

TAUREL SIDNEY  
Form 4  
July 01, 2011

**FORM 4**

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

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
TAUREL SIDNEY

2. Issuer Name and Ticker or Trading Symbol  
INTERNATIONAL BUSINESS MACHINES CORP [IBM]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)

3. Date of Earliest Transaction (Month/Day/Year)  
06/30/2011

Director  10% Owner  
 Officer (give title below)  Other (specify below)

ELI LILLY AND COMPANY, LILLY CORPORATE CENTER

(Street)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

INDIANAPOLIS, IN 46285

(City) (State) (Zip)

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
			Code	V	Amount	(D)	Price

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

**Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

SEC 1474 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

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1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)
Promised Fee Share	\$ 0 <sup>(1)</sup>	06/30/2011		A <sup>(2)</sup>	394	<sup>(3)</sup> <sup>(3)</sup>	Common Stock 394	\$ 171.5

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
TAUREL SIDNEY ELI LILLY AND COMPANY LILLY CORPORATE CENTER INDIANAPOLIS, IN 46285		X		

## Signatures

D. Cummins on behalf of S. Taurel  
 07/01/2011  
 \*\*Signature of Reporting Person Date

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Promised Fee Shares under the IBM Board of Directors Deferred Compensation and Equity Award Plan are paid out after retirement in the company's common stock or cash.
- (2) Deferral of fees into Promised Fee Shares under the terms of the IBM Board of Directors Deferred Compensation and Equity Award Plan.
- (3) Distribution of Promised Fee Shares under the IBM Board of Directors Deferred Compensation and Equity Award Plan is deferred until retirement.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. e 2004 Plan provides for termination of a nonqualified stock option simultaneously with the termination of association of an option holder with our company and its subsidiaries, the Committee has the authority to determine in its discretion whether and under what conditions options granted under this amendment will terminate upon the option holder leaving our company or its subsidiaries, and to waive any such condition. In addition, the Committee also has the authority in its absolute discretion, after due regard to the option holder's personal circumstances, to lift the sales restrictions.

*Option Contracts*

Each option and/or SAR will be evidenced by a written contract between our company and the employee receiving the grant. Such contract may provide, among other things, that (a) the holder agrees to remain in our employ or a subsidiary, at our election, for the later of (i) the period of time determined by the committee at or before the time of grant or (ii) the date to which he is then contractually obligated to remain associated with our company or a subsidiary, and (c) the optionee will notify us of any disqualifying disposition of shares acquired pursuant to the exercise of an incentive stock option and pay any required withholding or other tax.

*Adjustment in Event of Capital Changes*

Appropriate adjustments shall be made in the number and kind of shares available under the 2004 Plan, in the number and kind of shares subject to each outstanding option and SAR and in the exercise prices and base prices thereof in the event of any change in our common stock by reason of any stock dividend, recapitalization, merger, consolidation, reorganization, split-up, combination or exchange of shares or the like.

*Duration and Amendment of the 2004 Plan*

Under the 2004 Plan as adopted, no option may be granted pursuant to the 2004 Plan after March 25, 2014. However, this proposal is to amend the 2004 Plan to permit options to be granted under the 2004 Plan until March 31, 2024.

Our board of directors may at any time terminate or amend the 2004 Plan; provided, however, that without the approval of our shareholders, no amendment may be made which would (a) increase the maximum number of shares available for the grant of options (except the anti-dilution adjustments described above), (b) otherwise materially increase the benefits accruing to participants under the 2004 Plan or (c) change the eligibility requirements for employees who may receive options.

*Federal Income Tax Treatment*

The following is a general summary of the federal income tax consequences under current tax law of incentive stock options, nonqualified stock options and SARs which are not granted to French employees under this amendment. It does not purport to cover all of the special rules, including special rules relating to optionees subject to Section 16(b) of the Securities Exchange Act of 1934, and the exercise of an option with previously-acquired shares, or the state or local income or other tax consequences inherent in the ownership and exercise of stock options and the ownership and disposition of the underlying shares.



An optionee will not recognize taxable income for federal income tax purposes upon the grant of an incentive stock option, a nonqualified stock option or an SAR.

In the case of an incentive stock option, no taxable income is recognized upon exercise of the option. If the optionee disposes of the shares acquired pursuant to the exercise of an incentive stock option more than two (2) years after the date of grant and more than one (1) year after the transfer of the shares to him or her, the optionee will recognize long-term capital gain or loss and we will not be entitled to a deduction. However, if the optionee disposes of such shares within the required holding period, a portion of his or her gain will be treated as ordinary income and we will generally be entitled to deduct such amount.

Upon the exercise of a nonqualified stock option, the optionee recognizes ordinary income in an amount equal to the excess, if any, of the fair market value of the shares acquired on the date of exercise over the exercise price thereof, and we generally are entitled to a deduction for such amount of the date of exercise so long as we properly withhold income taxes thereon. If the optionee later sells shares acquired pursuant to the nonqualified stock option, he or she will recognize long-term or short-term capital gain or loss.

In the case of an SAR, the optionee recognizes ordinary income and we may deduct an amount equal to the excess, if any, of the fair market value of the shares of Common Stock on the exercise date over the base price thereof.

Net capital gains (net long term less net short term gains) can be taxed at substantially lower marginal rates, depending upon the length of time the shares are held, as compared to ordinary income.

In addition to the federal income tax consequences described above, an optionee may be subject to the alternative minimum tax, which is payable to the extent it exceeds the optionee's regular tax. For this purpose, upon the exercise of an incentive stock option, the excess of the fair market value of the shares over the exercise price therefor is a tax preference item. In addition, the optionee's basis in such shares is increased by such amount for purposes of computing the gain or loss on the disposition of the shares for alternative minimum tax purposes. If an optionee is required to pay an alternative minimum tax, the amount of such tax which is attributable to deferral preferences (including the incentive stock option preference) is allowed as a credit against the optionee's regular tax liability in subsequent years. To the extent the credit is not used, it is carried forward.

*Certain Limitations on Deductibility of Executive Compensation*

Section 162(m) of the Internal Revenue Code generally disallows a publicly held corporation a deduction for compensation in excess of \$1 million per year paid to the chief executive officer or any of the four most highly compensated executive officers (other than the chief executive officer). Accordingly, the deduction limitation of Section 162(m) of the Internal Revenue Code applies to all grants under the 2004 Plan. However, an exception to the deduction limitation of Section 162(m) applies to certain performance-based compensation. We believe that options and SARs granted under the 2004 Plan should qualify for the performance-based compensation exception to Section 162(m) of the Internal Revenue Code.

*2004 Plan Grants, Benefits And Additional Information*

The following table sets forth certain information as of the end of our last fiscal year regarding all equity compensation plans that provide for the award of equity securities or the grant of options, warrants or rights to purchase our equity securities.

**Equity Compensation Plan Information**

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	716,325	14.41	592,675
Equity compensation plans not approved by security holders	-0-	N/A	-0-
Total	716,325	14.41	592,675

As of June 5, 2013, options to purchase 562,450 shares of common stock are available for future grants under the 2004 Plan.

