

CNET NETWORKS INC  
Form DEF 14A  
April 10, 2006  
[Table of Contents](#)

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

☐ Preliminary Proxy Statement

☐ **Confidential, for Use of the Commission Only** (as permitted by Rule 14a-6(e)(2))

☒ Definitive Proxy Statement

☐ Definitive Additional Materials

☐ Soliciting Material Pursuant to §240.14a-12

CNET NETWORKS, INC.

---

(Name of Registrant as Specified in its Charter)

---

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

## Edgar Filing: CNET NETWORKS INC - Form DEF 14A

Payment of Filing Fee (Check the appropriate box):

☒ No fee required.

☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

---

(2) Aggregate number of securities to which transaction applies:

---

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

---

(4) Proposed maximum aggregate value of transaction:

---

(5) Total fee paid:

---

☐ Fee paid previously with preliminary materials.

☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

---

(2) Form, Schedule or Registration Statement No.:

---

(3) Filing Party:

---

(4) Date Filed:

---

**Table of Contents**

**CNET NETWORKS, INC.**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

---

**DATE: Wednesday, May 24, 2006**

**TIME: 10:30 A.M., Pacific Time**

**PLACE: CNET Networks, Inc.**

**235 Second Street**

**San Francisco, California 94105**

As a stockholder of CNET Networks, Inc. (the Company or CNET Networks ), you are hereby given notice of and invited to attend, in person or by proxy, the Annual Meeting of Stockholders (the Annual Meeting ), at which the following matters will be voted upon:

1. Election of two Class I Directors;
  2. Approval of the amendment and restatement of the 2004 CNET Networks, Inc. Incentive Stock Award Plan to, among other modifications, increase the number of shares available for issuance under the plan by 7,600,000 shares; and
  3. Any other matters properly brought before the stockholders at the Annual Meeting.
- Each of these matters is described in more detail in the proxy statement attached to this notice.

**YOUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE IN FAVOR OF**

**THE THREE PROPOSALS OUTLINED IN THIS PROXY STATEMENT.**

Stockholders of record as of the close of business on March 27, 2006 are entitled to receive notice of and to vote at the Annual Meeting. Your vote is important to us. Please vote your shares of common stock by completing the enclosed proxy card and returning it to us in the enclosed envelope.

By Order of the Board of Directors

/s/ SHELBY W. BONNIE  
Shelby W. Bonnie  
Chairman of the Board and  
Chief Executive Officer

San Francisco, California  
April 10, 2006

**Table of Contents**

**TABLE OF CONTENTS**

<u>Annual Meeting Matters</u>	1
<u>General Information About Voting</u>	1
<u>Board of Directors and Governance</u>	4
<u>Role of the Board</u>	4
<u>Independence</u>	4
<u>Board Attendance at Annual Meeting</u>	4
<u>Communications with the Board of Directors</u>	4
<u>Nominations</u>	4
<u>Stockholder Proposals</u>	4
<u>Code of Ethics</u>	5
<u>Committees of the Board</u>	5
<u>Audit Committee</u>	5
<u>Compensation Committee</u>	6
<u>Governance and Nominating Committee</u>	6
<u>Finance Committee</u>	7
<u>Compensation Committee Interlocks and Insider Participation</u>	7
<u>Director Compensation</u>	7
<u>Proposals You May Vote On</u>	8
<u>Proposal No. 1 Election of Class I Directors</u>	8
<u>Proposal No. 2 Approval of Amendment and Restatement to the 2004 CNET Networks, Inc. Stock Award Plan</u>	9
<u>Equity Compensation Plans</u>	17
<u>Grants under the 2004 Plan</u>	17
<u>Equity Compensation Plan Table</u>	18
<u>Information about Executive Officers and Directors</u>	19
<u>Stock Ownership of Principal Stockholders and Management</u>	21
<u>Executive Compensation</u>	23
<u>Report of Compensation Committee</u>	23
<u>Summary Compensation Table</u>	26
<u>Options Granted in 2005</u>	27
<u>Aggregate Option Exercises in Last Fiscal Year and Year-End Option Values</u>	27
<u>Employment Contracts, Termination of Employment and Change in Control Arrangements</u>	28
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	28
<u>Audit Committee Report</u>	29
<u>Principal Accounting Fees and Services</u>	31
<u>Selection of Independent Registered Public Accounting Firm</u>	31
<u>Stock Performance Graph</u>	31
<u>Financial Statements and Additional Copies</u>	32
<u>Appendix A Audit Committee Charter</u>	A-1
<u>Appendix B Amended and Restated 2004 CNET Networks, Inc. Incentive Stock Award Plan</u>	B-1

**Table of Contents**

**ANNUAL MEETING MATTERS**

**GENERAL INFORMATION ABOUT VOTING**

***General***

This proxy statement has information about the Annual Meeting and was prepared by our management. This proxy statement is being mailed through the United States postal service or, if properly requested, by email to stockholders on or around April 21, 2006.

***Who may vote?***

You may vote your shares of common stock if our records show that you owned the shares on the record date of March 27, 2006. A total of 149,669,217 shares of common stock may vote at the Annual Meeting. You are entitled to one vote for each share of common stock that you hold.

***On what matters may I vote?***

1. The election of Shelby W. Bonnie and Eric Robison as Class I Directors; and
2. The approval of the amendment and restatement of the 2004 CNET Networks, Inc. Incentive Stock Award Plan to, among other modifications, increase the number of shares available for issuance under the plan by 7,600,000 shares.

***How does the Board of Directors recommend that I vote on the proposals?***

The Board of Directors recommends that you vote FOR each of the proposals.

***What if other matters come up at the Annual Meeting?***

The matters described in this proxy statement are the only matters that we know will be voted on at the Annual Meeting. If other matters are properly presented at the Annual Meeting, the proxy holders will vote your shares as they see fit.

***How do I vote if my shares are held in street name ?***

If your shares are held in an account in the name of your broker, a trustee, a bank or other nominee, then that entity is the record holder. This means that your shares are held in street name and you are the beneficial owner. As such, you are not entitled to vote your shares in person at the Annual Meeting unless you obtain a proxy from the record holder that holds your shares giving you the right to vote your shares at the Annual Meeting. You have the right to direct your nominee as to how you want to vote your shares and that nominee should provide you with instructions as to how you may direct them to vote your shares.

***How do I vote by proxy if I am a registered holder?***

If your shares are registered directly in your name, then follow the instructions on the enclosed proxy card to vote on each proposal to be considered at the Annual Meeting. Sign and date the proxy card and mail it back to us in the enclosed envelope. The proxy holders named on the proxy card will vote your shares as you instruct. If you sign and return the proxy card but do not vote on a proposal, the proxy holders will vote for you on that proposal. Unless you instruct otherwise, the proxy holders will vote in the manner set forth below:

1. FOR Shelby W. Bonnie and Eric Robison as Class I Director nominees; and

## Edgar Filing: CNET NETWORKS INC - Form DEF 14A

2. FOR approval of the amendment and restatement of the 2004 CNET Networks, Inc. Incentive Stock Award Plan to, among other modifications, increase the number of shares available for issuance under the plan by 7,600,000 shares; and

## **Table of Contents**

3. In the manner that the proxy holders deem appropriate for any other proposal to be considered at the Annual Meeting. The proxy holders for the stockholders are Shelby W. Bonnie, George Mazzotta and Sharon Le Duy. A stockholder wishing to name another person as his or her proxy holder may do so by crossing out the names of the designated proxy holders and inserting the name of someone else. In that case, it will be necessary for the stockholder to sign the proxy card and deliver it to the person that he or she named. The new designated person must be present to vote at the Annual Meeting. Proxy cards with proxy holders other than those named above should not be mailed to us.

### ***How do I vote by phone if I am a registered holder?***

Call 1-800-690-6903. Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the meeting date. Have your proxy card in hand when you call and then follow the instructions.

### ***How do I vote by Internet if I am a registered holder?***

You may use the Internet to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the meeting date. The address for voting is [www.proxyvote.com](http://www.proxyvote.com). Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

### ***How do I vote at the Annual Meeting?***

If you are a registered stockholder and you wish to vote at the Annual Meeting, written ballots will be available at the meeting. If you vote by proxy and also attend the meeting, there is no need to vote again at the Annual Meeting unless you wish to change your vote. If your shares are held in street name and you decide to attend and vote at the Annual Meeting you will need to obtain a proxy, executed in your favor, from the record holder to be able to vote at the meeting. Although you may attend the Annual Meeting and vote your shares in person, we encourage you to complete and return the proxy card prior to the Annual Meeting.

### ***Can I change my vote?***

*If you voted with a proxy card.* You may change your vote by giving our Secretary a written notice revoking your proxy card and delivering a new proxy card before the polls are closed at the Annual Meeting; we will honor the proxy card with the latest date. Your appearance at the Annual Meeting will not revoke a previously submitted proxy card unless you provide notice to our Secretary of your revocation prior to the closing of the polls. If you hold your shares in street name, you may change your vote by submitting new voting instructions to your nominee in accordance with your nominee's instructions. Alternatively, if you have obtained a legal proxy from your nominee giving you the right to vote your shares, you may change your vote by giving our Secretary a written notice revoking the proxy and delivering a new proxy before the polls are closed.

*If you voted over the Internet.* You may change your vote by re-transmitting your voting instructions at [www.proxyvote.com](http://www.proxyvote.com). You will have until 11:59 P.M. Eastern Time the day before the meeting date to change your vote. Your transmission with the latest date will be the one counted.

*If you voted over the telephone.* You may change your vote by calling 1-800-690-6903 and re-transmitting your voting instructions. You will have until 11:59 P.M. Eastern Time the day before the meeting date to change your vote. Your transmission with the latest date will be the one counted.

### ***What is a quorum ?***

A quorum is a majority of the shares of common stock outstanding on the record date. A quorum must be present either in person or represented by proxy for the Annual Meeting to be held. Broker non-votes and abstentions are counted for the purpose of determining whether quorum is obtained. If a quorum is not present at the Annual

## **Table of Contents**

Meeting, the meeting may be adjourned from time to time until a quorum is obtained.

### ***How many votes are required to approve the proposals?***

The two directors who receive the most votes will be elected. All other matters will be decided by a majority of shares having voting power and that are represented in person or by proxy at the Annual Meeting.

### ***How are votes counted?***

You may vote all of the shares that you own, including shares that are registered directly in your name and those held in street name. If you sign and return your proxy card but you abstain or fail to vote on a particular proposal, your vote will be considered an abstention. Abstentions will have the same effect as negative votes. If you hold shares beneficially in street name and do not provide your broker with voting instructions, your shares may constitute broker non-votes. Generally, broker non-votes occur on a matter when a broker is not permitted to vote on that matter without instructions from the beneficial owner and instructions are not given. In tabulating the voting result for any particular proposal, shares that constitute broker non-votes are not considered to have voting power on that proposal. Thus, assuming that quorum is obtained, broker non-votes will not be counted for any purpose in determining whether a proposal has been approved.

### ***Who will count the votes?***

Automatic Data Processing, Inc. will count the votes and act as the inspector of election.

### ***Who is making and paying for this proxy solicitation?***

This proxy is solicited on behalf of the Board of Directors. CNET Networks will pay the cost of preparing, printing and distributing this proxy statement and related materials. Upon request, we will reimburse brokers, dealers, banks and trustees, or their nominees, for reasonable expenses they incur in forwarding proxy materials to beneficial owners of shares of the common stock. Our directors, officers and employees may solicit proxies by mail or telephone and will not receive any additional compensation for these solicitation activities. We have hired Georgeson Shareholder Communications Inc. to assist us in the solicitation of votes. We will pay Georgeson Shareholder Communications Inc. a fee of \$11,000 plus customary costs and expenses for these services. We have agreed to indemnify Georgeson Shareholder Communications Inc. against certain liabilities arising out of or in connection with our services agreement.

### ***Is my vote confidential?***

Proxy cards, ballots and voting tabulations that identify individual stockholders are mailed or returned directly to Automatic Data Processing, Inc. and handled in a manner that protects your voting privacy. Your vote will not be disclosed EXCEPT:

1. As needed to permit Automatic Data Processing, Inc. to tabulate and certify the vote;
2. As required by law; or
3. In limited circumstances such as a proxy contest in opposition to the Board of Directors.

In addition, all comments written on the proxy card or elsewhere will be forwarded to management, but your identity will be kept confidential unless you ask that your name be disclosed.



## **Table of Contents**

### **BOARD OF DIRECTORS AND GOVERNANCE**

#### **Role of the Board**

Our business is managed under the direction of the Board of Directors (the "Board of Directors" or the "Board").

The Board of Directors has adopted Governance Guidelines outlining its duties. These guidelines may be viewed at <http://ir.cnetnetworks.com>.

The Board of Directors meets regularly to review the Company's strategy and business plans, as well as significant developments affecting the Company and to act on matters requiring Board approval during the fiscal year ended December 31, 2005. The Board of Directors held five formal meetings and six monthly teleconference updates and acted two times by written consent. Board members are requested to make attendance at board and committee meetings a priority, to come to meetings prepared, having read any materials provided to the Board prior to the meeting, and to participate actively in the meetings. In 2005, each director attended at least 75% of all Board and applicable committee meetings. At four of its meetings in 2005, the Board met in executive session of non-employee directors.

#### **Independence**

Other than Shelby Bonnie, Chief Executive Officer of the Company and Chairman of the Board of Directors, all directors, including all members of the Audit Committee, are independent as defined by the NASDAQ Marketplace Rules. No non-employee director receives any fees or compensation from the Company other than compensation received in his or her capacity as a director.

#### **Board Attendance at Annual Meeting**

Board members are invited to attend the Company's Annual Meeting but they are not required to do so. The Company reimburses the travel expenses of any director who travels to attend the Annual Meeting. Mr. Bonnie was the sole director in attendance at the 2005 annual meeting.

#### **Communication with the Board of Directors**

Any stockholder wishing to ask a question or to pass a comment to any member of the Board of Directors should write to the Secretary at CNET Networks, Inc., 235 Second Street, San Francisco, CA 94105. Each letter should include the stockholder's name, postal address, email address and telephone number. The Secretary will forward all such correspondence to the relevant Board members.

#### **Nominations**

Nominations for election to the Board of Directors are made by the Governance and Nominating Committee. This committee is responsible for selecting individuals as director nominees who have the highest personal and professional integrity, have demonstrated exceptional ability and judgment and who will be most effective, in conjunction with other members of the Board, in collectively serving the long-term interests of the Company's stockholders. In evaluating whether an individual is suitable for the Board of Directors, the committee will consider many factors, including, but not limited to a candidate's professional background, particular area of expertise such as finance or governance, understanding of the Company's business, and educational background.

The Governance and Nominating Committee will consider nominees recommended by any stockholder who has been the beneficial owner of at least \$1,000 of common stock for at least one year for next year's annual meeting, provided that the names of such nominees are submitted in writing by certified mail, not later than December 18, 2006, to the Secretary, CNET Networks, Inc., 235 Second Street, San Francisco, CA 94105. Each submission must include evidence that the stockholder meets the stock ownership requirements, a statement of the qualifications of the nominee, a consent signed by the nominee evidencing a willingness to serve as a director, if elected, and a commitment by the nominee to meet personally with the Governance and Nominating Committee members.

Other than the submission requirements set forth above, there are no differences in the manner in which the Governance and Nominating Committee evaluates a nominee for director recommended by a stockholder.

#### **Stockholder Proposals**

A proper proposal submitted by a stockholder for presentation at our 2007 annual meeting will be included in our



**Table of Contents**

proxy statement and form of proxy card for that meeting. Such proposal must comply with Rule 14a-8 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, and must be received at our principal executive office by December 18, 2006. In addition, under the terms of our bylaws, a stockholder that has been the beneficial owner of at least \$1,000 of common stock for at least one year and who intends to present an item of business at the 2007 annual meeting (other than a proposal submitted for inclusion in the our proxy materials) must provide written notice of such business to the Company by December 18, 2006. Proposals and other items of business should be submitted by certified mail to the attention of the Secretary of the Company at 235 Second Street, San Francisco, California 94105.

**Code of Ethics**

The Board of Directors has adopted a code of ethics that applies to all of the Company's directors, officers and employees. It has also adopted a separate code of ethics applicable to its Chief Executive Officer, Chief Financial Officer, Senior Vice President of Finance, Controller and other senior financial employees. Both codes of ethics may be viewed on our website at <http://ir.cnetnetworks.com>. Any amendments to either code of ethics or any waiver requiring disclosure under applicable SEC rules will be disclosed on our website at <http://ir.cnetnetworks.com>.

**Committees of the Board**

The Board of Directors has established an Audit Committee, a Compensation Committee, a Governance and Nominating Committee and a Finance Committee to devote attention to specific subjects and to assist the Board of Directors in the discharge of its responsibilities. The functions of these committees and their current members are described below.

Director Name	Committee Name			
	Audit*	Compensation	Finance	Governance and Nominating
John C. Bud Colligan		X	X	X
Jarl Mohn	X	X		
Betsey Nelson	X		X	
Eric Robison	X		X	X
Peter Currie	X			

\* On March 22, 2006, the Board elected Peter Currie to the Audit Committee and Jarl Mohn retired from the Committee.  
*Audit Committee*

The Audit Committee was established in accordance with Section 3 of the Securities Exchange Act of 1934, as amended. The Audit Committee held eleven formal meetings in 2005 and did not act by written consent.

The Audit Committee's responsibilities are set forth in the Audit Committee Charter which is available at <http://ir.cnetnetworks.com> and is also included herein as **Appendix A**. In fulfilling these responsibilities, the Audit Committee:

1. Monitors the integrity of the Company's financial statements;
2. Appoints the independent registered public accounting firm and monitors its qualifications and independence;
- 3.

## Edgar Filing: CNET NETWORKS INC - Form DEF 14A

Reviews the results of management's and the independent registered public accounting firm's assessment of the Company's internal control over financial reporting and meets with management to consider the adequacy of internal control and changes to internal control;

**Table of Contents**

4. Prepares the Audit Committee report in this proxy statement found under the heading Audit Committee Report ;
  5. Meets with the independent registered public accounting firm, internal auditors and appropriate financial personnel;
  6. Pre-approves all audit fees and terms as well as all non-audit engagements with the independent registered public accounting firm;
  7. Considers factors impacting the independence of the independent registered public accounting firm;
  8. Reviews SEC filings, including all annual and periodic reports, as well as earnings press releases;
  9. Ensures that management has established a process for employees and others to confidentially or anonymously report concerns or complaints regarding accounting, internal control or auditing matters;
  10. Reviews management's plan for ensuring compliance with the Company's codes of ethics; and
  11. Has the authority to hire independent counsel and other advisors.
- The Board has determined that Betsey Nelson and Peter Currie meet the criteria for an audit committee financial expert under applicable Securities Exchange Commission rules. All members of the Audit Committee have been determined to be financially literate.

*Compensation Committee*

The Compensation Committee held four formal meetings in 2005 and did not act by written consent.

The Compensation Committee's responsibilities are set forth in the Compensation Committee Charter which is available on our website at <http://ir.cnetnetworks.com>. In fulfilling these responsibilities, the Compensation Committee:

1. Establishes the Company's annual incentive programs;
2. Reviews the Company's policy regarding the use of equity compensation plans;
3. Establishes the compensation for the Chief Executive Officer and the four other most highly compensated executive officers;
4. Is responsible for reviewing the performance of the Chief Executive Officer;
5. Works with the Chief Executive Officer on the professional development of the other officers;
6. Works with the Chief Executive Officer to establish a succession plan for senior management; and

## Edgar Filing: CNET NETWORKS INC - Form DEF 14A

7. Has the authority to hire independent counsel and other advisors.

### *Governance and Nominating Committee*

The Governance and Nominating Committee held 2 formal meetings in 2005 and acted once by written consent.

