

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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) **July 1, 2006**

Affiliated Managers Group, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

001-13459

(Commission File Number)

04-3218510

(IRS Employer Identification No.)

600 Hale Street

Prides Crossing, Massachusetts

(Address of Principal Executive Offices)

01965

(Zip Code)

(617) 747-3300

(Registrant's Telephone Number, Including Area Code)

N/A

(Former Name or Former Address, if Changed Since Last Report)

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

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

ITEM 1.01 Entry Into A Material Definitive Agreement.

Deferred Compensation Plan

Affiliated Managers Group, Inc. (the "Company") established a Deferred Compensation Plan (the "Deferred Compensation Plan"), effective as of July 1, 2006. The Deferred Compensation Plan provides officers and directors of the Company the opportunity to voluntarily defer base salary, bonus payments and director fees, as applicable, on a pre-tax basis, and invest such deferred amounts in one or more specified measurement funds. While the Company has no obligation to do so, the Deferred Compensation Plan also provides the Company the opportunity to make discretionary contributions; in the event any such contributions are made, contributed amounts will be subject to vesting and forfeiture provisions.

This summary description of the Deferred Compensation Plan is qualified in its entirety by reference to the actual terms of the Deferred Compensation Plan, which is attached as Exhibit 10.1 and incorporated by reference.

2006 Stock Option and Incentive Plan

At the 2006 Annual Meeting of the Company's stockholders, the stockholders approved the 2006 Stock Option and Incentive Plan (the "Option Plan") in the form attached as Appendix B to the Company's 2006 Proxy Statement, previously filed on Form DEF 14A with the Securities and Exchange Commission on April 28, 2006 (the "Proxy Statement"). The Option Plan is also attached as Exhibit 10.2 and incorporated by reference. Additional information regarding the Option Plan is provided in Proposal 2 ("Approval of the Company's 2006 Stock Option and Incentive Plan") on pages 15-19 of the Proxy Statement, which proposal is attached as Exhibit 10.3 and incorporated by reference.

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ITEM 9.01 Financial Statements And Exhibits.

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
10.1	Affiliated Managers Group, Inc. Deferred Compensation Plan.
10.2	Affiliated Managers Group, Inc. 2006 Stock Option and Incentive Plan (previously attached as Appendix B to the Company's definitive proxy statement filed with the Commission on April 28, 2006, Commission File No. 1-13459, and incorporated by reference herein).
10.3	Description of the 2006 Stock Option and Incentive Plan (which description is included under Proposal 2 in the Company's definitive proxy statement filed with the Commission on April 28, 2006, Commission File No. 1-13459, and incorporated by reference herein).

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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.

AFFILIATED MANAGERS GROUP, INC.

Date: July 7, 2006

By: /s/ John Kingston, III
Name: John Kingston, III
Title: Executive Vice President, General Counsel and Secretary

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EXHIBIT INDEX

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AFFILIATED MANAGERS GROUP, INC.

DEFERRED COMPENSATION PLAN

EFFECTIVE JULY 1, 2006

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AFFILIATED MANAGERS GROUP, INC.

DEFERRED COMPENSATION PLAN

EFFECTIVE JULY 1, 2006

Purpose

The purpose of the Plan is to provide specified benefits to Directors and a select group of Employees who contribute materially to the continued growth, development and business success of Affiliated Managers Group, Inc.

The Plan is intended to constitute an unfunded “top hat” plan described in Section 201(2), 301(a)(3) and 401(a)(1) of Subtitle B of Title I of ERISA and shall be operated and construed accordingly. The Plan is also intended to provide for the effective deferral of income for tax purposes in accordance with its terms, consistent, among other things, with the requirements of Code Section 409A, and shall be operated and construed accordingly. Without limiting the generality of the Company’s authority under Article 11, the Company may at any time and from time to time amend or modify the Plan, including retroactively, to comply with the terms of Code Section 409A or other applicable law.

ARTICLE 1

Definitions

For the purposes of this Plan, unless otherwise clearly apparent from the context, the following phrases or terms shall have the following indicated meanings:

- 1.1 “Account” shall mean, with respect to a Participant, an entry on the records of the Employer equal to the sum of the Participant’s accounts and sub-accounts maintained by the Administrator under the Plan. The Account shall be a bookkeeping entry only and shall be utilized solely to measure and determine the amounts to be paid to a Participant, or his or her designated Beneficiary, pursuant to this Plan.
- 1.2 “Account Balance” shall mean the balance of the Account (or, when the term is used with respect to any constituent account or sub-account, the balance of such account or sub-account).

- 1.3 “Administrator” shall have the meaning set forth in Article 12.
- 1.4 “Annual Installment Method” shall mean an annual installment payment of the Participant’s vested benefit over the number of years selected by the Participant in accordance with the Plan, commencing on the Participant’s Benefit Distribution Date and thereafter payable on the anniversary of the Benefit Distribution Date. For any year, the payment will be the balance to the credit of the Participant’s Account divided by the number of remaining payments.
- 1.5 “Base Salary” shall mean the annual cash compensation relating to services performed during any calendar year, excluding distributions from nonqualified deferred compensation plans, bonuses, overtime, fringe benefits, stock options, relocation expenses, incentive payments, non-monetary awards, director fees and other fees, and automobile and other allowances paid to a Participant for employment services rendered (whether or not includible in the Employee’s gross income). Base Salary shall be calculated before deferrals under qualified or nonqualified plans, as determined by the Administrator.
- 1.6 “Beneficiary” shall mean one or more persons, trusts, estates or other entities, designated in accordance with Article 10 to receive Plan benefits, if any, remaining to be paid upon the death of a Participant.

- 1.7 “Beneficiary Designation Form” shall mean a form prescribed by or acceptable to the Administrator for the designation of Beneficiaries.
- 1.8 “Benefit Distribution Date” shall mean a date on which, or as soon as practicable thereafter which, a Participant’s vested Account Balance or applicable portion thereof will be distributed (if distributable as a lump sum) or commence to be distributed (if distributed in installments) in accordance with Article 4, 5, 6 or 7, as the case may be.
- 1.9 “Board” shall mean the board of directors of the Company.
- 1.10 “Bonus” shall mean any compensation, in addition to Base Salary, amounts earned by a Participant under the Company’s annual bonus or cash incentive plan(s) and such other amounts as the Administrator may specify from time to time. For avoidance of doubt, a Bonus shall include, without limitation, amounts payable under the Company’s Long-Term Executive Incentive Plan.
- 1.11 “Change in Control” shall mean any “change in control event” as defined in accordance with Section 409A.
- 1.12 “Code” shall mean the Internal Revenue Code of 1986, as amended and in effect from time to time.
- 1.13 “Company” shall mean Affiliated Managers Group, Inc., a Delaware corporation, and any successor to all or substantially all of the Company’s assets or business that assumes the Plan.
- 1.14 “Company Credit Account” shall mean that portion of a Participant’s Account that reflects Company Credits plus or minus notional investment adjustments with respect thereto, less all related distributions.
- 1.15 “Company Credits” shall mean the amount determined in accordance with Section 3.5.
- 1.16 “Death Benefit” shall mean the benefit set forth in Article 9.
- 1.17 “Deferral Account”: the portion of a Participant’s Account that reflects Elective Deferrals under the Plan plus or minus notional investment adjustments with respect thereto, less all related distributions.
- 1.18 “Director” shall mean any member of the board of directors of the Company.
- 1.19 “Director Fees” shall mean the annual fees earned by a Director as compensation for serving on the Board (as determined by the Administrator).
- 1.20 “Disability” or “Disabled” shall mean that a Participant is (i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii) by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident or health plan covering employees of the Participant’s Employer. To the extent permitted by Section 409A, a Participant shall be deemed Disabled if determined to be totally disabled by the Social Security Administration, or if the Participant is determined to be totally and permanently disabled in accordance with the Employer’s applicable long—term disability insurance program.
- 1.21 “Disability Benefit” shall mean the benefit set forth in Article 8.

- 1.22 “Election Form” shall mean the form, which may be in electronic format, prescribed by or acceptable to the Administrator for the making of permitted elections (other than Beneficiary designations) under the Plan.

- 1.23 “Elective Deferral” shall mean a deferral of Base Salary, Bonus and Director Fees made under the Plan at the election of a Participant.
- 1.24 “Employee” shall mean an individual employed by an Employer.
- 1.25 “Employer(s)” shall mean the Company and its Affiliates who adopt the Plan with the consent of the Company.
- 1.26 “ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended and in effect from time to time.
- 1.27 “First Plan Year” shall mean the period beginning July 1, 2006 and ending December 31, 2006.
- 1.28 “Measurement Fund” shall mean the hypothetical investment funds selected by the administrator in accordance with Section 3.7.
- 1.29 “Participant” shall mean any Employee or Director (i) who is selected by the Administrator to participate in the Plan, (ii) whose executed Plan Agreement, Election Form and Beneficiary Designation Form are accepted by the Administrator, and (iii) whose Plan Agreement has not terminated.
- 1.30 “Plan” shall mean the Affiliated Managers Group, Inc. Deferred Compensation Plan, as from time to time amended and in effect.
- 1.31 “Plan Agreement” shall mean a written agreement, in form prescribed by or acceptable to the Administrator, that evidences a Participant’s agreement to the terms of the Plan and establishes the terms of Plan participation for such Participant. Except as the Administrator may otherwise determine, the most recent Plan Agreement with respect to a Participant shall supersede all prior Plan Agreements with respect to such Participant. Plan Agreements may vary among Participants and may provide additional benefits not set forth in the Plan or limit the benefits otherwise provided under the Plan. A binding agreement between a Participant and the Company (for example, but without limitation, an employment or severance agreement) that purports to affect the amount, vesting, timing or any other term of a deferral, credit or benefit under the Plan, but that is not designated as a “Plan Agreement,” shall nevertheless, to that extent, constitute a “Plan Agreement” under the Plan (and, to the extent of the relevant provision, shall, except as the Administrator otherwise determines, supersede any prior Plan Agreement governing such provision), but only if and to the extent that so treating it would not jeopardize the qualification of the Participant’s Plan deferral(s) under Section 409A.
- 1.32 “Plan Year” shall, except for the First Plan Year, mean the calendar year.
- 1.33 “Retirement”, “Retire(s)” or “Retired” shall mean, with respect to an Employee, separation from service with all Employers, other than by reason other than death or Disability, or on or after the earlier of the attainment of (a) age sixty-five (65) or (b) age fifty (50) and ten (10) Years of Service; and shall mean with respect to a Director who is not an Employee, separation from service. If a Participant is both an Employee and a Director, Retirement shall not occur until he or she Retires as both an Employee and a Director.
- 1.34 “Retirement Benefit” shall mean the benefit set forth in Article 6.
- 1.35 “Scheduled Distribution” shall mean the distribution set forth in Section 4.1.