No options have been granted under the amendment contained in this proposal number 3.

*Vote Required and Board of Directors' Recommendation*

The approval of this proposal will require the affirmative vote of a majority of the total number of votes of outstanding shares of our common stock present in person or represented by proxy at this annual meeting and entitled to vote. In determining whether approval of this proposal has received the requisite number of affirmative votes, uninstructed shares are not entitled to vote on this matter and therefore broker non-votes do not affect the outcome. Abstentions have the effect of negative votes. Affiliates of our company informed us that they will vote FOR approval of this proposal.

Explanation of Responses:

Our board of directors unanimously recommends that shareholders vote for approval of this proposal.

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**PROPOSAL NO. 4:**

**PROPOSAL TO ADOPT AN AMENDMENT TO OUR  
2004 NONEMPLOYEE DIRECTOR STOCK OPTION PLAN**

*General*

In March 2004 our board of directors adopted the 2004 Nonemployee Director Stock Option Plan (the “2004 Director Plan”), which was approved by our shareholders in August 2004. A copy of the 2004 Director Plan is included as **Exhibit B** to this Proxy Statement. The 2004 Director Plan permits us to attract and retain the services of experienced and knowledgeable nonemployee directors and to provide additional incentive for such nonemployee directors to continue to work for the best interests of our company and its shareholders through continuing ownership of our common stock.

At the annual meeting we will ask our stockholders to approve an amendment to our company’s 2004 Director Plan to permit options to be granted under the 2004 Director Plan until March 31, 2024. The 2004 Director Plan presently provides that no options may be granted under the 2004 Director Plan after March 25, 2014. Our management believes that adopting the proposed amendment to the 2004 Director Plan will be less time consuming and less costly than adopting, approving and registering a new stock option plan. The following is a summary of the 2004 Director Plan.

*Shares Subject to the 2004 Director Plan*

When adopted, the maximum number of shares as to which options may be granted under the 2004 Director Plan was 50,000 shares of common stock, which was adjusted under the terms of the 2004 Director Plan to 75,000 shares in order to take into account our 3:2 forward stock split in the nature of a 50% stock dividend to shareholders of record on May 15, 2008. (Other adjustments required under the 2004 Director Plan are described below). Upon expiration, cancellation or termination of unexercised options, the shares with respect to which such options shall have been granted will again be available for grant under the 2004 Director Plan. However, this amendment does not increase the number of options that can be granted under the 2004 Director Plan.

*Administration*

The 2004 Director Plan is to be self-executing. However, to the extent permitted in such plan, the 2004 Director Plan will be administered by a committee of two (2) or more nonemployee directors (the "committee") of our board of directors appointed by our board. The committee will, subject to the express provisions of the 2004 Director Plan, have the power to interpret the 2004 Director Plan; correct any defect, supply any omission or reconcile any inconsistency in the 2004 Director Plan; prescribe, amend and rescind rules and regulations relating to the 2004 Director Plan; and make all other determinations necessary or advisable for the administration of the 2004 Director Plan.

*Option Grants and Outstanding Options*

Each individual who becomes a nonemployee director shall on the date of his initial election or appointment to our board of directors be granted an option to purchase 2,000 shares of Common Stock under this 2004 Director Plan. Also, each nonemployee director is to be granted an option to purchase 1,000 shares of Common Stock on the next February 1st, and on each succeeding February 1st throughout the term of this 2004 Director Plan for so long as he is a nonemployee director. However, no options will be granted on such February 1st grant date to any nonemployee director who first becomes a nonemployee director within six (6) months prior to such February 1st grant date. Commencing with the grants made to nonemployee directors on February 1, 2006, if a nonemployee director did not attend one of the two in-person board meetings that are usually held the prior June and December, then the option to be granted on the following February 1 under 2004 Director Plan would be reduced by 50%; and if such nonemployee director did not attend both of such meetings, then such nonemployee director would not receive any option grant on the following February 1.

*Terms and Conditions of Options*

Since June 2006, all options that may be granted from time to time under the 2004 Director Plan vest and become exercisable as follows: 25% one year after the date of grant, and then 25% on each of the second, third and fourth consecutive years from the date of grant on a cumulative basis, so that each option becomes fully vested and exercisable on the fourth year from the date of grant.

If a nonemployee director to whom an option has been granted under the 2004 Director Plan ceases to serve on the board, otherwise than by reason of death or disability, then such option may be exercised (to the extent that the nonemployee director was entitled to do so at the time of cessation of service) at any time within three (3) months after such cessation of service, but not after the original expiration date.

If a nonemployee director to whom an option has been granted under the 2004 Director Plan ceases to serve on the board by reason of disability, the then remaining unexercised portion of the option may be exercised in whole or in part by the nonemployee director at any time within one (1) year after such disability, but not after the original expiration date.

If a nonemployee director to whom an option has been granted under the 2004 Director Plan dies while he is serving on our board of directors or within three (3) months after ceasing to serve as a member of our board, then such option may be exercised by the legatee or legatees of such option under the nonemployee director's last will, or by his personal representatives or distributee, at any time within one (1) year after his death, but not after the date on which, except for such death, the option would otherwise expire.

*Option Contracts*

Each option is evidenced by a written contract between our company and the nonemployee director receiving the grant, and provides that the exercise price will be equal to one hundred percent (100%) of the fair market value of the common stock on the date the options were granted.

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*Adjustment in Event of Capital Changes*

Appropriate adjustments shall be made in the number and kind of shares available under the 2004 Director Plan, in the number and kind of shares subject to each outstanding option and in the exercise prices thereof in the event of any change in our common stock by reason of any stock dividend, recapitalization, merger, consolidation, reorganization, split-up, combination or exchange of shares or the like.

*Duration and Amendment of the 2004 Director Plan*

Under the 2004 Director Plan as adopted, no option may be granted pursuant to the 2004 Director Plan after March 25, 2014. However, this proposal is to amend the 2004 Director Plan to permit options to be granted under the 2004 Director Plan until March 31, 2024.

The Committee may amend, suspend or terminate the 2004 Director Plan or any portion thereof at any time but may not, without the approval of our shareholders within twelve (12) months before or after the date of adoption of any such amendment or amendments, make any alteration or amendment thereof which (a) makes any change in the class of eligible participants; (b) increases the total number of shares of common stock for which options may be granted under the 2004 Director Plan except in the event of any change in the common stock by reason of any stock dividend, recapitalization, merger, consolidation, reorganization, split-up, combination or exchange of shares or the like; (c) extend the term of the 2004 Director Plan or the maximum option period provided under the 2004 Director Plan; (d) decreases the option price; or (e) materially increases the benefits accruing to participants under the 2004 Director Plan.

*Federal Income Tax Treatment*

The following is a general summary of the federal income tax consequences under current tax law of nonqualified stock options. It does not purport to cover all of the special rules, or the state or local income or other tax consequences inherent in the ownership and exercise of stock options and the ownership and disposition of the underlying shares.

An optionee will not recognize taxable income for federal income tax purposes upon the grant of a nonqualified stock option.