The Governance and Nominating Committee's responsibilities are set forth in the Governance and Nominating Committee Charter which is available on our website at <http://ir.cnetnetworks.com>. In fulfilling these responsibilities, the Governance and Nominating Committee:

1. Reviews and makes recommendations to the Board with respect to the responsibilities and functions of the Board and Board committees and with respect to Board compensation;

## **Table of Contents**

2. Makes recommendations to the Board concerning the composition and governance of the Board, including recommending candidates to fill vacancies on, or to be elected or re-elected to, the Board;
3. Considers the names and qualifications of any candidates for the Board submitted by stockholders in accordance with the procedures set forth in the Company's bylaws;
4. Oversees evaluations of the directors, Board committees and the Board;
5. Formulates corporate governance guidelines and reviews the guidelines on a periodic basis;
6. Recommends the director compensation plan to the Board; and
7. Has the authority to hire independent counsel and other advisors.

### *Finance Committee*

The Finance Committee held two formal meetings in 2005 and did not act by written consent. The Finance Committee meets when directed by the Board of Directors to approve matters related to the implementation of financings authorized by the Board.

## **Compensation Committee Interlocks and Insider Participation**

Neither of the Compensation Committee members, John C. Bud Colligan and Jarl Mohn, is or has been a Company officer or employee. None of the Company's executive officers currently serves on the Compensation Committee or any similar committee of another public company.

## **Director Compensation**

In 2005, the Board of Directors made adjustments to the director compensation plan. Prior to July 2005, each non-employee director received the following compensation:

### **Annual Cash Retainer**

Annual retainer of \$12,000 payable in cash in equal installments on a quarterly basis; and

Annual retainer of \$5,000 for the Chair of the Audit Committee and annual retainer of \$2,500 for the Chair of each other committee, payable in cash in equal installments on a quarterly basis.

### **Meeting Fees**

A fee equal to \$2,500 for each Board or committee meeting attended in person; and

## Edgar Filing: CNET NETWORKS INC - Form DEF 14A

A fee equal to \$500 for each Board or committee meeting attended by telephone, provided that no fees shall be paid with respect to committee meetings held on the same day as Board meetings.

### Option Grants

Annual option grant in the amount of 15,000 shares made in conjunction with the annual company-wide grant to all employees;  
and

A one-time option grant in the amount of 40,000 shares made at the time a director joins the Board.

All of the options granted to directors prior to July 2005 are immediately exercisable on the date of grant, but the common stock issued upon exercise is subject to repurchase by the Company at original cost. This repurchase right lapses, and the optionee's rights with respect to each grant vest, in a series of 48 equal monthly installments following the date of grant, for so long as the optionee remains a director of CNET Networks. In addition, vesting will automatically accelerate upon any sale of CNET Networks through a merger, recapitalization, reorganization, asset sale, tender offer or similar event.



## **Table of Contents**

As of July 2005, each non-employee director receives the following compensation:

### **Annual Cash Retainer**

Annual retainer of \$15,000 payable in cash in equal installments on a quarterly basis; and

Annual retainer of \$8,000 for the Chair of the Audit Committee and annual retainer of \$5,000 for the Chair of each other committee, payable in cash in equal installments on a quarterly basis.

### **Meeting Fees**

A fee equal to \$2,000 for each quarterly Board meeting attended either in person or via telephone; and

A fee equal to \$1,000 for each committee meeting attended either in person or via telephone, provided that no fees shall be paid with respect to committee meetings held on the same day as Board meetings; and

A fee equal to \$500 for each monthly teleconference update attended.

### **Option Grants**

Annual option grant in the amount of 20,000 shares made in conjunction with the annual company-wide grant to all employees; and.

A one-time option grant in the amount of 60,000 shares made at the time a director joins our Board.

All of the options granted to directors as of July 2005 are immediately exercisable on the date of grant, but the common stock issued upon exercise remains subject to repurchase by the Company at original cost. With respect to the annual option grant, this repurchase right lapses and the optionee's rights vest in 12 equal monthly installments beginning on the first day of the first month after the effective date of grant. With respect to the one-time option grant, the repurchase right lapses and 1/3 of the optionee's rights vest on the first anniversary of the effective date of grant and thereafter the remaining rights vest at the rate of 1/36 per month beginning on the first day of the first month following the first annual vesting, for so long as the optionee remains a director of the Company. In addition, vesting will automatically accelerate upon any sale of the Company through a merger, recapitalization, reorganization, asset sale, tender offer or similar event.

Directors are entitled to reimbursement of their fees incurred in connection with travel to meetings. In addition, the Company reimburses directors for fees paid to attend director education events.

## **PROPOSALS YOU MAY VOTE ON**

### **PROPOSAL ONE:**

#### **ELECTION OF CLASS I DIRECTORS**

## Edgar Filing: CNET NETWORKS INC - Form DEF 14A

Shelby W. Bonnie, who is currently a Class I Director, is nominated to be re-elected as a Class I Director at the Annual Meeting. He has agreed to be named in this proxy statement and to serve as a director if elected. If elected, Mr. Bonnie will hold office until the 2009 annual meeting or until his successor is duly elected and qualified. For more information about Mr. Bonnie, please see Information about Executive Officers and Directors.

Eric Robison, who is currently a Class I Director, is nominated to be re-elected as a Class I Director at the Annual Meeting. He has agreed to be named in this proxy statement and to serve as a director if elected. If elected, Mr. Robison will hold office until the 2009 annual meeting or until his successor is duly elected and qualified. For more information about Mr. Robison, please see Information about Executive Officers and Directors.

Although we do not know of any reason why Mr. Bonnie or Mr. Robison might not be able to serve, the Board of Directors will propose a substitute nominee or substitute nominees if either Mr. Bonnie or Mr. Robison is not available for election.

### **THE BOARD URGES STOCKHOLDERS TO VOTE FOR**

### **THE NOMINEES FOR CLASS I DIRECTORS SET FORTH ABOVE**

**Table of Contents**

**PROPOSAL TWO:**

**APPROVAL OF THE AMENDMENT AND RESTATEMENT OF THE**

**2004 CNET NETWORKS, INC. INCENTIVE STOCK AWARD PLAN**

**Overview of Proposal**

Our stockholders are being asked to approve an amendment and restatement of the 2004 CNET Networks, Inc. Incentive Stock Award Plan which would, among other modifications, increase the number of shares authorized under that plan by 7,600,000 shares. The proposed amended and restated plan is referred to as the Amended Plan .

On April 6, 2006 the Compensation Committee, under specific authority of our Board, approved and adopted an amendment and restatement of the 2004 Plan, subject to approval by our stockholders. The amendment and restatement that stockholders are being asked to approve would:

Increase the number of shares authorized for issuance under the 2004 Plan by 7,600,000 shares;

Restrict the Company from using the cash proceeds from option exercises to repurchase shares on the open market under the Amended Plan;

Restrict the Company from re-issuing shares tendered for exercise or tax withholding under the Amended Plan;

Restrict the Company from issuing dividend equivalent rights under the Amended Plan;

Prohibit the repricing of equity awards under the Amended Plan without shareholder approval.

**Purpose of the Amended Plan**

If the Amended Plan is approved, the number of shares available for issuance under all of the Company's equity compensation plans would increase to 10,601,450 from 3,001,450.

We believe that approval of the Amended Plan is essential to our continued success. The talent of our employees is one of our most valuable assets. We have maintained a compensation structure for managers that ties a significant portion of compensation to performance; our employees at management level have traditionally received a base salary, performance-based bonuses that are tied to the achievement of individual goals and corporate financial targets, and long-term equity compensation in the form of options. Employees also receive standard benefits such as health care and the ability to participate in an employee stock purchase plan and 401(k) plan. As a practice, in order to maintain flexibility for the Company we do not enter into employment agreements with our named executive officers and our compensation programs provide for very limited protection in the event an executive is terminated following a change of control, as described under Employment Contracts, Termination of Employment and Change in Control Arrangements.

Given this compensation framework, we believe that equity awards have played a key role in enabling the Company to achieve its growth objectives. First, they permit us to attract, retain and motivate outstanding and highly skilled individuals in an industry where employees with experience in online media and commerce are in high demand and in a geographic region where many of our competitors have devoted significant resources to attracting and hiring employees. Second, equity compensation aligns the interests of management and employees with the stockholders to create long-term stockholder value. To date, the Company has exclusively granted stock options and has not granted any full value awards based on our belief that options are the most effective tool for creating this alignment of interests.

We carefully weigh the benefits of equity compensation against the potential dilution to ownership and earnings, and as a result we have reduced our rate of equity awards in recent years. Going forward we will target a gross grant rate under our equity compensation plans of between 2.0%

and 3.0% of the number of shares outstanding which we

## **Table of Contents**

believe is consistent with other companies in our industry. While we believe this rate will be sufficient to attract, retain and motivate employees who can help us achieve our corporate goals, the actual rate could be higher or lower based on significant acquisitions, increased competition, our financial condition and other market factors. We expect that the additional 7,600,000 shares proposed in this amendment will be sufficient to meet our granting needs for a minimum of two years.

For more information about the Company's existing equity compensation plans, including grants made under the 2004 Plan, please see the section entitled "Equity Compensation Plans."

### **Brief Description of the Amended Plan**

The Amended Plan is an omnibus plan that allows us to issue options, stock appreciation rights, or SARs, restricted stock awards, performance awards, deferred stock awards, and stock payment awards. All of our employees are eligible to receive awards under the Amended Plan.

The summary of the provisions of the Amended Plan that follows is not intended to be complete, and reference is made to the Amended Plan for complete statements of the terms and provisions. The principal features of the Amended Plan are summarized below, but the summary is qualified in its entirety by reference to the Amended Plan itself which is attached to this proxy statement as **Appendix B**.

The Amended Plan will become effective immediately upon stockholder approval.

### **Securities Subject to the Amended Plan**

The aggregate number of common shares subject to options, stock purchase rights, stock appreciation rights, or SARs, restricted stock awards, performance awards, deferred stock awards, and stock payment awards will be equal to 12,600,000. Our Board or a Board-appointed committee shall have the authority in its discretion to appropriately adjust:

the number and kind of shares of common stock (or other securities or property) with respect to which awards may be granted or awarded under the Amended Plan;

the number and kind of shares of common stock (or other securities or property) subject to outstanding awards under the Amended Plan; and

the grant or exercise price with respect to any award;

if there is any stock dividend, stock split, recapitalization, or other subdivision, combination or reclassification of shares of Common Stock. Awards other than options and stock appreciation rights will be counted against the share limit as 1.8 shares for every share issued.

Shares subject to expired or canceled options or surrendered shares of restricted stock repurchased at their original purchase price, if any, will be available for future grant or sale under the Amended Plan. Stock appreciation rights will be counted in full against the number of shares of common stock available under the plan, regardless of the number of shares actually issued upon settlement. No shares may be optioned, granted or awarded under the Amended Plan, however, if such action would cause an incentive stock option to fail to qualify as an incentive stock option under Section 422 of the Code.

### **Awards Under the Amended Plan**

The Amended Plan provides that the administrator may grant or issue stock options, stock appreciation rights, or SARs, restricted stock, deferred stock, performance awards and stock payments, or any combination thereof. Each award will be set forth in a separate agreement with the person receiving the award and will indicate the type, terms and conditions of the award.

Nonqualified Stock Options, or NQSOs, will provide for the right to purchase common shares at a specified price which may not be less than fair market value on the date of grant, and usually will become exercisable (in the discretion of the administrator) in one or more installments after the grant date, subject to the satisfaction of individual or company performance criteria established by the administrator. NQSOs may be

granted for any term specified by the administrator.

## **Table of Contents**

Incentive Stock Options, or ISOs, will be designed to comply with the applicable provisions of the Internal Revenue Code, or Code, and will be subject to certain restrictions contained in the Code. Among such restrictions, ISOs must have an exercise price not less than the fair market value of a common share on the date of grant, may only be granted to employees, must expire within a specified period of time following the optionee's termination of employment, and must be exercised within ten years after the date of grant; but may be subsequently modified to disqualify them from treatment as ISOs. The total fair market value of shares with respect to which an ISO is first exercisable by an optionee during any calendar year cannot exceed \$100,000. To the extent this limit is exceeded, the options granted are NQSOs. In the case of an ISO granted to an employee who owns (or is deemed to own) at least 10% of the total combined voting power of all of our classes of stock (a 10% Owner), the Amended Plan provides that the exercise price must be at least 110% of the fair market value of a common share on the date of grant and the ISO must expire no later than the fifth anniversary of the date of its grant.

Restricted stock may be sold to participants at various prices or granted with no purchase price, and may be made subject to such restrictions as may be determined by the administrator. Restricted stock, typically, may be repurchased by us at the original purchase price if the conditions or restrictions are not met. In general, restricted stock may not be sold, or otherwise hypothecated or transferred except to certain permitted transferees as set forth in the Amended Plan, until restrictions are removed or expire. Purchasers of restricted stock, unlike recipients of options, will have voting rights and will receive dividends prior to the time when the restrictions lapse.

Deferred stock may be awarded to participants, typically without payment of consideration, but subject to vesting conditions based on performance criteria established by the administrator. Like restricted stock, deferred stock may not be sold, or otherwise hypothecated or transferred except to certain permitted transferees as set forth in the Amended Plan, until vesting conditions are removed or expire. Unlike restricted stock, deferred stock will not be issued until the deferred stock award has vested, and recipients of deferred stock generally will have no voting or dividend rights prior to the time when vesting conditions are satisfied.

Stock Appreciation Rights may be granted in connection with stock options or other awards, or separately. SARs granted by the administrator in connection with stock options or other awards typically will provide for payments to the holder based upon increases in the price of our common shares over the exercise price of the related option or other awards. Except as required by Section 162(m) of the Code with respect to a SAR intended to qualify as performance-based compensation as described in Section 162(m) of the Code, there are no restrictions specified in the Amended Plan on the exercise of SARs or the amount of gain realizable, although restrictions may be imposed by the administrator in the SAR agreements. The administrator may elect to pay SARs in cash, in shares of common stock, or in a combination of both.

Performance Awards may be granted by the administrator to employees or consultants based upon, among other things, the contributions, responsibilities and other compensation of the particular employee or consultant. Generally, these awards will be based on specific performance criteria and may be paid in cash or in shares of common stock, or in a combination of both. Performance Awards may include phantom stock awards that provide for payments based upon increases in the price of our common stock over a predetermined period. Performance Awards to consultants and employees may also include bonuses granted by the administrator, which may be payable in cash or in shares of common stock, or in a combination of both.

Stock payments may be authorized by the administrator in the form of common shares or an option or other right to purchase common shares and may, without limitation, be issued as part of a deferred compensation arrangement in lieu of all or any part of compensation, including bonuses, that would otherwise be payable in cash to the employee or consultant.

The administrator may designate employees as Section 162(m) Participants, whose compensation for a given fiscal year may be subject to the limit on deductible compensation imposed by Section 162(m) of the Code. The administrator may grant to Section 162(m) Participants restricted stock, deferred stock, SARs, performance awards, cash bonuses and stock payments that are paid, vest or become exercisable upon the attainment of company performance criteria which are related to one or more of the following performance goals:

net income;

**Table of Contents**

pre-tax income;

operating income;

after-tax cash flow;

earnings per share;

return on equity;

return on invested capital or assets;

funds from operations;

cost reductions or savings;

appreciation in the market price of our common shares;

operating profit;

working capital; and

earnings before any one or more of the following items: interest, taxes, depreciation or amortization or similar non-recurring items or adjustments.

The maximum number of shares which may be subject to options, stock purchase rights, SARs and other awards granted under the or Amended Plan to any individual in any calendar year may not exceed 2,500,000 shares of common stock. In addition, the maximum amount of cash that may be paid as a Performance Award to any individual in any calendar year is \$2,500,000.

**Grant and Terms of Options**

*Key Employees and Consultants*

The administrator shall have the authority under the Amended Plan to determine:

which employees are key employees and select from the key employees and consultants those that should be granted options;

the number of shares to be subject to option grants to selected key employees and consultants;



whether the option grants are ISOs or NQSOs and whether the options qualify as performance-based compensation; and

the terms and conditions of the option grants.

The administrator may not grant an ISO under the Amended Plan to any 10% Owner unless the stock option conforms to the applicable provisions of Section 422 of the Code. Only our employees may be granted ISOs under the Amended Plan. Employees, consultants, and directors may receive NQSOs under the Amended Plan. Each award will be evidenced by a written agreement.

#### *Pricing*

The exercise price for the common shares subject to each option will be specified in each option agreement but shall not be less than the fair market value for a common share subject to such option on the date the option is granted as specified in the Amended Plan. For any options granted to key employees or consultants, the administrator shall set the exercise price at the time the option is granted. In the case of ISOs granted to a 10% Owner, the exercise price may not be less than 110% of the fair market value of a common share subject to such option on the date the option is granted. For purposes of the Amended Plan, the fair market value of a common share as of a given date shall be the closing price for a common share as reported by NASDAQ on such date or, if such date is not a trading day, on the most recent trading day previous to such date.

#### *Term of Options*

For options granted to our employees, directors and consultants, the term of an option shall be set by the administrator but shall not be more than 10 years from the date the option is granted. In the case of an ISO, the term

## **Table of Contents**

of the option may not be longer than 10 years from the date the ISO is granted, or if granted to a 10% Owner, five years from the date of the grant. Generally, an option granted to an employee, director or consultant may only be exercised while such person remains our employee, director or consultant, as applicable. However, the administrator may, in the written option agreement related to an option granted to an employee, director or consultant, provide that such outstanding option may be exercised subsequent to the termination of employment, directorship or the consulting relationship, except as limited by the requirements of Section 422 of the Code.

### *Vesting of Options*

For options granted to our employees and consultants, each option agreement will contain the period during which the right to exercise the option in whole or in part vests in the optionee. At any time after the grant of an option, the administrator may accelerate the period during which such option vests. No portion of an option which is unexercisable at an optionee's termination of employment or termination of consulting relationship will subsequently become exercisable, except as may be otherwise provided by the administrator either in the agreement relating to the stock option or by action following the grant of the option.

### *Exercise of Options*

An option may be exercised for any vested portion of the shares subject to the option until the option expires. Only whole common shares may be purchased. An option may be exercised by delivering to our Secretary a written or electronic notice of exercise on a form provided by us, together with full cash payment for the shares in the form of cash or a check payable to us in the amount of the aggregate option exercise price. However, the administrator may in its discretion and subject to applicable laws:

allow payment through the delivery of common shares which have been owned by the optionee for at least six months;

allow payment through the surrender of common shares which would otherwise be issuable upon exercise of the option;

allow payment through the delivery of property of any kind which constitutes good and valuable consideration;

allow payment by delivery of a full recourse promissory note to us in a form and with terms prescribed by the administrator;

place a market sell order with a broker with respect to common shares then issuable on exercise of the option, directing the broker to pay a sufficient portion of the net proceeds of the sale to us in satisfaction of the option exercise price; or

allow payment through any combination of the foregoing.

However, no option may be exercised by delivery of a promissory note or by a loan or other credit accommodation from us if such loan or extension of credit is prohibited by law.

### **Eligibility**

Our employees, consultants and directors are eligible to receive awards under the Amended Plan. The administrator determines which of our employees, consultants and directors will be granted awards. No employee or consultant is entitled to participate in the Amended Plan as a matter of right nor does any such participation constitute assurance of continued employment. Only those employees and consultants who are selected to receive grants by the administrator may participate in the Amended Plan. The Amended Plan provides for grants of options to any director that is a non-employee director, the terms and conditions of which are to be made by our Board pursuant to a written policy or program determined by the Governance Committee of our Board consistent with the Amended Plan.



## **Table of Contents**

### **Administration of the Amended Plan**

The Compensation Committee of the Board will be the administrator of the Amended Plan unless the Board assumes authority for administration. The Compensation Committee must consist solely of two or more non-employee directors. The administrator has the power to:

construe and interpret the terms of the Amended Plan and awards granted pursuant to the Amended Plan;

adopt rules for the administration, interpretation and application of the Amended Plan that are consistent with the Amended Plan; and

interpret, amend or revoke any of the newly adopted rules of the Amended Plan.

### **Transferability of Awards**

Awards generally may not be sold, pledged, transferred, or disposed of in any manner other than pursuant to certain court orders with the administrator's consent and by will or by the laws of descent and distribution and may be exercised, during the lifetime of the holder, only by the holder or such transferees to whom they have been transferred pursuant to court order with the administrator's consent.

