

HAIGHTS CROSS COMMUNICATIONS INC

FORM 8-K (Unscheduled Material Events)

Filed 9/28/2004 For Period Ending 9/28/2004

Address	10 NEW KING STREET SUITE 110 WHITE PLAINS, New York 10604
Telephone	914-289-9400
CIK	0001124289
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT PURSUANT
TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported) **September 28, 2004**

HAIGHTS CROSS COMMUNICATIONS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

333-109381

13-4087398

(Commission File Number)

(IRS Employer Identification No.)

**10 New King Street, Suite 102
White Plains, New York**

10604

(Address of Principal Executive Offices)

(Zip Code)

(914) 289-9400

(Registrant's Telephone Number, Including Area Code)

N/A

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

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

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

TABLE OF CONTENTS

ITEM 5.05 Amendments to Registrant's Code of Ethics, or Waiver of a Provision of the Code of Ethics

ITEM 8.01 Other Events

ITEM 9.01 Financial Statements and Exhibits

SIGNATURES

EXHIBIT INDEX

RESTATED 2000 STOCK OPTION AND GRANT PLAN

FORM OF INCENTIVE STOCK OPTION AGREEMENT

FORM OF INCENTIVE STOCK OPTION AGREEMENT

CODE OF BUSINESS CONDUCT AND ETHICS

Table of Contents

ITEM 5.05 Amendments to Registrant’s Code of Ethics, or Waiver of a Provision of the Code of Ethics

On September 28, 2004, the Board of Directors of Hights Cross Communications, Inc. (the “Company”) adopted a Code of Business Conduct and Ethics that applies to all employees, officers and directors of the Company. A copy of the Code of Business Conduct and Ethics is being filed herewith as Exhibit 14.

ITEM 8.01 Other Events

The Company is filing herewith its Restated 2000 Stock Option and Grant Plan as Exhibit 10.1, its form of incentive stock option agreement for stock options with time based vesting schedules as Exhibit 10.2 and its form of incentive stock option agreement for stock options with performance based vesting schedules as Exhibit 10.3. The Restated 2000 Stock Option and Grant Plan is being filed solely for the purpose of reflecting in one document the Company’s stock option and grant plan and previous amendments. The plan is not being amended at this time.

ITEM 9.01 Financial Statements and Exhibits

(c) Exhibits. The following exhibits are being filed herewith.

Exhibit No.	Description
10.1	Restated 2000 Stock Option and Grant Plan
10.2	Form of incentive stock option agreement for stock options with time based vesting schedules
10.3	Form of incentive stock option agreement for stock options with performance based vesting schedules
14	Code of Business Conduct and Ethics

SIGNATURES

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

HAIGHTS CROSS COMMUNICATIONS, INC.

Date: September 28, 2004

By: /s/ Paul J. Crecca

Name: Paul J. Crecca
Title: Executive Vice President, Chief
Financial Officer and Treasurer

EXHIBIT INDEX

Exhibit No.	Description
10.1	Restated 2000 Stock Option and Grant Plan
10.2	Form of incentive stock option agreement for stock options with time based vesting schedules
10.3	Form of incentive stock option agreement for stock options with performance based vesting schedules
14	Code of Business Conduct and Ethics

Exhibit 10.1

HAIGHTS CROSS COMMUNICATIONS, INC.

RESTATED 2000 STOCK OPTION AND GRANT PLAN

SECTION 1 GENERAL PURPOSE OF THE PLAN; DEFINITIONS

The name of the plan is the Hights Cross Communications, Inc. Restated 2000 Stock Option and Grant Plan (the "Plan"). The purpose of the Plan is to encourage and enable the officers, employees, directors, consultants and other key persons of Hights Cross Communications, Inc., a Delaware corporation (the "Company"), and its Subsidiaries upon whose judgment, initiative and efforts the Company largely depends for the successful conduct of its business to acquire a proprietary interest in the Company. It is anticipated that providing such persons with a direct stake in the Company's welfare will assure a closer identification of their interests with those of the Company, thereby stimulating their efforts on the Company's behalf and strengthening their desire to remain with the Company.

The following terms shall be defined as set forth below:

"ACT" means the Securities Act of 1933, as amended, and the rules and regulations thereunder.

"AWARD" or "AWARDS," except where referring to a particular category of grant under the Plan, shall include Incentive Stock Options, Non-Qualified Stock Options, Restricted Stock Awards, Unrestricted Stock Awards, or any combination of the foregoing.

"BOARD" means the Board of Directors of the Company or its successor entity.

"CAUSE" means that the grantee has:

- (i) Acted with negligence or willful misconduct in connection with the performance of his or her material duties;
- (ii) Acted in an insubordinate, recalcitrant, disobedient, refractory, truculent, or unmanageable manner;
- (iii) Acted in a violent manner;
- (iv) Used abusive language toward any manager or employee;
- (v) Been the subject of excessive unreported or unexcused absences;
- (vi) Committed a material act of common law fraud against the Company or any of its officers;
- (vii) Been convicted of a felony;
- (viii) Breached a fiduciary duty owed to the Company;
- (ix) Embezzled assets of the Company;

- (x) Failed to adequately treat a drug or alcohol dependency problem which has an adverse impact on the performance of the grantee's duties;
- (xi) Violated any material policy of the Company, including the Company's Equal Employment and Harassment Policy; or
- (xii) Voluntarily resigned his or her employment with the Company or any of its Subsidiaries.