Upon the exercise of a nonqualified stock option, the optionee recognizes ordinary income in an amount equal to the excess, if any, of the fair market value of the shares acquired on the date of exercise over the exercise price thereof, and the company is generally entitled to a deduction for such amount of the date of exercise so long as we properly withhold income taxes thereon. If the optionee later sells shares acquired pursuant to the nonqualified stock option, he or she will recognize long-term or short-term capital gain or loss. Net capital gains (net long term less net short term gains) can be taxed at substantially lower marginal rates, depending upon the length of time the shares are held, as compared to ordinary income.

*2004 Director Plan Grants, Benefits and Additional Information*

The following table sets forth certain information as of the end of our last fiscal year regarding all equity compensation plans that provide for the award of equity securities or the grant of options, warrants or rights to purchase our equity securities.

**Equity Compensation Plan Information**

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	716,325	14.41	592,675
Equity compensation plans not approved by security holders	-0-	N/A	-0-
Total	716,325	14.41	592,675

As of June 5, 2013, options to purchase 21,625 shares are available for future grants under the under the 2004 Nonemployee Director Plan.

No options have been granted under the amendment contained in this proposal number 4.

*Vote Required and Board of Directors' Recommendation*

The approval of this proposal will require the affirmative vote of a majority of the total number of votes of outstanding shares of our common stock present in person or represented by proxy at this annual meeting and entitled to vote. In determining whether approval of this proposal has received the requisite number of affirmative votes, uninstructed shares are not entitled to vote on this matter and therefore broker non-votes do not affect the outcome. Abstentions have the effect of negative votes. Affiliates of our company informed us that they will vote FOR approval of this proposal.

Explanation of Responses:

Our board of directors unanimously recommends that shareholders vote for approval of this proposal.

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## SHAREHOLDERS' PROPOSALS

Proposals of shareholders intended to be presented at the 2014 annual meeting of shareholders must be received in writing by the Secretary of our company at our principal offices in New York City, by February 14, 2014, in order to be considered for inclusion in our proxy statement relating to that meeting.

If a shareholder intends to make a proposal at the 2014 Annual Meeting, such shareholder must have given timely notice thereof in proper written form to the Secretary of our company, in compliance with Section 8 of Article II of our By-Laws. To be timely, a shareholder's notice to the Secretary must be delivered to or mailed and received at our principal executive office in New York, not less than sixty (60) days nor more than ninety (90) days prior to the anniversary date of the immediately preceding annual meeting of shareholders *i.e.*, between April 25, 2014, and May 25, 2014; *however*, that in the event that the annual meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the shareholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs.

To be in proper written form, a shareholder's notice to the Secretary must set forth as to each matter such shareholder proposes to bring before the annual meeting (a) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (b) the name and record address of such shareholder, (c) the class or series and number of shares of our capital stock which are owned-beneficially or of record by such shareholder, (d) a description of all arrangements or understandings between such shareholder and any other person or persons (including their names) in connection with the proposal of such business by such shareholder and any material interest of such shareholder in such business and (e) a representation that such shareholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

By Order of our board of directors

Michelle Habert, *Secretary*

**Exhibit A** [Deleted text is in ~~strike through~~ font and new text is in **bold, underlined** font.]

## **2004 STOCK OPTION PLAN**

**OF**

## **INTER PARFUMS, INC.**

**1. Purposes of The Plan.** This stock option plan (the "Plan") is designed to provide an incentive to key employees, officers, directors and consultants of Inter Parfums, Inc., a Delaware corporation (the "Company"), and its present and future subsidiary corporations, as defined in Paragraph 17 ("Subsidiaries"), and to offer an additional inducement in obtaining the services of such individuals. The Plan provides for the grant of "incentive stock options," within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), nonqualified stock options and stock appreciation rights ("SARs").

**2. Shares Subject To The Plan.** The aggregate number of shares of Common Stock, \$.001 par value per share, of the Company ("Common Stock") for which options or SARs may be granted under the Plan shall not exceed 1,000,000<sup>1</sup>. Such shares may, in the discretion of the Board of Directors, consist either in whole or in part of authorized but unissued shares of Common Stock or shares of Common Stock held in the treasury of the Company. The Company shall at all times during the term of the Plan reserve and keep available such number of shares of Common Stock as will be sufficient to satisfy the requirements of the Plan. Subject to the provisions of Paragraph 14, any shares subject to an option or SAR which for any reason expire, are canceled or are terminated unexercised (other than those which expire, are canceled or terminated pursuant to the exercise of a tandem SAR or option) shall again become available for the granting of options or SARs under the Plan. The number of shares of Common Stock underlying that portion of an option or SAR which is exercised (regardless of the number of shares actually issued) shall not again become available for grant under the Plan.

## **3. Administration Of The Plan.**

(a) The Plan shall be administered by the Board of Directors, or if appointed, by a committee consisting of not less than two (2) members of the Board of Directors, each of whom shall be a "non-employee director" within the meaning of Rule 16b-3 promulgated by the Securities and Exchange Commission. (The group administering the plan is referred to as the "Committee"). The failure of any of the Committee members to qualify as a non-employee director shall not otherwise affect the validity of the grant of any option or SAR, or the issuance of shares of Common Stock otherwise validly issued upon exercise of any such option. A majority of the members of the Committee shall constitute a quorum, and the acts of a majority of the members present at any meeting at which a quorum is present, and any acts approved in writing by all members without a meeting, shall be the acts of the Committee.

1 The number of shares was adjusted to 1,500,000 shares in order to take into account our 3:2 forward stock split in the nature of a 50% stock dividend to shareholders of record on May 15, 2008.

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(b) Subject to the express provisions of the Plan, the Committee shall have the authority, in its sole discretion, to determine the individuals who shall receive options and SARs; the times when they shall receive them; whether an option shall be an incentive or a nonqualified stock option; whether an SAR shall be granted separately, in tandem with or in addition to an option; the number of shares to be subject to each option and SAR; the term of each option and SAR; the date each option and SAR shall become exercisable; whether an option or SAR shall be exercisable in whole, in part or in installments, and if in installments, the number of shares to be subject to each installment; whether the installments shall be cumulative, the date each installment shall become exercisable and the term of each installment; whether to accelerate the date of exercise of any installment; whether shares may be issued on exercise of an option as partly paid, and, if so, the dates when future installments of the exercise price shall become due and the amounts of such installments; the exercise price of each option and the base price of each SAR; the form of payment of the exercise price; the form of payment by the Company upon the optionee's exercise of an SAR; whether to require that the optionee remain in the employ of the Company or its Subsidiaries for a period of time from and after the date the option or SAR is granted to him; the amount necessary to satisfy the Company's obligation to withhold taxes; whether to restrict the sale or other disposition of the shares of Common Stock acquired upon the exercise of an option or SAR and to waive any such restriction; to subject the exercise of all or any portion of an option or SAR to the fulfillment of contingencies as specified in the Contract (as described in Paragraph 12), including without limitations, contingencies relating to financial objectives (such as earnings per share, cash flow return, return on investment or growth in sales) for a specified period for the Company, a division, a product line or other category, and/or the period of continued employment of the optionee with the Company or its Subsidiaries, and to determine whether such contingencies have been met; to construe the respective Contracts and the Plan; with the consent of the optionee, to cancel or modify an option or SAR, provided such option or SAR as modified would be permitted to be granted on such date under the terms of the Plan; and to make all other determinations necessary or advisable for administering the Plan. The determinations of the Committee on the matters referred to in this Paragraph 3 shall be conclusive.