### **Amendment and Restatement, and Termination of the Amended and Restated Plan**

The Board may not, without stockholder approval given before or after the Board's action, amend the Amended Plan to increase the number of shares of stock that may be issued, or reprice awards that may be outstanding, under the Amended Plan.

The Board may terminate the Amended Plan at any time. The Amended Plan will be in effect until terminated by the Board. However, in no event may any award be granted under the Amended Plan after May 4, 2014. Except as indicated above, the Board may also modify the Amended Plan from time to time.

### **Federal Income Tax Consequences Associated with the Amended Plan**

The following is a general summary under current law of the material federal income tax consequences to participants in the Amended Plan. This summary deals with the general tax principles that apply and is provided only for general information. Some kinds of taxes, such as state and local income taxes, are not discussed. Tax laws are complex and subject to change and may vary depending on individual circumstances and from locality to locality. The summary does not discuss all aspects of income taxation that may be relevant in light of a holder's personal investment circumstances. This summarized tax information is not tax advice.

#### *Non-Qualified Stock Options*

For federal income tax purposes, if an optionee is granted NQSOs under the Amended Plan, the optionee will not have taxable income on the grant of the option, nor will we be entitled to any deduction. Generally, on exercise of NQSOs the optionee will recognize ordinary income, and we will be entitled to a deduction, in an amount equal to the difference between the option exercise price and the fair market value of a common share on the date each such option is exercised. The optionee's basis for the stock for purposes of determining gain or loss on subsequent disposition of such shares generally will be the fair market value of the common shares on the date the optionee exercises such option. Any subsequent gain or loss will be generally taxable as capital gains or losses.

#### *Incentive Stock Options*

There is no taxable income to an optionee when an optionee is granted an ISO or when that option is exercised. However, the amount by which the fair market value of the shares at the time of exercise exceeds the option price will be an item of adjustment for the optionee for purposes of the alternative minimum tax. Gain realized by the



## **Table of Contents**

optionee on the sale of an ISO is taxable at capital gains rates, and no tax deduction is available to us, unless the optionee disposes of the shares within (1) two years after the date of grant of the option or (2) within one year of the date the shares were transferred to the optionee. If the common shares are sold or otherwise disposed of before the end of the two-year and one-year periods specified above, the difference between the option exercise price and the fair market value of the shares on the date of the option's exercise will be taxed at ordinary income rates, and we will be entitled to a deduction to the extent the optionee must recognize ordinary income. If such a sale or disposition takes place in the year in which the optionee exercises the option, the income the optionee recognizes upon sale or disposition of the shares will not be considered income for alternative minimum tax purposes. Otherwise, if the optionee sells or otherwise disposes of the shares before the end of the two-year and one-year periods specified above, the maximum amount that will be included as alternative minimum tax income is the gain, if any, the optionee recognizes on the disposition of the shares.

An ISO exercised more than three months after an optionee terminates employment, other than by reason of death or disability, will be taxed as a NQSO, and the optionee will have been deemed to have received income on the exercise taxable at ordinary income rates. We will be entitled to a tax deduction equal to the ordinary income, if any, realized by the optionee.

### *Stock Appreciation Rights*

No taxable income is generally recognized upon the receipt of a SAR, but upon exercise of the SAR the fair market value of the shares (or cash in lieu of shares) received generally will be taxable as ordinary income to the recipient in the year of such exercise. We generally will be entitled to a compensation deduction for the same amount which the recipient recognizes as ordinary income.

### *Restricted Stock and Deferred Stock*

An employee to whom restricted or deferred stock is issued generally will not recognize taxable income upon such issuance and we generally will not then be entitled to a deduction unless, with respect to restricted stock, an election is made by the participant under Section 83(b) of the Code. However, when restrictions on shares of restricted stock lapse, such that the shares are no longer subject to a substantial risk of forfeiture, the employee generally will recognize ordinary income and we generally will be entitled to a deduction for an amount equal to the excess of the fair market value of the shares at the date such restrictions lapse over the purchase price. If a timely election is made under Section 83(b) with respect to restricted stock, the participant generally will recognize ordinary income on the date of the issuance equal to the excess, if any, of the fair market value of the shares at that date over the purchase price therefore, and we will be entitled to a deduction for the same amount. Similarly, when deferred stock vests and is issued to the participant, the participant generally will recognize ordinary income and we generally will be entitled to a deduction for the amount equal to the fair market value of the shares at the date of issuance. A Section 83(b) election is not permitted with regard to the grant of deferred stock.

### *Performance Awards*

A participant who has been granted a performance award generally will not recognize taxable income at the time of grant, and we will not be entitled to a deduction at that time. When an award is paid, whether in cash or common shares, the participant generally will recognize ordinary income, and we will be entitled to a corresponding deduction.

### *Stock Payments*

A participant who receives a stock payment in lieu of a cash payment that would otherwise have been made will generally be taxed as if the cash payment has been received, and we generally will be entitled to a deduction for the same amount.

## **Table of Contents**

### *Section 162(m) of the Code*

In general, under Section 162(m), income tax deductions of publicly-held corporations may be limited to the extent total compensation (including base salary, annual bonus, stock option exercises and non-qualified benefits paid) for specified executive officers exceeds \$1 million (less the amount of any excess parachute payments as defined in Section 280G of the Code) in any one year. However, under Section 162(m), the deduction limit does not apply to certain performance-based compensation as provided for by the Code and established by an independent compensation committee which is adequately disclosed to, and approved by, stockholders. In particular, stock options and SARs will satisfy the performance-based compensation exception if the awards are made by a qualifying compensation committee, the underlying plan sets the maximum number of shares that can be granted to any person within a specified period and the compensation is based solely on an increase in the stock price after the grant date (i.e., the option exercise price is equal to or greater than the fair market value of the stock subject to the award on the grant date). Performance or incentive awards granted under the 2004 Plan may qualify as qualified performance-based compensation for purposes of Section 162(m) if such awards are granted or vest upon the pre-established objective performance goals described above.

We have attempted to structure the Amended Plan in such a manner that the Compensation Committee can determine the terms and conditions of stock options, SARs and performance and incentive awards granted thereunder such that remuneration attributable to such awards will not be subject to the \$1,000,000 limitation. We have not, however, requested a ruling from the Internal Revenue Service or an opinion of counsel regarding this issue. This discussion will neither bind the Internal Revenue Service nor preclude the Internal Revenue Service from adopting a contrary position.

### **Stockholder Approval**

Approval of the Amended Plan requires the affirmative vote of the holders of a majority of the shares of our common stock present, in person or by proxy, and entitled to vote on the matter. Broker non-votes will not affect the outcome.

**THE BOARD URGES STOCKHOLDERS TO VOTE FOR**

**APPROVAL OF THE AMENDMENT AND RESTATEMENT OF THE 2004 CNET NETWORKS, INC.**

**INCENTIVE STOCK AWARD PLAN**

**Table of Contents****EQUITY COMPENSATION PLANS****Grants under the 2004 Plan**

The following table sets forth information about prior grants under the 2004 Plan to our named executive officers, directors and employees.

<b>Name</b>	<b>Number of Securities Underlying Options Granted (1)</b>
Shelby W. Bonnie	
George E. Mazzotta	400,000
Barry D. Briggs	125,000
Neil M. Ashe	125,000
Joseph Gillespie	100,000
Eric Robison	20,000
All executive officers as a group	750,000
All non-employee directors as a group (2)	140,000
All employees (other than named executive officers)	1,994,440

- (1) The closing price of the Company's common stock on March 27, 2006 was \$13.86.
- (2) Pursuant to the Company's current director compensation plan, each non-employee director receives an annual option grant in the amount of 20,000 shares made in conjunction with the annual company-wide grant to all employees and a one-time option grant in the amount of 60,000 shares made at the time a director joins the Board. All of the options granted to directors as of July 2005 are immediately exercisable on the date of grant, but the common stock issued upon exercise remains subject to repurchase by the Company at original cost. With respect to the annual option grant, this repurchase right lapses and the optionee's rights vest in 12 equal monthly installments beginning on the first day of the first month after the effective date of grant. With respect to the one-time option grant, the repurchase right lapses and 1/3 of the optionee's rights vest on the first anniversary of the effective date of grant and thereafter the remaining rights vest at the rate of 1/36 per month beginning on the first day of the first month following the first annual vesting, for so long as the optionee remains a director of the Company. In addition, vesting will automatically accelerate upon any sale of the Company through a merger, recapitalization, reorganization, asset sale, tender offer or similar event.
- (3) Only non-employee directors are eligible to receive automatic grants. All other grants are within the discretion of the Board or the Compensation Committee and the benefits of such grants are, therefore, not determinable.



**Table of Contents****Equity Compensation Plan Table**

The following table provides information as of December 31, 2005 with respect to shares of our common stock that may be issued under our existing equity compensation plans.

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options	Weighted Exercise Price of Outstanding Options (\$)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in first column)
<b>As of December 31, 2005</b>			
<b>Equity Compensation Plans Approved by Stockholders (1)</b>	12,032,228	\$ 10.14	2,742,389
<b>Equity Compensation Plans Not Approved by Stockholders (2)</b>	5,063,582	\$ 9.19	259,061
<b>Inactive Compensation Plans (3)</b>	1,863,638	\$ 11.25	
<b>Total</b>	<b>18,959,448</b>	<b>\$ 9.99</b>	<b>3,001,450</b>

- (1) Consists of the CNET 1997 Stock Option Plan, the CNET 2000 Stock Incentive Plan and the CNET 2004 Incentive Stock Award Plan. Does not include 5,074,946 shares that were available for issuance under the CNET 1996 Employee Stock Purchase Plan, which was also approved by the Company's stockholders.
- (2) Consists of the 2001 CNET Networks, Inc. Stock Incentive Plan and the TwoFold Photos, Inc. 2003 Common Stock Incentive Plan. For further information about these plans, please see Summary of Non-approved Plans.
- (3) Consists of the CNET 1994 Stock Option Plan; the mySimon 1998 Amended and Restated Stock Plan; the Ziff-Davis 1998 Incentive Compensation Plan; the 1998 ZDNet Stock Option Plan; the 1999 TechRepublic Stock Option Plan; and the Apollo Solutions, Inc. 2000 Stock Option Plan. No new options may be granted under any of these assumed and inactive plans.

**Summary of Non-Approved Plans***The 2001 CNET Networks, Inc. Stock Incentive Plan*

The 2001 CNET Networks, Inc. Stock Incentive Plan was adopted by our Board of Directors on April 24, 2001 and has not been approved by our stockholders. The 2001 Plan provides for the granting of incentive stock options and other stock-based awards. The 2001 Plan is administered by the Compensation Committee of our Board of Directors.

The total number of shares which may be issued under the 2001 Plan is 7,500,000. The maximum number of shares for which options may be granted to a participant during any calendar year is 800,000.

Options and other stock-based awards may be granted under the 2001 Plan to any employee, director or consultant selected by the Compensation Committee. All option grants must have an option price per share that is not less than 100% of the fair market value of our common stock on the option grant date. Options granted under the 2001 Plan will vest in accordance with the terms and conditions set by the Compensation Committee at the time of grant. In the event of a change of control, the Compensation Committee may (i) accelerate the vesting of options previously granted under the 2001 Plan; (ii) pay a cash amount to option holders in exchange for the cancellation of options under the Plan; and/or (iii) require the issuance of substitute options that will substantially preserve the value of any affected option previously granted under the 2001 Plan.

## Edgar Filing: CNET NETWORKS INC - Form DEF 14A

The 2001 Plan provides for appropriate adjustment of the shares covered by the 2001 Plan in the event of any increase or decrease in the number of issued shares of common stock resulting from a split, reverse split, stock dividend, combination or reclassification of the Company's shares of common stock.

**Table of Contents***The TwoFold Photos, Inc. 2003 Common Stock Incentive Plan*

We assumed the TwoFold Photos, Inc. 2003 Common Stock Incentive Plan in connection with our acquisition of Webshots. It has not been approved by our stockholders. The TwoFold Plan provides for the granting of incentive stock options and other stock-based awards. The TwoFold Plan is administered by the Compensation Committee of our Board of Directors. The total number of shares which may be issued under the TwoFold Plan is 1,327,357, as adjusted.

Options and other stock-based awards may be granted under the TwoFold Plan to any employee, director or consultant selected by the Compensation Committee. Although the Compensation Committee's policy is to grant all options at fair market value, the plan provides that all option grants must have an option price per share that is not less than 85% of the fair market value of our common stock on the option grant date. Options granted under the TwoFold Plan will vest in accordance with the terms and conditions set by the Compensation Committee at the time of grant, but at a rate no less than 20% each year over five years from the date of grant.

The TwoFold Plan provides for appropriate adjustment of the shares covered by the TwoFold Plan in the event of any increase or decrease in the number of issued shares of common stock resulting from a split, reverse split, stock dividend, combination or reclassification of the Company's shares of common stock.

**INFORMATION ABOUT EXECUTIVE OFFICERS AND DIRECTORS**

The following table sets forth the names, ages and positions of our executive officers and directors as of March 27, 2006. Their respective backgrounds are described following the table:

<b>Name</b>	<b>Age</b>	<b>Position with Company in 2005</b>
Shelby W. Bonnie (1)	41	Chairman of the Board and Chief Executive Officer
George E. Mazzotta	46	Chief Financial Officer
Barry D. Briggs	50	President and Chief Operating Officer
Neil M. Ashe	38	Executive Vice President
Joseph Gillespie (2)	45	Chief Marketing Officer
John C. Bud Colligan (3)	51	Director
Peter L. S. Currie (4)	49	Director
Jarl Mohn (3)	54	Director
Betsey Nelson (4)	45	Director
Eric Robison (1)	46	Director

(1) Class I Director (term expires at the Annual Meeting)

(2) Mr. Gillespie became Executive Vice President of CNET Networks in December 2005.

(3) Class II Director (term expires in 2007)

(4) Class III Director (term expires in 2008)

SHELBY W. BONNIE is a co-founder of CNET Networks and has been with the Company as both an executive

## **Table of Contents**

and a member of the Board of Directors since 1993. He has served as Chief Executive Officer since March of 2000 and as Chairman of the Board of Directors since November of 2000. Mr. Bonnie has also held the positions of Chief Operating Officer and Chief Financial Officer of the Company. Prior to joining CNET Networks, Mr. Bonnie held positions at Tiger Management Corporation, a New York based investment managing firm; Lynx Capital, a private equity fund; and in the mergers and acquisitions department of Morgan Stanley & Co. Inc. Mr. Bonnie currently serves on the board of Warner Music Group Corp.

GEORGE E. MAZZOTTA joined CNET Networks as Chief Financial Officer in July 2005. Prior to joining the Company, Mr. Mazzotta served as Senior Vice President, Chief Operating Officer of International Gap Inc. Prior to that assignment, Mr. Mazzotta served as Gap Inc.'s Senior Vice President of Corporate Finance and earlier as Vice President, Chief Financial Officer of Gap Inc.'s Banana Republic brand. Before joining Gap Inc., Mr. Mazzotta spent ten years at Target Corporation, where he worked in a variety of financial and operating capacities.

BARRY D. BRIGGS joined CNET Networks through the Company's acquisition of ZDNet in October of 2000 and is currently serving as President and Chief Operating Officer. Prior to his current role, he was President of the Company's U.S. Media division. At the time of the acquisition, Mr. Briggs held the position of President of ZDNet. Mr. Briggs previously held various positions in the Ziff-Davis print publishing business, including Network Director of Corporate Sales, Associate Publisher of Computer Life and Publisher of Family PC magazine. Prior to joining Ziff-Davis, Mr. Briggs held a number of positions at Time Inc., including Director of Marketing and Sales Development at Sports Illustrated, National Sales Manager for Time Magazine and Eastern Regional Director for all Time Inc. magazines.

NEIL M. ASHE joined CNET Networks in 2002 and currently serves as Executive Vice President, overseeing the Company's Community, Business, International and Channel divisions as well as Corporate Strategy and Development. Prior to this position, Mr. Ashe served as Senior Vice President, Strategy and Development. Prior to joining the Company, Mr. Ashe founded and served as Chief Executive Officer of several start-up companies in the Internet, business to business electronic marketplace and financial services industries. From 1996 through 1999, Mr. Ashe served as Managing Director of Crest Communications Holdings LLC, a private equity investment firm. From 1990 through 1994, Mr. Ashe held positions in the mergers & acquisitions group of Smith Barney Inc.

JOSEPH GILLESPIE joined the Company as Chief Marketing Officer in July 2004. On December 16, 2005, he became Executive Vice President of CNET Networks in charge of the Company's Technology division. Prior to joining CNET Networks, Mr. Gillespie served as Executive Vice President, Chief Operating Officer, and acting Chief Executive Officer of TechTV, which he joined in 1999. Before working at TechTV, he was an Executive Vice President of corporate sales and marketing for Ziff-Davis. Mr. Gillespie spent his early career in sports media with companies including CBS Sports, National Broadcasting Company, and Sports Information Database, Inc.

JOHN C. BUD COLLIGAN became a director of CNET Networks in 1996. Since 1998, Mr. Colligan has been a partner with Accel Partners, a venture capital firm in Palo Alto, CA. Mr. Colligan co-founded Macromedia, a multimedia software company, in 1992 through a merger of Authorware and Macromind-Paracomp. Mr. Colligan headed Authorware as President and CEO from 1989 to 1992. Mr. Colligan served as Chief Executive Officer of Macromedia from 1992 to 1997 and as Chairman until July of 1998. Prior to joining Macromedia, Mr. Colligan held various product management and marketing positions at Apple Computer from 1983 through 1988.

PETER L. S. CURRIE became a director of CNET Networks in December 2005. Currently, Mr. Currie is President of Currie Capital LLC, a private investment firm. Before founding Currie Capital, Mr. Currie was a managing member of General Atlantic LLC, a worldwide private equity investment company, where he continues to serve as special advisor. Prior to joining General Atlantic Partners, he was a partner and co-founder of The Barksdale group, an early stage venture capital firm. From April 1995 until March 1999, Mr. Currie was Executive Vice President and Chief Administrative Officer of Netscape Communications and also served as Netscape's Chief Financial Officer. Between April 1989 and March 1995, Mr. Currie held various management positions at McCaw Cellular Communications (predecessor company to AT&T Wireless), including Executive Vice President and Chief Financial Officer and Executive Vice President of Corporate Development. Prior to joining McCaw, Mr. Currie was a Principal at Morgan Stanley & Co. Incorporated. Mr. Currie is currently serving on the board of Safeco Insurance Companies.

## **Table of Contents**

JARL MOHN, also known as Lee Masters, became a director of CNET Networks in December 2003. Mr. Mohn was the founding president of Liberty Digital, a publicly traded subsidiary of Liberty Media Group involved in interactive television, cable television networks and Internet enterprises, and served as its Chief Executive Officer from June 1999 to March 2002. Prior to founding Liberty Digital, he was President and Chief Executive Officer of E! Entertainment Television. From 1986 to 1989, Mr. Mohn was Executive Vice President and General Manager of MTV and VH1. He began his professional life with a 20-year career in radio. Mr. Mohn also serves on the boards of E.W. Scripps Company and XM Satellite Radio, Inc.

BETSEY NELSON became a director of CNET Networks in December 2003. Ms. Nelson most recently was Executive Vice President, Chief Financial Officer, and Secretary of Macromedia, a position she had held from November 1997 through the company's sale to Adobe Systems Incorporated in December 2005. In that capacity, Ms. Nelson was responsible for leading the company's administrative functions, including finance, human resources, legal, mergers and acquisitions, and information technology. Prior to joining Macromedia in 1996, Ms. Nelson spent eight years at Hewlett-Packard, where she held a variety of positions in both finance and corporate development.