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

"COMMITTEE" has the meaning specified in Section 2.

"EFFECTIVE DATE" means the date on which the Plan is approved by stockholders as set forth at the end of this Plan.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

"FAIR MARKET VALUE" of the Stock on any given date means the fair market value of the Stock determined in good faith by the Committee; PROVIDED, HOWEVER, that (i) if the Stock is admitted to quotation on the National Association of Securities Dealers Automated Quotation System ("NASDAQ"), the Fair Market Value on any given date shall not be less than the average of the highest bid and lowest asked prices of the Stock reported for such date or, if no bid and asked prices were reported for such date, for the last day preceding such date for which such prices were reported, or (ii) if the Stock is admitted to trading on a national securities exchange or the NASDAQ National Market System, the Fair Market Value on any date shall not be less than the last reported closing price for the Stock on such exchange or system; PROVIDED FURTHER, HOWEVER, that if the date for which Fair Market Value is determined is the first day when trading prices for the Stock are reported on NASDAQ or trading on a national securities exchange, the Fair Market Value shall be the "Price to the Public" (or equivalent) set forth on the cover page for the final prospectus relating to the Company's Initial Public Offering.

"GOOD REASON" means the occurrence of any of the following events: (i) a substantial adverse change in the nature or scope of the grantee's responsibilities, authorities, powers, functions or duties; (ii) a reduction in the grantee's annual base salary except for across-the-board salary reductions similarly affecting all or substantially all management employees; or (iii) the relocation of the offices at which the grantee is principally employed to a location more than 50 miles from such offices.

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

"INITIAL PUBLIC OFFERING" means the consummation of the first fully underwritten, firm commitment public offering pursuant to an effective registration statement under the Act, other than on Forms S-4 or S-8 or their then equivalents, covering the offer and sale by the Company of its equity securities, or such other event as a result of or following which the Stock shall be publicly held.

"NON-QUALIFIED STOCK OPTION" means any Stock Option that is not an Incentive Stock Option.

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

"OUTSIDE DIRECTOR" means a member of the Board who is not also an employee or officer of the Company or any Subsidiary.

"RESTRICTED STOCK AWARD" means Awards granted pursuant to Section 6.

"STOCK" means the Common Stock, par value \$.001 per share, of the Company, subject to adjustments pursuant to Section 3.

"SUBSIDIARY" means any corporation, limited liability company or other entity (other than the Company) in any unbroken chain of corporations, limited liability companies or other entities beginning with the Company if each of the corporations, limited liability companies or entities (other than the last corporation or entity in the unbroken chain) owns stock or other interests possessing 50 percent or more of the economic interest or the total combined voting power of all classes of stock or other interests in one of the other corporations, limited liability companies or entities in the chain.

"UNRESTRICTED STOCK AWARD" means any Award granted pursuant to Section 7.

SECTION 2 ADMINISTRATION OF PLAN; COMMITTEE AUTHORITY TO SELECT GRANTEES AND DETERMINE AWARDS

(a) ADMINISTRATION OF PLAN. The Plan shall be administered by the Board, or at the discretion of the Board, by a committee of the Board, comprised, except as contemplated by Section 2(c), of not less than two Directors. All references herein to the Committee shall be deemed to refer to the group then responsible for administration of the Plan at the relevant time (i.e., either the Board of Directors or a committee or committees of the Board, as applicable).

(b) POWERS OF COMMITTEE. The Committee shall have the power and authority to grant Awards consistent with the terms of the Plan, including the power and authority:

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

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

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

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

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

(vi) to impose any limitations on Awards granted under the Plan, including limitations on transfers, repurchase provisions and the like and to exercise repurchase rights or obligations;

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

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

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

All decisions and interpretations of the Committee shall be binding on all persons, including the Company and Plan grantees.

(c) DELEGATION OF AUTHORITY TO GRANT AWARDS. The Committee, in its discretion, may delegate to the Chief Executive Officer of the Company all or part of the Committee's authority and duties with respect to the granting of Awards at Fair Market Value to individuals who are not subject to the reporting and other provisions of Section 16 of the Exchange Act or "covered employees" within the meaning of Section 162(m) of the Code. Any such delegation by the Committee shall include a limitation as to the amount of Awards that may be granted during the period of the delegation and shall contain guidelines as to the determination of the exercise price of any Option, the conversion ratio or price of other Awards and the vesting criteria of Awards. The Committee may revoke or amend the terms of a delegation at any time but such action shall not invalidate any prior actions of the Committee's delegate or delegates that were consistent with the terms of the Plan.