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- 1.36 “Scheduled Distribution Date” shall have the meaning set forth in Section 4.1.
- 1.37 “Section 409A” shall mean Code Section 409A of the Code.
- 1.38 “Separation from Service” shall mean separation from service with all Employers, voluntarily or involuntarily, other than by reason of death or Disability. Whether a leave of absence or other change in work status constitutes a separate from service shall be determined by the Administrator in a manner consistent with the requirements of Section 409A.
- 1.39 “Stock” shall mean Affiliated Managers Group, Inc. common stock, \$.01 par value, or any other equity securities designated by the Administrator.
- 1.40 “Stock Unit” shall mean a unit that is equivalent to one share of Stock.
- 1.41 “Stock Unit Fund” shall mean the Measurement Fund notionally invested in Stock.
- 1.42 “Termination Benefit” shall mean the benefit set forth in Article 7.
- 1.43 “Trust” shall mean one or more trusts established by the Company in accordance with Article 15.
- 1.44 “Unforeseeable Financial Emergency” shall mean a severe financial hardship of the Participant or his or her Beneficiary resulting from (i) an illness or accident of the Participant, the Participant’s spouse, or the Participant’s dependent (as defined in Code Section 152(a)), (ii) a loss of the Participant’s or Beneficiary’s property due to casualty, or (iii) such other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant or the Participant’s Beneficiary, all as determined in the sole discretion of the Administrator.
- 1.45 “Years of Service” shall mean the total number of full years in which a Participant has been employed by one or more Employers. For purposes of this definition, a year of employment shall be a 365 day period (or 366 day period in the case of a leap year) that, for the first year of employment, commences on the Employee’s date of hiring and that, for any subsequent year, commences on an anniversary of that hiring date. The Administrator shall make a determination as to whether any partial year of employment shall be counted as a Year of Service.

2.1 **Selection by Administrator.** Eligibility for the Plan shall be limited to those Employees or Directors who are selected by the Administrator in its sole discretion.

2.2 **Enrollment and Eligibility Requirements; Commencement of Participation.**

- (a) To participate in the Plan, an Eligible Employee or Director must complete and execute (to the satisfaction of the Administrator) and return to the Administrator a Plan Agreement, Election Form and a Beneficiary Designation Form. Except as herein provided or as otherwise permitted by the Administrator consistent with the requirements of Section 409A, any voluntary deferral under the Plan must be accomplished by the submission of the necessary forms prior to the first day of the Plan Year in which the relevant services are to be provided or by such earlier date as the Administrator may establish.
- (b) An Employee or Director who first becomes eligible to participate in this Plan after the first day of a Plan Year and who wishes to participate in elective deferrals for the remainder of such Plan Year must submit the necessary forms within thirty (30) days after he or she first becomes eligible to participate or by such earlier deadline as the

Administrator may establish. A mid-year deferral election accomplished pursuant to this subsection (b) shall be effective only with respect to services performed after the election takes effect.

ARTICLE 3
Account Credits

3.1 **Elective Deferrals; Minimum Requirements.** For any Plan Year, a Participant who wishes to participate in the Elective Deferrals may do so subject to the following minimum deferral requirements.

<u>Deferral</u>	<u>Minimum Amount</u>
Base Salary and Bonus	\$ 5,000 aggregate
Director Fees	\$ 1,000 aggregate

If the Administrator determines, in its sole discretion, prior to the beginning of a Plan Year that a Participant has made an election for less than the stated minimum amounts, or if no election is timely made, the amount deferred shall be zero. If a Participant first becomes eligible to make Elective Deferrals during a Plan Year, the minimum Elective Deferrals shall be an amount equal to the minimum set forth above, multiplied by a fraction, the numerator of which is the number of complete months remaining in the Plan Year and the denominator of which is 12 (except with respect to the First Plan Year, in which the denominator is 6).

3.2 **Elective Deferrals; Maximum Requirements.** For any Plan Year, a Participant's Elective Deferrals, if any, shall be subject to the following percentage maximum percentage:

<u>Deferral</u>	<u>Maximum Percentage</u>
Base Salary	80%
Bonus	100%
Director Fees	100%

If a Participant first becomes eligible to make Elective Deferrals during a Plan Year, the foregoing maximum percentages shall be applied to the future compensation affected by the Participant's mid-year election. For compensation that is earned based upon a specified performance period, "Future compensation" shall be deemed for this purpose not to exceed the total amount of compensation for the performance period, multiplied by a fraction, the numerator of which is the number of days remaining in the service period after the Participant's deferral election takes effect, and the denominator of which is the total number of days in the performance period.

3.3 **Election to Defer; Effect of Election Form.** Insofar as it relates to an Elective Deferral, an Election Form shall take effect not later than (i) the first day of the Plan Year next following the effective date of such form, or (ii) in the case of an Election Form relating to initial mid-year eligibility, a date specified by the Administrator that is not later than thirty (30) days following the date of such initial eligibility. Once it takes effect, the Election Form shall apply as follows: (A) to Base Salary or Directors Fees earned with respect to services performed on or after the effective date, and (B) in the case of "performance-based compensation" (as determined in accordance with Section 409A) based on services performed over a period of at least twelve (12) months, to any such compensation payable with respect to a performance period ending at least

six (6) months after the effective date. The Administrator shall prescribe such additional rules and limitations as it determines to be appropriate so that elective deferrals under the Plan comply with Section 409A.

3.4 **Withholding and Crediting of Elective Deferrals.** Elective Deferrals shall be credited to a Participant's Account on or as soon as practicable after the relevant payroll date on which the compensation, but for deferral, would have been paid.

3.5 **Company Credits.** The Administrator may provide in a Plan Agreement, or on a discretionary basis outside of any Plan Agreement, for additional, non-elective credits (each, a “Company Credit”) to the Participant’s Account in accordance with this Section 3.5. Additional credits pursuant to this Section 3.5 may include, but are not necessarily limited to, credits intended to make up (in whole or in part) for matching contributions that could not be made under a tax-qualified defined contribution plan in which the Participant is a member; *provided*, that any such additional credit made hereunder shall be consistent with the requirements of Section 401(k)(4)(A) of the Code. Company Credits shall be credited to the Participant’s Account at such times and in such amounts as the Administrator determines (consistent with the Plan Agreement, in the case of Company Credits provided for under a Plan Agreement). Company Credits, if any, need not be made with respect to all Participants and may vary as to amount and other terms from Participant to Participant.

3.6 **Vesting.**

- (a) A Participant shall at all times be 100% vested in his or her Deferral Account.
- (b) A Participant shall vest in each Company Credit Account, if any, in accordance with the vesting schedule forth in his or her Plan Agreement(s).
- (c) Except as otherwise expressly provided in the relevant Plan Agreement, in the event of a Change in Control, or upon a Participant’s Retirement, death while employed by an Employer, or Disability, any amounts that are not vested in accordance with Sections 3.6(b) above, shall immediately become 100% vested, *provided*, that except as otherwise provided in the Plan Agreement, if and to the extent that the Administrator determines that such acceleration would cause the deductibility limitations of Section 280G of the Code to apply, vesting shall be accelerated only to such extent, if any, as will not result in the application of such deduction limitations. The Administrator shall make all determinations necessary or appropriate to implement the foregoing limitation but if so requested by an affected Participant in writing shall, within ninety (90) days of receiving such request, obtain an opinion from a nationally recognized accounting firm selected by the Participant (the “Accounting Firm”) with supporting computations, as to whether any limitation in the vested percentage hereunder is necessary to avoid the limits of Section 280G of the Code.

3.7 **Hypothetical Investment Returns.** Each Participant Account shall be periodically adjusted (in such manner as the Administrator determines) to reflect hypothetical returns with respect to the Account, as follows:

- (a) **Measurement Funds.** Subject to Section 3.7(b), the Administrator shall select and may from time to time change (including as to existing Accounts that are deemed invested in an affected fund) a menu of investment funds (the “Measurement Funds”) to be used to determine hypothetical investment experience under the Plan. The Participant may elect to have his or her Account invested on a hypothetical basis in one or more of the

Measurement Funds, for the purpose of crediting or debiting additional amounts to his or her Account Balance, and may from time to time elect to reallocate such hypothetical investments. Any such election by the Participants shall be accomplished and given effect in accordance with such rules as the Administrator may prescribe. If a Participant does not elect a Measurement Fund, the Participant’s Account Balance shall be treated as having been invested in such default Measurement Fund(s) as the Administrator may specify.