ERIC ROBISON became a director of CNET Networks in December 1994. Mr. Robison is currently President of IdeaTrek, Inc. From January 1994 until January 2002, Mr. Robison served as Business Development Associate of Vulcan, Inc., a venture capital firm. Prior to joining Vulcan, Mr. Robison was co-founder and Vice President of The Stanton Robison Group, Inc., a business development, marketing and advertising consultant firm. Mr. Robison also served in marketing management positions with Ashton-Tate, Inc., El Pollo Loco, McCann Erickson and Doyle Dane Bernbach. Mr. Robison also serves on the board of Cumulus Media, Inc.

## **STOCK OWNERSHIP OF**

### **PRINCIPAL STOCKHOLDERS AND MANAGEMENT**

The following table shows the number of shares of common stock beneficially owned as of the close of business on March 3, 2006 (unless otherwise indicated) by:

each executive officer named in the Summary Compensation Table;

each director;

each person whom we know beneficially owns more than 5% of the common stock (based solely, in each case on Schedule 13D, 13G and 13F filings on file as of on or around the date of this proxy statement); and

the directors and executive officers as a group.

Unless otherwise indicated below, the address for each listed director and executive officer is CNET Networks, Inc., 235 Second Street, San Francisco, California 94105.

**Table of Contents**

<b>Name and Address of Beneficial Owner</b>	<b>Amount and Nature of Ownership (1)</b>	<b>Percentage of Common Stock Outstanding</b>
Shelby W. Bonnie (2)	11,742,364	7.9%
George E. Mazzotta		*
Barry D. Briggs (3)	636,411	*
Neil M. Ashe (4)	466,956	*
Joseph Gillespie (5)	98,958	*
John C. Bud Colligan (6)	175,827	*
Peter L.S. Currie		*
Jarl Mohn (7)	44,773	*
Betsey Nelson (8)	44,373	*
Eric Robison (9)	121,978	*
Capital Research and Management Company (10)	17,910,000	12.0%
AXA Financial, Inc. (11)	14,158,774	9.5%
Legg Mason Capital Management, Inc. (12)	14,084,000	9.4%
T Rowe Price Associates, Inc. (13)	13,499,406	9.0%
All executive officers and directors as a group	13,331,640	9.5%

\* Less than one percent

- (1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and includes options and warrants that are exercisable within 60 days of March 3, 2006. Percentages for each person are based on 149,557,115 shares outstanding as of the close of business on March 3, 2006. Shares issuable upon exercise of outstanding options and warrants are not deemed outstanding for purposes of computing the percentage ownership of any other person. Except as indicated in the footnotes to this table and pursuant to applicable community property laws, each stockholder named in the table has sole voting and investment power with respect to the shares set forth opposite such stockholder's name.
- (2) Includes 651,966 shares held by trusts for Mr. Bonnie and members of his immediate family's benefit, as to which Mr. Bonnie disclaims beneficial ownership; 58,000 shares held by a partnership controlled by Mr. Bonnie, as to which Mr. Bonnie disclaims beneficial ownership; and 912,500 shares subject to options that are exercisable within 60 days.
- (3) The data for Mr. Briggs includes 631,878 shares subject to options that are exercisable within 60 days. Also includes 355 shares held by Mr. Briggs' wife as to which Mr. Briggs disclaims beneficial ownership.
- (4) The data for Mr. Ashe includes 441,956 shares subject to options that are exercisable within 60 days.
- (5) The data for Mr. Gillespie includes 98,958 shares subject to options that are exercisable within 60 days.
- (6) The data for Mr. Colligan includes 145,727 shares subject to options that will be vested by May 2, 2006.
- (7) The data for Mr. Mohn includes 44,373 shares subject to options that will be vested by May 2, 2006. Also includes 400 shares held by trust for Mr. Mohn as to which Mr. Mohn disclaims beneficial ownership.
- (8) The data for Ms. Nelson includes 34,373 shares subject to options that will be vested by May 2, 2006.

## Edgar Filing: CNET NETWORKS INC - Form DEF 14A

- (9) The data for Mr. Robison includes 121,978 shares subject to options that will be vested by May 2, 2006.
- (10) The address for Capital Research and Management Company is 333 South Hope Street, Los Angeles, California 90071-1406.
- (11) The address of AXA Financial, Inc. is 1290 Avenue of the Americas, New York, New York 10105-0302.
- (12) The address of Legg Mason Capital Management is 100 Light Street, 22nd Floor, Baltimore, Maryland 21202-1099.
- (13) The address of T Rowe Price Associates, Inc. is 100 East Pratt Street, Baltimore, Maryland 21202-1008. These securities are owned by various individual and institutional investors which T. Rowe Price Associates, Inc. (Price Associates) serves as investment adviser with power to direct investments and/or sole power to vote the securities. For purposes of the reporting requirements of the Securities Exchange Act of 1934, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.

## **Table of Contents**

### **EXECUTIVE COMPENSATION**

#### **Report of the Compensation Committee**

*This Compensation Committee Report shall not be deemed to be incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed soliciting material or filed under such Acts.*

#### *Overview*

The Committee is responsible for overseeing the Company's executive compensation programs. As part of that responsibility, the Committee determines all compensation for the Chief Executive Officer, the Chief Financial Officer, and the other executives named in this proxy statement. In determining the compensation for each of the named executive officers, the Committee is guided by the philosophy that it is important to craft compensation packages that attract and retain highly qualified executives, align employee financial interests with long-term shareholder value creation, reward exceptional performance, and deliver consequences for underperformance.

The Committee determines the individual elements of each compensation package for the Company's named executive officers and compares them to the external market. In 2005, the Committee engaged an independent consulting firm to assist in its evaluation. The consulting firm received its instructions from and reported its results directly to the Committee, which met in executive session. The firm provided the Committee with public and proprietary information that helped the Committee make external compensation comparisons for each executive position in light of the Company's current and anticipated size, scope of operations, and strategy. The Committee also obtained compensation information from a group of peer companies that it identified by taking into account market capitalization, geographic location, performance and similarity in lines of business. The Committee supplemented this information with additional compensation survey data that it obtained from other services. In addition, each year the Committee reviews the Chief Executive Officer's performance and the Chief Executive Officer prepares a year-end evaluation of each named executive officer's performance (other than the Chief Marketing Officer's which was prepared by the President and Chief Operating Officer). The Committee takes these evaluations into account.

The compensation packages for the executives consist of base salary, annual performance-based bonuses and stock based equity incentive grants. To date, the sole form of equity compensation awarded to named executive officers and employees is stock options.

The named executive officers do not receive any other compensation or benefits other than standard benefits available to all U.S. employees, which primarily consist of health plans, the opportunity to participate in the Company's 401(k) plan, the opportunity to participate in the ESPP, basic life and accidental death coverage of up to \$250,000 each. The Committee currently does not intend to add any additional elements to the named executive officers' compensation packages.

#### *Executive Officer Base Salaries*

The achievement of short-term goals is rewarded through salaries that are reviewed annually. Named executive officers' salaries, and any raises, are determined by evaluating the most recent comparative peer data and the Company's overall performance, as well as each officer's attainment of individual objectives during the preceding year, scope of responsibilities and experience levels.



## **Table of Contents**

### *Named Executive Officer Annual Performance Bonuses*

The Committee uses variable cash compensation incentive plans to motivate executive officers toward the accomplishment of the Company's goals. The Committee establishes annual incentive plans for the named executive officers, determines what officers will participate and decides whether the performance measures have been met.

In early 2005, the Committee established bonus targets based on revenue and net income growth objectives that the Board determined were appropriate and significant in light of previous financial performance, industry growth rates and shareholder expectations. Fifty percent of the target was tied to the revenue objectives and fifty percent was tied to the net income objectives. In addition to the revenue and net income objectives, bonus targets for the Chief Marketing Officer considered the achievement of certain sales targets.

At its February 6, 2006 meeting, the Committee considered the performance of the Company in 2005 as compared to these established performance objectives. The Committee excluded the impact of asset impairments, the impairment of privately held investments, gains on the sale of investments and the benefit related to the reversal of a certain tax contingency, which together had a net negative impact on net income. The Committee determined it was appropriate to exclude these items because they were non-recurring items not tied to the operational performance of the Company and their inclusion would have inappropriately decreased the incentive payouts. The Committee determined that based on the Company's financial results, the named executive officers should receive up to 156% of their targets under the approved plan.

### *Equity Compensation Grants*

The Committee believes that stock options are an important part of overall compensation because they align the interests of named executive officers and other employees with those of shareholders and create incentives to maximize long-term shareholder value. Option awards are traditionally granted to named executive officers at the same time that option awards are granted to other Company employees.

In determining the total amount of options to be granted annually to all recipients, the Committee considers the amount of stock options already held by employees and named executive officers, dilution, future impact on operating income and net income, the number of options outstanding, the number of shares of common stock outstanding, the performance of the Company during the immediately preceding year and option granting practices at peer companies and competitors. The grants in 2005 to all employees totaled 4,644,580, or 3.09% of shares outstanding.

The Committee determines the number of options granted to each named executive officer based on the total amount of options available, an evaluation of competitive data for similar grants, and the performance, responsibility and overall compensation of each named executive officer. The grants to named executive officers represented 0.50% of shares outstanding. In 2005, 84% of all options granted during 2005 were granted to individuals other than named executive officers. The grant to named executive officers included a grant made to the Company's new Chief Financial Officer upon hire.

Awards to named executive officers and to all employees in 2005 were granted with a strike price equal to the fair market value on the date of grant. They vest 1/4 on the first anniversary of grant and 1/48 per month thereafter. If the executive officer is terminated within 12 months of a change of control, 18 months of option vesting shall be accelerated.

### *Chief Executive Officer's Compensation*

The Committee reviews the Chief Executive Officer's performance on an annual basis. The Committee considered the following factors in determining the compensation for Mr. Bonnie: the Company's overall performance in 2005 and the level of compensation paid to chief executive officers at the companies selected for peer comparison, as well as Mr. Bonnie's attainment of individual objectives during 2005, scope of responsibilities and experience level. In 2005, the Company's revenues grew by 21% and operating income before depreciation, amortization and asset impairment grew by 92% compared to 2004. In evaluating Mr. Bonnie's total compensation package, the Compensation Committee specifically considered, and will continue to consider, Mr. Bonnie's contributions toward achieving the Company's growth objectives.

## **Table of Contents**

Taking into account these considerations, the Committee increased Mr. Bonnie's base salary from \$367,000 to \$400,000, effective June 30, 2005. In addition to base salary, Mr. Bonnie was eligible for an annual bonus targeted at \$300,000 and received a payout of 156% of his target. In light of the Company's ongoing efforts to conserve the number of shares granted under the Company's incentive equity plans and his own substantial equity holdings, Mr. Bonnie requested that he not receive any option grants for 2005 so that the shares could be made available for other employees.

### *Review of all Components of Executive Compensation*

The Committee has reviewed all components of the named executive officers' 2005 compensation, including salary, bonus, equity compensation, and accumulated realized and unrealized stock option gains. The Committee has examined all components of compensation (as previously described), both individually and in the aggregate for each named executive officer. The Committee believes that the relative difference between Chief Executive Officer compensation and the compensation of the Company's other named executive officers is appropriate in light of their responsibilities and experience and consistent with such differences found at peer companies. Based on this review, the Committee finds the total compensation of each of the named executive officers to be reasonable and not excessive. The Committee specifically considered the Company's financial performance, the information provided by its independent consultant, the fact that the Company does not maintain any employment contracts or change of control agreements with any executive officers (other than the 18-month option vesting described above) and compensation at peer companies.

#### COMPENSATION COMMITTEE

John C. Bud Colligan, Chair

Jarl Mohn

**Table of Contents****Summary Compensation Table**

The following table sets forth information with respect to the compensation earned by our Chief Executive Officer and the four other most highly-compensated executive officers (the named executive officers) for the years ended December 31, 2005, 2004 and 2003.

Name and Principal Position	Fiscal Year	Annual Compensation		Long-Term Compensation	
		Salary	Bonus (2)	Awards Securities Underlying Options	All Other Compensation (1)
Shelby W. Bonnie Chairman of the Board and	2005	\$ 383,750	\$ 466,500		\$ 13,711
	2004	\$ 367,500	\$ 313,500		\$ 12,374
Chief Executive Officer	2003	\$ 343,942	\$ 175,031	300,000	\$ 10,237
George E. Mazzotta	2005 (3)	\$ 154,807	\$ 255,500	400,000	\$ 2,034
Chief Financial Officer					
Barry D. Briggs President and	2005	\$ 357,962	\$ 375,533	125,000	\$ 13,711
	2004	\$ 344,177	\$ 275,310	204,000	\$ 12,374
Chief Operating Officer	2003	\$ 337,483	\$ 169,080	250,000	\$ 10,237
Neil M. Ashe	2005	\$ 325,000	\$ 311,000	125,000	\$ 12,211
	2004	\$ 289,904	\$ 228,000	304,000	\$ 10,874
Executive Vice President	2003	\$ 259,135	\$ 87,516	200,000	\$ 8,737
Joseph Gillespie (4)	2005	\$ 357,500	\$ 255,500	100,000	\$ 10,602
Chief Marketing Officer	2004 (5)	\$ 165,576	\$ 150,000	250,000	\$ 4,040

- (1) Includes up to \$1500 in Company match of 401(k) plan contributions and amounts paid for insurance premiums. These standard benefits are available to all U.S. employees.
- (2) We report bonus amounts earned for each of our named executive officers during the specified year, regardless of whether such amounts were actually paid in such year. Our bonus plans provide that a portion of the named executive officer bonuses will be paid in the first half of the year for achievements realized through the payment date. The remainder of the bonuses are paid in the following year assuming all targets are met.
- (3) Mr. Mazzotta joined CNET Networks in July 2005. Represents compensation paid after the commencement of employment. Mr. Mazzotta's bonus was paid pursuant to the terms of his offer letter.
- (4) Mr. Gillespie became an Executive Vice President of CNET Networks in December 2005.
- (5) Mr. Gillespie joined CNET Networks in July 2004. Represents compensation paid after the commencement of employment. Mr. Gillespie's bonus was paid pursuant to the terms of his offer letter.



**Table of Contents****Options Granted In 2005**

During 2005, options to purchase an aggregate of 4,644,580 shares of common stock at fair market value on the date of grant were granted under our stock option plans. The following table provides information regarding those stock options that were granted during 2005 to each of our named executive officers, who participate in our stock option plans on the same terms as other employees.

Name	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (1)	
	Number of Securities Underlying Options Granted	% of Total Options Granted to Employees in 2005	Exercise Price (\$/share)	Expiration Date	5%	10%
Shelby W. Bonnie						
George E. Mazzotta	400,000	9%	\$ 13.40	8/5/2015	\$ 3,370,875	\$ 8,542,460
Barry D. Briggs	125,000	3%	\$ 13.44	8/3/2015	\$ 1,056,543	\$ 2,677,487
Neil M. Ashe	125,000	3%	\$ 13.44	8/3/2015	\$ 1,056,543	\$ 2,677,487
Joseph Gillespie	100,000	2%	\$ 13.44	8/3/2015	\$ 845,234	\$ 2,141,990
All executive officers as a group (6 persons)	750,000	16%				

- (1) These amounts are based on 5% and 10% assumed annual rates of compounded stock price appreciation over the strike price of the options over the life of the options, as mandated by the rules of the Securities and Exchange Commission. The actual value, if any, which a named executive officer may realize will depend on the excess of the stock price over the exercise price on the date the option is exercised. There is no assurance the value realized by a named executive officer will be at or near the assumed 5% or 10% levels.

**Aggregate Option Exercises In Last Fiscal Year and Fiscal Year End Option Values**

The following table sets forth information regarding the exercise of stock options by our named executive officers during the year ended December 31, 2005 and the value of in-the-money stock options as of December 31, 2005. The value is based on \$14.69 closing price per share of common stock on December 31, 2005, less the exercise price, as required by Securities and Exchange Commission rules.

**Table of Contents****Option Exercises and Year End Value**

Name	Shares Acquired on	Value Realized (\$)	Number Unexercised Options at Fiscal Year-End (#)		Value of Unexercised In-The- Money Options at Fiscal Year End (\$)	
			Exercisable	Unexercisable (1)	Exercisable	Unexercisable (1)
Shelby W. Bonnie			887,500	112,500	587,500	112,500
George Mazzotta				400,000		400,000
Barry Briggs	225,000	1,139,732	714,044	344,252	333,964	344,252
Neil Ashe	15,000	148,450	385,374	403,626	385,374	403,626
Joseph Gillespie			78,125	271,875	78,125	271,875

- (1) Consists of shares underlying option grants that have not vested. Awards to named executive officers and all employees in 2005 were granted with a strike price equal to the fair market value on the date of grant. They vest 1/4 on the first anniversary of grant and 1/48 per month thereafter. If the named executive officer is terminated within 12 months of a change of control, 18 months of option vesting shall be accelerated.

**Employment Contracts, Termination of Employment and Change in Control Arrangements**

All options granted to each of our named executive officers since October 2001 provide that if such officer's employment is terminated without cause within one year following certain change-in-control transactions, then 18 months worth of options will immediately accelerate upon such officer's termination. In addition, each of the named executive officers is eligible for the Company's standard severance plan applicable to all employees in the event that his position were to be eliminated in connection with a significant reorganization or restructuring.

*Employment Transition Agreement with Douglas Woodrum*

The Company announced on October 20, 2004 that Douglas N. Woodrum, the Company's Executive Vice President and Chief Financial Officer, was resigning as Chief Financial Officer. On July 12, 2005, the Company entered into an Employment Transition Agreement with Mr. Woodrum with respect to Mr. Woodrum's transition from the position of Chief Financial Officer. The agreement provided for Mr. Woodrum to remain employed by the Company on a part-time basis effective July 26, 2005. Under the agreement, Mr. Woodrum received a salary equal to one-half of his current salary, or an annual rate of approximately \$140,244, through April 7, 2006, and was eligible to continue his participation in the 2005 Incentive Plan for Executive Officers on a prorated basis due to his part-time status. Mr. Woodrum was also entitled to a payment of \$175,000 upon the completion of his employment.

Except as provided above, there are no employment agreements with any of our named executive officers or plans or arrangements that would entitle them to any benefit upon termination, change of control, or other similar event.

**Information regarding Executive Officers and Directors Section 16(a) Beneficial Ownership Reporting Compliance**

Our directors and officers must file reports with the Securities and Exchange Commission indicating the number of shares of common stock they beneficially own and any changes in their beneficial ownership. Copies of these reports must be provided to us. To our knowledge all of these reports for transactions in 2005 were filed in a timely manner with the exception of one report for each of Messrs. Bonnie and Ashe and two reports for Mr. Currie which were filed late due to errors experienced by the Company in submitting the reports by EDGAR.

## Table of Contents

### AUDIT COMMITTEE REPORT

*This Audit Committee Report shall not be deemed to be incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed soliciting material or filed under such Acts.*

The Audit Committee is comprised entirely of independent directors who meet the independence and experience requirements of the NASDAQ Marketplace Rules and the Securities and Exchange Commission. The charter of the Committee specifies that the Committee's purpose is to assist the Board with its oversight responsibilities regarding:

the independent auditor's qualifications, independence and performance;

the integrity of the Company's financial statements and other disclosures;

the performance of the Company's responsibilities relating to the financial accounting process and internal audit function; and

the Company's compliance with legal, regulatory and policy requirements.

The full-text version of the Audit Committee charter is located on the Company's website at <http://ir.cnetnetworks.com> and is also included herein as **Appendix A**.

The Committee's members are not professional accountants or auditors and it is not their duty to replace or duplicate the activities of the Company's management or independent registered public accounting firm. The Committee relies upon the information presented by management and the Company's independent registered public accountant, without additional independent verification, in carrying out its oversight responsibilities. Management is responsible for preparing the Company's financial statements and for developing and maintaining adequate systems of internal control over financial reporting. KPMG LLP, the Company's independent registered public accountant, is responsible for reviewing and, on an annual basis, performing an independent audit of the Company's consolidated financial statements in accordance with generally accepted accounting principles. KPMG LLP also has the responsibility to express an opinion on the Company's conformity of the annual financial statements with generally accepted accounting principles, management's assessment of the effectiveness of the Company's internal control over financial reporting as well as the effectiveness of the Company's internal control over financial reporting.

