otherwise based on common stock or in cash in its sole discretion.

Transferability

Except as otherwise authorized by the Compensation Committee, no awards and no shares of common stock that have not been issued or to which any applicable restriction has not lapsed may be sold, assigned, transferred, pledged or otherwise encumbered other than by will or the laws of descent and distribution.

Change of Control

Upon a change of control as defined in the Director Stock Plan, all awards outstanding under the Director Stock Plan will vest, become immediately exercisable or payable or have all restrictions lifted as may apply to the type of award granted.

Termination of Service

Except as otherwise authorized by the Compensation Committee at the time of grant, if a director's service ends for any reason other than death, permanent disability or expiration of service as a director, any unvested portion of an outstanding award will terminate and be forfeited to the Company without consideration. Upon a termination of service due to death, permanent disability or expiration of service as a director, all unvested awards granted under the Director Stock Plan will vest, become immediately exercisable or payable or have all restrictions lifted as may apply to the type of award granted.

Amendments and Termination

The Board of Directors may at any time terminate, amend or suspend the Director Stock Plan, as it deems advisable, subject to the requirements of applicable law and other regulatory requirements, including those imposed by the New York Stock Exchange. The Director Stock Plan will expire on April 27, 2015, unless the Board exercises its discretion to terminate it on an earlier date.

EMPLOYEE STOCK PURCHASE PLAN

The following summary of the ESPP is qualified in its entirety by reference to the complete text of the ESPP, which is filed as Exhibit 99.3 to this Current Report and is hereby incorporated by reference.

Purpose

The purpose of the ESPP is to provide employees of the Company and its subsidiaries added incentive to promote the best interests of the Company by permitting eligible employees to purchase shares of the Company's Class A common stock through payroll deductions. The ESPP is intended to qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code of 1986, as amended.

Administration of the Plan

The ESPP will be administered by the Compensation Committee of the Board of Directors. The Committee will have full power and authority to interpret and administer the ESPP, to establish rules and regulations relating to the ESPP and to make all other determinations it deems appropriate for the proper administration of the ESPP.

Shares Reserved under the Plan

The number of shares of common stock available for purchase under the ESPP shall not exceed 40,000, subject to adjustment by the Compensation Committee. The shares available for purchase under the ESPP may be drawn from either authorized but previously unissued shares of common stock or from reacquired shares of common stock, including shares purchased by us in the open market and held as treasury shares.

Adjustments

In the event of any merger, reorganization, consolidation, recapitalization, liquidation, stock dividend, split-up, share combination or other similar change in the corporate structure of the Company affecting its common stock, the Compensation Committee may, in its discretion, adjust the number and kind of shares available under the ESPP.

Eligible Participants

All employees who are regularly scheduled to work at least 20 hours per week and who customarily are employed for more than five months in a calendar year will be eligible to participate in the ESPP, except for certain limitations imposed by Section 423(b) of the Code. Under the Code, no employee is permitted to purchase any shares in the ESPP if such employee, immediately after such purchase, owns shares possessing 5% or more of the total combined voting power of all classes of stock of the Company. In addition, no employee may purchase any shares in the ESPP in excess of \$25,000 (determined at the market value of the shares at the beginning of the offering period) in any one calendar year. Pursuant to authority granted to the Compensation Committee under the terms of the ESPP, the Committee has elected to exclude members of our Management Team from participating in the ESPP. As of December 31, 2004, approximately 1,300 employees would have been eligible to participate in the ESPP.

Participation in the ESPP

The ESPP will allow eligible employees to authorize payroll deductions of up to 10% of their base salary to be applied toward the purchase of shares of common stock at the end of the offering period. The ESPP will be implemented by consecutive offering periods of approximately six months' duration. Shares will be purchased at the end of an offering period at a price of 90% of the market value of the common stock as reported on the NYSE.

Deduction Changes and Suspension

Except as otherwise provided by the Committee, a participant may increase or decrease his or her payroll deductions at any time. Participants may withdraw all, but not less than all, of their accumulated payroll contributions at any time prior to the next purchase date. A participant's withdrawal from an offering period will not have any effect upon his or her ability to participate in the following offering period.