(b) **Affiliated Managers Group, Inc. Stock Unit Fund.**

- (i) Any Bonus that the Participant has elected to defer in accordance with Article 3 and which would otherwise be payable in Stock will be automatically allocated to the Stock Unit Fund and may not be allocated to any other Measurement Fund except as determined by the Administrator. The Administrator may in its sole discretion allocate all or any portion of the Company Credit Account to the Stock Unit Fund. Amounts allocated to the Stock Unit Fund shall be distributable only in the form of actual shares of Stock, except as otherwise determined by the Administrator.
 - (ii) Notional earnings credited to the Stock Unit Fund, including dividends declared with respect to Stock, shall remain allocated to such Stock Unit Fund and deemed to be reinvested in additional Stock Units until such amounts are distributed to the Participant, except as otherwise determined by the Administrator. In the case of a stock dividend, the number of additional Stock Units credited to the Stock Unit Fund shall be equal to the number of Stock Units multiplied the by per share Stock dividend (including fractional shares) declared by the Company. In the case of a cash dividend, the number of additional Stock Units credited to the Stock Unit Fund shall be equal to the cash dividend times the number of Stock Units allocated to the Participant’s Account, divided by the fair market value of a share of Stock as determined by the Administrator in its sole discretion.
 - (iii) The number of Stock Units credited to the Participant’s Stock Unit Fund may be adjusted by the Administrator, in its sole discretion, to prevent dilution or enlargement of Participants’ rights with respect to the portion of his or her Account Balance allocated to the Stock Unit Fund in the event of any reorganization, reclassification, stock split, or other corporate transaction or event which, in the Administrator’s determination, affects the value of the Stock.
- (c) **No Actual Investment.** The provisions of this Section 3.7 shall not be construed to require the Administrator or any Employer to segregate, set aside, or invest any assets for the payment of benefits under the Plan. However, the Administrator in its discretion may provide for a “rabbi trust” or similar vehicle to facilitate the payment of benefits under the Plan so long as the existence, terms and funding of any such trust or other vehicle do not cause the Plan to fail to be unfunded for tax or ERISA purposes or to fail to satisfy the requirements of Section 409A.

3.8 **FICA and Other Taxes.** The Administrator may require that a Participant’s cash or other compensation be reduced to satisfy any FICA tax or other tax due with respect to the deferral or vesting of any amount under the Plan or may require as part of a Plan Agreement or otherwise that the Participant make other arrangements for the payment of such taxes (which other arrangements may include, if the Administrator so determines, but

ARTICLE 4

Scheduled Distribution of Deferral Account; Unforeseeable Financial Emergencies

- 4.1 **Scheduled Distribution of Deferral Account.** Subject to such limitations (consistent with Section 409A) as the Administrator may prescribe, a Participant may specify in connection with the applicable annual or other deferral election pertaining to Elective Deferrals to have the portion of his or her Account attributable to such Elective Deferrals and related adjustments under Article 3 to be paid (a "Scheduled Distribution") in a lump sum during a sixty (60) day period commencing immediately after the first day of any Plan Year designated by the Participant (the "Scheduled Distribution Date"). The Scheduled Distribution Date designated by the Participant must be at least one (1) Plan Year after the end of the Plan Year to which the Participant's deferral election relates. By way of example, if a Scheduled Distribution is elected for Elective Deferral amounts earned in the Plan Year commencing January 1, 2007, the earliest Scheduled Distribution Date would be January 1, 2009, and the Scheduled Distribution would be payable during the sixty (60) day period commencing January 2, 2009.
- 4.2 **Postponing Scheduled Distributions.** A Participant may elect to postpone a Scheduled Distribution described in Section 4.1 above, and have such amount paid out during a sixty (60) day period commencing immediately after an allowable alternative Scheduled Distribution Date designated by the Participant in accordance with this Section 4.2. In order to make this election, the Participant must submit a new Scheduled Distribution Election Form to the Administrator in accordance with the following:
- (a) The new Scheduled Distribution Election Form must be submitted to and accepted by the Administrator (which has complete discretion as to whether to accept any new election) at least twelve (12) months prior to the Participant's previously designated Scheduled Distribution Date;
 - (b) The new Scheduled Distribution Date must be the first day of a Plan Year and must be at least five years after the previously designated Scheduled Distribution Date; and
 - (c) The new election shall not take effect until at least twelve (12) months after it is accepted by the Administrator.
- 4.3 **Other Benefits Take Precedence Over Scheduled Distributions.** Except as the Administrator otherwise determines to be necessary to comply with the requirements of Section 409A, a Deferral Account that become payable under Article 5, 6, 7, 8 or 9 as of a date that precedes a Scheduled Distribution Date under this Article 4 shall be paid in accordance with Article 5, 6, 7, 8 or 9, as the case may be, and not in accordance with this Article 4.
- 4.4 **Withdrawal Payout/Suspensions for Unforeseeable Financial Emergencies.**
- (a) If the Participant experiences an Unforeseeable Financial Emergency, the Participant may petition the Administrator to receive a partial or full payout from the Plan, subject to the provisions set forth below.
 - (b) The payout, if any, from the Plan shall not exceed the lesser of (i) the Participant's vested Account Balance, calculated as of the close of business on or around the date on which the amount becomes payable, as determined by the Administrator in its sole discretion, or (ii) the amount necessary to satisfy the Unforeseeable Financial Emergency, plus amounts

necessary to pay Federal, state, or local income taxes or penalties reasonably anticipated as a result of the distribution. Notwithstanding the foregoing, a Participant may not receive a payout from the Plan to the extent that the Unforeseeable Financial Emergency is or may be relieved (A) through reimbursement or compensation by insurance or otherwise, (B) by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship or (C) by cessation of deferrals under this Plan. If the Administrator approves a Participant's petition for payout, the Participant shall receive a payout from the Plan within sixty (60) days of the date of such approval, and the Participant's deferrals under the Plan shall be terminated as of the date of such approval.

- (c) A Participant's deferral elections under this Plan shall also be terminated to the extent the Administrator determines that termination is required pursuant to applicable regulations to obtain a hardship distribution from an Employer's 401(k) plan and is consistent with the requirements of Section 409A.

ARTICLE 5

Change in Control Benefit

If so elected by the Participant (any such election, except as the Administrator may otherwise determine, to be made irrevocably at commencement of participation in the Plan), the Participant's vested Account Balance shall be distributed in a lump sum payment within sixty (60) days following a Change in Control. Absent such election, the Participant's vested Account Balance shall be paid in accordance with the otherwise applicable provisions of the Plan.

ARTICLE 6
Retirement Benefit

If the Participant's separation is a Retirement, the applicable vested Account Balance shall be distributed in accordance with the method elected by the Participant. As the Administrator may prescribe, a Participant may, in connection with each election relating to Elective Deferrals, specify that the portion of his or her Account (including notional earnings thereon) attributable to that Plan Year be paid in the form of either a single lump sum or in installments under the Annual Installment Method, in each case commencing on the date that is six months and one day after the date of separation. Any election by the Participant to receive payment upon Retirement under the Annual Installment Method must specify the number of annual installments (not to exceed fifteen). A Participant who has elected or is deemed to have elected a lump sum payment of his or her vested Account Balance upon Retirement may subsequently elect installments instead, and a Participant who has elected installments may subsequently elect a lump sum instead; *provided*, that the new election shall not take effect for twelve (12) months and the new Benefit Distribution Date for the applicable vested Account Balance shall be the fifth (5th) anniversary of the Benefit Distribution Date that would otherwise have been applicable.

ARTICLE 7
Separation from Service

If the Participant has a Separation from Service other than on account of Retirement, the applicable vested Account Balance shall be paid to such Participant in the form of a single lump sum payment as soon as reasonably practicable after the date that is six months and one day after such Separation from Service.

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ARTICLE 8
Disability Benefit

In the event that the Participant becomes Disabled, the Participant shall receive a Disability Benefit in an amount equal to the applicable vested Account Balance, which shall be paid to such Participant in the form of a single lump sum payment within sixty (60) days after the Administrator determines that such Participant is Disabled.

ARTICLE 9
Death Benefit

The Beneficiary(ies) of a Participant who dies prior to the distribution of his or her entire vested Account Balance shall receive the remaining vested balance of the Account within (or, if payable in installments under the Annual Installment Method, commencing within) the sixty-day period immediately following the date on which the Administrator receives information satisfactory to the Administrator that the Participant has died, or by such earlier date as is required to comply with the requirements of Section 409A. The death benefit so payable to any Beneficiary shall be paid in a single lump sum.

ARTICLE 10
Beneficiary Designation

- 10.1 **Beneficiary.** Each Participant shall have the right, at any time, to designate his or her Beneficiary(ies) (both primary as well as contingent) to receive any benefits payable under the Plan to a beneficiary upon the death of a Participant. The Beneficiary designated under this Plan may be the same as or different from the Beneficiary designation under any other plan of an Employer in which the Participant participates.
- 10.2 **Beneficiary Designation; Change.** A Participant shall designate his or her Beneficiary by completing and signing the Beneficiary Designation Form, and returning it to the Administrator or its designated agent. A Participant shall have the right to change a Beneficiary by completing, signing and otherwise complying with the terms of the Beneficiary Designation Form and the Administrator's rules and procedures, as in effect from time to time. Upon the acceptance by the Administrator of a new Beneficiary Designation Form, all Beneficiary designations previously filed shall be canceled. The Administrator shall be entitled to rely on the last Beneficiary Designation Form filed by the Participant and accepted by the Administrator prior to his or her death.
- 10.3 **Acknowledgment.** No designation or change in designation of a Beneficiary shall be effective until received and acknowledged in writing by the Administrator or its designated agent.
- 10.4 **No Beneficiary Designation.** If a Participant fails to designate a Beneficiary as provided above or, if all designated Beneficiaries predecease the Participant or die prior to complete distribution of the Participant's benefits, then the Participant's designated Beneficiary shall be deemed to be his or her surviving spouse. If the Participant has no surviving spouse, the benefits remaining under the Plan to be paid to a Beneficiary shall be payable to the executor or personal representative of the Participant's estate.
- 10.5 **Doubt as to Beneficiary.** If the Administrator has any doubt as to the proper Beneficiary to receive payments pursuant to this Plan, the Administrator shall have the right, exercisable in its discretion, to cause the Participant's Employer to withhold such payments until this matter is resolved to the Administrator's satisfaction.

10.6 **Discharge of Obligations.** The payment of benefits under the Plan to a Beneficiary shall fully and completely discharge all Employers and the Administrator from all further obligations under this Plan with respect to the Participant, and that Participant's Plan Agreement shall terminate upon such full payment of benefits.