The Committee met regularly with management and KPMG LLP throughout 2005. The Committee also met separately with KPMG LLP and management to ensure that each of these groups had separate and private access to the Committee. The Committee members have direct access to management and the audit team of KPMG LLP.

#### *Oversight of Independent Registered Public Accounting Firm*

The Committee appoints the independent registered public accounting firm and reviews its performance and independence from management. The Committee has discussed with KPMG LLP its independence from the Company. In addition, KPMG LLP has issued its independence letter pursuant to Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and reported that it is independent under applicable standards in connection with its audit opinion for the Company's 2005 financial statements.

The Committee has implemented a policy requiring pre-approval for all audit, audit-related and non-audit services performed by the independent registered public accounting firm to ensure that the provision of non-audit services would not impair the accountants' independence. On an annual basis, the Committee reviews and pre-approves services that may be provided by the independent registered public accounting firm and approves the maximum fees that may be paid in connection with those services. The Committee periodically reviews all services provided by the independent registered public accounting firm and associated fees and is satisfied that the fees paid for non-audit services would not affect the independence of the auditors in performing their audit function. The fees paid to the independent registered public accounting firm in 2005 are disclosed following this report under the caption "Fees Paid to Independent Registered Public Accountants."





**Table of Contents**

*Monitoring of Integrity of Financial Statements*

Prior to the release of each of the Company's quarterly and annual financial results for 2005, the Committee reviewed the financial statements and met to discuss the financial statements with management and the independent registered public accounting firm. In preparing these statements, the Committee discussed with management the significant accounting policies utilized by the Company, the reasonableness of significant judgments and the clarity of disclosures in the financial statements. The Committee discussed with KPMG LLP the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees). The Committee also met separately with KPMG LLP to review the results of its examination and the overall quality of the Company's accounting and financial reporting. Management has represented to the Committee that the Company's consolidated financial statements were prepared in accordance with generally accepted accounting principles.

The Committee recommended that the Board of Directors include the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2005 filed with the Securities and Exchange Commission based on its discussions with management and KPMG LLP, its review of management's representations and the report of KPMG LLP.

AUDIT COMMITTEE  
Betsey Nelson, Chair  
Eric Robison  
Jarl Mohn

**Table of Contents****PRINCIPAL ACCOUNTING FEES AND SERVICES**

KPMG LLP was selected by the Audit Committee of the Board of Directors as our independent registered public accountants for 2005.

The following table presents fees for professional audit and other services rendered by KPMG LLP during the years ended December 31, 2004 and 2005. All fees paid to KPMG in 2004 and 2005 were pre-approved by the Audit Committee.

	2005	2004
Audit Fees (1)	\$ 2,814,644	\$ 2,076,083
Audit Related Fees (2)	106,253	335,919
Tax Fees (3)	143,299	333,509
Other Fees (4)		62,295
<b>Total Fees</b>	<b>\$ 3,064,196</b>	<b>\$ 2,807,806</b>

- (1) Consists of fees related to the audit of the Company's consolidated financial statements. Fees for 2005 include work associated with the assessment of internal control over financial reporting required by Section 404 of the Sarbanes-Oxley Act of 2002. In addition, fees for 2005 include fees billed in March 2005 related to the assessment of internal controls in 2004.
- (2) Consists of fees for the performance of statutory audits of the Company's foreign subsidiaries. 2004 fees also include assurance services provided in connection with the Company's convertible debt offering and the filing of its Registration Statement on Form S-3 registering up to \$300 million of securities.
- (3) Consists of fees associated with tax return preparation, tax compliance and tax advice. The decrease in tax fees in 2005 occurred because the 2004 fees included advice regarding tax issues presented by the Company's relocation of the headquarters of its Channel Services business from Switzerland to the United States.
- (4) Consists of fees related to financial due diligence in connection with acquisitions.

*Selection of Independent Registered Public Accounting Firm for 2006*

The Board of Directors, through the Audit Committee, has responsibility for selection of the Company's independent registered public accounting firm. KPMG LLP has served as the Company's independent registered public accounting firm since the fiscal year ended December 31, 1993. The Board, through delegation to the Audit Committee, has determined that as a matter of good governance the Audit Committee should in the ordinary course of business evaluate whether a change in the independent registered public accounting firm would be beneficial, and accordingly the committee has requested proposals for audit services from several national independent registered public accounting firms, including KPMG LLP. Because the evaluation process is still underway, the Board has not made a determination regarding the engagement of independent registered public accountants for the fiscal year ended December 31, 2006, and accordingly is not seeking shareholder ratification of the selection the Company's independent registered accountants.

A representative of KPMG LLP is expected to be present at the Annual Meeting and will have an opportunity to make a statement if he or she desires to do so and to respond to appropriate questions.

**STOCK PERFORMANCE GRAPH**

The following graph compares the cumulative total return of the common stock during the period commencing December 31, 2000 to December 31, 2005, with the NASDAQ Composite Index and the Amex Interactive Week Internet Index (the Peer Group Index). The NASDAQ Composite Index, which includes over 3,000 companies, measures all NASDAQ domestic and international based common type stocks listed on

## Edgar Filing: CNET NETWORKS INC - Form DEF 14A

the NASDAQ Stock Market. The graph depicts the results of investing \$100 in the common stock, the NASDAQ Composite Index and the Peer Group Index at closing prices on July 2, 1996, and assumes that all dividends were reinvested.

**Table of Contents**

**THE STOCK PRICE PERFORMANCE DEPICTED IN THE CORPORATE PERFORMANCE GRAPH IS NOT NECESSARILY INDICATIVE OF FUTURE PRICE PERFORMANCE. THE CORPORATE PERFORMANCE GRAPH WILL NOT BE DEEMED TO BE INCORPORATED BY REFERENCE IN ANY FILING BY THE COMPANY UNDER THE SECURITIES ACT OR THE EXCHANGE ACT.**

**FINANCIAL STATEMENTS AND ADDITIONAL COPIES**

We will provide, without charge, to each person to whom a copy of this proxy statement is delivered, upon the written or oral request of such person and by first class mail or other equally prompt means within one business day of receipt of such request, a copy of our Annual Report on Form 10-K. Only one Annual Report or Proxy Statement, as applicable, will be mailed to multiple stockholders sharing an address unless the Company receives contrary instructions from one or more of the stockholders. Upon written request the Company will promptly deliver a separate copy of the Annual Report or Proxy Statement, as applicable, to a stockholder at a shared address to which a single copy was delivered. Requests should be directed to Investor Relations, CNET Networks, Inc., 235 Second Street, San Francisco, California 94105; telephone number: 415-344-2000.

**Table of Contents**

APPENDIX A

**CNET NETWORKS, INC.**

**AUDIT COMMITTEE CHARTER**

**Adopted by the Board of Directors**

This Audit Committee Charter (the "Charter") was adopted by the Board of Directors (the "Board") of CNET Networks, Inc., a Delaware corporation (the "Company"), on March 11, 2004 and was amended on March 10, 2006, and may be further amended by the Board at any time.

**I. PURPOSE**

The purpose of the Audit Committee (the "Committee") is to assist the Board with its oversight responsibilities regarding: (1) the independent auditor's qualifications, independence and performance, (2) the integrity of the Company's financial statements and other disclosures, (3) the performance of the Company's responsibilities relating to the financial accounting process and internal controls and (4) the Company's compliance with legal, regulatory and policy requirements. In addition, the Committee shall assist the Board in such other duties as directed by the Board from time to time as consistent with the Charter and the Company's bylaws.

The Committee's responsibility is one of oversight. It is the responsibility of the Company's management to prepare consolidated financial statements in accordance with applicable laws and regulations and the Company's independent auditor to audit those financial statements. Therefore, the Committee members shall be entitled to rely on the integrity of those persons and organizations within and outside the Company from whom he or she receives information, and the accuracy of the financial information and other information provided to the Committee by such persons or organizations.

**II. COMPOSITION AND COMPENSATION**

The Committee will consist of at least three members of the Board. The Board or, if authorized by the Board, the Governance and Nominating Committee, will appoint Committee members and the Committee chairperson. Each Committee member will be both independent and financially literate, as defined under applicable laws, including the rules and regulations of the Securities and Exchange Commission (the "SEC") and The NASDAQ Stock Market ("NASDAQ"). At least one member of the Committee shall be designated as the financial expert, as defined by applicable rules and regulations. Committee members may be removed from the Committee, with or without cause, by the Board.

Except for per meeting fees, Committee members shall receive no other compensation from the Company for their service as Committee members.

**III. MEETINGS**

The Committee will meet at least once every quarter, with authority to convene additional meetings, as circumstances require. All Committee members are expected to attend each meeting, in person or via telephone or video conference. The Committee will invite members of management, independent auditors or others to attend its meetings and provide pertinent information, as necessary. The Committee may meet separately, periodically, with management and/or with independent auditor.

The Committee will also meet at each regularly scheduled quarterly meeting in executive session. Meeting agendas

## **Table of Contents**

will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

### **IV. RESPONSIBILITIES AND AUTHORITY**

The Committee will carry out the following responsibilities:

#### **A. Oversight Responsibilities**

##### **1. Independent Auditor**

- a. Act as the entity to which the independent auditor is accountable and convey to the independent auditor the Committee's expectations regarding its relationship with the independent auditor. Instruct the independent auditor that they are ultimately accountable to the Committee.
- b. Appoint or, where appropriate, remove the independent auditor, review and evaluate the qualifications and performance of the independent auditor, and otherwise oversee the independent auditor.
- c. Determine whether the independent auditor is independent in accordance with all applicable legal requirements, including rules and regulations established by the SEC and NASDAQ, and in accordance with any other requirements established by the Committee. As part of this process, the Committee will:
  - (i) review and discuss on at least an annual basis a letter from the independent auditor describing all relationships between the independent auditor and the Company required to be disclosed by Independence Standards Board Standard No. 1;
  - (ii) obtain and review a report prepared by the independent auditor describing (a) the auditing firm's internal quality-control procedures and (b) any material issues raised by the most recent internal quality-control review, or peer review, of the auditing firm, or by any governmental or professional authority inquiries or investigations, within the past five years, with respect to one or more independent audits conducted by the auditing firm and any steps taken to deal with any such issues;
- d. Pre-approve all auditing and permitted non-audit services performed by the Company's independent auditor.
- e. Review and approve all compensation paid by the Company to the independent auditor.
- f. Review with management and the independent auditor the proposed audit scope, approach, staffing and budget for the annual audit, including the independent auditor's assessment of the Company's internal controls.
- g. Ensure the rotation of the lead audit partner every five years and other audit partners every seven years.
- h. Ensure that the Company respects all legal requirements governing the hiring of employees or former employees of the independent auditor along with any other requirements established by the Committee.
- i. Review all material communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.
- j. At least once per quarter, meet separately with the independent auditor, outside the presence of management, with respect to internal controls, the fullness and accuracy of the Company's

## **Table of Contents**

financial statements and any other matters that the Committee or the independent auditor believe should be discussed privately.

### **2. Financial Statements and Other Disclosures**

a. Review the Company's quarterly and annual financial statements, including any report or opinion by the independent auditor, prior to distribution to the public or filing with the SEC.

b. Review the Company's Forms 10-Q, 10-K, and where appropriate, registration statements under the Securities Act of 1933 prior to filing with the SEC and discuss with management and the independent auditor.

c. Discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies. This review may be general (i.e., the types of information to be disclosed and the type of presentations to be made).

d. In connection with the review of the Company's quarterly and annual financial statements, discuss with management and the independent auditor:

(i) The Company's selection, application and disclosure of critical accounting policies and any significant changes or proposed changes in the Company's critical accounting policies, accounting or financial reporting that may have a significant impact on the Company.

(ii) All estimates or judgments made in connection with the preparation of the financial statements and the reasonableness of significant judgments.

(iii) The independent auditor's judgments about the quality and appropriateness of the company's accounting principles.

(iv) Complex or unusual transactions.

(v) Analyses of the effects of alternative GAAP methods on the financial statements that have been discussed with management, the ramifications of each alternative and the treatment preferred by the independent auditor.

(vi) The effect of legal, regulatory or accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.

(vii) The clarity of disclosures in the Company's financial statements.

(viii) Any significant disagreements between management and the independent auditor.

e. In connection with the review of the company's annual financial statements:

(i) Review with management and the independent auditor the results of the audit, including any difficulties encountered. This review will include any restrictions on the scope of the independent auditor's activities or on access to requested information.

(ii) Discuss any items required to be communicated by the independent auditor in accordance with SAS 61 to the extent not covered above.

f. In connection with the review of the Company's quarterly financial statements, discuss with the independent auditor and management the results of the independent auditor's SAS 71 review of the quarterly financial statements.

## **Table of Contents**

g. Review any disclosures made by Chief Executive Officer and Chief Financial Officer during the Forms 10-K and 10-Q certification process about significant deficiencies in the design or operation of internal controls or any fraud that involves management or other employees who have a significant role in the Company's internal controls.

### **3. Financial Accounting Process and Internal Control**

a. Discuss with the independent auditor and management their periodic reviews of the adequacy of the Company's accounting and financial reporting processes, including the adequacy of the systems of reporting to the Committee.

b. Discuss any comments or recommendations of the independent auditor outlined in their annual management letter. Approve a schedule for implementing any recommended changes and monitor compliance with the schedule.

c. Review with management and the Chief Financial Officer plans, activities, staffing, and organizational structure of the Company's plan to assess and test the adequacy of its internal controls in accordance with Section 404 of the Sarbanes-Oxley Act of 2002.

d. Understand the scope of the independent auditor's review of the Company's internal controls and obtain reports on significant findings and recommendations, together with management's responses.

### **4. Compliance with Legal, Regulatory and Policy Requirements**

a. Review matters related to the Company's systems for complying with laws and regulations that are significant to the Company's business and review the results of management's investigation and follow-up (including any disciplinary action) of any instances of noncompliance.

b. Establish procedures for: (i) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

c. Review the findings of any examinations by regulatory agencies and any auditor observations.

d. Review the process for communicating the Company's Code of Conduct to Company personnel, and for monitoring compliance therewith.

e. Obtain regular updates from management and Company's legal counsel regarding compliance matters.

f. Review and, if appropriate, approve any transaction described in Item 404 of Article S-K, including without limitation any transaction or series of similar transactions (including the sale or purchase of property, services or goods or the lending or borrowing of money) to which the Company or any of its subsidiaries is a party and in which any of the following persons had, or will have, a direct or indirect interest:

(i) any director or executive officer of the registrant;

(ii) any nominee for election as a director;

(iii) any security holder who is known to the registrant to own of record or beneficially more than five percent of any class of the registrant's voting securities;



## **Table of Contents**

(iv) any member of the immediate family of any of the foregoing persons, defined as such person's spouse; parents; children; siblings; mothers and fathers-in-law; sons and daughters-in-law; and brothers and sisters-in-law;

(v) any business or professional entity in which any director or director nominee is, or during the last fiscal year has been, an executive officer or the owner, of record or beneficially, of a greater than 10% equity interest; or

(vi) any law firm or investment banking firm in which any director or director nominee is a partner or executive officer.

Notwithstanding the foregoing, no approval shall be required for any transaction involving amounts less than \$60,000 unless (a) a director, director nominee or executive officer is a direct party to the transaction or (b) the amount involved in the transaction represents greater than 10% of the consolidated gross revenue of the entity in which the director, director nominee or executive officer has an interest.

## **B. Additional Responsibilities**

1. Regularly report to the Board about Committee activities and issues that arise with respect to the Committee's oversight responsibilities.
2. Establish and maintain an open avenue of communication between management, the independent auditors, and the Board.
3. Report annually to the shareholders in the Annual Report, describing the Committee's composition, responsibilities and how they were discharged, and any other information required by applicable rules and regulations, including approval of non-audit services.
4. Review any other reports the Company issues that relate to Committee responsibilities.
5. Discuss with management the Company's major policies with respect to risk assessment and risk management.
7. Review and assess the adequacy of the Committee Charter annually, requesting Board approval for any proposed changes, and ensure appropriate disclosure as may be required by applicable laws or regulations.
8. Confirm annually that all responsibilities outlined in this Charter have been carried out.
9. Evaluate the Committee's performance on an annual basis.

## **C. AUTHORITY**

In carrying out its responsibilities, the Committee shall have the following authority:

1. Resolve any disagreements between management and the independent auditor regarding financial reporting.
2. Conduct such investigations as it sees appropriate.
3. Retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation.
4. Require the Company to provide for appropriate funding, as determined by the Committee, for payment of:
  - a. compensation to any registered public accounting firm engaged for the purpose of

**Table of Contents**

preparing or issuing an audit report or performing other audit, review or attest services for the listed issuer;

b. compensation to any advisers employed by the audit committee under paragraph (b)(4) of this section; and

c. ordinary administrative expenses of the audit committee that are necessary or appropriate in carrying out its duties.

5. Seek any information it requires from employees all of whom are directed to cooperate with the Committee's requests or external parties.

6. Meet with Company officers, independent auditor, or outside counsel, as necessary.

7. The Committee may delegate authority to subcommittees, including the authority to pre-approve all auditing and permitted non-audit services, provided that such decisions are presented to the full Committee at its next scheduled meeting.

A-6

---

**Table of Contents**

APPENDIX B

**THE AMENDED AND RESTATED 2004 CNET NETWORKS, INC. INCENTIVE STOCK**

**AWARD PLAN**

CNET Networks, Inc., a Delaware corporation, has adopted The Amended and Restated 2004 CNET Networks, Inc. Incentive Stock Award Plan (the Plan ), effective May \_\_, 2006, for the benefit of its eligible employees, consultants and directors.

The purposes of the Plan are as follows:

- (1) To provide an additional incentive for directors, key Employees and Consultants (as such terms are defined below) to further the growth, development and financial success of the Company and its Subsidiaries by personally benefiting through the ownership of Company stock and/or rights which recognize such growth, development and financial success.
- (2) To enable the Company and its Subsidiaries to obtain and retain the services of directors, key Employees and Consultants considered essential to the long range success of the Company by offering them an opportunity to own stock in the Company and/or rights which will reflect the growth, development and financial success of the Company.

**ARTICLE I.**

**DEFINITIONS**

Wherever the following terms are used in the Plan they shall have the meanings specified below, unless the context clearly indicates otherwise. The singular pronoun shall include the plural where the context so indicates.

- 1.1. Administrator shall mean the entity that conducts the general administration of the Plan as provided herein. With reference to the administration of the Plan with respect to Options granted to Non-Employee Directors, the term Administrator shall refer to the Board. With reference to the administration of the Plan with respect to any other Award, the term Administrator shall refer to the Committee unless the Board has assumed the authority for administration of the Plan generally as provided in Section 10.1.
- 1.2. Award shall mean an Option, a Restricted Stock award, a Performance Award, a Deferred Stock award, a Stock Payment award or a Stock Appreciation Right which may be awarded or granted under the Plan (collectively, Awards ).
- 1.3. Award Agreement shall mean a written agreement executed by an authorized officer of the Company and the Holder which shall contain such terms and conditions with respect to an Award as the Administrator shall determine, consistent with the Plan.
- 1.4. Award Limit shall mean 2,500,000 shares of Common Stock, as adjusted pursuant to Section 11.4 *provided, however*, that solely with respect to Performance Awards granted pursuant to Section 8.2(b) Award Limit shall mean \$2,500,000.
- 1.5. Board shall mean the Board of Directors of the Company.
- 1.6. Change in Control shall mean the occurrence of any of the following events:
  - (i) the acquisition, directly or indirectly, by any person or group (as those terms are defined in Sections 3(a)(9), 13(d), and 14(d) of the Exchange Act and the rules thereunder) of beneficial ownership (as determined pursuant to Rule 13d-3 under the Exchange Act) of securities entitled to vote generally in the election of directors ( voting securities ) of the Company that represent 50% or

**Table of Contents**

more of the combined voting power of the Company's then outstanding voting securities, other than

(A) an acquisition by a trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company or by any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company, or

(B) an acquisition of voting securities by the Company or a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of the stock of the Company, or

(C) an acquisition of voting securities pursuant to a transaction described in clause (iii) below that would not be a Change in Control under clause (iii);

Notwithstanding the foregoing, neither of the following events shall constitute an acquisition by any person or group for purposes of this clause (i): (x) a change in the voting power of the Company's voting securities based on the relative trading values of the Company's then outstanding securities as determined pursuant to the Company's Certificate of Incorporation, or (y) an acquisition of the Company's securities by the Company which, either alone or in combination only with the other event, causes the Company's voting securities beneficially owned by a person or group to represent 50% or more of the combined voting power of the Company's then outstanding voting securities; *provided, however*, that if a person or group shall become the beneficial owner of 50% or more of the combined voting power of the Company's then outstanding voting securities by reason of share acquisitions by the Company as described above and shall, after such share acquisitions by the Company, become the beneficial owner of any additional voting securities of the Company, then such acquisition shall constitute a Change in Control;

(ii) individuals who, as of the date hereof, constitute the Board (the Incumbent Board) cease for any reason to constitute at least a majority of the Board; *provided, however*, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board;

(iii) the consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company's assets or (z) the acquisition of assets or stock of another entity, in each case, other than a transaction

(A) which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls,

## Table of Contents

directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the Successor Entity ) directly or indirectly, at least 50% of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

(B) after which more than 50% of the members of the board of directors of the Successor Entity were members of the Incumbent Board at the time of the Board's approval of the agreement providing for the transaction or other action of the Board approving the transaction, and

(C) after which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; *provided, however*, that no person or group shall be treated for purposes of this clause (C) as beneficially owning 50% or more of combined voting power of the Successor Entity solely as a result of the voting power held in the Company and the other entity prior to the consummation of the transaction; or

(iv) a liquidation or dissolution of the Company.