(c) Subject to the express provisions of the Plan and solely with respect to employees of the Company who are not executive officers or directors of the Company, the Committee hereby delegates to the Chief Executive Officer, and to act in place and on behalf of the Committee, the authority to grant nonqualified options and SARs to such employees; to determine the term of such nonqualified options and SARs; to determine whether an option or SAR shall be exercisable in whole, in part or in installments; to determine whether to require that the optionee remain in the employ of the Company or its Subsidiaries for a period of time from and after the date the option or SAR is granted to him; and to subject the exercise of all or any portion of an option or SAR to the fulfillment of contingencies as specified in the Contract (as described in Paragraph 12). Any such action by the Chief Executive Officer shall be promptly reduced to writing and provided to the Committee.

#### **4. Eligibility.**

(a) The Committee may, consistent with the purposes of the Plan, grant incentive stock options to key employees (including officers and directors who are employees) and nonqualified stock options and/or SARs to key employees, officers, directors and consultants of the Company or any of its Subsidiaries from time to time, within ten (10) years from the date of adoption of the Plan by the Board of Directors, covering such number of shares of Common Stock as the Committee may determine; provided, however, that the aggregate market value (determined at the time the stock option is granted) of the shares for which any eligible person may be granted incentive stock options under the Plan or

any plan of the Company, or of a Parent or a Subsidiary of the Company which are exercisable for the first time by such optionee during any calendar year shall not exceed \$100,000. Any option (or portion thereof) granted in excess of such amount shall be treated as a nonqualified stock option.

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(b) Notwithstanding any other provision of the Plan, if the Committee determines that at the time a person is granted an option or SAR, such person is then, or is likely to become, a Covered Person (as hereinafter defined), then the Committee may provide that this Section 4(b) is applicable to such grant.

(i) Notwithstanding any provision of this Plan, no person eligible to receive a grant of an option or SAR under this Plan shall be granted options to purchase or an SAR in excess of 150,000 shares of common stock in any one fiscal year. Such 150,000 maximum number shall be appropriately adjusted for stock splits, stock dividends and the like.

(ii) Notwithstanding any provision of this Plan, the exercise price for all options and the base price for all SARs to be granted under the Plan, shall not be less than the fair market value of the Common Stock at the time of grant.

(iii) The term "Covered Person" shall mean a "covered employee" within the meaning of Code Section 162(m)(3) or any successor provision thereto.

## **5. Exercise Price And Base Price.**

(a) The exercise price of the shares of Common Stock under each option and the base price for each SAR shall be determined by the Committee; provided, however, in the case of an incentive stock option, the exercise price shall not be less than 100% of the fair market value of the Common Stock on the date of grant, and further provided, that if, at the time an incentive stock option is granted, the optionee owns (or is deemed to own) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company, of any of its Subsidiaries or of a Parent, the exercise price shall not be less than 110% of the fair market value of the Common Stock subject to the option at the time of the granting of such option.

(b) The fair market value of the Common stock on any day shall be (a) if the principal market for the Common stock is a national securities exchange, the average between the high and low sales prices of the Common stock on such day as reported by such exchange or on a consolidated tape reflecting transactions on such exchange; (b) if the principal market for the Common Stock is not a national securities exchange and the Common Stock is quoted on The Nasdaq Stock Market ("NASDAQ"), and (i) if actual sales price information is available with respect to the Common Stock, then the average between the high and low sales prices of the Common Stock on such day on NASDAQ, or (ii) if such information is not available, then the average between the highest bid and lowest asked prices for the Common Stock on such day on NASDAQ; or (c) if the principal market for the Common Stock is not a national securities exchange and the Common Stock is not quoted on NASDAQ, then the average between the highest bid and lowest asked prices for the Common Stock on such day as reported by The Nasdaq Bulletin Board, or a comparable service; provided that if clauses (a), (b) and (c) of this Paragraph are all inapplicable, or if no trades have been made or no quotes are available for such day, then the fair market value of the Common Stock shall be determined by the Committee by any

method consistent with applicable regulations adopted by the Treasury Department relating to stock options. The determination of the Committee shall be conclusive in determining the fair market value of the stock.

**6. Term.** The term of each option and SAR granted pursuant to the Plan shall be such term as is established by the Committee, in its sole discretion, at or before the term of each incentive stock option granted pursuant to the Plan shall be for a period not exceeding ten (10) years from the date of granting thereof, and further, provided, that if, at the time an incentive stock option is granted, the optionee owns (or is deemed to own) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company, of any of its Subsidiaries or of a Parent, the term of the incentive stock option shall be for a period not exceeding five (5) years. Options shall be subject to earlier termination as hereinafter provided.

**7. Exercise.**

(a) An option or SAR (or any part or installment thereof) shall be exercised by giving written notice to the Company at its principal office (at present 551 Fifth Avenue, New York, NY 10176) stating whether an incentive or nonqualified stock option or SAR is being exercised, specifying the number of shares as to which such option or SAR is being exercised, and in the case of an option, accompanied by payment in full of the aggregate exercise price therefor (or the amount due on exercise if the Contract permits installment payments) in the discretion of the Committee (a) in cash or by certified check, (b) with previously acquired shares of Common Stock having an aggregate fair market value, on the date of exercise, equal to the aggregate exercise price of all options being exercised, or (c) any combination thereof. In addition, upon the exercise of a nonqualified stock option or SAR, the Company may withhold cash and/or shares of Common Stock to be issued with respect thereto having an aggregate fair market value equal to the amount which it determined is necessary to satisfy its obligation to withhold Federal, state and local income taxes or other taxes incurred by reason of such exercise. Alternatively, the Company may require the holder to pay to the Company such amount, in cash, promptly upon demand. The Company shall not be required to issue any shares pursuant to any such option or SAR until all required payments have been made. Fair market value of the shares shall be determined in accordance with Paragraph 5.

(b) A person entitled to receive Common Stock upon the exercise of an option or SAR shall not have the rights of a shareholder with respect to such shares until the date of issuance of a stock certificate to him for such shares; provided, however, that until such stock certificate is issued, any option holder using previously acquired shares in payment of an option exercise price shall have the rights of a shareholder with respect to such previously acquired shares.

(c) In no case may a fraction of a share be purchased or issued under the Plan. Any option granted in tandem with an SAR shall no longer be exercisable to the extent the SAR is exercised, and the exercise of the related option shall cancel the SAR to the extent of such exercise.