Transferability

A participant's rights under the ESPP are not transferable by the participant except by will or the laws of descent and distribution.

Holding Period

A participant may not sell shares acquired in the ESPP until six months after the date of purchase.

Termination of Employment

When a participant terminates employment for any reason, including voluntary termination, retirement or death, the cash amounts credited to such participant's account that have not been used to purchase shares will be returned to the participant or in the case of such participant's death, to the person's designated beneficiary.

Amendments and Termination

The Board of Directors may at any time terminate, amend or suspend the ESPP, as it deems advisable, subject to the requirements of applicable law and other regulatory requirements, including those imposed by the NYSE. The ESPP will expire on April 27, 2015, unless the Board exercises its discretion to terminate it on an earlier date.



SIGNATURES

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

Chicago Mercantile Exchange Holdings Inc.

April 28, 2005

By: *Kathleen M. Cronin*

Name: Kathleen M. Cronin

Title: Managing Director, General Counsel and Corporate Secretary

Exhibit Index

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--------------------------------------|
| 99.1 | 2005 Director Stock Plan |
| 99.2 | Form of Director Equity Grant Letter |
| 99.3 | Employee Stock Purchase Plan |

2005 DIRECTOR STOCK PLAN

1. **Purpose.** The purpose of the Chicago Mercantile Exchange Holdings Inc. 2005 Director Stock Plan (the "Plan") is to provide Chicago Mercantile Exchange Holdings Inc. (the "Company") with an effective means of attracting, retaining, and motivating non-employee directors of the Company and to further align their interests with those of the Company's shareholders by providing for or increasing their stock ownership interests in the Company.
2. **Eligibility.** Any director of the Company who is not an employee of the Company ("Eligible Director") is eligible to participate in the Plan.
3. **Administration.** The Plan shall be administered by a Committee (the "Committee") of the Board of Directors of the Company (the "Board") comprised solely of independent directors. Initially, the Committee responsible for the administration of the Plan shall be the Compensation Committee. Except as otherwise expressly provided in the Plan, the Committee shall have full power and authority to interpret and administer the Plan, to determine the Eligible Directors to receive awards and the amounts, types and terms of the awards, to adopt, amend, and rescind rules and regulations, and to establish terms and conditions, not inconsistent with the provisions of the Plan, for the administration and implementation of the Plan, provided, however, that the Committee may not (subject to Section 8 hereof), after the date of any award, make any changes that would adversely affect the rights of a recipient under such award without the consent of the recipient. The determination of the Committee on all matters shall be final and conclusive and binding on the Company and all Eligible Directors and other interested parties.
4. **Awards.** Awards may be made by the Committee in such amounts as it shall determine in cash, in unrestricted shares of Class A common stock of the Company ("Common Stock"), in options to purchase shares of Common Stock of the Company ("Options"), or in shares of Common Stock subject to certain restrictions ("Restricted Stock"), or any combination thereof. There shall be 25,000 shares of Common Stock available for issuance in connection with awards under the Plan. If any award under the Plan shall expire, terminate, or be canceled for any reason without having been vested or exercised in full, the corresponding number of shares which were reserved for issuance in connection therewith shall again be available for the purposes of the Plan. Shares available under the Plan may be authorized and unissued shares or may be treasury shares.
5. **Restricted Stock Grants.** Awards of Restricted Stock may be granted by the Committee to Eligible Directors subject to such restrictions on transfer and forfeiture conditions as the Committee may deem appropriate. Shares subject to a grant of Restricted Stock may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated during the applicable period of restriction. Each grant of Restricted Stock shall be evidenced by a Restricted Stock agreement that shall specify the number of shares granted, the period of restriction applicable to the grant of Restricted Stock and such other terms and conditions as the Committee, in its sole discretion, shall determine. Unless otherwise provided in a Restricted Stock agreement, the period of restriction applicable to each grant of Restricted Stock shall be one (1) year. Unless the Committee determines otherwise, shares of Restricted Stock shall be held by the Company as escrow agent during the applicable period of restriction, together with stock powers or other instruments of assignment (including a power of attorney), each endorsed in blank with a guarantee of signature if deemed necessary or appropriate by the Committee, which would permit transfer to the Company of all or a portion of the Restricted Stock in the event such Restricted Stock is forfeited in whole or in part. The Committee may, in its discretion, legend the certificates representing Restricted Stock during the applicable period of restriction to give appropriate notice of such restrictions. For example, the Committee may determine that some or all certificates representing shares of Restricted Stock shall bear the following legend:

"The sale or other transfer of the shares of stock represented by this certificate, whether voluntary, involuntary, or by operation of law, is subject to certain restrictions on transfer as set forth in the Chicago Mercantile Exchange Holdings Inc., 2005 Director Stock Plan (the "Plan"), and in a restricted stock agreement. A copy of the Plan and such restricted stock agreement may be obtained from the Secretary of Chicago Mercantile Exchange Holdings Inc."

During any applicable period of restriction, Eligible Directors holding Restricted Stock may exercise full voting rights with respect to such Restricted Stock and shall be entitled to receive all dividends and other distributions paid with respect to such Restricted Stock, unless otherwise provided in the applicable Restricted Stock agreement.

6. Stock Option Awards.

- a. **Type of Options.** Any Options granted under the Plan shall be in the form of Options which do not qualify as incentive stock options under Section 422 of the Internal Revenue Code.
- b. **Purchase Price.** The purchase price of the Common Stock under each Option shall be determined by the Committee, but shall not be less than 100 percent of the fair market value of the Common Stock on the date of the award of the Option. "Fair market value" for purposes of the Plan means the closing transaction price of the Common Stock on the New York Stock Exchange on the date as of which such value is being determined.
- c. **Terms and Conditions.** The Committee shall establish (i) the term of each Option, (ii) the terms and conditions upon which, and the times when, each Option shall be exercised, and (iii) the terms and conditions under which Options may be exercised after termination as an Eligible Director for any reason for periods not to exceed three (3) years after such termination.
- d. **Purchase by Cash or Stock.** The purchase price of shares purchased upon the exercise of any Option shall be paid (i) in full in cash, (ii) in whole or in part (in combination with cash) in full shares of Common Stock owned by the Eligible Director and valued at its fair market value on the date of exercise, or (iii) by any other means which the Committee, in its sole discretion, determines to provide legal consideration for the purchase price of the shares, all pursuant to procedures approved by the Committee consistent with the purposes of the Plan.