For purposes of clause (i) above, the calculation of voting power shall be made as if the date of the acquisition were a record date for a vote of the Company's shareholders, and for purposes of clause (iii) above, the calculation of voting power shall be made as if the date of the consummation of the transaction were a record date for a vote of the Company's shareholders.

1.7. Code shall mean the Internal Revenue Code of 1986, as amended.

1.8. Committee shall mean the Compensation Committee of the Board, or another committee or subcommittee of the Board, appointed as provided in Section 10.1.

1.9. Common Stock shall mean the common stock of the Company, par value \$ .0001 per share.

1.10. Company shall mean CNET Networks, Inc., a Delaware corporation.

1.11. Consultant shall mean any consultant or adviser if (i) the consultant or adviser renders bona fide services to the Company or any Subsidiary; (ii) the services rendered by the consultant or adviser are not in connection with the offer or sale of securities in a capital-raising transaction and do not directly or indirectly promote or maintain a market for the Company's securities; and (iii) the consultant or adviser is a natural person who has contracted directly with the Company or any Subsidiary to render such services.

1.12. Deferred Stock shall mean Common Stock awarded under Article VIII of the Plan.

1.13. Director shall mean a member of the Board.

1.14. DRO shall mean a domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder.

---

**Table of Contents**

1.15. Employee shall mean any officer or other employee (as defined in accordance with Section 3401(c) of the Code) of the Company or any Subsidiary.

1.16. Exchange Act shall mean the Securities Exchange Act of 1934, as amended.

1.17. Fair Market Value of a share of Common Stock as of a given date shall be (a) the closing price of a share of Common Stock on the principal exchange on which shares of Common Stock are then trading, if any (or as reported on any composite index which includes such principal exchange), on such date or, if such date is not a trading day, the most recent trading day previous to such date, or (b) if Common Stock is not traded on an exchange but is quoted on Nasdaq or a successor quotation system, the closing price for the Common Stock on such date or, if such date is not a trading day, the most recent trading day previous to such date as reported by Nasdaq or such successor quotation system, or (c) if Common Stock is not publicly traded on an exchange and not quoted on Nasdaq or a successor quotation system, the Fair Market Value of a share of Common Stock as determined by the Administrator.

1.18. Holder shall mean a person who has been granted or awarded an Award.

1.19. Incentive Stock Option shall mean an option which conforms to the applicable provisions of Section 422 of the Code and which is designated as an Incentive Stock Option by the Administrator.

1.20. Non-Employee Director shall mean a member of the Board who is not an Employee of the Company.

1.21. Non-Qualified Stock Option shall mean an Option which is not designated as an Incentive Stock Option by the Administrator.

1.22. Option shall mean a stock option granted under Article IV of the Plan. An Option granted under the Plan shall, as determined by the Administrator, be either a Non-Qualified Stock Option or an Incentive Stock Option; *provided, however*, that Options granted to Non-Employee Directors and Consultants shall be Non-Qualified Stock Options.

1.23. Performance Award shall mean a cash bonus, stock bonus or other performance or incentive award that is paid in cash, Common Stock or a combination of both, awarded under Article VIII of the Plan.

1.24. Performance Criteria shall mean the following business criteria with respect to the Company, any Subsidiary or any division or operating unit thereof: (a) net income, (b) pre-tax income, (c) operating income, (d) after-tax cash flow, (e) earnings per share, (f) return on equity, (g) return on invested capital or assets, (h) cost reductions or savings, (i) funds from operations, (j) appreciation in the Fair Market Value of a share of Common Stock, (k) operating profit, (l) working capital and (m) earnings before any one or more of the following items: interest, taxes, depreciation or amortization or similar non-recurring items or adjustments; provided that each of the business criteria described in subsections (a) through (m) shall be determined in accordance with generally accepted accounting principles ( GAAP ).

1.25. Plan shall mean The Amended and Restated 2004 CNET Networks, Inc. Incentive Stock Award Plan.

1.26. Restricted Stock shall mean Common Stock awarded under Article VII of the Plan.

1.27. Rule 16b-3 shall mean Rule 16b-3 promulgated under the Exchange Act, as such Rule may be amended from time to time.

## **Table of Contents**

1.28. Section 162(m) Participant shall mean any key Employee designated by the Administrator as a key Employee whose compensation for the fiscal year in which the key Employee is so designated or a future fiscal year may be subject to the limit on deductible compensation imposed by Section 162(m) of the Code.

1.29. Securities Act shall mean the Securities Act of 1933, as amended.

1.30. Stock Appreciation Right shall mean a stock appreciation right granted under Article IX of the Plan.

1.31. Stock Payment shall mean (a) a payment in the form of shares of Common Stock, or (b) an option or other right to purchase shares of Common Stock, as part of a deferred compensation arrangement, made in lieu of all or any portion of the compensation, including without limitation, salary, bonuses and commissions, that would otherwise become payable to a key Employee or Consultant in cash, awarded under Article VIII of the Plan.

1.32. Subsidiary shall mean any subsidiary corporation within the meaning of Code Section 424(f) or any other entity of which a majority of the outstanding voting stock or voting power is beneficially owned directly or indirectly by the Company.

1.33. Substitute Award shall mean an Option granted under this Plan upon the assumption of, or in substitution for, outstanding equity awards previously granted by a company or other entity in connection with a corporate transaction, such as a merger, combination, consolidation or acquisition of property or stock; *provided, however*, that in no event shall the term Substitute Award be construed to refer to an award made in connection with the cancellation and repricing of an Option.

1.34. Termination of Consultancy shall mean the time when the engagement of a Holder as a Consultant to the Company or a Subsidiary is terminated for any reason, with or without cause, including, but not by way of limitation, by resignation, discharge, death or retirement, but excluding terminations where there is a simultaneous commencement of employment with the Company or any Subsidiary. The Administrator, in its absolute discretion, shall determine the effect of all matters and questions relating to Termination of Consultancy, including, but not by way of limitation, the question of whether a Termination of Consultancy resulted from a discharge for good cause, and all questions of whether a particular leave of absence constitutes a Termination of Consultancy. Notwithstanding any other provision of the Plan, the Company or any Subsidiary has an absolute and unrestricted right to terminate a Consultant's service at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise in writing.

1.35. Termination of Directorship shall mean the time when a Holder who is a Non-Employee Director ceases to be a Director for any reason, including, but not by way of limitation, a termination by resignation, failure to be elected, removal, death or retirement. The Board, in its sole and absolute discretion, shall determine the effect of all matters and questions relating to Termination of Directorship with respect to Non-Employee Directors.

1.36. Termination of Employment shall mean the time when the employee-employer relationship between a Holder and the Company or any Subsidiary is terminated for any reason, with or without cause, including, but not by way of limitation, a termination by resignation, discharge, death, disability or retirement; but excluding (a) terminations where there is a simultaneous reemployment or continuing employment of a Holder by the Company or any Subsidiary, (b) at the discretion of the Administrator, terminations which result in a temporary severance of the employee-employer relationship, and (c) at the discretion of the Administrator, terminations which are followed by the simultaneous establishment of a consulting relationship by the Company or a Subsidiary with the former employee. The Administrator, in its absolute discretion, shall determine the effect of all matters and questions relating to Termination of Employment, including, but not by way of limitation, the question of whether a Termination of

## **Table of Contents**

Employment resulted from a discharge for good cause, and all questions of whether a particular leave of absence constitutes a Termination of Employment; *provided, however*, that, with respect to Incentive Stock Options, unless otherwise determined by the Administrator in its discretion, a leave of absence, change in status from an employee to an independent contractor or other change in the employee-employer relationship shall constitute a Termination of Employment if, and to the extent that, such leave of absence, change in status or other change interrupts employment for the purposes of Section 422(a)(2) of the Code and the then applicable regulations and revenue rulings under said Section.

## **ARTICLE II.**

### **SHARES SUBJECT TO PLAN**

#### **2.1. Shares Subject to Plan.**

(a) The shares of stock subject to Awards shall be Common Stock, initially shares of the Company's Common Stock. Subject to adjustment as provided in Section 11.4, the aggregate number of such shares which may be issued with respect to Awards granted under the Plan shall not exceed 12,600,000 shares. Any shares of Stock issued on the exercise of Options or SARs shall be counted against this limit as one (1) share for every one (1) share issued and any shares issued in connection with Awards other than Options and SARs shall be counted against this limit as 1.8 shares for every one (1) share issued.

(b) The maximum number of shares which may be subject to Awards granted under the Plan to any individual in any calendar year shall not exceed the Award Limit. To the extent required by Section 162(m) of the Code, shares subject to Options which are canceled continue to be counted against the Award Limit.

**2.2. Add-back of Options and Other Rights.** If any Option, or other right to acquire shares of Common Stock under any other Award under the Plan, expires or is canceled without having been fully exercised, or is exercised in whole or in part for cash as permitted by the Plan, the number of shares subject to such Option or other right but as to which such Option or other right was not exercised prior to its expiration, cancellation or exercise may again be optioned, granted or awarded hereunder, subject to the limitations of Section 2.1. Furthermore, any shares subject to Awards which are adjusted pursuant to Section 11.4 and become exercisable with respect to shares of stock of another corporation shall be considered cancelled and may again be optioned, granted or awarded hereunder, subject to the limitations of Section 2.1. If any shares of Restricted Stock are surrendered by the Holder or repurchased by the Company at their original purchase price pursuant to Section 7.4 or 7.5 hereof, such shares may again be optioned, granted or awarded hereunder, subject to the limitations of Section 2.1. Stock Appreciation Rights to be settled in shares of Common Stock will be counted in full against the number of shares of Common Stock remaining available for award under the Plan, regardless of the number of shares of Common Stock actually issued upon settlement. Notwithstanding the provisions of this Section 2.2, no shares of Common Stock may again be optioned, granted or awarded if such action would cause an Incentive Stock Option to fail to qualify as an incentive stock option under Section 422 of the Code.

## **ARTICLE III.**

### **GRANTING OF AWARDS**

**3.1. Award Agreement.** Each Award shall be evidenced by an Award Agreement. Award Agreements evidencing Awards intended to qualify as performance-based compensation as described in



## **Table of Contents**

Section 162(m)(4)(C) of the Code shall contain such terms and conditions as may be necessary to meet the applicable provisions of Section 162(m) of the Code. Award Agreements evidencing Incentive Stock Options shall contain such terms and conditions as may be necessary to meet the applicable provisions of Section 422 of the Code.

### **3.2. Provisions Applicable to Section 162(m) Participants.**

(a) The Committee, in its discretion, may determine whether an Award is to qualify as performance-based compensation as described in Section 162(m)(4)(C) of the Code.

(b) Notwithstanding anything in the Plan to the contrary, the Committee may grant any Award to a Section 162(m) Participant, including Restricted Stock the restrictions with respect to which lapse upon the attainment of performance goals which are related to one or more of the Performance Criteria and any performance or incentive award described in Article VIII that vests or becomes exercisable or payable upon the attainment of performance goals which are related to one or more of the Performance Criteria.

(c) To the extent necessary to comply with the performance-based compensation requirements of Section 162(m)(4)(C) of the Code, with respect to any Award granted under Articles VII and VIII which may be granted to one or more Section 162(m) Participants, no later than ninety (90) days following the commencement of any fiscal year in question or any other designated fiscal period or period of service (or such other time as may be required or permitted by Section 162(m) of the Code), the Committee shall, in writing, (i) designate one or more Section 162(m) Participants, (ii) select the Performance Criteria applicable to the fiscal year or other designated fiscal period or period of service, (iii) establish the various performance targets, in terms of an objective formula or standard, and amounts of such Awards, as applicable, which may be earned for such fiscal year or other designated fiscal period or period of service, and (iv) specify the relationship between Performance Criteria and the performance targets and the amounts of such Awards, as applicable, to be earned by each Section 162(m) Participant for such fiscal year or other designated fiscal period or period of service. Following the completion of each fiscal year or other designated fiscal period or period of service, the Committee shall certify in writing whether the applicable performance targets have been achieved for such fiscal year or other designated fiscal period or period of service. In determining the amount earned by a Section 162(m) Participant, the Committee shall have the right to reduce (but not to increase) the amount payable at a given level of performance to take into account additional factors that the Committee may deem relevant to the assessment of individual or corporate performance for the fiscal year or other designated fiscal period or period of service.

(d) Furthermore, notwithstanding any other provision of the Plan or any Award which is granted to a Section 162(m) Participant and is intended to qualify as performance-based compensation as described in Section 162(m)(4)(C) of the Code shall be subject to any additional limitations set forth in Section 162(m) of the Code (including any amendment to Section 162(m) of the Code) or any regulations or rulings issued thereunder that are requirements for qualification as performance-based compensation as described in Section 162(m)(4)(C) of the Code, and the Plan shall be deemed amended to the extent necessary to conform to such requirements.

**3.3. Limitations Applicable to Section 16 Persons.** Notwithstanding any other provision of the Plan, the Plan, and any Award granted or awarded to any individual who is then subject to Section 16 of the Exchange Act, shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are

## **Table of Contents**

requirements for the application of such exemptive rule. To the extent permitted by applicable law, the Plan and Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

3.4. **Consideration.** In consideration of the granting of an Award under the Plan, the Holder shall agree, in the Award Agreement, to remain in the employ of (or to consult for or to serve as a Director of, as applicable) the Company or any Subsidiary for a period of at least one year (or such shorter period as may be fixed in the Award Agreement or by action of the Administrator following grant of the Award) after the Award is granted (or, in the case of a Non-Employee Director, until the next annual meeting of stockholders of the Company).

3.5. **At-Will Employment.** Nothing in the Plan or in any Award Agreement hereunder shall confer upon any Holder any right to continue in the employ of, or as a Consultant for, the Company or any Subsidiary, or as a director of the Company, or shall interfere with or restrict in any way the rights of the Company and any Subsidiary, which are hereby expressly reserved, to discharge any Holder at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise in a written employment agreement between the Holder and the Company and any Subsidiary.

## **ARTICLE IV.**

### **GRANTING OF OPTIONS TO EMPLOYEES,**

### **CONSULTANTS AND NON-EMPLOYEE DIRECTORS**

4.1. **Eligibility.** Any Employee, Consultant or Director selected by the Committee pursuant to Section 4.4(a)(i) shall be eligible to be granted an Option. Each Non-Employee Director of the Company shall be eligible to be granted Options at the times and in the manner set forth in Section 11.1.

4.2. **Disqualification for Stock Ownership.** No person may be granted an Incentive Stock Option under the Plan if such person, at the time the Incentive Stock Option is granted, owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any then existing Subsidiary or parent corporation (within the meaning of Section 424(e) of the Code) unless such Incentive Stock Option conforms to the applicable provisions of Section 422 of the Code.

4.3. **Qualification of Incentive Stock Options.** No Incentive Stock Option shall be granted to any person who is not an Employee of the Company or a Subsidiary that is a corporation.

4.4. **Granting of Options to Employees, Consultants and Directors.**

(a) The Committee shall from time to time, in its absolute discretion, and subject to applicable limitations of the Plan:

(i) Determine which Employees are key Employees and select from among the key Employees, Consultants or Directors (including Employees, Consultants or Directors who have previously received Awards under the Plan) such of them as in its opinion should be granted Options;

(ii) Subject to the Award Limit, determine the number of shares to be subject to such Options granted to the selected key Employees, Consultants or Directors;

## **Table of Contents**

(iii) Subject to Section 4.3, determine whether such Options are to be Incentive Stock Options or Non-Qualified Stock Options and whether such Options are to qualify as performance-based compensation as described in Section 162(m)(4)(C) of the Code; and

(iv) Determine the terms and conditions of such Options, consistent with the Plan; *provided, however*, that the terms and conditions of Options intended to qualify as performance-based compensation as described in Section 162(m)(4)(C) of the Code shall include, but not be limited to, such terms and conditions as may be necessary to meet the applicable provisions of Section 162(m) of the Code.

(b) Upon the selection of a key Employee, Consultant or Director to be granted an Option, the Committee shall instruct the Secretary of the Company to issue the Option and may impose such conditions on the grant of the Option as it deems appropriate.

(c) Any Incentive Stock Option granted under the Plan may be modified by the Committee, with the consent of the Holder, to disqualify such Option from treatment as an incentive stock option under Section 422 of the Code.

## **ARTICLE V.**

### **TERMS OF OPTIONS**

5.1. **Option Price.** The price per share of the shares subject to each Option granted to Employees, Consultants and Directors shall be set by the Committee; *provided, however*, that such price shall be no less than 100% of the Fair Market Value of a share of Common Stock on the date the Option is granted, and:

(a) In the case of Options intended to qualify as performance-based compensation as described in Section 162(m)(4)(C) of the Code, such price shall not be less than 100% of the Fair Market Value of a share of Common Stock on the date the Option is granted;

(b) In the case of Incentive Stock Options such price shall not be less than 100% of the Fair Market Value of a share of Common Stock on the date the Option is granted (or the date the Option is modified, extended or renewed for purposes of Section 424(h) of the Code); and

(c) In the case of Incentive Stock Options granted to an individual then owning (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company or any Subsidiary or parent corporation thereof (within the meaning of Section 424(e) of the Code), such price shall not be less than 110% of the Fair Market Value of a share of Common Stock on the date the Option is granted (or the date the Option is modified, extended or renewed for purposes of Section 424(h) of the Code).

## **Table of Contents**

5.2. Option Term. The term of an Option granted to an Employee, Consultant or Director shall be set by the Committee in its discretion; *provided, however*, that, in the case of Incentive Stock Options, the term shall not be more than 10 years from the date the Incentive Stock Option is granted, or five years from the date the Incentive Stock Option is granted if the Incentive Stock Option is granted to an individual then owning (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company or any Subsidiary or parent corporation thereof (within the meaning of Section 424(e) of the Code). Except as limited by requirements of Section 422 of the Code and regulations and rulings thereunder applicable to Incentive Stock Options, the Committee may extend the term of any outstanding Option in connection with any Termination of Employment or Termination of Consultancy of the Holder, or amend any other term or condition of such Option relating to such a termination.

### 5.3. Option Vesting.

(a) The period during which the right to exercise, in whole or in part, an Option granted to an Employee or a Consultant vests in the Holder shall be set by the Committee and the Committee may determine that an Option may not be exercised in whole or in part for a specified period after it is granted; *provided, however*, that, unless the Committee otherwise provides in the terms of the Award Agreement or otherwise, no Option shall be exercisable by any Holder who is then subject to Section 16 of the Exchange Act within the period ending six months and one day after the date the Option is granted. At any time after grant of an Option, the Committee may, in its sole and absolute discretion and subject to whatever terms and conditions it selects, accelerate the period during which an Option granted to an Employee or Consultant vests.