ARTICLE 11

Amendment and Termination

11.1 **Termination of Plan.** The Company has established the Plan with the expectation that it will continue the Plan indefinitely but reserves the right, exercisable in its absolute discretion, to terminate or suspend the Plan at any time. In the event of Plan termination or suspension, except as hereinafter provided, no additional amounts shall be credited to any Account pursuant to Article 3 other than positive or negative adjustments to reflect hypothetical investment performance under Section 3.7 and other than the crediting of such Elective Deferrals as to which a deferral election was in effect, prior to termination, for the Plan Year of termination and which the Administrator determines must continue to be given effect to comply with Section 409A. If the Plan is amended or terminated in accordance with the immediately preceding sentence, existing Accounts shall continue to be administered and paid out as though the Plan had not been terminated (and the Company shall have the continuing right to amend the Plan provisions affecting such Account, subject to Section 11.2 below). Notwithstanding the foregoing, if permitted by Section 409A and in accordance with such special rules as the Administrator may establish to comply with Section 409A, the Company may instead provide upon termination of the Plan that all Accounts shall be paid out in connection with such termination.

11.2 **Amendment.** The Company may, at any time, amend or modify the Plan in whole or in part; *provided*, that no amendment or modification shall be effective if it would cause a Participant's Account Balance, determined immediately after the amendment takes effect, to be lower than it was immediately before the amendment took effect.

11.3 **Plan Agreement.** Despite the provisions of this Article 11, if a Participant's Plan Agreement contains benefits or limitations that are not in this Plan document, the Employer may only amend or terminate such provisions with the written consent of the Participant.

ARTICLE 12

Administration

12.1 **In General.** The term "Administrator" as used in the Plan shall mean the person(s), board or committee principally charged with administrative responsibility under the Plan, as described in Section 12.2, and its or their delegates to the extent of the applicable delegation. The initial Administrator of the Plan shall be the Compensation Committee of the Board of Directors, and the administrative responsibility for the Plan shall be delegated by the Compensation Committee to each, acting singly, of the Executive Vice President and Chief Financial Officer and the Executive Vice President and General Counsel of the Company. The Administrator shall have the discretion and authority to (i) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of this Plan, (ii) determine all issues of eligibility for participation in or benefits under the Plan, and (iii) subject to the terms of any procedures established pursuant to Article 12, decide or resolve any and all questions including interpretations of this Plan that may arise in connection with the Plan. No individual who has or to whom administrative responsibility is delegated hereunder, or who is a member of a board or committee that has or to which is delegated administrative responsibility hereunder, shall vote or act on any matter relating solely to himself or herself. When making a determination or calculation, the Administrator shall be entitled to rely on information furnished by a Participant or the Company.

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12.2 **Agents.** In the administration of this Plan, the Administrator may, from time to time, employ agents and delegate to them such administrative duties as it sees fit (including acting through a duly appointed representative) and may from time to time consult with counsel, who may be counsel to any Employer.

12.3 **Binding Effect of Decisions.** The decision or action of the Administrator with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.

12.4 **Indemnity of Administrator.** All Employers shall indemnify and hold harmless the members of the Administrator (including any Employee to whom the duties of the Administrator are delegated) any and all claims, losses, damages, expenses or liabilities arising from any action or failure to act with respect to this Plan, except in the case of gross negligence or willful misconduct.

12.5 **Employer Information.** To enable the Administrator and/or Administrator to perform its functions, the Company and each Employer shall supply full and timely information to the Administrator and/or Administrator, as the case may be, on all matters relating to the Plan, the Trust, the Participants and their Beneficiaries, the Account Balances of the Participants, the compensation of its Participants, the date and circumstances of the Retirement, Disability, death or Termination of Employment of its Participants, and such other pertinent information as the Administrator or Administrator may reasonably require.

ARTICLE 13

Other Benefits and Agreements

The benefits provided for a Participant and Participant's Beneficiary under the Plan are in addition to any other benefits available to such Participant under any other plan or program for employees of the Participant's Employer. The Plan shall supplement and shall not supersede, modify or amend any other such plan or program except as may otherwise be expressly provided.

ARTICLE 14

Claims Procedures

The Administrator shall adopt and may from time to time amend procedures for the administration of claims and for the appeal of denied claims under the Plan, all in accordance with Section 503 of ERISA and the regulations thereunder.

ARTICLE 15
Trust

- 15.1 **Establishment of the Trust.** In order to provide assets from which to fulfill its obligations to the Participants and their Beneficiaries under the Plan, the Company may establish a trust by a trust agreement with a third party, the trustee, to which each Employer may, in its discretion, contribute cash or other property, including securities issued by the Company, to provide for the benefit payments under the Plan, (the "Trust").
- 15.2 **Interrelationship of the Plan and the Trust.** The provisions of the Plan and the Plan Agreement shall govern the rights of a Participant to receive distributions pursuant to the Plan. The provisions of the Trust shall govern the rights of the Employers, Participants and the

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creditors of the Employers to the assets transferred to the Trust. Each Employer shall at all times remain liable to carry out its obligations under the Plan.

- 15.3 **Distributions From the Trust.** Each Employer's obligations under the Plan may be satisfied with Trust assets distributed pursuant to the terms of the Trust, and any such distribution shall reduce the Employer's obligations under this Plan.

ARTICLE 16
Miscellaneous

- 16.1 **Status of Participants and Beneficiaries as General Creditors.** This Plan is generally exempt from the provisions of ERISA because it is intended to benefit a select group of management or highly compensated employees. Participants and their Beneficiaries, heirs, successors and assigns shall have no legal or equitable rights, interests or claims in any property or assets of any Employer. Their rights to benefits, if any, under the Plan shall be solely those of unsecured general creditors of the Employer and shall be limited to those contractual rights expressly set forth in the Plan and/or Plan Agreements applicable to them.
- 16.2 **Non-assignability.** No Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate, alienate or convey in advance of actual receipt, the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are expressly declared to be, non-assignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure, attachment, garnishment or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency or be transferable to a spouse as a result of a property settlement or otherwise.
- 16.3 **Not a Contract of Employment.** The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between any Employer and the Participant. Nothing in the Plan nor in any Plan Agreement shall limit in any way the Employer's rights to terminate any Participant. The loss of benefits or potential benefits under the Plan by reason of the termination of a Participant's service with the Employer shall not constitute an element of damages in any claim brought by the Participant or his or her Beneficiary(ies) against the Employer.
- 16.4 **Captions.** The captions of the articles, sections and paragraphs of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.
- 16.5 **Governing Law.** Except as preempted by ERISA, the provisions of this Plan shall be construed and interpreted according to the internal laws of the Commonwealth of Massachusetts without regard to its conflicts of laws principles.
- 16.6 **Notice.** Any notice or filing required or permitted to be given to the Administrator or the Committee under this Plan shall be sufficient if in writing and hand-delivered, or sent by registered or certified mail, to the address below:

Affiliated Managers Group, Inc.
Attn: Executive Vice President
and General Counsel
600 Hale Street
Prides Crossing, MA 01965

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Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

Any notice or filing required or permitted to be given to a Participant under this Plan shall be sufficient if in writing and hand-delivered, or sent by mail, to the last known address of the Participant.

- 16.7 **Furnishing Information.** A Participant or his or her Beneficiary will cooperate with the Administrator by furnishing any and all information requested by the Administrator and take such other actions as may be requested in order to facilitate the administration of the Plan and the payments

of benefits hereunder, including but not limited to taking such physical examinations as the Administrator may deem necessary.

- 16.8 **Terms.** Whenever any words are used herein in the masculine, they shall be construed as though they were in the feminine in all cases where they would so apply (and vice versa); and whenever any words are used herein in the singular or in the plural, they shall be construed as though they were used in the plural or the singular, as the case may be, in all cases where they would so apply.
- 16.9 **Captions.** The captions of the articles, sections and paragraphs of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.
- 16.10 **Successors.** The provisions of this Plan shall bind and inure to the benefit of the Participant's Employer and its successors and assigns and the Participant and the Participant's designated Beneficiaries. By executing and delivering a Plan Agreement, a Participant agrees on his or her own behalf and on behalf of all Beneficiaries to be bound by the terms of the Plan and the Plan Agreement.
- 16.11 **Validity.** In case any provision of this Plan shall be illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal or invalid provision had never been inserted herein.
- 16.12 **Incompetents.** If the Administrator determines in its discretion that a benefit under this Plan is to be paid to a minor, a person declared incompetent or to a person incapable of handling the disposition of that person's property, the Administrator may direct payment of such benefit to the guardian, legal representative or person having the care and custody of such minor, incompetent or incapable person. The Administrator may require such documents and other information as it deems necessary or appropriate to administer the foregoing provisions. Any payment of a benefit shall be a payment for the account of the Participant or the Participant's Beneficiary, as the case may be, and shall be a complete discharge of any liability under the Plan for such payment.
- 16.13 **Distribution in the Event of Income Inclusion Under 409A** If any portion of a Participant's Account Balance under this Plan is required to be included in income by the Participant prior to receipt owing to a failure of this Plan to meet the requirements of Section 409A, the Participant may petition the Administrator for a distribution of that portion of his or her Account Balance that is required to be included in his or her income. Upon the grant of such a petition, which grant shall not be unreasonably withheld, the Participant's Employer shall distribute to the Participant immediately available funds in an amount equal to the lesser of (i) the portion of his or her Account Balance required to be included in income as a result of the failure of the Plan to meet the requirements of Section 409A, or (ii) the unpaid vested Account Balance.
- 16.14 **Deduction Limitation on Benefit Payments.** If the Company reasonably anticipates that the Employer's deduction with respect to any distribution from this Plan would be limited or

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eliminated by application of Code Section 162(m), then payment may, at the discretion of the Administrator, be delayed to the extent deemed necessary by the Administrator to ensure that the entire amount of any distribution from this Plan is deductible. The delayed amounts, adjusted pursuant to Section 3.8, shall be distributed to the Participant (or his or her Beneficiary in the event of the Participant's death) at the earliest date the Employer reasonably anticipates that the deduction of the payment of the amount will not be limited or eliminated by application of Code Section 162(m) or, if earlier, by the close of the calendar year in which the Participant separates from service.