- e. **Transferability.** Options shall not be transferable other than by will or pursuant to the laws of descent and distribution. During the lifetime of the person to whom an Option has been awarded, it may be exercisable only by such person or one acting in his or her stead or in a representative capacity. Upon or after the death of the person to whom an Option is awarded, an Option may be exercised by the Eligible Director's legatee or legatees under his last will, or by the Option holder's personal representative or distributee's executive, administrator, or personal representative or designee in accordance with the terms of the Option.
7. **Termination of Service.** Unless otherwise provided by the Committee at the time of grant, if a director's service ends for any reason other than by death, permanent disability (as determined by the Board) or expiration of his or her term of service as a director, any unvested portion of an award granted hereunder shall immediately terminate and be forfeited to the Company without consideration. Upon a termination of service due to death, permanent disability or expiration of term of service as a director, all unvested awards granted hereunder shall immediately become fully vested.
8. **Adjustments and Reorganizations.** In the event of any merger, reorganization, consolidation, recapitalization, liquidation, stock dividend, split-up, share combination, or other similar change in the corporate structure of the Company affecting the Common Stock, the Committee may adjust the number, class, type and series of securities available under the Plan, the number, class, type and series of securities or other property subject to outstanding awards under the Plan, in such manner as the Committee in its sole discretion shall determine to be appropriate to prevent the dilution or diminution of outstanding awards under the Plan. Notwithstanding anything in this Plan to the contrary, all awards outstanding hereunder shall become fully vested upon the occurrence of a change in control. "Change of control" shall have the meaning set forth in the Company's Amended and Restated Omnibus Stock Plan, as in effect on the effective date of this Plan.
9. **Tax Withholding.** The Company shall have the right to (i) make deductions from any settlement of an award under the Plan, including the delivery or vesting of shares, or require shares or cash or both be withheld from any award, in each case in an amount sufficient to satisfy withholding of any federal, state, or local taxes required by law, or (ii) take such other action as may be necessary or appropriate to satisfy any such withholding obligations. The Committee may determine the manner in which such tax withholding may be satisfied, and may permit shares of Common Stock to be used to satisfy required tax withholding based on the fair market value of any such shares of Common Stock, as of the appropriate time of each award.
10. **Expenses.** The expenses of administering the Plan shall be borne by the Company.
11. **Amendments.** The Board shall have complete power and authority to amend the Plan, provided that the Board shall not amend the Plan in any manner that requires shareholder approval under applicable law without such approval. No amendment to the Plan may, without the consent of the individual to whom the award shall theretofore have been awarded, adversely affect the rights of an individual under the award.
12. **Governing Law; Requirements of Law.** The Plan and all awards shall be construed in accordance with and governed by the laws of the State of Delaware, but without regard to its conflict of law provisions. Each award made hereunder shall be subject to the requirement that if at any time the Company determines that the listing, registration or qualification of the Common Stock subject to such award upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action is necessary or desirable as a condition of, or in connection with, the exercise or settlement of such award or the delivery of Common Stock thereunder, such award shall not be exercised or settled and such Common Stock shall not be delivered unless such listing, registration, qualification, consent, approval or other action shall have been effected or obtained, free of any conditions not acceptable to the Company.
13. **Effective Date of the Plan.** The Plan shall become effective upon the date upon which it is approved by the Company's stockholders.
14. **Termination.** The Board may terminate the Plan or any part thereof at any time, provided that no termination may, without the consent of the individual to whom any award shall theretofore have been made, adversely affect the rights of an individual under the award. The Plan shall terminate no later than the tenth anniversary of its effective date, unless earlier terminated by the Board.
15. **Other Actions.** Nothing contained in the Plan shall be deemed to preclude other compensation plans which may be in effect from time to time or be construed to limit the authority of the Company to exercise its corporate rights and powers, including, but not by way of limitation, the right of the Company (a) to award options for proper corporate purposes otherwise than under the Plan to an employee or other person, firm, corporation, or association, or (b) to award options to, or assume the option of, any person in connection with the acquisition, by purchase, lease, merger, consolidation, or otherwise, of the business and assets (in whole or in part) of any person, firm, corporation, or association. The grant of an award pursuant to the Plan is no guarantee that an Eligible Director will be re-nominated, reelected or reappointed as a director, and nothing in the Plan shall be construed as conferring upon an Eligible Director the right to continue to be associated with the Company as a director or otherwise.

* * *

[Date]

Re: Equity Grant

Dear: [Name of Director]

We are pleased to provide you with a grant of shares of stock under the Chicago Mercantile Exchange Holdings Inc. (the "Company") 2005 Director Stock Plan (the "Plan") as compensation for your service as a member of the Board of Directors of the Company. Your participation in the Plan will further align your interests with our shareholders. Certain terms of your equity grant follow:

Number of _____

Shares of Stock:

[number] shares of Class A common stock of Chicago Mercantile Exchange Holdings Inc.

Number of Additional _____

Shares in Lieu of Cash:

[number] shares of Class A common stock of Chicago Mercantile Exchange Holdings Inc.

* * * * *

By accepting this stock grant, you hereby agree to the terms and conditions of the Plan.

[Because you have elected to receive additional shares in lieu of all or a portion of the cash portion of your stipend, by accepting such additional shares, you hereby agree to repay the Company any unearned portion of your annual stipend that would otherwise have been payable in cash in the event you leave the Board prior to the next Annual Meeting of Shareholders. The amount of the unearned stipend will be prorated on a monthly basis and will be due within 30 days of your resignation.]

Neither the grant of shares nor any other action taken pursuant to the Plan shall constitute or be evidence of any agreement or understanding, express or implied, that you have a right to continue to provide services as a director, of the Company for any period of time or at any specific rate of compensation.

Chicago Mercantile Exchange Holdings Inc.

By:

Name: Beth Keeve
Title: Managing Director, Organization Development

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC.