## **8. Stock Appreciation Rights.**

(a) An SAR may be granted separately, in tandem with or in addition to any option, and may be granted before, simultaneously with or after the grant of an option hereunder. In addition, the holder of an option may, in lieu of making the payment required at the time of exercise under Paragraph 7, include in the written notice referred to therein an "election" to exercise the option as an SAR. In such case, the Committee shall have fifteen (15) days from the receipt of notice of the election to decide, in its sole discretion, whether or not to accept the election and notify the option holder of its decision. If the Committee consents, such exercise shall be treated as the exercise of an SAR with a base price equal to the exercise price.

(b) Upon the exercise of an SAR, the holder shall be entitled to receive an amount equal to the excess of the fair market value of a share of Common Stock on the date of exercise over the base price of the SAR. Such amount shall be paid, in the discretion of the Committee, in cash, Common Stock having a fair market value on the date of payment equal to such amount, or a combination thereof. For purposes of this Paragraph 8, fair market value shall be determined in accordance with Paragraph 5.

## **9. Termination Of Association With The Company.**

(a) Any holder of an incentive option whose association with the Company (and its Subsidiaries) has terminated for any reason other than his death or permanent and total disability (as defined in Section 22(e)(3) of the Code) may exercise such option, to the extent exercisable on the date of such termination, at any time within three (3) months after the date of termination, but in no event after the expiration of the term of the option; provided, however, that if his association shall be terminated either (i) for cause, or (ii) without the consent of the Company, said option shall terminate immediately.

(b) Any and all nonqualified stock options or SARs granted under the Plan shall terminate simultaneously with the termination of association of the holder of such nonqualified option or SAR with the Company (and its Subsidiaries) for any reason other than the death or permanent and total disability (as defined in Section 22(e)(3) of the Code) of such holder.

(c) Options and SARs granted under the Plan shall not be affected by any change in the status of an optionee so long as he continues to be associated with the Company or any of the Subsidiaries.

(d) Nothing in the Plan or in any option or SAR granted under the Plan shall confer on any individual any right to continue to be associated with the Company or any of its Subsidiaries, or interfere in any way with the right of the Company or any of its Subsidiaries to terminate the holder's association at any time for any reason whatsoever without liability to the Company or any of its subsidiaries.

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#### **10. Death Or Disability Of An Optionee.**

(a) If an optionee dies while he is associated with the Company or any of its Subsidiaries, or within three (3) months after such termination for the holder of an incentive option (unless such termination was for cause or without the consent of the Company), the option or SAR may be exercised, to the extent exercisable on the death, by his executor, administrator or other person at the time entitled by law to his rights under the option or SAR, at any time within one (1) year after death, but in no event after the expiration of the term of the option or SAR.

(b) Any holder whose association with the Company or its Subsidiaries has terminated by reason of a permanent and total disability (as defined in Section 22(e) (3) of the Code) may exercise his option or SAR, to the extent exercisable upon the effective date of such termination, at any time within one (1) year after such date, but in no event after the expiration of the term of the option or SAR.

**11. Compliance With Securities Laws.** The Committee may require, in its discretion, as a condition to the exercise of an option or SAR that either (a) a registration statement under the Securities Act of 1933, as amended (the "Securities Act"), with respect to such shares shall be effective at the time of exercise or (b) there is an exemption from registration under the Securities Act for the issuance of shares of Common Stock upon such exercise. Nothing herein shall be construed as requiring the Company to register shares subject to any option or SAR under the Securities Act. In addition, if at any time the Committee shall determine in its discretion that the listing or qualification of the shares subject to such option or SAR on any securities exchange or under any applicable law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of an option or SAR, or the issue of shares thereunder, such option or SAR may not be exercised in whole or in part unless such listing, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

**12. Stock Option And SAR Contracts.** Each option and SAR shall be evidenced by an appropriate Contract which shall be duly executed by the Company and the optionee, and shall contain such terms and conditions not inconsistent herewith as may be determined by the Committee, and which shall provide, among other things, (a) that the optionee agrees that he will remain in the employ of the Company or its Subsidiaries, at the election of the Company, for the later of (i) the period of time determined by the Committee at or before the time of grant or (ii) the date to which he is then contractually obligated to remain associated with the Company or its Subsidiaries, (b) that in the event of the exercise of an option or an SAR which is paid with Common stock, unless the shares of Common Stock received upon such exercise shall have been registered under an effective registration statement under the Securities Act, such shares will be acquired for investment and not with a view to distribution thereof, and that such shares may not be sold except in compliance with the applicable provisions of the Securities Act, and (c) that in the event of any disposition of the shares of Common Stock acquired upon the exercise of an incentive stock option within two (2) years from the date of grant of the option or one (1) year from the date of transfer of such shares to him, the optionee will notify the Company thereof in writing within 30 days after such disposition, pay the Company, on demand, in cash an amount necessary to satisfy its obligation, if any, to withhold any Federal, state and local income taxes or other taxes by reason of such disqualifying disposition and provide the Company, on demand, with such information as the Company

shall reasonably request to determine such obligation.

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### 13. Adjustment of and Changes in Common Stock.

(a) If the outstanding shares of the Common Stock are increased, decreased, changed into, or exchanged for a different number or kind of shares or securities of the Corporation through reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or the like, an appropriate and proportionate adjustment shall be made in the (i) aggregate number and kind of securities available under the Plan, and (ii) number and kind of securities issuable upon the exercise of all outstanding options and SARs granted under the Plan, without change in the total price applicable to the unexercised portion of such options or SARs, but with a corresponding adjustment in the exercise price or base price for each unit of any security covered by such options or SARs.

(b) Upon the dissolution or liquidation of the Corporation, or upon a reorganization, merger or consolidation of the Corporation with one or more corporations as a result of which the Corporation is not the surviving corporation, or upon the sale of substantially all of the assets of the Corporation, the Committee shall provide in writing in connection with such transaction for one or more of the following alternatives, separately or in combination: (i) the assumption by the successor entity of the options theretofore granted or the substitution by such entity for such options of new options or SARs covering the stock of the successor entity, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices; or (ii) the continuance of such option agreements by such successor entity in which such options shall remain in full force and effect under the terms so provided.

(c) Any adjustments under this Section 10 shall be made by the Committee, whose good faith determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive.

**14. Amendments And Termination Of The Plan.** The Plan was adopted by the Board of Directors on March 26, 2004. No options may be granted under the Plan after ~~March 25, 2014~~ **March 31, 2024**. The Board of Directors, without further approval of the Company's stockholders, may at any time suspend or terminate the Plan, in whole or in part, or amend it from time to time in such respects as it may deem advisable, including, without limitation, in order that incentive stock options granted hereunder meet the requirements for "incentive stock options" under the Code, or any comparable provisions thereafter enacted and conform to any change in applicable law or to regulations or rulings of administrative agencies; provided, however, that no amendment shall be effective without the prior or subsequent approval of a majority of the Company's outstanding stock entitled to vote thereon which would (a) except as contemplated in Paragraph 13, increase the maximum number of shares for which options may be granted under the Plan, (b) materially increase the benefits to participants under the plan or (c) change the eligibility requirements for individuals entitled to receive options hereunder. No termination, suspension or amendment of the Plan shall, without the consent of the holder of an existing option affected thereby, adversely affect his rights under such option.