- 16.15 **Compliance With Section 409A Generally.** The Administrator may deviate from the express terms of the Plan or any Plan Agreement if it determines such deviation to be necessary to comply with the requirements of Section 409A. The Administrator may also, notwithstanding the otherwise applicable restrictions on elections and payment under the Plan, establish opportunities for Participants and Beneficiaries to make any special elections permitted under the transition rules under Section 409A.
- 16.16 **Insurance.** The Employers, on their own behalf or on behalf of the trustee of the Trust, and, in their sole discretion, may apply for and procure insurance on the life of the Participant, in such amounts and in such forms as the Trust may choose. The Employers or the trustee of the Trust, as the case may be, shall be the sole owner and beneficiary of any such insurance. The Participant shall have no interest whatsoever in any such policy or policies, and at the request of the Employers shall submit to medical examinations and supply such information and execute such documents as may be required by the insurance company or companies to whom the Employers have applied for insurance.

IN WITNESS WHEREOF, the Company has signed this Plan document as of July 1, 2006.

Affiliated Managers Group, Inc.

By: /s/ JOHN KINGSTON, III
Name: John Kingston, III
Title: Executive Vice President,
General Counsel and Secretary

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AFFILIATED MANAGERS GROUP, INC.

2006 STOCK OPTION AND INCENTIVE PLAN

MAY 31, 2006

SECTION 1. GENERAL PURPOSE OF THE PLAN; DEFINITIONS

The name of the plan is the Affiliated Managers Group, Inc. 2006 Stock Option and Incentive Plan (the "Plan"). The purpose of the Plan is to encourage and enable the officers, employees, directors (including Independent Directors) and other key persons (including consultants and advisors) of Affiliated Managers Group, Inc. (the "Company") and its Affiliates upon whose judgment, initiative and efforts the Company largely depends for the successful conduct of its business to acquire a proprietary interest in the Company. It is anticipated that providing such persons with a direct stake in the Company's welfare will assure a closer identification of their interests with those of the Company, thereby stimulating their efforts on the Company's (or its Affiliates') behalf and strengthening their desire to remain with the Company (or its Affiliates). In the case of an Award intended to be eligible for the performance-based compensation exception under Section 162(m), the Plan and such Award shall be construed to the maximum extent permitted by law in a manner consistent with qualifying the Award for such exception.

The following terms shall be defined as set forth below:

"Act" means the Securities Exchange Act of 1934, as amended.

"Administrator" is defined in Section 2(a).

"Affiliate" means any corporation or other entity that stands in a relationship to the Company that would result in the Company and such corporation or other entity being treated as one employer under Section 414(b) or Section 414(c) of the Code. The Company may apply Sections 414(b) and 414(c) of the Code by substituting "at least 50%" for "at least 80%" under Section 1563(a)(1), (2) and (3) of the Code and Treas. Regs. § 1.414(c)-2; and may, to the extent permitted under Section 409A, use "at least 20%" in lieu of "at least 50%"; *provided*, that the lower ownership threshold described in this definition (50% or 20% as the case may be) shall apply only if the same definition of affiliation is used consistently with respect to all compensatory stock options or stock awards and rights (whether under the Plan or another plan), and any designation of a different permissible ownership threshold percentage may not be made effective until 12 months after the adoption of such change (or such other period as required by Section 409A). The Company may at any time by amendment provide that different ownership thresholds (consistent with Section 409A) apply.

"Award" or "Awards," means Incentive Stock Options, Non-Qualified Stock Options and SARs.

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

"Change of Control" is defined in Section 10.

"Code" means the Internal Revenue Code of 1986, as amended, and any successor Code, and related rules, regulations and interpretations.

"Committee" means the Committee of the Board referred to in Section 2.

"Covered Employee" means an employee who is a "covered employee" within the meaning of Section 162(m) of the Code.

"Effective Date" means the date on which the Plan is approved by stockholders as set forth in Section 12.

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"Fair Market Value" means, with respect to Stock, (i) for so long as such Stock is readily tradeable on an established securities market (within the meaning of Section 409A), the closing price on the trading day of the grant, and (ii) otherwise, the fair market value of such Stock determined by the Committee by a reasonable application of a reasonable valuation method (within the meaning of Section 409A).

"Incentive Stock Option" means any Stock Option designated and qualified as an "incentive stock option" as defined in Section 422 of the Code.

"Independent Director" means a member of the Board who is not also an employee of the Company or any Affiliate and who, if a member of the Committee, meets the requirements of such membership as set forth in Section 2(a).

"Non-Qualified Stock Option" means any Stock Option that is not an Incentive Stock Option.

"Option" or "Stock Option" means any option to purchase shares of Stock granted pursuant to Section 5.

"Person" means an individual, partnership, joint venture, association, corporation, trust, estate, limited liability company, limited liability partnership, unincorporated entity of any kind, governmental entity or any other legal entity.

"Stock Appreciation Right" or "SAR" has the meaning set forth in Section 5.

"Section 409A" means Section 409A of the Code and the applicable regulatory guidance thereunder (including, as applicable, proposed, final or temporary regulations and Notice 2005-1).

"Stock" means the Common Stock, par value \$.01 per share, of the Company, subject to adjustments pursuant to Section 3.

SECTION 2. ADMINISTRATION OF PLAN; ADMINISTRATOR AUTHORITY TO SELECT PARTICIPANTS AND DETERMINE AWARDS

(a) Committee. The Plan shall be administered by a committee of not less than two Independent Directors (the "Administrator"). Each member of the Committee shall be an "outside director" within the meaning of Section 162(m) of the Code and the regulations promulgated thereunder and a "non-employee director" within the meaning of Rule 16b-3(b)(3)(i) promulgated under the Act, or any successor definition under said rule.

(b) Powers of Administrator. The Administrator shall have the power and authority to grant Awards consistent with the terms of the Plan, including the power and authority, subject to terms and restrictions contained in the Plan,:

(i) to select the individuals to whom Awards may from time to time be granted;

(ii) to determine the time or times of grant, and the extent, if any, of Incentive Stock Options, Non-Qualified Stock Options and SARs, or any combination of the foregoing, granted to any one or more participants;

(iii) to determine the number of shares of Stock to be covered by any Award;

(iv) to determine and modify from time to time the terms and conditions, including restrictions, not inconsistent with the terms of the Plan, of any Award, which terms and conditions may differ among individual Awards and participants, and to approve the form of written instruments evidencing the Awards;

(v) to accelerate at any time the exercisability or vesting of all or any portion of any Award or the lapsing at any time of any restrictions on transfer of all or any portion of any Award;

(vi) subject to the provisions of Section 5(a)(ii), to extend at any time the period in which Stock Options or SARs may be exercised;

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(vii) to determine at any time whether, to what extent, and under what circumstances distribution or the receipt of Stock and other amounts payable with respect to an Award shall be deferred either automatically or at the election of the participant and whether and to what extent the Company shall pay or credit amounts constituting interest (at rates determined by the Administrator) or dividends or deemed dividends on such deferrals; and

(viii) at any time to adopt, alter and repeal such rules, guidelines and practices for administration of the Plan and for its own acts and proceedings as it shall deem advisable; to interpret the terms and provisions of the Plan and any Award (including related written instruments); to make all determinations it deems advisable for the administration of the Plan; to decide all disputes arising in connection with the Plan; and to otherwise supervise the administration of the Plan.

All decisions of and interpretations by the Administrator shall be binding on all persons, including the Company and Plan participants.

(c) Limited Delegation of Authority to Grant Awards. The Administrator, in its discretion, may delegate to the Chief Executive Officer of the Company all or part of the Administrator's authority and duties with respect to the granting of Awards at Fair Market Value, but only with respect to individuals who are not subject to the reporting and other provisions of Section 16 of the Act and who are not Covered Employees. Any such delegation by the Administrator shall include a limitation as to the amount of Awards that may be granted during the period of the delegation and shall contain guidelines as to the determination of the exercise price of any Option or SAR, any conversion ratio and the vesting criteria. The Administrator may revoke or amend the terms of a delegation at any time but such action shall not invalidate any prior actions of the Administrator's delegate or delegates that were consistent with the terms of the Plan.

SECTION 3. STOCK ISSUABLE UNDER THE PLAN; MERGERS; SUBSTITUTION

(a) Stock Issuable. The maximum number of shares of Stock reserved and available for issuance under the Plan shall be 3,000,000. For purposes of this limitation, the shares of Stock underlying any Awards which are forfeited, cancelled or satisfied without the issuance of Stock or otherwise terminated (other than by exercise) shall be added back to the shares of Stock available for issuance under the Plan. Any shares of Stock tendered by Plan participants as full or partial payment to the Company upon exercise of Stock Options, shares of Stock reserved for issuance upon the grant of SARs to the extent the number of reserved shares exceeds the number of shares of Stock actually issued upon exercise of the SARs, and shares of Stock withheld by, or otherwise remitted to, the Company to satisfy a Plan participant's tax withholding obligations upon the exercise of Awards or upon any other payment or issuance of shares of Stock under the Plan shall not be added back to the shares of Stock available for issuance under the Plan. Subject to such overall limitation, shares of Stock may be issued up to such maximum number pursuant to any type or types of Award; provided, however, that Stock Options and SARs with respect to no more than 600,000 shares of Stock may be granted to any one individual participant during any one calendar year period. The shares available for issuance under the Plan may be authorized but unissued shares of Stock or shares of Stock reacquired by the Company and held in its treasury.