(b) No portion of an Option granted to an Employee, Consultant or Director which is unexercisable at Termination of Employment, Termination of Consultancy or Termination of Directorship, as applicable, shall thereafter become exercisable, except as may be otherwise provided in the terms of a written agreement between the Company and the Employee, Consultant, or Director or by the Committee either in the Award Agreement or by action of the Committee following the grant of the Option.

(c) To the extent that the aggregate Fair Market Value of stock with respect to which incentive stock options (within the meaning of Section 422 of the Code, but without regard to Section 422(d) of the Code) are exercisable for the first time by a Holder during any calendar year (under the Plan and all other incentive stock option plans of the Company and any parent or subsidiary corporation, within the meaning of Section 422 of the Code) of the Company, exceeds \$100,000, such Options shall be treated as Non-Qualified Stock Options to the extent required by Section 422 of the Code. The rule set forth in the preceding sentence shall be applied by taking Options into account in the order in which they were granted. For purposes of this Section 5.3(c), the Fair Market Value of stock shall be determined as of the time the Option with respect to such stock is granted.

5.4. Substitute Awards. Notwithstanding the foregoing provisions of this Article V to the contrary, in the case of an Option that is a Substitute Award, the price per share of the shares subject to such Option may be less than the Fair Market Value per share on the date of grant, provided, that the excess of:

(a) The aggregate Fair Market Value (as of the date such Substitute Award is granted) of the shares subject to the Substitute Award; over

## **Table of Contents**

(b) The aggregate exercise price thereof;

does not exceed the excess of:

(c) The aggregate fair market value (as of the time immediately preceding the transaction giving rise to the Substitute Award, such fair market value to be determined by the Committee) of the shares of the predecessor entity that were subject to the grant assumed or substituted for by the Company; over

(d) The aggregate exercise price of such shares.

5.5 Paperless Exercise. In the event that the Company establishes, for itself or using the services of a third party, an automated system for the exercise of Options, such as a system using an internet website or interactive voice response, then the paperless exercise of options by an Employee, Consultant or Director may be permitted through the use of such an automated system.

## **ARTICLE VI.**

### **EXERCISE OF OPTIONS**

6.1. Partial Exercise. An exercisable Option may be exercised in whole or in part. However, an Option shall not be exercisable with respect to fractional shares and the Administrator may require that, by the terms of the Option, a partial exercise be with respect to a minimum number of shares.

6.2. Manner of Exercise. All or a portion of an exercisable Option shall be deemed exercised upon delivery of all of the following to the Secretary of the Company or his or her office:

(a) A written notice complying with the applicable rules established by the Administrator stating that the Option, or a portion thereof, is exercised. The notice shall be signed by the Holder or other person then entitled to exercise the Option or such portion of the Option;

(b) Such representations and documents as the Administrator, in its absolute discretion, deems necessary or advisable to effect compliance with all applicable provisions of the Securities Act and any other federal or state securities laws or regulations. The Administrator may, in its absolute discretion, also take whatever additional actions it deems appropriate to effect such compliance including, without limitation, placing legends on share certificates and issuing stop-transfer notices to agents and registrars;

(c) In the event that the Option shall be exercised pursuant to Section 11.2 by any person or persons other than the Holder, appropriate proof of the right of such person or persons to exercise the Option; and

## **Table of Contents**

(d) Full cash payment to the Secretary of the Company for the shares with respect to which the Option, or portion thereof, is exercised. However, the Administrator may, in its discretion, (i) allow payment, in whole or in part, through the delivery of shares of Common Stock which have been owned by the Holder for at least six months, duly endorsed for transfer to the Company with a Fair Market Value on the date of delivery equal to the aggregate exercise price of the Option or exercised portion thereof; (ii) allow payment, in whole or in part, through the surrender of shares of Common Stock then issuable upon exercise of the Option having a Fair Market Value on the date of Option exercise equal to the aggregate exercise price of the Option or exercised portion thereof; (iii) allow payment, in whole or in part, through the delivery of property of any kind which constitutes good and valuable consideration; (iv) allow payment, in whole or in part, through the delivery of a full recourse promissory note bearing interest (at no less than such rate as shall then preclude the imputation of interest under the Code) and payable upon such terms as may be prescribed by the Administrator; (v) allow payment, in whole or in part, through the delivery of a notice that the Holder has placed a market sell order with a broker with respect to shares of Common Stock then issuable upon exercise of the Option, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the Option exercise price, *provided*, that payment of such proceeds is then made to the Company upon settlement of such sale; or (vi) allow payment through any combination of the consideration provided in the foregoing subparagraphs (i), (ii), (iii), (iv) and (v). In the case of a promissory note, the Administrator may also prescribe the form of such note and the security to be given for such note. The Option may not be exercised, however, by delivery of a promissory note or by a loan from the Company when or where such loan or other extension of credit is prohibited by law, and payment in the manner prescribed by the preceding sentences shall not be permitted to the extent that the Administrator determines that payment in such manner may result in an extension or maintenance of credit, an arrangement for the extension of credit, or a renewal of an extension of credit in the form of a personal loan to or for any Director or executive officer of the Company that is prohibited by Section 13(k) of the Exchange Act or other applicable law.

6.3. Conditions to Issuance of Stock Certificates. The Company shall not be required to issue or deliver any certificate or certificates for shares of stock purchased upon the exercise of any Option or portion thereof prior to fulfillment of all of the following conditions:

- (a) The admission of such shares to listing on all stock exchanges on which such class of stock is then listed;
- (b) The completion of any registration or other qualification of such shares under any state or federal law, or under the rulings or regulations of the Securities and Exchange Commission or any other governmental regulatory body which the Administrator shall, in its absolute discretion, deem necessary or advisable;
- (c) The obtaining of any approval or other clearance from any state or federal governmental agency which the Administrator shall, in its absolute discretion, determine to be necessary or advisable;
- (d) The lapse of such reasonable period of time following the exercise of the Option as the Administrator may establish from time to time for reasons of administrative convenience; and
- (e) The receipt by the Company of full payment for such shares, including payment of any applicable withholding tax, which in the discretion of the Administrator may be in the form of consideration used by the Holder to pay for such shares under Section 6.2(d).

## **Table of Contents**

6.4. Rights as Stockholders. Holders shall not be, nor have any of the rights or privileges of, stockholders of the Company in respect of any shares purchasable upon the exercise of any part of an Option unless and until certificates representing such shares have been issued by the Company to such Holders and, except as otherwise provided herein, no adjustments shall be made for dividends or distributions of other rights for which the record date is prior to the date such certificates are issued.

6.5. Exercise, Ownership and Transfer Restrictions. The Administrator, in its absolute discretion, may impose such restrictions on the exercise of an Option and the ownership and transferability of the shares purchasable upon the exercise of an Option as it deems appropriate. Any such restriction shall be set forth in the respective Award Agreement and may be referred to on the certificates evidencing such shares. The Holder shall give the Company prompt notice of any disposition of shares of Common Stock acquired by exercise of an Incentive Stock Option within (a) two years from the date of granting (including the date the Option is modified, extended or renewed for purposes of Section 424(h) of the Code) such Option to such Holder, or (b) one year after the transfer of such shares to such Holder.

6.6. Additional Limitations on Exercise of Options. Holders may be required to comply with any timing or other restrictions with respect to the settlement or exercise of an Option, or the sale of the shares of Common Stock acquired upon such exercise, including without limitation a window-period limitation, as may be imposed in the discretion of the Administrator or similar policies of the Company.

## **ARTICLE VII.**

### **AWARD OF RESTRICTED STOCK**

7.1. Eligibility. Subject to the Award Limit, Restricted Stock may be awarded to any Employee whom the Committee determines is a key Employee or any Consultant or Director who the Committee determines should receive such an Award.

7.2. Award of Restricted Stock.

(a) The Committee may from time to time, in its absolute discretion:

(i) Determine which Employees are key Employees and select from among the key Employees, Consultants or Directors (including Employees, Consultants or Directors who have previously received other awards under the Plan) such of them as in its opinion should be awarded Restricted Stock; *provided, however*, that any awards of Restricted Stock to Non-Employee Directors shall be determined by the Corporate Governance and Nomination Committee, or any successor committee thereto carrying out its responsibilities on the date of the granting of any Award; and

(ii) Determine the purchase price, if any, and other terms and conditions applicable to such Restricted Stock, consistent with the Plan.

(b) The Committee shall establish the purchase price, if any, and form of payment for Restricted Stock; *provided, however*, that such purchase price shall be no less than the par value of the

## **Table of Contents**

Common Stock to be purchased, unless otherwise permitted by applicable state law. In all cases, legal consideration shall be required for each issuance of Restricted Stock.

(c) Upon the selection of a key Employee, Consultant or Director to be awarded Restricted Stock, the Committee shall instruct the Secretary of the Company to issue such Restricted Stock and may impose such conditions on the issuance of such Restricted Stock as it deems appropriate.

7.3. Rights as Stockholders. Subject to Section 7.4, upon delivery of the shares of Restricted Stock to the escrow holder pursuant to Section 7.6, the Holder shall have, unless otherwise provided by the Committee, all the rights of a stockholder with respect to said shares, subject to the restrictions in his or her Award Agreement, including the right to receive all dividends and other distributions paid or made with respect to the shares; *provided, however*, that in the discretion of the Committee, any extraordinary distributions with respect to the Common Stock shall be subject to the restrictions set forth in Section 7.4.

7.4. Restriction. All shares of Restricted Stock issued under the Plan (including any shares received by holders thereof with respect to shares of Restricted Stock as a result of stock dividends, stock splits or any other form of recapitalization) shall, in the terms of each individual Award Agreement, be subject to such restrictions as the Committee shall provide, which restrictions may include, without limitation, restrictions concerning voting rights and transferability and restrictions based on duration of employment with the Company, Company performance and individual performance; *provided, however*, that, the period during which the Restricted Stock is subject to such restrictions shall be for a period of at least three years from the date the Restricted Stock is awarded, or for a period of at least one year if such restrictions are based on company performance; *provided, further*, that, unless the Committee otherwise provides in the terms of the Award Agreement or otherwise, no share of Restricted Stock granted to a person subject to Section 16 of the Exchange Act shall be sold, assigned or otherwise transferred until at least six months and one day have elapsed from the date on which the Restricted Stock was issued; and *provided, further*, that, except with respect to shares of Restricted Stock granted to Section 162(m) Participants, by action taken after the Restricted Stock is issued, the Committee may, on such terms and conditions as it may determine to be appropriate, remove any or all of the restrictions imposed by the terms of the Award Agreement. Restricted Stock may not be sold or encumbered until all restrictions are terminated or expire. If no consideration was paid by the Holder upon issuance, a Holder's rights in unvested Restricted Stock shall lapse, and such Restricted Stock shall be surrendered to the Company without consideration, upon Termination of Employment or, if applicable, upon Termination of Consultancy with the Company.

7.5. Repurchase of Restricted Stock. The Committee shall provide in the terms of each individual Award Agreement that the Company shall have the right to repurchase from the Holder the Restricted Stock then subject to restrictions under the Award Agreement immediately upon a Termination of Employment or, if applicable, upon a Termination of Consultancy between the Holder and the Company, at a cash price per share equal to the price paid by the Holder for such Restricted Stock.

7.6. Escrow. The Secretary of the Company or such other escrow holder as the Committee may appoint shall retain physical custody of each certificate representing Restricted Stock until all of the restrictions imposed under the Award Agreement with respect to the shares evidenced by such certificate expire or shall have been removed.

7.7. Legend. In order to enforce the restrictions imposed upon shares of Restricted Stock hereunder, the Committee shall cause a legend or legends to be placed on certificates representing all shares of Restricted Stock that are still subject to restrictions under Award Agreements, which legend or legends shall make appropriate reference to the conditions imposed thereby.



## **Table of Contents**

7.8. **Section 83(b) Election.** If a Holder makes an election under Section 83(b) of the Code, or any successor section thereto, to be taxed with respect to the Restricted Stock as of the date of transfer of the Restricted Stock rather than as of the date or dates upon which the Holder would otherwise be taxable under Section 83(a) of the Code, the Holder shall deliver a copy of such election to the Company immediately after filing such election with the Internal Revenue Service.

## **ARTICLE VIII.**

### **PERFORMANCE AWARDS, DEFERRED STOCK, STOCK PAYMENTS**

8.1. **Eligibility.** Subject to the Award Limit, one or more Performance Awards, awards of Deferred Stock and/or Stock Payments may be granted to any Employee whom the Committee determines is a key Employee or any Consultant or Director whom the Committee determines should receive such an Award.

#### **8.2. Performance Awards.**

(a) Any key Employee, Consultant or Director selected by the Committee may be granted one or more Performance Awards. The value of such Performance Awards may be linked to any one or more of the Performance Criteria or other specific performance criteria determined appropriate by the Committee, in each case on a specified date or dates or over any period or periods determined by the Committee. In making such determinations, the Committee shall consider (among such other factors as it deems relevant in light of the specific type of award) the contributions, responsibilities and other compensation of the particular key Employee, Consultant or Director.

(b) Without limiting Section 8.2(a), the Committee may grant Performance Awards to any 162(m) Participant in the form of a cash bonus payable upon the attainment of objective performance goals which are established by the Committee and relate to one or more of the Performance Criteria, in each case on a specified date or dates or over any period or periods determined by the Committee. Any such bonuses paid to 162(m) Participants shall be based upon objectively determinable bonus formulas established in accordance with the provisions of Section 3.2. The maximum amount of any Performance Award payable to a 162(m) Participant under this Section 8.2(b) shall not exceed the Award Limit with respect to any fiscal year of the Company. Unless otherwise specified by the Committee at the time of grant, the Performance Criteria with respect to a Performance Award payable to a 162(m) Participant shall be determined on the basis of GAAP.

8.3. **Stock Payments.** Any key Employee, Consultant or Director selected by the Committee may receive Stock Payments in the manner determined from time to time by the Committee. The number of shares shall be determined by the Committee and may be based upon the Performance Criteria or other specific performance criteria determined appropriate by the Committee, determined on the date such Stock Payment is made or on any date thereafter.

8.4. **Deferred Stock.** Any key Employee, Consultant or Director selected by the Committee may be granted an award of Deferred Stock in the manner determined from time to time by the Committee. The number of shares of Deferred Stock shall be determined by the Committee and may be linked to the Performance Criteria or other specific performance criteria determined to be appropriate by the Committee, in each case on a specified date or dates or over any period or periods determined by the Committee. Common Stock underlying a Deferred Stock award will not be issued until the Deferred Stock award has vested, pursuant to a vesting schedule or Performance Criteria set by the Committee. Unless otherwise

## **Table of Contents**

provided by the Committee, a Holder of Deferred Stock shall have no rights as a Company stockholder with respect to such Deferred Stock until such time as the Award has vested and the Common Stock underlying the Award has been issued.

8.5. Term. The term of a Performance Award, award of Deferred Stock and/or Stock Payment shall be set by the Committee in its discretion.

8.6. Exercise or Purchase Price. The Committee may establish the exercise or purchase price of a Performance Award, shares of Deferred Stock or shares received as a Stock Payment; *provided, however*, that such price shall not be less than the par value of a share of Common Stock, unless otherwise permitted by applicable state law.

8.7. Exercise Upon Termination of Employment, Termination of Consultancy or Termination of Directorship. A Performance Award, award of Deferred Stock and/or Stock Payment is exercisable or payable only while the Holder is an Employee, Consultant or Director, as applicable; *provided, however*, that the Administrator in its sole and absolute discretion may provide that the Performance Award, award of Deferred Stock and/or Stock Payment may be exercised or paid subsequent to a Termination of Employment following a change of control or ownership (within the meaning of Section 1.162-27(e)(2)(v) or any successor regulation thereto) of the Company; *provided, further*, that, except with respect to Performance Awards granted to Section 162(m) Participants, the Administrator in its sole and absolute discretion may provide that Performance Awards may be exercised or paid following a Termination of Employment, a Termination of Consultancy or a Termination of Directorship without cause, or following a Change in Control of the Company, or because of the Holder's retirement, death or disability, or otherwise.

8.8. Form of Payment. Payment of the amount determined under Section 8.2 above shall be in cash, in Common Stock or a combination of both, as determined by the Committee. To the extent any payment under this Article VIII is effected in Common Stock, it shall be made subject to satisfaction of all provisions of Section 6.3.

## **ARTICLE IX.**

### **STOCK APPRECIATION RIGHTS**

9.1. Grant of Stock Appreciation Rights. A Stock Appreciation Right may be granted to any key Employee, Consultant or Director selected by the Committee. A Stock Appreciation Right may be granted (a) in connection and simultaneously with the grant of an Option, (b) with respect to a previously granted Option, or (c) independent of an Option. A Stock Appreciation Right shall be subject to such terms and conditions not inconsistent with the Plan as the Committee shall impose and shall be evidenced by an Award Agreement.

9.2. Coupled Stock Appreciation Rights.

(a) A Coupled Stock Appreciation Right (CSAR) shall be related to a particular Option and shall be exercisable only when and to the extent the related Option is exercisable.

(b) A CSAR may be granted to the Holder for no more than the number of shares subject to the simultaneously or previously granted Option to which it is coupled.

(c) A CSAR shall entitle the Holder (or other person entitled to exercise the Option pursuant to the Plan) to surrender to the Company unexercised a portion of the Option to which the CSAR relates

## **Table of Contents**

(to the extent then exercisable pursuant to its terms) and to receive from the Company in exchange therefor an amount determined by multiplying the difference obtained by subtracting the Option exercise price from the Fair Market Value of a share of Common Stock on the date of exercise of the CSAR by the number of shares of Common Stock with respect to which the CSAR shall have been exercised, subject to any limitations the Committee may impose.

### **9.3. Independent Stock Appreciation Rights.**

(a) An Independent Stock Appreciation Right ( ISAR ) shall be unrelated to any Option and shall have a term set by the Committee. An ISAR shall be exercisable in such installments as the Committee may determine. An ISAR shall cover such number of shares of Common Stock as the Committee may determine; *provided, however*, that unless the Committee otherwise provides in the terms of the ISAR or otherwise, no ISAR granted to a person subject to Section 16 of the Exchange Act shall be exercisable until at least six months have elapsed from (but excluding) the date on which the Option was granted. The exercise price per share of Common Stock subject to each ISAR shall be set by the Committee. An ISAR is exercisable only while the Holder is an Employee or Consultant; *provided*, that the Committee may determine that the ISAR may be exercised subsequent to Termination of Employment, Termination of Consultancy or Termination of Directorship without cause, or following a Change in Control of the Company, or because of the Holder's retirement, death or disability, or otherwise.

(b) An ISAR shall entitle the Holder (or other person entitled to exercise the ISAR pursuant to the Plan) to exercise all or a specified portion of the ISAR (to the extent then exercisable pursuant to its terms) and to receive from the Company an amount determined by multiplying the difference obtained by subtracting the exercise price per share of the ISAR from the Fair Market Value of a share of Common Stock on the date of exercise of the ISAR by the number of shares of Common Stock with respect to which the ISAR shall have been exercised, subject to any limitations the Committee may impose.

### **9.4. Payment and Limitations on Exercise.**

(a) Payment of the amounts determined under Section 9.2(c) and 9.3(b) above shall be in cash, in Common Stock (based on its Fair Market Value as of the date the Stock Appreciation Right is exercised) or a combination of both, as determined by the Committee. To the extent such payment is effected in Common Stock it shall be made subject to satisfaction of all provisions of Section 6.3 above pertaining to Options.

(b) Holders of Stock Appreciation Rights may be required to comply with any timing or other restrictions with respect to the settlement or exercise of a Stock Appreciation Right, including a window-period limitation, as may be imposed in the discretion of the Committee.