EMPLOYEE STOCK PURCHASE PLAN

1. Purpose. The Chicago Mercantile Exchange Holdings Inc. Employee Stock Purchase Plan (the “Plan”) is established for the benefit of employees of Chicago Mercantile Exchange Holdings Inc. (the “Company”) and its Designated Subsidiaries. The Plan is intended to provide the employees of the Company and its Designated Subsidiaries with an opportunity to purchase shares of Class A common stock of the Company (the “Shares”). It is the intention of the Company that the Plan qualify as an “employee stock purchase plan” within the meaning of Section 423 of the Internal Revenue Code of 1986, as amended (the “Code”), and the Plan shall be construed in a manner consistent with the requirements of such Section of the Code.

2. Definitions.

a. “Board” shall mean the Board of Directors of the Company.

b. “Change in Capitalization” shall mean any merger, reorganization, consolidation, recapitalization, liquidation, stock dividend, split-up, share combination, or other similar change in the corporate structure of the Company affecting the Shares.

c. “Code” shall mean the Internal Revenue Code of 1986, as amended from time to time.

d. “Committee” shall mean the Compensation Committee or any other committee of members of the Board appointed by the Board to administer the Plan and to perform the functions of the Committee as set forth herein.

e. “Company” shall mean Chicago Mercantile Exchange Holdings Inc., a Delaware corporation, and any successor corporation.

f. “Continuous Status as an Employee” shall mean the absence of any interruption or termination of service as an Employee. Continuous Status as an Employee shall not be considered interrupted in the case of a leave of absence agreed to in writing by the Employee’s Employer, if such leave is for a continuous period of not more than three months or if re-employment upon the expiration of such leave is guaranteed by contract or statute.

g. “Designated Subsidiaries” shall mean the Subsidiaries of the Company which have been designated by the Board from time to time in its sole discretion as eligible to participate in the Plan, which may include corporations which become subsidiaries of the Company after the adoption of the Plan.

h. “Employee” shall mean any person, including an officer, who is an employee of the Company or a Designated Subsidiary of the Company; provided, however, that an Employee shall not include any individual whose customary period of employment is for five months or less in any calendar year or whose customary employment is 20 hours or less per week.

i. “Employer” shall mean, as to any particular Employee, the corporation which employs such Employee, whether it is the Company or a Designated Subsidiary of the Company.

j. “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended.

k. “Exercise Date” shall mean the Trading Day that occurs on or immediately following the six month anniversary of the Offering Date at the commencement of the Purchase Period, except as the Committee may otherwise provide.

l. “Fair Market Value” per Share as of a particular date shall mean (i) the closing sales price per Share on such date, as reported by the Composite Transactions reporting system or if not so reported, as reported by the New York Stock Exchange or (ii) in the event the Shares are not traded on such date, the closing price per Share, as so reported on the immediately preceding date on which trading occurred, or if not so reported, as reported by any national securities exchange on which the Shares are listed.

m. “Offering Date” shall mean the first Trading Day of each Purchase Period of the Plan. The Offering Date of a Purchase Period is the grant date for the options offered in such Purchase Period.

n. “Participant” shall mean an Employee who participates in the Plan.

o. “Plan” shall mean the Chicago Mercantile Exchange Holdings Inc. Employee Stock Purchase Plan, as amended from time to time.

p. “Purchase Period” shall mean each approximately six-month period commencing on the Trading Day next following the last previous Exercise Date and ending on the Trading Day that occurs on or immediately following the six month anniversary of the commencement of the Purchase Period.

q. “Shares” shall mean shares of the Class A common stock of the Company.

r. “Subsidiary” shall mean any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the time of granting an option, each of the corporations other than the last corporation in the unbroken chain owns shares possessing fifty percent (50%) or more of the total combined voting power of all classes of shares in one of the other corporations in such chain.

s. “Trading Day” shall mean a day on which the New York Stock Exchange is open for trading.