(b) Changes in Stock. If, as a result of any reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar change in the Company's capital stock, the outstanding shares of Stock are increased or decreased or are exchanged for a different number or kind of shares or other securities of the Company, or additional shares or new or different shares or other securities of the Company or other non-cash assets are distributed with respect to such shares of Stock or other securities, the Administrator shall make appropriate adjustments in (i) the maximum number of shares reserved for issuance under the Plan, (ii) the number of Stock Options and SARs that can be granted to any one individual participant, (iii) the number and kind of shares or other securities subject to any then outstanding Stock Option and SAR Awards under the Plan, and (iv) the price for each share subject to any then outstanding Stock Options and SARs under the Plan, without changing the aggregate

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exercise price (i.e., the exercise price multiplied by the number of Stock Option or SARs, as applicable) as to which such Stock Options or SARs remain exercisable. The adjustment by the Administrator shall be final, binding and conclusive. No fractional shares of Stock shall be issued under the Plan resulting

from any such adjustment, but the Administrator in its discretion may make a cash payment in lieu of fractional shares.

The Administrator may also adjust the number of shares subject to outstanding Awards and the exercise price and the terms of outstanding Awards to take into consideration material changes in accounting practices or principles, extraordinary dividends, acquisitions or dispositions of stock or property or any other event if it is determined by the Administrator that such adjustment is appropriate to avoid distortion in the operation of the Plan, provided that no such adjustment shall be made in the case of an Incentive Stock Option, without the consent of the participant, if it would constitute a modification, extension or renewal of the Option within the meaning of Section 424(h) of the Code. Unless the Committee determines otherwise, any adjustment hereunder shall be done on terms and conditions consistent with Section 409A and, in the case of Awards intended to qualify for the performance-based compensation exception Section 162(m) of the Code, having due regard for continued qualification for that exception.

(c) Certain Transactions. In contemplation of and subject to the consummation of a consolidation or merger or a sale, lease, exchange or other transfer of all or substantially all of the assets of the Company in which outstanding shares of Stock are exchanged for securities, cash or other property of an unrelated corporation (or other business entity) or in the event of a liquidation of the Company (in each case, a "Transaction"), the Board, and/or the board of directors of any corporation (or other business entity) assuming the obligations of the Company, may, in its discretion, take any one or more of the following actions, as to outstanding Awards: (i) provide that such Awards shall be assumed or equivalent awards shall be substituted, by the acquiring or succeeding corporation (or an affiliate thereof), and/or (ii) upon written notice to the participants, provide that all Awards will terminate immediately prior to the consummation of the Transaction. In the event that, pursuant to clause (ii) above, Awards will terminate immediately prior to the consummation of the Transaction, all vested Awards shall be fully settled, in cash or in kind, subject to Section 5(a), in an amount equal to the difference between (A) the consideration payable per share of Stock pursuant to the business combination (the "Merger Price") times the number of shares of Stock subject to such outstanding Stock Options or SARs (to the extent then exercisable at prices not in excess of the Merger Price), as applicable, and (B) the respective aggregate exercise price of all such outstanding Stock Options or SARs; provided, however, that each participant shall be permitted, within a specified period determined by the Administrator prior to the consummation of the Transaction, to exercise all outstanding Stock Options and SARs, including any that would not then be exercisable (but for this proviso), subject to the consummation of the Transaction, and provided, further, that any restrictions on transfer then in effect with respect to any outstanding Stock Options or SARs shall lapse and be of no further force or effect.

(d) Substitute Awards. The Administrator may grant Awards under the Plan in substitution for stock and stock based awards held by employees of another corporation who become employees of the Company or an Affiliate as the result of a merger or consolidation of the employing corporation with the Company or an Affiliate or the acquisition by the Company or an Affiliate of property or stock of the employing corporation. The Administrator may direct that the substitute awards be granted on such terms and conditions as the Administrator considers appropriate in the circumstances.

SECTION 4. ELIGIBILITY

Participants in the Plan will be those full and part-time officers, other employees, directors (including Independent Directors) and key persons (including consultants and advisors) of the Company and its Affiliates who are responsible for or contribute to the management, growth or profitability of the Company and its Affiliates as are selected from time to time by the Administrator in its sole discretion.

SECTION 5. STOCK OPTIONS & SARs

Any Stock Option or SAR granted under the Plan shall be in such form as the Administrator may from time to time approve. Stock Options granted under the Plan may be either Incentive Stock Options or Non-Qualified Stock Options. Incentive Stock Options may be granted only to employees of the Company or any Affiliate that is a "subsidiary corporation" within the meaning of Section 424(f) of the Code. To the extent that any Option does not qualify as an Incentive Stock Option, it shall be deemed a Non-Qualified Stock Option. No Award shall be granted under the Plan more than ten (10) years after the Effective Date of the Plan.

(a) Grant of Awards. The Administrator in its discretion may grant Stock Options and SARs to any eligible person described in Section 4. Stock Options and SARs granted pursuant to this Section 5(a) shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Administrator shall deem desirable. Grants of SARs will be settled in Common Stock and the Administrator at the time of grant or thereafter may define the manner of determining the excess in value of the shares of Common Stock.

(i) Exercise Price. The exercise price per share for the Stock covered by an Award granted pursuant to this Section 5(a) shall be determined by the Administrator at the time of grant but shall not be less than 100 percent of the Fair Market Value on the date of grant. If an employee owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than 10 percent of the combined voting power of all classes of stock of the Company or any parent or subsidiary corporation and an Incentive Stock Option is granted to such employee, the option price of such Incentive Stock Option shall be not less than 110 percent of the Fair Market Value on the grant date.

(ii) Term. The term of each Award shall be fixed by the Administrator, but no Award shall be exercisable more than seven (7) years after the date the Award is granted. If an employee owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than 10 percent of the combined voting power of all classes of stock of the Company or any parent or subsidiary corporation and an Incentive Stock Option is granted to such employee, the term of such option shall be no more than five (5) years from the date of grant.

(iii) Exercisability; Rights of a Stockholder. Awards shall become exercisable at such time or times and any Stock issued or issuable thereunder shall become free of any restrictions on transfer, whether or not in installments, as shall be determined by the Administrator at or after the grant date. The Administrator may at any time accelerate the exercisability or the lapsing of any restriction on transfer, as the case may be, of all or any portion of any Award. Participants shall have the rights of a stockholder only as to shares acquired upon the exercise of an Award, subject to any applicable restrictions on transfer on the issued Stock, and not as to any unexercised Awards.

(iv) Method of Exercise. Awards may be exercised in whole or in part, by giving written notice of exercise to the Company, specifying the number of shares to be purchased (in case of Stock Options) or the number of shares as to which an Award is being exercised (in case of SARs). In case of Stock Options, payment of the purchase price may be made by one or more of the following methods to the extent provided in the Option Award agreement:

(A) In cash, by certified or bank check or other instrument acceptable to the Administrator;

(B) Through the delivery (or attestation to the ownership) of shares of Stock that are not then subject to restrictions under any Company plan and that have been purchased by the optionee on the open market or have been beneficially owned by the optionee for at least six months, if permitted by the Administrator in its discretion. Such surrendered shares shall be valued at Fair Market Value on the exercise date; or

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(C) By the optionee delivering to the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company for the purchase price; provided that in the event the optionee chooses to pay the purchase price as so provided, the optionee and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Administrator shall prescribe as a condition of such payment procedure.

Payment instruments will be received subject to collection. The delivery of certificates representing the shares of Stock to be purchased pursuant to the exercise of a Stock Option will be contingent upon receipt from the optionee (or a purchaser acting in his stead in accordance with the provisions of the Stock Option) by the Company of the full purchase price for such shares and the fulfillment of any other requirements contained in the Stock Option or applicable provisions of laws. In the event an optionee chooses to pay the purchase price by delivery of previously-owned shares of Stock through the attestation method, the number of shares of Stock transferred to the optionee upon the exercise of the Stock Option shall be net of the number of shares attested to.

(v) Annual Limit on Incentive Stock Options. To the extent required for “incentive stock option” treatment under Section 422 of the Code, the aggregate Fair Market Value (determined as of the time of grant) of the shares of Stock with respect to which Incentive Stock Options granted under this Plan and any other plan of the Company or its parent and subsidiary corporations become exercisable for the first time by an optionee during any calendar year shall not exceed \$100,000. To the extent that any Stock Option exceeds this limit, it shall constitute a Non-Qualified Stock Option.

(b) Non-transferability of Awards. No Stock Option or SAR shall be transferable by the optionee otherwise than by will or by the laws of descent and distribution and all Stock Options and SARs shall be exercisable, during the optionee’s lifetime, only by the optionee. Notwithstanding the foregoing, the Administrator, in its sole discretion, may provide in the Award agreement regarding a given Option or SAR that the optionee or holder of the SAR, as applicable, may transfer, without consideration for the transfer, his Non-Qualified Stock Options or SARs to members of his immediate family, to trusts for the benefit of such family members, or to partnerships in which such family members are the only partners, provided that the transferee (and, as required by the Administrator, the beneficiaries, partners or members of such transferee) agrees in writing with the Company to be bound by all of the terms and conditions of this Plan and the applicable Option or SAR, as the case may be.

(c) Termination. Subject to Section 7, immediately upon the cessation of the Participant’s employment or other service relationship with the Company and its Affiliates an Award requiring exercise will cease to be exercisable and all Awards to the extent not already fully vested will be forfeited, (A) except as may otherwise be provided by the Administrator either in the Award agreement or, subject to Section 8 below, in writing after the Award agreement is issued (but in all events subject to Section 5(a)(ii)), and (B) except that:

(i) All Options and SARs held by a participant immediately prior to his or her death, to the extent then exercisable, will remain exercisable by such participant’s executor or administrator or the person or persons to whom the Option or SAR is transferred by will or the applicable laws of descent and distribution, in each case for the lesser of (i) the one year period ending with the first anniversary of the participant’s death or (ii) the period ending on the latest date on which such Option or SAR could have been exercised without regard to this subsection (c), and shall thereupon terminate; and

(ii) all Options and SARs held by the participant immediately prior to the cessation of the Participant’s employment or other service relationship for reasons other than death, to the extent then exercisable, will remain exercisable for the lesser of (1) a period of three months or (2) the period ending on the latest date on which such Option or SAR could have been exercised without regard to this subsection (e), and shall thereupon terminate.