**15. Nontransferability Of Options.** No option or SAR granted under the Plan shall be transferable otherwise than by will or the laws of descent and distribution, or qualified domestic relations order as defined in the Code or Title I of the Employee Retirement Income Security Act, and options and SARs may be exercised, during the lifetime of the holder thereof, only by him or his legal representatives. Except to the extent provided above, options and SARs may not be assigned, transferred, pledged, hypothecated or disposed of in any way (whether by operation of law or otherwise) and shall not subject to execution, attachment or similar process.

**16. Substitutions And Assumptions Of Options Of Certain Constituent Corporations.** Anything in this Plan to the contrary notwithstanding, the Board of directors may, without further approval by the stockholders, substitute new options for prior options and new SARs for prior SARs of a Constituent Corporation (as defined in Paragraph 17) or assume the prior options or SARs of such Constituent Corporation.

**17. Definitions.**

(a) The term "Subsidiary" shall have the same definition as "subsidiary corporation" in Section 425(f) of the Code.

(b) The term "Parent" shall have the same definition as "parent corporation" in Section 425(e) of the Code.

(c) The term "Constituent Corporation" shall mean any corporation which engages with the Company, its Parent or Subsidiary, in a transaction to which section 425(a) of the Code applies (or would apply if the option or SAR assumed or substituted were an incentive stock option), or any Parent or any Subsidiary of such corporation.

**18. Conditions Precedent.** The Plan shall be subject to approval by the holders of a majority of shares of the Company's capital stock outstanding and entitled to vote thereon at the next meeting of its stockholders, or the written consent of the holders of a majority of shares that would have been entitled to vote thereon, and no options or SARs granted hereunder may be exercised prior to such approval, provided that the date of grant of any options granted hereunder shall be determined as if the Plan had not been subject to such approval.

**2004 STOCK OPTION PLAN OF INTER PARFUMS, INC.**

**Addendum to the Plan**

**FRANCE**

**GENERAL**

This Addendum to the Plan sets out the terms of the 2004 Stock Option of Inter Parfums, Inc. (the "Plan"), in relation to France.

This Addendum should be read in conjunction with the Plan and is subject to the terms and conditions of the Plan except to the extent that the terms and conditions of the Plan differ from or conflict with the terms set out in this Addendum in which event the terms set out in this Addendum shall prevail.

The terms of this Addendum are the terms set out in the rules of the Plan modified as follows:

**APPLICATION**

This Addendum will apply to any Optionee who is or may become subject to French tax (i.e. income tax and/or social security tax) on options granted under the Plan.

**ELIGIBILITY**

The Committee may not grant an option under this Addendum to an individual:

Ø unless he is employed by the Company or by a company with sufficiently close capital links to the Company as defined in Article L225-180 of the French "Code de Commerce" in France; OR

Ø unless he is a director with a management function as defined in Article L225-185 of the French "Code de Commerce" in France of the Company or of a company with sufficiently close capital links to the Company as defined in Article L225-180 of the French "Code de Commerce" ; OR

Ø who owns more than 10% of the share capital of the Company and who may not therefore be granted an option to satisfy the requirements of sub-paragraph 2 of Article L225-182 of the French "Code de Commerce"; OR

Ø who is a member of the Committee.

#### EXERCISE PRICE

The exercise price for an option shall be determined on the date on which the Committee resolves to grant the option.

The exercise price in the case of options to subscribe for unissued shares may not be:

Ø lower than 95% of the average stock exchange price during the 20 dealing (trading) days preceding the grant

In the case of options to purchase existing shares (also known as treasury shares), the exercise price may not be:

Ø lower than 95% of the average stock exchange price during the 20 dealing (trading) days preceding the grant

Ø in addition, lower than 95% of the average actual repurchase price of the shares by the Company of its own shares to be allocated to the Optionee, provided the shares are repurchased prior to the date of grant of the options.

#### GRANT OF OPTIONS

An option may not be granted in the period of 20 dealing days immediately following a distribution of dividends or a capital increase.

Furthermore, options cannot be granted under this Addendum

Ø within the 10 dealing days before or after the publication of the annual consolidated accounts, where required, or of the Company's annual accounts;

Ø within a period beginning with the date at which the Company's board of directors become aware of any information which, were it to be public knowledge, could have a material impact on the Company's share price and ending 10 dealing days after the information becomes public knowledge.

If the option is an option to buy existing (treasury) shares of common stock, the repurchase of the shares by the Company can take place either within a twelve month period preceding the date of grant of the option, or prior to the date on which the options become exercisable if exercisability conditions exist.

#### VESTING AND EXERCISE

Explanation of Responses:

Options granted under this Addendum shall vest and become exercisable on the day following the fourth anniversary of the date of grant, subject to paragraph 9 of this Addendum.

#### SALES RESTRICTIONS

The shares acquired upon exercise of the options issued under this Addendum will be freely transferable in France, subject to the following conditions:

The above mentioned shares may not be sold or otherwise disposed of before the day following the fourth anniversary of the date of grant;

The sales restrictions provided by sub-paragraph 7.1 above shall not apply in the case of death or of 2nd or 3rd category disability of the Optionee as defined under Article L341-4 of the French Social Security Code;

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The sales restrictions provided by sub-paragraph 7.1 above shall not apply in the case of:

a) dismissal of the Optionee by the Company or any subsidiary of the Company provided that the Optionee exercised his options at least 3 months prior to receipt of notice of dismissal;

b) the Optionee's retirement (as defined in the 3<sup>d</sup> paragraph of Article L. 122-14-13 of the French Labor Code) provided that the Optionee exercised his options at least 3 months prior to the date of termination of his/her employment contract;

If the Committee so decides in its absolute discretion, after due regard to the Optionee's personal circumstances, the sales restrictions provided by sub-paragraph 7.1 may be lifted;

The sales restrictions provided by sub-paragraph 7.1 will only apply to the extent that they would not impose a restriction on resale of the shares for a period of more than three years from the date of exercise of the option, in accordance with Article L225-177 of the French "Code de Commerce".

7.6 With regard to transfer restrictions in the United States of the shares acquired on exercise options granted under this Addendum, the provisions of Article 11 of the Plan apply.

#### NON-TRANSFERABILITY OF OPTIONS

No option granted under this Addendum may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, except in the case of death of the Optionee. All options granted under this Addendum shall be exercisable during the Optionee's lifetime, only by the Optionee.

#### DEATH OF AN OPTIONEE; EARLY TERMINATION OF OPTION

9.1 If the Optionee dies, his options must be exercised by his heirs (if at all) within six months after his death after which the option will expire.

9.2 Notwithstanding Section 9(b) of the Plan that provides for termination of a nonqualified stock option simultaneously with the termination of association of an Optionee with the Company and its Subsidiaries, the Committee shall have the authority, in its sole discretion, to determine whether and under what conditions options granted under this Addendum will terminate upon the Optionee leaving the Company and to waive any such condition.

#### ALTERATION OF PLAN

Any alteration or addition, which would affect the subsisting rights of an Optionee, will, in all cases, require the consent of the Optionee.