3. Eligibility.

a. Subject to the requirements of Section 3.b. hereof, any person who is an Employee as of an Offering Date shall be eligible to participate in the Plan and be granted an option for the Purchase Period commencing on such Offering Date. Notwithstanding the foregoing, the

Committee may, in its discretion and to the extent permissible under Section 423 of the Code, exclude all or a portion of Employees who are highly compensated Employees within the meaning of Section 423(b)(4)(D) of the Code from participation in the Plan.

b. Notwithstanding any provisions of the Plan to the contrary, no Employee shall be granted an option under the Plan if, immediately after the grant, (i) such Employee (or any other person whose shares would be attributed to such Employee pursuant to Section 424(d) of the Code) would own shares and/or hold outstanding options to purchase shares possessing five percent (5%) or more of the total combined voting power or value of all classes of shares of the Company or of any Subsidiary or Parent of the Company, or (ii) such Employee's right to purchase shares under all employee stock purchase plans (as described in Section 423 of the Code) of the Company and any Subsidiary of the Company would accrue at a rate which exceeds twenty-five thousand dollars (\$25,000) of Fair Market Value of such shares (determined at the time such option is granted) for any calendar year in which such option would be outstanding at any time. Any amounts received from an Employee which cannot be used to purchase Shares as a result of this limitation will be returned as soon as possible to the Employee without interest.

4. Purchase Periods; Duration of Plan. The Plan shall be implemented by a series of consecutive Purchase Periods. The Plan shall continue until terminated in accordance with Section 19 hereof. Subject to Section 19 hereof, the Committee shall have the power to change the duration and/or the frequency of Purchase Periods with respect to future offerings. In no event, however, shall any option granted hereunder be exercisable more than 27 months from its date of grant.

5. Grant of Option; Participation; Price.

a. On each Offering Date the Company shall commence an offering by granting each eligible Employee who has elected to become a Participant an option to purchase Shares, subject to the limitations set forth in Sections 3.b. and 11 hereof. Each option so granted shall be exercisable for the number of Shares described in Section 7 hereof and shall be exercisable only on the Exercise Date.

b. Each eligible Employee may elect to become a Participant in the Plan with respect to a Purchase Period by filing a subscription agreement with his or her Employer authorizing payroll deductions in accordance with Section 6 hereof and filing it with the Company or the Employer in accordance with the form's instructions at least ten (10) business days prior to the applicable Offering Date, unless a later time for filing the subscription agreement is set by the Committee for all Employees with respect to a given offering. Such authorization will remain in effect for subsequent Purchase Periods, until modified or terminated by the Participant by giving written notice to his or her Employer prior to the next occurring Exercise Date.

c. The option price per share shall be 90% of the Fair Market Value of a Share on the Exercise Date.

6. Payroll Deductions.

a. Subject to the provisions hereof, a Participant may, in accordance with rules and procedures adopted by the Committee, authorize a payroll deduction of any whole percentage from one percent to ten percent of such Participant's annual base salary each pay period (the permissible range within such percentages to be determined by the Committee from time to time). A Participant may increase or decrease such payroll deduction (including a cessation of payroll deductions) at any time, by filing a new authorization form with his or her Employer. All payroll deductions made by a Participant shall be credited to such Participant's bookkeeping account under the Plan.

b. Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and Section 3.b. hereof, a Participant's payroll deductions shall be decreased to 0% at any time during a Purchase Period. Payroll deductions shall automatically recommence at the rate provided in such Participant's subscription agreement (prior to the reduction) at the start of the first Purchase Period commencing in the following calendar year.

c. A Participant may withdraw from the Plan as provided in Section 9, which will terminate his or her payroll deductions for the Purchase Period in which such withdrawal occurs. The Committee may, in its discretion, limit the number of rate changes by Participants during a Purchase Period. A change in rate shall be effective as of the next practicable payroll period following the date of filing of the new subscription agreement.

7. Exercise of Option.

a. Unless a Participant withdraws from the Plan as provided in Section 9 hereof, or unless the Committee otherwise provides, such Participant's election to purchase Shares shall be exercised automatically on the Exercise Date, and the maximum number of Shares (excluding any fractional Share) subject to such option will be purchased for such Participant at the applicable option price with the accumulated payroll deductions credited to the Participant's account under the Plan.

b. Any cash balance remaining in a Participant's account after an Exercise Date will be carried forward to the Participant's account for the purchase of Shares on the next Exercise Date if the Participant does not elect to cease to participate in the Plan. A Participant who has elected to cease participation in the Plan will receive a cash payment equal to the cash balance of his or her account.