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(iii) Unless the Administrator expressly provides otherwise, a participant’s “employment or other service relationship with the Company and its Affiliates” will be deemed to have ceased, in the case of an employee participant, upon termination of the participant’s employment with the Company and its Affiliates (whether or not the participant continues in the service of the Company or its Affiliates in some capacity other than that of an employee of the Company or its Affiliates), and in the case of any other participant, when the service relationship in respect of which the Award was granted terminates (whether or not the Participant continues in the service of the Company or its Affiliates in some other capacity).

SECTION 6. TAX WITHHOLDING

(a) Payment by Participant. Each participant shall, no later than the date as of which the value of an Award or of any Stock or other amounts received thereunder first becomes includable in the gross income of the participant for Federal income tax purposes, pay to the Company, or make arrangements satisfactory to the Administrator regarding payment of, any Federal, state, or local taxes of any kind required by law to be withheld with respect to such income. The Company and its Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the participant. The Company’s obligation to deliver stock certificates to any participant is subject to and conditioned on tax obligations being satisfied by the participant.

(b) Payment in Stock. Subject to approval by the Administrator, a participant may elect to have the minimum tax withholding obligation satisfied, in whole or in part, by (i) authorizing the Company to withhold from shares of Stock to be issued pursuant to any Award a number of shares with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the minimum withholding amount due, or (ii) transferring to the Company shares of Stock owned by the participant with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the minimum withholding amount due.

SECTION 7. TRANSFER, LEAVE OF ABSENCE, ETC.

For purposes of the Plan, the following events shall not be deemed a termination of employment:

(a) a transfer to the employment of the Company from an Affiliate or from the Company to an Affiliate, or from one Affiliate to another; or

(b) an approved leave of absence for military service or sickness, or for any other purpose approved by the Company, if the employee's right to re-employment is guaranteed either by a statute or by contract or under the policy pursuant to which the leave of absence was granted or if the Administrator otherwise so provides in writing.

SECTION 8. AMENDMENTS AND TERMINATION

The Board may, at any time, amend or discontinue the Plan and the Administrator may, at any time, amend or cancel any outstanding Award for the purpose of satisfying changes in law or for any other lawful purpose, but no such action shall adversely affect rights under any outstanding Award without the holder's consent. If and to the extent determined by the Administrator to be required by the Code to ensure that Incentive Stock Options granted under the Plan are qualified under Section 422 of the Code or to ensure that compensation earned under Awards qualifies as performance-based compensation under Section 162(m) of the Code, if and to the extent intended to so qualify, Plan amendments shall be subject to approval by the Company stockholders entitled to vote at a meeting of stockholders. Except as provided in Section 3(b) or 3(c), any action by the Board or the Administrator to reduce the exercise price of any outstanding Award or to cancel any outstanding Award and re-grant such Award at a lower exercise price, shall be subject to approval by the Company's stockholders entitled to vote at a meeting of stockholders. Furthermore, if a Plan amendment would (i) materially increase the benefits accruing to Participants under the Plan, (ii) materially increase the number of securities that may be issued under the Plan, or

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(iii) materially modify the requirements as to eligibility in the Plan, then, such amendment shall be subject to approval by the Company's stockholders entitled to vote at a meeting of stockholders. Nothing in this Section 8 shall limit the Board's authority to take any action permitted pursuant to Section 3(c).

SECTION 9. STATUS OF PLAN

With respect to the portion of any Award that has not been exercised and any payments in cash, Stock or other consideration not received by a participant, a participant shall have no rights greater than those of a general creditor of the Company unless the Administrator shall otherwise expressly determine in connection with any Award or Awards. In its sole discretion, the Administrator may authorize the creation of trusts or other arrangements to meet the Company's obligations to deliver Stock or make payments with respect to Awards hereunder, provided that the existence of such trusts or other arrangements is consistent with the foregoing sentence.

SECTION 10. CHANGE OF CONTROL PROVISIONS

Upon the occurrence of a Change of Control as defined in this Section 10:

(a) Except as otherwise provided in the applicable Award agreement, each outstanding Stock Option shall automatically become fully exercisable and free of any restrictions on transfer.

(b) "Change of Control" shall mean the occurrence of any one of the following events:

(i) any "person," as such term is used in Sections 13(d) and 14(d) of the Act (other than the Company, any of its Affiliates, or any trustee, fiduciary or other person or entity holding securities under any employee benefit plan or trust of the Company or any of its Affiliates), together with all "affiliates" and "associates" (as such terms are defined in Rule 12b-2 under the Act) of such person, shall become the "beneficial owner" (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing 25 percent or more of the combined voting power of the Company's then outstanding securities having the right to vote in an election of the Company's Board of Directors ("Voting Securities") (in such case other than as a result of an acquisition of securities directly from the Company); or

(ii) the consummation of (A) any consolidation or merger of the Company where the stockholders of the Company, immediately prior to the consolidation or merger, would not, immediately after the consolidation or merger, beneficially own (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, shares representing in the aggregate 50 percent or more of the voting shares of the corporation (or other business entity) issuing cash or securities in the consolidation or merger (or of its ultimate parent, if any), (B) any sale, lease, exchange or other transfer (in one transaction or a series of transactions contemplated or arranged by any party as a single plan) of all or substantially all of the assets of the Company or (C) the liquidation or dissolution of the Company.

Notwithstanding the foregoing, a "Change of Control" shall not be deemed to have occurred for purposes of the foregoing clause (i) solely as the result of an acquisition of securities by the Company which, by reducing the number of shares of Voting Securities outstanding, increases the proportionate number of shares of Voting Securities beneficially owned by any person to 25 percent or more of the combined voting power of all then outstanding Voting Securities; *provided, however*, that if any person referred to in this sentence shall thereafter become the beneficial owner of any additional shares of Voting Securities (other than pursuant to a stock split, stock dividend, or similar transaction or as a result of an acquisition of securities directly from the Company), then a "Change of Control" shall be deemed to have occurred for purposes of the foregoing clause (i).

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SECTION 11. GENERAL PROVISIONS

(a) No Distribution; Compliance with Legal Requirements. The Administrator may require each person acquiring Stock pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring the shares without a view to distribution thereof.

No shares of Stock shall be issued pursuant to an Award until all applicable securities law and other legal and stock exchange or similar requirements have been satisfied. The Administrator may require the placing of such stop-orders and restrictive legends on certificates for Stock and Awards as it deems appropriate.

(b) Delivery of Stock Certificates. Stock certificates to participants under this Plan shall be deemed delivered for all purposes when the Company or a stock transfer agent of the Company shall have mailed such certificates in the United States mail, addressed to the participant, at the participant's last known address on file with the Company.

(c) Other Compensation Arrangements; No Employment Rights. Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, including trusts, and such arrangements may be either generally applicable or applicable only in specific cases. The adoption of this Plan and the grant of Awards do not confer upon any employee any right to continued employment with the Company or any Affiliate.

(d) Trading Policy Restrictions. Option exercises and other Awards under the Plan shall be subject to such Company's insider-trading-policy-related restrictions, terms and conditions as may be established by the Administrator, or in accordance with policies set by the Administrator, from time to time.

(e) Application of Code Section 409A. Awards under the Plan are intended either to be exempt from the rules of Section 409A or to satisfy those rules, and shall be construed accordingly. Granted Awards may be modified at any time, in the Committee's discretion, so as to increase the likelihood of exemption from or compliance with the rules of Section 409A.

SECTION 12. EFFECTIVE DATE OF PLAN

This Plan is effective when approved by the Company's stockholders.

SECTION 13. GOVERNING LAW

This Plan and all Awards and actions taken thereunder shall be governed by, and construed in accordance with, the laws of the State of Delaware, applied without regard to conflict of law principles.

Description of the 2006 Stock Option and Incentive Plan

Summary of the 2006 Plan

The following description is only a summary of the material features of the 2006 Plan and does not describe all of its provisions.

Introduction. The 2006 Plan permits the grant of stock options to purchase shares of Common Stock that are incentive stock options (“Incentive Options”) under the Internal Revenue Code of 1986, as amended (the “Code”) and stock options that do not so qualify (“Non-Qualified Options”). In addition, the 2006 Plan also permits the grant of stock appreciation rights (“SARs”). A SAR entitles the holder upon exercise to receive Common Stock equal in value to the excess of the fair market value of the shares of Common Stock subject to the right over the fair market value of such shares on the date of grant. Stock options and SARs to purchase no more than 600,000 shares of Common Stock may be granted to any one individual in any calendar year. The term of each option and SAR may not exceed seven years (and, in the case of Incentive Options granted to certain ten percent (or greater) stockholders, five years). 3,000,000 shares of Common Stock have been authorized and reserved for issuance under the 2006 Plan. The 2006 Plan is not required to be qualified under Section 401 of the Code nor is it subject to the provisions of the Employee Retirement Income Security Act of 1974.

Plan Administration. The 2006 Plan will be administered by the Compensation Committee (the “Committee”) of the Board of Directors. All members of the Committee must be “non-employee directors” as that term is defined under Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and “outside directors” as defined in Section 162(m) of the Code and the regulations promulgated thereunder. The Committee acting as the administrator of the 2006 Plan (in such role the Committee will be referred to as the “Administrator”) will have the power and authority to select participants under the 2006 Plan, to make any combination of awards to participants, and to determine (and modify from time to time) the specific terms and conditions of each award, all subject to the provisions of the 2006 Plan. All decisions of and interpretations by the Administrator shall be binding on all persons, including the Company and 2006 Plan participants.

Eligibility. Persons eligible to participate in the 2006 Plan are those full and part-time officers, other employees, directors and key persons (including consultants and advisors), of the Company and its affiliates who are responsible for or contribute to the management, growth or profitability of the Company and its affiliates, as selected from time to time by the Administrator in its sole discretion. However, only employees of the Company and its subsidiaries may be granted Incentive Options.