## PLAN LIMITS

Options may not be granted under the Plan:

Ø over more than one third of the Company's share capital in the case of options to subscribe for unissued shares; or

Ø over more than 10% of the total number of such shares in issue in the case of options to purchase existing shares.

## ADJUSTMENTS

The exercise price of an option may not be changed during the term of the option.

However, the Company is required to ensure the protection of the Optionees' rights under the conditions provided in Article L 228-99 of the French Code de Commerce in the event of the following specific operations:

- Capital amortization or capital reduction;
- Change in the allocation of earnings;
- Grant of free shares;
- Capitalization of reserves, issue premiums or earnings;
- Distribution of reserves;

Any issuance of equity securities or any rights giving access to equity securities including a preferential subscription right to the benefit of the shareholders.

No adjustment may be made to the option which is inconsistent with French law and, in particular, with Sections 174.8 to 174.16 of the Decree no. 67-236 of 23 March 1967.

## CHANGES

The Committee may not change the Plan in a way which affects this Addendum, or options granted under this Addendum, if the change is inconsistent with French law and in particular with French legislation on stock options as defined in Articles L225-177 to L225-185 of French "Code de Commerce".

**Exhibit B** [Deleted text is in ~~strike through~~ font and new text is in **bold, underlined** font.]

**Inter Parfums, Inc.**

**2004 Nonemployee Director**

**Stock Option Plan**

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**1. Purpose of the Plan.** The purpose of this 2004 Nonemployee Director Stock Option Plan (the "Plan") of Inter Parfums, Inc., a Delaware corporation (the "Corporation"), is to make available shares of the Common Stock, par value \$.001 per share, of the Corporation (the "Common Stock") for purchase by directors of the Corporation who are not employees of the Corporation, or any parent or subsidiary thereof ("Nonemployee Directors"). Thus, the Plan permits the Corporation to attract and retain the services of experienced and knowledgeable Nonemployee Directors for the benefit of the Corporation and its shareholders and to provide additional incentive for such Nonemployee Directors to continue to work for the best interests of the Corporation and its shareholders through continuing ownership of its Common Stock.

**2. Stock Subject to the Plan.** Subject to the provisions of Section 10, the total number of shares of Common Stock which may be subject to options under the Plan shall not exceed 50,000<sup>2</sup>, whether authorized but unissued shares, or shares which shall have been purchased or acquired by the Corporation for this or any other purpose. Such shares are from time to time to be allotted for option and sale to Nonemployee Directors in accordance with the Plan. In the event 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 shares not so purchased thereby shall again be available for the purposes of the Plan.

**3. Administration of the Plan.** The Plan shall be self-executing. However, to the extent permitted herein, the Plan shall be administered by either the Board of Directors of the Corporation (the "Board") or a committee of two (2) or more Nonemployee Directors (the "Committee") of the Board appointed by the Board. The Board or the Committee shall, subject to the express provisions of the Plan, have the power to interpret the Plan; correct any defect, supply any omission or reconcile any inconsistency in the Plan; prescribe, amend and rescind rules and regulations relating to the Plan; and make all other determinations necessary or advisable for the administration of the Plan. The determination of the Board or the Committee on the matters referred to in this Section 3 shall be conclusive.

**4. Eligibility; Grants.**

Explanation of Responses:

(a) Nonemployee Directors shall not include directors who are also employees of the Corporation or any parent or subsidiary thereof, but shall include directors of the Corporation who are providing services such as business, financial, legal or investment banking services, to, for, or on behalf of the Corporation or any parent or subsidiary thereof, in return for remuneration, directly or indirectly through one or more entities. All grants under this Plan shall be in lieu of any other option grants that a Nonemployee Director may have been entitled to under any other plan of the Company.

<sup>2</sup> The number of shares was adjusted to 75,000 shares in order to take into account our 3:2 forward stock split in the nature of a 50% stock dividend to shareholders of record on May 15, 2008.

(b) Each individual who becomes a Nonemployee Director, shall on the date of his initial election or appointment to the Board be granted an option to purchase 2,000 shares of Common Stock.

(c) Each Nonemployee Director shall be granted an option to purchase 1,000 shares of Common Stock commencing on the next February 1st, and each succeeding February 1st throughout the term of this Plan for so long as he is a Nonemployee Director. Notwithstanding the foregoing, no option shall be granted on such February 1st grant date to any Nonemployee Director who first becomes a Nonemployee Director within six (6) months prior to such February 1st grant date. Commencing with the grant to non-employee directors on February 1, 2006 and continuing each year thereafter, if a Nonemployee Director did not attend one of the two in-person board meetings that are usually held the prior June and December, then the option to be granted on the following February 1, under this Plan would be reduced by 50%; and if such Nonemployee Director did not attend both of such meetings, then such Nonemployee Director would not receive any option grant on the following February 1.

(d) If a sufficient number of shares of Common Stock reserved for issuance upon proper exercise of options to be granted to Nonemployee Directors on the February 1st grant date does not exist, then the aggregate remaining number of shares shall be prorated equally among options to be granted to all Nonemployee Directors at such February 1st grant date, and options shall be granted to purchase such reduced number of shares. Notwithstanding the foregoing, if a sufficient number of shares of Common Stock reserved for issuance upon proper exercise of options to be granted to Nonemployee Directors on the February 1st grant date does not exist, then options shall be granted under any pre-existing Nonemployee Director plan in order to satisfy such deficiency, if, and to the extent available.

(e) It is the express intent that options to be granted under this Plan shall be in lieu of further option grants under any of the Company' existing Nonemployee Director plans, such as the 1997 Nonemployee Director Stock Option Plan, and the 2000 Nonemployee Director Stock Option Plan, except to the extent to satisfy any deficiency as set forth in Section 4(d) above.

(f) On or after June 19, 2006, all options that may be granted from time to time under the Plan shall vest and become exercisable to purchase shares of Common Stock as follows: 25% one year after the date of grant, and then 25% on each of the second, third and fourth consecutive years from the date of grant on a cumulative basis, so that each option shall become fully vested and exercisable on the fourth year from the date of grant.

**5. Option Price; Fair Market Value.**

(a) The price at which shares of the Common Stock may be purchased pursuant to options granted under the Plan shall be equal to one hundred percent (100%) of the fair market value of the Common Stock on the date an option is granted.

(b) The fair market value of the Common stock on any day shall be (a) if the principal market for the Common Stock is a national securities exchange, the average between the high and low sales prices of the Common Stock on such day as reported by such exchange or on a consolidated tape reflecting transactions on such exchange; (b) if the principal market for the Common Stock is not a national securities exchange and the Common Stock is quoted on The Nasdaq Stock Market ("NASDAQ") or The Over The Counter Bulletin Board (the "Bulletin Board"), and (i) if actual sales price information is available with respect to the Common Stock, then the average between the high and low sales prices of the Common Stock on such day on NASDAQ or the Bulletin Board, or (ii) if such information is not available, then the average between the highest bid and lowest asked prices for the Common Stock on such day on NASDAQ or the Bulletin Board; or (c) if the principal market for the Common Stock is not a national securities exchange and the Common Stock is not quoted on NASDAQ or the Bulletin Board, then the average between the highest bid and lowest asked prices for the Common Stock on such day as reported by National Quotation Bureau, Incorporated or a comparable service; provided, that if clauses (a), (b) and (c) of this paragraph are all inapplicable, or if no trades have been made or no quotes are available for such day, then the fair market value of the Common Stock shall be determined by the Committee by any method consistent with applicable regulations adopted by the Treasury Department relating to stock options. The determination of the Board or the Committee shall be conclusive in determining the fair market value of the stock.