8. Delivery of Shares. As promptly as practicable after each Exercise Date, the number of full Shares purchased by each Participant shall be evidenced in such manner as the Committee may deem appropriate, including book-entry registration or issuance of one or more stock certificates. Unless otherwise determined by the Committee, Shares delivered to a Participant hereunder may not be assigned, transferred, pledged or otherwise disposed of in any way by the Participant during the six month period following such delivery to the Participant (other than by will, the laws of descent and distribution) and the Shares shall bear a legend denoting such restrictions as may be determined by the Committee to be appropriate.

9. Withdrawal; Termination of Employment.

a. A Participant may withdraw at any time all, but not less than all, cash amounts in his or her account under the Plan that have not been used to purchase Shares by giving written notice to the Company prior to the next occurring Exercise Date. All such cash amount credited to such Participant's account shall be paid to such Participant promptly after receipt of such Participant's notice of withdrawal and such

Participant's option for the Purchase Period in which the withdrawal occurs shall be automatically terminated. No further payroll deductions for the purchase of Shares will be made for such Participant during such Purchase Period.

b. Upon termination of a Participant's Continuous Status as an Employee during a Purchase Period for any reason, including voluntary termination, retirement or death, the cash amounts credited to such Participant's account that have not been used to purchase Shares shall be returned to such Participant or, in the case of such Participant's death, to the person or persons entitled thereto under Section 13 hereof, and such Participant's option for the Purchase Period in which the termination occurs will be automatically terminated.

c. A Participant's withdrawal from a Purchase Period will not have any effect upon such Participant's eligibility to participate in a succeeding Purchase Period or in any similar plan which may hereafter be adopted by the Company.

10. Interest. No interest shall accrue on or be payable with respect to any cash amount credited to a Participant under the Plan.

11. Shares.

a. Subject to adjustment as provided in Section 17 hereof, the maximum number of Shares which shall be reserved for sale under the Plan shall be 40,000 Shares. If any option granted under the Plan shall expire or terminate for any reason without having been exercised in full or shall cease for any reason to be exercisable in whole or in part, the unpurchased Shares subject thereto shall again be available under the Plan. Such reserved Shares shall be either authorized and unissued Shares or Shares which have been reacquired by the Company. If the total number of Shares which would otherwise be purchased pursuant to options granted hereunder on an Exercise Date exceeds the number of Shares then available under the Plan (after deduction of all Shares for which options have been exercised or are then outstanding), the Committee shall make a pro rata allocation of the Shares remaining available for option grant in as uniform a manner as shall be practicable and as it shall determine to be equitable and in compliance with the provisions of Section 423 of the Code. In such event, the Committee shall give written notice to each Participant of such reduction of the number of option Shares affected thereby and shall similarly reduce the rate of payroll deductions, if necessary.

b. Shares to be delivered to a Participant under the Plan will be registered in the name of the Participant or, at the election of the Participant, in the name of the Participant and another person as joint tenants with rights of survivorship.

12. Administration. The Plan shall be administered by the Committee, and the Committee may select administrator(s) to whom its duties and responsibilities hereunder may be delegated. The Committee shall have full power and authority, subject to the provisions of the Plan, to promulgate such rules and regulations as it deems necessary for the proper administration of the Plan, to interpret the provisions and supervise the administration of the Plan, and to take all action in connection therewith or in relation thereto as it deems necessary or advisable. Except as otherwise provided by the Committee, each Employer shall be charged with all expenses incurred in the administration of the Plan with respect to such Employer's Employees. No member of the Committee shall be personally liable for any action, determination, or interpretation made in good faith with respect to the Plan, and all members of the Committee shall be fully indemnified by the Company with respect to any such action, determination or interpretation. All decisions, determinations and interpretations of the Committee shall be final and binding on all persons, including the Company, the Participant (or any person claiming any rights under the Plan from or through any Participant) and any shareholder.