## **Table of Contents**

### **ARTICLE X.**

#### **ADMINISTRATION**

10.1. Compensation Committee. The Compensation Committee (or another committee or a subcommittee of the Board assuming the functions of the Committee under the Plan) shall consist solely of two or more Non-Employee Directors appointed by and holding office at the pleasure of the Board, each of whom is both a non-employee director as defined by Rule 16b-3 and an outside director for purposes of Section 162(m) of the Code.

10.2. Duties and Powers of Committee. It shall be the duty of the Committee to conduct the general administration of the Plan in accordance with its provisions. The Committee shall have the power to interpret the Plan and the Award Agreements, to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith, and to interpret, amend or revoke any such rules. Interpretations and rules with respect to Incentive Stock Options shall be consistent with the provisions of Section 422 of the Code. The Committee shall also have the power to amend any Award Agreement provided that the rights or obligations of the Holder of the Award that is the subject of any such Award Agreement are not affected adversely; *provided, however*, that without the approval of the stockholders of the Company, neither the Committee nor the Board shall authorize the amendment of any outstanding Option or SAR to reduce its exercise price. Notwithstanding anything contained herein, no Option or SAR shall be canceled and replaced with the grant of an Option or SAR having a lower exercise price without the approval of the stockholders of the Company. Grants or awards under the Plan need not be the same with respect to each Holder. In its absolute discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan except with respect to matters which under Rule 16b-3 or Section 162(m) of the Code, or any regulations or rules issued thereunder, are required to be determined in the sole discretion of the Committee. Notwithstanding the foregoing, the full Board, acting by a majority of its members in office, shall conduct the general administration of the Plan with respect to Awards granted to Non-Employee Directors. Any determination made by the Committee or the Board pursuant to this Section 10.2 shall be final, binding and conclusive.

10.3. Committee Activities Governed by Bylaws. The Committee shall notice and convene its meetings, vote and otherwise conduct itself in accordance with the Company's bylaws applicable to committees of the Board, as the same may be amended or modified from time to time in accordance with applicable law.

10.4. Compensation; Professional Assistance; Good Faith Actions. Members of the Committee shall receive such compensation for their services as members as may be determined by the Board. All expenses and liabilities which members of the Committee incur in connection with the administration of the Plan shall be borne by the Company. The Committee may, with the approval of the Board, employ attorneys, consultants, accountants, appraisers, brokers or other persons. The Committee, the Company and the Company's officers and Directors shall be entitled to rely upon the advice, opinions or valuations of any such persons. All actions taken and all interpretations and determinations made by the Committee or the Board in good faith shall be final and binding upon all Holders, the Company and all other interested persons. No members of the Committee or Board shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or Awards, and all members of the Committee and the Board shall be fully protected by the Company in respect of any such action, determination or interpretation.

10.5. Delegation of Authority to Grant Awards. The Committee may, but need not, delegate from time to time some or all of its authority to grant Awards under the Plan to a committee consisting of one or more members of the Committee or of one or more officers of the Company; *provided, however*, that the Committee may not delegate its authority to grant Awards to individuals (a) who are subject on the date of the grant to the reporting rules under Section 16(a) of the Exchange Act, (b) who are Section 162(m) Participants, or (c) who are officers of the Company who are delegated authority by the Committee hereunder. Any delegation hereunder shall be subject to the restrictions and limits that the Committee specifies at the time of such delegation of authority and may be rescinded at any time by the Committee. At all times, any committee appointed under this Section 10.5 shall serve in such capacity at the pleasure of the Committee.

**Table of Contents**

**ARTICLE XI.**

**MISCELLANEOUS PROVISIONS**

11.1. Grants of Awards to Non-Employee Directors. Notwithstanding anything herein to the contrary, the grant of any Award to a Non-Employee Director shall be made by the Board pursuant to a written policy or program determined by the Compensation Committee of the Board, or any successor committee thereto carrying out its responsibilities on the date of grant of any such Award (the Non-Employee Director Equity Compensation Policy ) in its discretion. The Non-Employee Director Equity Compensation Policy shall set forth the type of Award(s) to be granted to Non-Employee Directors, the number of shares of Common Stock to be subject to Non-Employee Director Awards, the conditions on which such Awards shall be granted, become exercisable and/or payable and expire, and such other terms and conditions as the Compensation Committee (or such other successor committee as described above) determines in its discretion.

11.2. Not Transferable.

(a) No Award under the Plan may be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution or, subject to the consent of the Administrator, pursuant to a DRO, unless and until such Award has been exercised, or the shares underlying such Award have been issued, and all restrictions applicable to such shares have lapsed. No Award or interest or right therein shall be liable for the debts, contracts or engagements of the Holder or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence.

(b) During the lifetime of the Holder, only he or she may exercise an Option or other Award (or any portion thereof) granted to him or her under the Plan, unless it has been disposed of with the consent of the Administrator pursuant to a DRO. After the death of the Holder, any exercisable portion of an Option or other Award may, prior to the time when such portion becomes unexercisable under the Plan or the applicable Award Agreement, be exercised by his or her personal representative or by any person empowered to do so under the deceased Holder's will or under the then applicable laws of descent and distribution.

11.3. Amendment, Suspension or Termination of the Plan. Except as otherwise provided in this Section 11.3, the Plan may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Administrator. However, without approval of the Company's stockholders before or after the action by the Administrator, no action of the Administrator may, except as provided in Section 11.4, (a) increase the limits imposed in Section 2.1 on the maximum number of shares which may be issued under the Plan (b) amend any outstanding Option or Stock Appreciation Right to reduce its exercise price or permit the cancellation and replacement of an Option or Stock Appreciation Right with grants having a lower exercise price or (c) result in any other action of the Administrator that would otherwise require approval by the Company's stockholders as a matter of applicable law, regulation or rule. No amendment, suspension or termination of the Plan shall, without the consent of the Holder, alter or impair any rights or obligations under any Award theretofore granted or awarded, unless the Award itself otherwise expressly so provides. No Awards may be granted or awarded during any period of suspension or after termination of the Plan, and in no event may any Award be granted under the Plan after the first to occur of the following events:

(a) The expiration of 10 years from the date the Plan is adopted by the Board; or

## **Table of Contents**

(b) The expiration of 10 years from the date the Plan is approved by the Company's stockholders under Section 11.5

### **11.4. Changes in Common Stock or Assets of the Company, Acquisition or Liquidation of the Company and Other Corporate Events.**

(a) Subject to Section 11.4(e), in the event that the Administrator determines that any dividend or other distribution (whether in the form of cash, Common Stock, other securities or other property), recapitalization, reclassification, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, liquidation, dissolution, or sale, transfer, exchange or other disposition of all or substantially all of the assets of the Company, or exchange of Common Stock or other securities of the Company, issuance of warrants or other rights to purchase Common Stock or other securities of the Company, or other similar corporate transaction or event, in the Administrator's sole discretion, affects the Common Stock such that an adjustment is determined by the Administrator to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to an Award, then the Administrator shall, in such manner as it may deem equitable, adjust any or all of:

(i) The number and kind of shares of Common Stock (or other securities or property) with respect to which Awards may be granted or awarded (including, but not limited to, adjustments of the limitations in Section 2.1 on the maximum number and kind of shares which may be issued and adjustments of the Award Limit);

(ii) The number and kind of shares of Common Stock (or other securities or property) subject to outstanding Awards; and

(iii) The grant or exercise price with respect to any Award.

(b) Subject to Sections 11.4(c) and 11.4(e), in the event of any transaction or event described in Section 11.4(a) or any unusual or nonrecurring transactions or events affecting the Company, any affiliate of the Company, or the financial statements of the Company or any affiliate, or of changes in applicable laws, regulations or accounting principles, the Administrator, in its sole and absolute discretion, and on such terms and conditions as it deems appropriate, either by the terms of the Award or by action taken prior to the occurrence of such transaction or event and either automatically or upon the Holder's request, is hereby authorized to take any one or more of the following actions whenever the Administrator determines that such action is appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to any Award under the Plan, to facilitate such transactions or events or to give effect to such changes in laws, regulations or principles:

(i) To provide for either the purchase of any such Award for an amount of cash equal to the amount that could have been attained upon the exercise of such Award or realization of the Holder's rights had such Award been currently exercisable or payable or fully vested or the replacement of such Award with other rights or property selected by the Administrator in its sole discretion;

**Table of Contents**

(ii) To provide that the Award cannot vest, be exercised or become payable after such event;

(iii) To provide that such Award shall be exercisable as to all shares covered thereby, notwithstanding anything to the contrary in Section 5.3 or 5.4 or the provisions of such Award;

(iv) To provide that such Award be assumed by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by similar options, rights or awards covering the stock of the successor or survivor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices;

(v) To make adjustments in the number and type of shares of Common Stock (or other securities or property) subject to outstanding Awards, and in the number and kind of outstanding Restricted Stock or Deferred Stock and/or in the terms and conditions of (including the grant or exercise price), and the criteria included in, outstanding options, rights and awards and options, rights and awards which may be granted in the future; and

(vi) To provide that, for a specified period of time prior to such event, the restrictions imposed under an Award Agreement upon some or all shares of Restricted Stock or Deferred Stock may be terminated, and, in the case of Restricted Stock, some or all shares of such Restricted Stock may cease to be subject to repurchase under Section 7.5 or forfeiture under Section 7.4 after such event.

In the event of any Change in Control, each outstanding Option, Performance Award, Stock Appreciation Right, Stock Payment, Restricted Stock, or Deferred Stock award shall, immediately prior to the effective date of the Change in Control, automatically become fully exercisable for all of the shares of Common Stock at the time subject to such rights or fully vested, as applicable, and may, as applicable, be exercised for any or all of those shares as fully-vested shares of Common Stock. However, an outstanding Award shall not so accelerate if and to the extent:

(i) such Award is, in connection with the Change in Control either to be assumed by the successor or survivor entity (or parent thereof) or to be replaced with a comparable right with respect to shares of the capital stock of the successor or survivor corporation (or parent or Subsidiary thereof) or (ii) the acceleration of exercisability of such Award is subject to other limitations imposed by the Committee (or the Board, in the case of Awards granted to Non-Employee Directors) at the time of grant. The determination of comparability of rights under clause (i) above shall be made by the Committee in its sole discretion (or the Board, in the case of Awards granted to Non-Employee Directors), and its determination shall be final, binding and conclusive.

(c) Subject to Sections 3.2, 3.3 and 11.4(e), the Administrator may, in its discretion, include such further provisions and limitations in any Award, agreement or certificate, as it may deem appropriate.

B-21

## **Table of Contents**

(d) With respect to Awards which are granted to Section 162(m) Participants and are intended to qualify as performance-based compensation under Section 162(m)(4)(C), no adjustment or action described in this Section 11.4 or in any other provision of the Plan shall be authorized to the extent that such adjustment or action would cause such Award to fail to so qualify under Section 162(m)(4)(C), or any successor provisions thereto. No adjustment or action described in this Section 11.4 or in any other provision of the Plan shall be authorized to the extent that such adjustment or action would cause the Plan to violate Section 422(b)(1) of the Code. Furthermore, no such adjustment or action shall be authorized to the extent such adjustment or action would result in short-swing profits liability under Section 16 or violate the exemptive conditions of Rule 16b-3 unless the Administrator determines that the Award is not to comply with such exemptive conditions. The number of shares of Common Stock subject to any Award shall always be rounded to the next whole number.

(e) The existence of the Plan, the Award Agreement and the Awards granted hereunder shall not affect or restrict in any way the right or power of the Company or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect the Common Stock or the rights thereof or which are convertible into or exchangeable for Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

11.5. Approval of Plan by Stockholders. The Plan will be submitted for the approval of the Company's stockholders after the date of the Board's initial adoption of the Plan, and any amendment to the Plan increasing the aggregate number of shares of Common Stock issuable under the Plan will be submitted for the approval of the Company's stockholders after the date of the Board's adoption of such amendment. Awards may be granted or awarded prior to such stockholder approval, provided that such Awards shall not be exercisable nor shall such Awards vest prior to the time when the Plan is approved by the stockholders, and provided further that if such approval is not obtained, all Awards previously granted or awarded under the Plan shall thereupon be canceled and become null and void. In addition, if the Board determines that Awards other than Options or Stock Appreciation Rights which may be granted to Section 162(m) Participants should continue to be eligible to qualify as performance-based compensation under Section 162(m)(4)(C) of the Code, the Performance Criteria must be disclosed to and approved by the Company's stockholders no later than the first stockholder meeting that occurs in the fifth year following the year in which the Company's stockholders previously approved the Performance Criteria.

11.6. Tax Withholding. The Company shall be entitled to require payment in cash or deduction from other compensation payable to each Holder of any sums required by federal, state or local tax law to be withheld with respect to the issuance, vesting, exercise or payment of any Award. The Administrator may in its discretion and in satisfaction of the foregoing requirement allow such Holder to elect to have the Company withhold shares of Common Stock otherwise issuable under such Award (or allow the return of shares of Common Stock) having a Fair Market Value equal to the sums required to be withheld. Notwithstanding any other provision of the Plan, the number of shares of Common Stock which may be withheld with respect to the issuance, vesting, exercise or payment of any Award (or which may be repurchased from the Holder of such Award within six months after such shares of Common Stock were acquired by the Holder from the Company) in order to satisfy the Holder's federal and state income and payroll tax liabilities with respect to the issuance, vesting, exercise or payment of the Award shall be limited to the number of shares which have a Fair Market Value on the date of withholding or repurchase equal to the aggregate amount of such liabilities based on the minimum statutory withholding rates for federal and state tax income and payroll tax purposes that are applicable to such supplemental taxable income.



## **Table of Contents**

11.7. Loans. The Committee may, in its discretion, extend one or more loans to key Employees in connection with the exercise or receipt of an Award granted or awarded under the Plan, or the issuance of Restricted Stock or Deferred Stock awarded under the Plan. The terms and conditions of any such loan shall be set by the Committee. Notwithstanding the foregoing, no loan shall be made to an Employee under this Section to the extent such loan shall result in an extension or maintenance of credit, an arrangement for the extension of credit, or a renewal of an extension of credit in the form of a personal loan to or for any Director or executive officer of the Company that is prohibited by Section 13(k) of the Exchange Act or other applicable law. In the event that the Administrator determines in its discretion that any loan under this Section may be or will become prohibited by Section 13(k) of the Exchange Act or other applicable law, the Administrator may provide that such loan shall be immediately due and payable in full and may take any other action in connection with such loan as the Administrator determines in its discretion to be necessary or appropriate for the repayment, cancellation or extinguishment of such loan.

11.8. Forfeiture Provisions. Pursuant to its general authority to determine the terms and conditions applicable to Awards under the Plan, the Administrator shall, to the extent permitted by applicable law, have the right to provide, in the terms of Awards made under the Plan, or to require a Holder to agree by separate written instrument, that (a)(i) any proceeds, gains or other economic benefit actually or constructively received by the Holder upon any receipt or exercise of the Award, or upon the receipt or resale of any Common Stock underlying the Award, must be paid to the Company, and (ii) the Award shall terminate and any unexercised portion of the Award (whether or not vested) shall be forfeited, if (b)(i) a Termination of Employment, Termination of Consultancy or Termination of Directorship occurs prior to a specified date, or within a specified time period following receipt or exercise of the Award, or (ii) the Holder at any time, or during a specified time period, engages in any activity in competition with the Company, or which is inimical, contrary or harmful to the interests of the Company, as further defined by the Administrator or (iii) the Holder incurs a Termination of Employment, Termination of Consultancy or Termination of Directorship for cause.

11.9. Effect of Plan Upon Options and Compensation Plans. The adoption of the Plan shall not affect any other compensation or incentive plans in effect for the Company or any Subsidiary. Nothing in the Plan shall be construed to limit the right of the Company (a) to establish any other forms of incentives or compensation for Employees, Directors or Consultants of the Company or any Subsidiary, or (b) to grant or assume options or other rights or awards otherwise than under the Plan in connection with any proper corporate purpose including but not by way of limitation, the grant or assumption of options in connection with the acquisition by purchase, lease, merger, consolidation or otherwise, of the business, stock or assets of any corporation, partnership, limited liability company, firm or association.

11.10. Compliance with Laws. The Plan, the granting and vesting of Awards under the Plan and the issuance and delivery of shares of Common Stock and the payment of money under the Plan or under Awards granted or awarded hereunder are subject to compliance with all applicable federal and state laws, rules and regulations (including but not limited to state and federal securities law and federal margin requirements) and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith. Any securities delivered under the Plan shall be subject to such restrictions, and the person acquiring such securities shall, if requested by the Company, provide such assurances and representations to the Company as the Company may deem necessary or desirable to assure compliance with all applicable legal requirements. To the extent permitted by applicable law, the Plan and Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

11.11. Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of the Plan.

11.12. Governing Law. The Plan and any agreements hereunder shall be administered, interpreted and enforced under the internal laws of the State of Delaware without regard to conflicts of laws thereof.

\* \* \* \* \*

**Table of Contents**

\* \* \*

I hereby certify that the foregoing Plan was duly adopted by the Board of Directors of CNET Networks, Inc. on \_\_\_\_\_, 2006. Inc.

Name: Sharon Le Duy  
Title: Secretary

\* \* \*

I hereby certify that the foregoing Plan was approved by the stockholders of CNET Networks, Inc. on \_\_\_\_\_, 2006.

Executed on this \_\_\_\_ day of \_\_\_\_\_, 2006.

Name: Sharon Le Duy  
Title: Secretary

B-24

**Table of Contents**

CNET NETWORKS, INC.

PLEASE MARK VOTE IN OVAL IN THE FOLLOWING MANNER USING DARK INK ONLY. x

1. Election of Class I Directors:	FOR ALL	WITHHOLD ALL	To withhold authority to vote, mark For All Except and write the nominee s name on the line below:
	..	..	
Shelby W. Bonnie and Eric Robison			

2. Approval of the amendment and restatement of the 2004 CNET Networks, Inc. Incentive Stock Award Plan to, among other modifications, increase the number of shares available for issuance under the plan by 7,600,000 shares.	FOR	AGAINST	ABSTAIN
	..	..	..

3. On any other business that may properly come before the meeting; hereby revoking  
any proxy heretofore given by the undersigned.

DATED: , 2006.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(SIGNATURE OF STOCKHOLDER(S))

(JOINT OWNERS MUST EACH SIGN. PLEASE SIGN

EXACTLY AS YOUR NAME(S) APPEAR(S) ON THIS

CARD. WHEN SIGNING AS ATTORNEY, TRUSTEE,

EXECUTOR, ADMINISTRATOR, GUARDIAN OR

CORPORATE OFFICER, PLEASE GIVE YOUR FULL TITLE.)

PLEASE VOTE, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.

**Table of Contents**

\* FOLD AND DETACH HERE \*

PLEASE VOTE, SIGN, DATE AND RETURN THIS PROXY FORM

PROMPTLY USING THE ENCLOSED ENVELOPE.

CNET NETWORKS, INC.

BOARD OF DIRECTORS PROXY FOR THE ANNUAL MEETING OF STOCKHOLDERS AT

10: 30 A.M., WEDNESDAY, May 24, 2006

CNET NETWORKS, INC., 235 SECOND STREET, SAN FRANCISCO, CALIFORNIA 94105

The undersigned stockholder of CNET NETWORKS, Inc. hereby appoints Shelby W. Bonnie, George Mazzotta and Sharon Le Duy, or any one of them, as proxy holders, each with full powers of substitution, to vote the shares of the undersigned at the above-stated Annual Meeting and at any adjournment(s) thereof:

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS AND WILL BE VOTED IN ACCORDANCE WITH THE SPECIFICATIONS MADE ON THE REVERSE SIDE. IF A CHOICE IS NOT INDICATED WITH RESPECT TO ITEMS (1) OR (2). THIS PROXY WILL BE VOTED FOR SUCH ITEMS. THE PROXY HOLDERS WILL USE THEIR DISCRETION WITH RESPECT TO ANY MATTER REFERRED TO IN ITEM (3). THIS PROXY IS REVOCABLE AT ANY TIME BEFORE IT IS EXERCISED.

Receipt herewith of the Company's Annual Report and Notice of Meeting and Proxy Statement, dated April 10, 2006 is hereby acknowledged.

---