Stock Options and Stock Appreciation Rights. The stock option and SAR exercise price of each stock option and SAR will be determined by the Administrator but may not be less than 100% of the fair market value of the Common Stock on the date of grant. Each grant will be subject to such vesting requirements as determined by the Administrator.

Termination of Service. In general, upon termination of a participant’s service relationship with the Company (or its affiliates), any award requiring exercise will cease to be exercisable and any award to the extent not already fully vested will be forfeited except that, all stock options and SARs (i) held by a participant prior to his or her death, to the extent then exercisable, will remain exercisable for one year, and (ii) held by a participant prior to termination of such relationship for other reasons will, to the extent then exercisable, remain exercisable for three months. However, in no event will such stock options or SARs remain exercisable beyond their otherwise scheduled expiration date. In addition, the Administrator may provide in an award (or subsequent writing) for other exceptions to forfeiture on termination (but in no event will such stock awards remain exercisable beyond their otherwise scheduled expiration date).

Tax Withholding. Participants under the 2006 Plan are responsible for the payment of any federal, state or local taxes and the Company may deduct any such taxes from any payment otherwise due to a participant. Subject to the Administrator’s approval, participants may elect to have the minimum tax withholding obligations satisfied either by authorizing the Company to withhold from shares of Common Stock otherwise issuable or by transferring to the Company shares of Common Stock having a value equal to the amount of such taxes.

Amendments and Termination. The Board of Directors may at any time amend or discontinue the 2006 Plan and the Administrator may at any time amend or cancel outstanding awards for the purpose of satisfying changes in the law or for any other lawful purpose. No such action may be taken, however, which adversely affects any rights under an outstanding award without the holder’s consent, and prior stockholder approval is required to lower the exercise price of an outstanding grant or to cancel and re-grant awards at a lower exercise price. Further,

amendments to the 2006 Plan are subject to stockholder approval if and to the extent such amendments would (i) materially increase the benefits accruing to Participants under the Plan, (ii) materially increase the number of securities that may be issued under the Plan, (iii) materially modify the requirements as to eligibility in the Plan, or (iv) are required by the Code to preserve the qualified status of Incentive Options or to preserve tax deductibility of compensation earned under stock options and SARs.

Adjustments to Awards. As a result of certain transactions (such as any reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar change in the Company’s capital stock), the outstanding shares of the Company’s Common Stock may be increased or decreased or exchanged for a different number or kind of shares or other securities. Also, as a result of such transactions, cash or in-kind distributions may be made with respect to such shares of Common Stock or other securities. In such cases, the Administrator will make appropriate adjustments in the maximum number of shares reserved for issuance under the 2006 Plan, the number of stock options and SARs that can be granted to any one individual participant, the number and kind of shares or other securities subject to any then outstanding option and SAR awards under the 2006 Plan, and the price for each share subject to any then outstanding stock options and SARs under the 2006 Plan, without changing the aggregate exercise price (i.e., the exercise price multiplied by the number of stock options or SARs) as to which such stock options and SARs remain exercisable. The adjustment by the Administrator will be final, binding and conclusive. The Administrator may also adjust the number of shares subject to outstanding awards and the exercise price and the terms of outstanding awards to take into consideration material changes in accounting practices or principles, extraordinary dividends, acquisitions or dispositions of stock or property or any other event if the Administrator determines that such adjustment is appropriate to avoid distortion in the operation of the 2006 Plan.

Change of Control and Other Transaction Provisions. The 2006 Plan provides that in the event of a Change of Control (and except as provided in an award agreement) each option and SAR issued under the 2006 Plan will become fully exercisable or free of any restrictions on transfer, as the case may be. For this purpose a “Change of Control” generally includes an event in which any person, directly or indirectly, becomes the beneficial owner of 25% or more of the voting power of the Company’s voting securities. A Change of Control also includes the consummation of any consolidation or merger where the Company’s stockholders immediately before such consolidation or merger would not own immediately after such consolidation or merger at least 50% of the

voting shares of the surviving corporation or other business entity (or its ultimate parent). Finally, a Change of Control also includes the consummation of a sale, lease, exchange or other transfer of all or substantially all of the Company's assets as well as the Company's liquidation or dissolution.

Moreover, in connection with certain transactions (such as a consolidation, merger, sale, lease, exchange or other transfer of all or substantially all of the Company's assets or a liquidation of the Company), the Board of Directors may, in its discretion, provide for the assumption or substitution of the awards under the 2006 Plan and/or, upon written notice to the participants, the termination of such awards immediately prior to the consummation of such transaction. In the event such termination will occur, all vested awards will be fully settled in cash or in kind as permitted under the terms of the 2006 Plan in an amount equal to the difference between the consideration to be paid pursuant to the transaction for the Common Stock issuable upon exercise of such stock options or SARs and their respective aggregate exercise price, provided that each participant will be permitted within a specified period determined by the Administrator prior to the consummation of such transaction, to exercise all outstanding stock options and SARs, including (subject to the consummation of the transaction) any that otherwise would not then be exercisable.

New 2006 Plan Benefits. The future benefits or amounts that would be received under the 2006 Plan by executive officers and non-executive officers are discretionary and are therefore not determinable at this time. Similarly, the benefits or amounts which would have been received by or allocated to such persons for the last completed fiscal year if the 2006 Plan had been in effect would have been discretionary and are, therefore, indeterminable.

Registration Statement. If stockholders approve the 2006 Plan, the Company intends to file a registration statement on Form S-8 under the Securities Act of 1933, as amended, to register the shares of Common Stock that may be issuable pursuant to the 2006 Plan. This registration statement is expected to become effective upon filing.

Tax Aspects of Any Awards Under the U.S. Internal Revenue Code

The following is a summary of the principal federal income tax consequences of transactions under the 2006 Plan. It does not describe all federal tax consequences under the 2006 Plan, nor does it describe state, local, foreign tax or non-income tax consequences.

Incentive Options. No taxable income is generally realized by the optionee upon the grant or exercise of an Incentive Option. If shares of Common Stock issued to an optionee pursuant to the exercise of an Incentive Option are sold or transferred after two years from the date of grant of the stock option and after one year from the date of exercise, then (i) upon sale of such shares, any amount realized in excess of the exercise price will be taxed to the optionee as a long-term capital gain, and any loss sustained will be a long-term capital loss, and (ii) there will be no deduction for the Company for federal income tax purposes. The exercise of an Incentive Option will give rise to an item of tax preference that may result in alternative minimum tax liability for the optionee.

If shares of Common Stock acquired upon the exercise of an Incentive Option are disposed of prior to the expiration of the two-year and one-year holding periods described above (a "disqualifying disposition"), generally (i) the optionee will realize ordinary income in the year of disposition in an amount equal to the excess (if any) of the fair market value of the shares of Common Stock on the date of exercise (or, if less, of the amount realized on a sale of such shares of Common Stock) over the exercise price, and (ii) the Company will be entitled to deduct such amount. Any additional gain recognized on the disposition is treated as a capital gain for which the Company is not entitled to a deduction.

If an Incentive Option is exercised at a time when it no longer qualifies for the tax treatment described above, the stock option is treated as a Non-Qualified Option. Generally, an Incentive Option will not be eligible for the tax treatment described above if it is exercised more than three months following termination of employment. In general, an Incentive Option that is exercised more than three months after termination of employment is treated as a Non-Qualified Option. Special rules apply in the case of permanent disability or death. Incentive Options are also treated as Non-Qualified Options to the extent that, in the aggregate, they first become exercisable by an individual in any calendar year for shares having a fair market value (determined as of the date of grant) in excess of \$100,000.

Non-Qualified Options. With respect to Non-Qualified Options under the 2006 Plan, no income is realized by the optionee at the time the stock option is granted and the Company does not receive a tax deduction at such time. Generally (i) at exercise, ordinary income is realized by the optionee in an amount equal to the excess (if any) of the fair market value of the shares of Common Stock on the date of exercise over the exercise price, and the Company receives a tax deduction for the same amount, and (ii) at disposition of such Common Stock, any appreciation or depreciation after the date of exercise is treated as either short-term or long-term capital gain or loss depending on how long the shares of Common Stock have been held.

Stock Appreciation Rights. The grant of a SAR will not result in income for the participant or in a tax deduction to the Company. Upon the exercise of a SAR, the participant will recognize ordinary income in an amount that equals the fair market value of any shares of Common Stock received, and the Company will be entitled to a tax deduction in the same amount. Upon disposition of any such Common Stock received on exercise, any appreciation or depreciation after the date of exercise is treated as either short-term or long-term capital gain or loss depending on how long the shares of Common Stock have been held.

Parachute Payments. The vesting of any portion of any option or SAR that is accelerated due to the occurrence of a Change of Control may cause all or a portion of the payments with respect to such accelerated awards to be treated as "parachute payments" as defined in the Code. Any such parachute payments may be non-deductible to the Company, in whole or in part, and may subject the recipient to a non-deductible 20% federal excise tax on all or a portion of such payment (in addition to other taxes ordinarily payable).

Section 162(m). Under Section 162(m) of the Internal Revenue Code, certain remuneration in excess of \$1,000,000 may be nondeductible if paid by a publicly traded corporation to any of its chief executive officer or other four most highly compensated officers. Option and SAR awards under the 2006 Plan are intended to be eligible for exemption from the Section 162(m) deduction limit.

Section 409A. As part of the American Jobs Creation Act of 2004, Congress passed Section 409A of the Internal Revenue Code ("Section 409A"). Option and SAR awards under the 2006 Plan are intended either to be exempt from the rules of Section 409A or to satisfy those rules, and shall be construed accordingly. Granted option and SAR awards may be modified at any time, in the Committee's discretion, so as to increase the likelihood of exemption from or compliance with the rules of Section 409A. If such awards were subject to Section 409A and the requirements of Section 409A were not satisfied, such awards (generally including any earnings thereon) would be subject to current tax plus a 20% penalty tax and additional interest.