**6. Term of Each Option.** The term of each option shall be five (5) years or such shorter period as is prescribed in Section 9 hereof.

**7. Exercise of Options.**

(a) Subject to the provisions of Sections 9 and 14, options granted hereunder shall be exercisable immediately; *provided*, that options shall not be exercisable at any time in an amount less than 100 shares (or the remaining shares then covered by and purchasable under the option if less than 100 shares), or for a fraction of a share.

(b) The purchase price of the shares as to which an option shall be exercised shall be paid in full at the time of exercise in cash, by certified check or wire transfer of funds through the Federal Reserve System.

**8. Non-Transferability of Options.** No option granted under the Plan shall be transferable otherwise than by will or by the laws of descent and distribution, or pursuant to a qualified domestic relations order as defined by the Internal Revenue Code, Title I of the Employee Retirement Income Security Act and the rules thereunder, and an option may be exercised, during the lifetime of the holder thereof, only by him.

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**9. Termination of Services on the Board of Directors.**

(a) If a Nonemployee Director to whom an option has been granted under the Plan shall cease to serve on the Board, otherwise than by reason of death or disability (as that term is defined in paragraph (d) of this Section 9), then such option may be exercised (to the extent that the Nonemployee Director was entitled to do so at the time of cessation of service) at any time within three (3) months after such cessation of service but not thereafter, and in no event after the date on which, except for such cessation of service, the option would otherwise expire.

(b) If a Nonemployee Director to whom an option has been granted under the Plan shall cease to serve on the Board by reason of disability, then the remaining unexercised portion of the option may be exercised in whole or in part by the Nonemployee Director (notwithstanding that the option had not yet become exercisable with respect to all or part of such shares at the date of disability) at any time within one (1) year after such disability but not thereafter, and in no event after the date on which, except for such disability, the option would otherwise expire.

(c) If a Nonemployee Director to whom an option has been granted under the Plan shall die (i) while he is serving on the Board, or (ii) within three (3) months after cessation of service on the Board, then such option may be exercised by the legatee or legatees of such option under the Nonemployee Director's last will, or by his personal representatives or distributee, at any time within one (1) year after his death, but in no event after the date on which, except for such death, the option would otherwise expire.

(d) For the purpose of this Section 9, "disability" shall mean permanent mental or physical disability as determined by the Committee.

**10. Adjustment of and Changes in Common Stock.**

(a) If the outstanding shares of the Common Stock are increased, decreased, changed into, or exchanged for a different number or kind of shares or securities of the Corporation through reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or the like, an appropriate and proportionate adjustment shall be made in the (i) aggregate number and kind of securities available under the Plan, and (ii) number and kind of securities issuable upon the exercise of all outstanding options granted under the Plan, without change in the total price applicable to the unexercised portion of such options, but with a corresponding adjustment in the price for each unit of any security covered by such options.

(b) Upon the dissolution or liquidation of the Corporation, or upon a reorganization, merger or consolidation of the Corporation with one or more corporations as a result of which the Corporation is not the surviving corporation, or upon the sale of substantially all of the assets of the Corporation, the Committee shall provide in writing in connection with such transaction for one or more of the following alternatives, separately or in combination: (i) the assumption by the successor entity of the options theretofore granted or the substitution by such entity for such options of new options covering the stock of the successor entity, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices; or (ii) the continuance of such option agreements by such successor entity in which such options shall remain in full force and effect under the terms so provided.

(c) Any adjustments under this Section 10 shall be made by the Committee, whose good faith determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive.

**11. Compliance with Securities Laws.** As a condition to the exercise of any option, either (a) a Registration Statement under the Securities Act of 1933, as amended, or any succeeding act (collectively, the "Act"), with respect to its underlying shares shall be effective at the time of exercise of the option or (b) in the opinion of counsel to the Corporation, there shall be an exemption from registration under the Act for the issuance of shares of Common Stock upon such exercise. Nothing herein shall be construed as requiring the Corporation to register shares subject to the Plan or any option under the Act. Each opinion shall be subject to the further requirement that if, in the opinion of counsel to the Corporation, the listing or qualification of the shares of Common Stocks subject to such option on any securities exchange, National Securities Association or under any applicable law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the exercise of such option or the issue of shares thereunder, such option may not be exercised in whole or in part unless such listing, qualification, consent or approval shall have been effected or obtained free of any conditions requiring the Corporation to qualify as a foreign corporation or to execute a general consent to service of process in any jurisdiction wherein it has not already done so and free of any other conditions not customarily imposed by a securities exchange, law or governmental regulatory body in connection with such listing, qualification, consent or approval.

**12. Amendment and Termination.** The Committee may amend, suspend or terminate the Plan or any portion thereof at any time but may not, without the approval of the Corporation's shareholders within twelve (12) months before or after the date of adoption of any such amendment or amendments, make any alteration or amendment thereof which (a) makes any change in the class of eligible participants as determined in accordance with Section 4 hereof; (b) increases the total number of shares of Common Stock for which options may be granted under the Plan except as provided in Section 10 hereof; (c) extends the term of the Plan or the maximum option period provided under the Plan; (d) decreases the option price provided in Section 5 hereof; or (e) materially increases the benefits accruing to participants under the Plan. Notwithstanding anything to the contrary contained herein, the Plan shall not be amended more than once every six (6) months, other than to comport with changes in the Internal Revenue Code, Employee Retirement Income Security Act or the rules thereunder.

**13. Duties of the Corporation.** The Corporation shall, at all times during the term of each option, reserve and keep available for issuance or delivery such number of shares of Common Stock as will be sufficient to satisfy the requirements of all options at the time outstanding, shall pay all original issue taxes with respect to the issuance or delivery of shares pursuant to the exercise of such options and all other fees and expenses necessarily incurred by the Corporation in connection therewith.

**14. Term; Effective Period.**

(a) The Plan shall become effective on 26 March 2004, the date of its adoption by the Board of Directors, subject to the receipt of the affirmative vote of the majority of the shares of Common Stock present in person or by proxy at the next annual meeting and entitled to vote, or the written consent of the holders of a majority of shares that would have been entitled to vote thereon, and no options granted hereunder may be exercised prior to such approval, *provided that*, the date of grant of any options granted hereunder shall be determined as if the Plan had not been subject to such approval.

(b) No options may be granted under the Plan after **March 31, 2024** ~~25 March 2014~~. Options outstanding on or prior to such date shall, however, in all respects continue subject to the Plan.