13. Designation of Beneficiary.

a. A Participant may file with the Company, on forms supplied by the Company, a written designation of a beneficiary who is to receive any cash remaining in such Participant's account under the Plan in the event of the Participant's death.

b. Such designation of beneficiary may be changed by the Participant at any time by written notice to the Company, on forms supplied by the Company. In the event of the death of a Participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such Participant's death, the Company shall deliver such cash to the executor or administrator of the estate of the Participant or, if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such cash to the spouse or to any one or more dependents or relatives of the Participant in accordance with the applicable laws of descent and distribution, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

14. Transferability. Neither cash amounts credited to a Participant's account nor any rights with regard to the exercise of an option or to receive Shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way by the Participant (other than by will, the laws of descent and distribution or as provided in Section 13 hereof). Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds in accordance with Section 9 hereof.

15. Use of Funds. All payroll deductions received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such funds.

16. Reports. Individual accounts will be maintained for each Participant in the Plan. Statements of account will be given to Participants as soon as practicable following each Purchase Period, which statements will set forth the amounts of payroll deductions, the per Share purchase price, the number of Shares purchased and the remaining cash balance, if any.

17. Effect of Certain Changes. In the event of a Change in Capitalization, the Committee shall conclusively determine the appropriate equitable adjustments, if any, to be made under the Plan, including without limitation adjustments to the number of Shares which have been authorized for issuance under the Plan but have not yet been placed under option, as well as the price per Share covered by each option under the Plan which has not yet been exercised.

18. Term of Plan. Subject to the Board's right to discontinue the Plan (and thereby end its Term) pursuant to Section 19 hereof, the Term of the Plan (and its last Purchase Period) shall end on the tenth anniversary of the commencement of the first Purchase Period. Upon any discontinuance of the Plan, unless the Committee shall determine otherwise, any assets remaining in the Participants' accounts under the Plan shall be delivered to the respective Participant (or the Participant's legal representative) as soon as practicable.

19. Amendment to and Discontinuance of Plan. The Board may at any time amend, suspend or discontinue the Plan. Except as provided in Section 17 hereof, no such suspension or discontinuance may adversely affect options previously granted and no amendment may make any change in any option theretofore granted which adversely affects the rights of any Participant which accrued prior to the date of effectiveness of such amendment without the consent of such Participant. No amendment shall be effective unless it receives the requisite approval of the shareholders of the Company if such shareholder approval of such amendment is required to comply with Section 423 of the Code or to comply with any other applicable law, regulation or stock exchange or national or international quotation system rule.

20. Notices. All notices or other communications by a Participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

21. Regulations and Other Approvals; Governing Law.

a. This Plan and the rights of all persons claiming hereunder shall be construed and determined in accordance with the laws of the State of Delaware without giving effect to the choice of law principles thereof, except to the extent that such law is preempted by federal law.

b. The obligation of the Company to sell or deliver Shares with respect to options granted under the Plan shall be subject to all applicable laws, rules and regulations, including all applicable federal and state securities laws, and the obtaining of all such approvals by governmental agencies as may be deemed necessary or appropriate by the Committee.

22. Withholding of Taxes. If the Participant makes a disposition, within the meaning of Section 424(c) of the Code and regulations promulgated thereunder, of any Share or Shares issued to such Participant pursuant to such Participant's exercise of an option, and such disposition occurs within the two-year period commencing on the applicable Offering Date or within the one-year period commencing on the day after the applicable Exercise Date, such Participant shall, within ten (10) days of such disposition, notify the Company thereof and thereafter immediately deliver to the Company any amount of Federal, state or local income taxes and other amounts which the Company informs the Participant the Company is required to withhold.

23. Employment At-Will and Limitation of Rights. This Plan is strictly a voluntary undertaking on the part of the Company and shall not constitute a contract between the Employer and any person, or consideration for, or an inducement or condition of, the employment of any person. Nothing contained in the Plan shall alter or supersede the employment at-will relationship, or other employment agreement provisions if applicable, between the Employer and its Employees.

24. Effective Date. The Plan shall be effective upon the approval of the Plan by the shareholders of the Company.