(d) INDEMNIFICATION. Neither the Board nor the Committee, nor any member of either or any delegatee thereof, shall be liable for any act, omission, interpretation, construction or determination made in good faith in connection with the Plan, and the members of the Board and the Committee (and any delegatee thereof) shall be entitled in all cases to indemnification and reimbursement by the Company in respect of any claim, loss, damage or expense (including, without limitation, reasonable attorneys' fees) arising or resulting therefrom to the fullest extent permitted by law and/or under any directors' and officers' liability insurance coverage which may be in effect from time to time.

SECTION 3 STOCK ISSUABLE UNDER THE PLAN; MERGERS; SUBSTITUTION

(a) STOCK ISSUABLE. The maximum number of shares of Stock reserved and available for issuance under the Plan shall be 2,400,000 shares, subject to adjustment as provided in

Section 3(b). For purposes of this limitation, the shares of Stock underlying any Awards which are forfeited, canceled, reacquired by the Company, satisfied without the issuance of Stock or otherwise terminated (other than by exercise) shall be added back to the shares of Stock available for issuance under the Plan. Subject to such overall limitation, shares of Stock may be issued up to such maximum number pursuant to any type or types of Award. The shares available for issuance under the Plan may be authorized but unissued shares of Stock or shares of Stock reacquired by the Company and held in its treasury.

(b) **CHANGES IN STOCK.** Subject to Section 3(c) hereof, if, as a result of any reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar change in the Company's capital stock, the outstanding shares of Stock are increased or decreased or are exchanged for a different number or kind of shares or other securities of the Company, or additional shares or new or different shares or other securities of the Company or other non-cash assets are distributed with respect to such shares of Stock or other securities, or, if, as a result of any merger, consolidation or sale of all or substantially all of the assets of the Company, the outstanding shares of Stock are converted into or exchanged for different number or kind of securities of the Company or any successor entity (or a parent or subsidiary thereof), the Committee shall make an appropriate or proportionate adjustment in (i) the maximum number of shares reserved for issuance under the Plan, (ii) the number of Stock Options that can be granted to any one individual grantee, (iii) the number and kind of shares or other securities subject to any then outstanding Awards under the Plan, (iv) the repurchase price per share subject to each outstanding Restricted Stock Award, and (v) the exercise price and/or exchange price for each share subject to any then outstanding Stock Options under the Plan, without changing the aggregate exercise price (i.e., the exercise price multiplied by the number of Stock Options) as to which such Stock Options remain exercisable. The adjustment by the Committee shall be final, binding and conclusive. No fractional shares of Stock shall be issued under the Plan resulting from any such adjustment, but the Committee in its discretion may make a cash payment in lieu of fractional shares.

The Committee may also adjust the number of shares subject to outstanding Awards and the exercise price and the terms of outstanding Awards to take into consideration material changes in accounting practices or principles, extraordinary dividends, acquisitions or dispositions of stock or property or any other event if it is determined by the Committee that such adjustment is appropriate to avoid distortion in the operation of the Plan, **PROVIDED THAT** no such adjustment shall be made in the case of an Incentive Stock Option, without the consent of the grantee, if it would constitute a modification, extension or renewal of the Option within the meaning of Section 424(h) of the Code.

(c) **MERGERS AND OTHER SALE EVENTS.** In the case of and subject to the consummation of (i) the dissolution or liquidation of the Company, (ii) the sale of all or substantially all of the assets of the Company on a consolidated basis to an unrelated person or entity, (iii) a merger, reorganization or consolidation in which the outstanding shares of Stock are converted into or exchanged for a different kind of securities of the successor entity and the holders of the Company's outstanding voting power immediately prior to such transaction do not own a majority of the outstanding voting power of the successor entity immediately upon completion of such transaction, or (iv) the sale of all of the Stock of the Company to an unrelated person or entity (in each case, regardless of the form thereof, a "Sale Event"), unless otherwise provided in the Award agreement, the Plan and all outstanding Awards issued hereunder shall terminate upon the effective time of any such Sale Event, unless provision is made in connection with such transaction in the sole discretion of the parties thereto for the assumption or continuation of Awards theretofore granted (after taking into account any acceleration hereunder or under the

Award Agreement) by the successor entity, or the substitution of such Awards with new Awards of the successor entity or a parent or subsidiary thereof, with such adjustment as to the number and kind of shares and the per share exercise prices as such parties shall agree (after taking into account any acceleration hereunder or under the Award Agreement). In the event of such termination, each grantee shall be permitted, within a specified period of time prior to the consummation of the Sale Event as determined by the Committee, to exercise all outstanding Options held by such grantee which are then exercisable or will become exercisable as of the effective time of the Sale Event; provided, however, that the exercise of Options not exercisable prior to the Sale Event shall be subject to the consummation of the Sale Event.

Notwithstanding anything herein to the contrary, in the event that provision is made in connection with the Sale Event for the assumption or continuation of Awards, or the substitution of such Awards with new Awards of the successor entity or parent thereof, then, except as the Committee may otherwise determine with respect to particular Awards, any Award so assumed or continued or substituted therefor shall be deemed vested and exercisable in full upon the date on which the grantee's employment or service relationship with the Company and its subsidiaries or successor entity, as the case may be, terminates if such termination occurs (i) within 18 months after such Sale Event and (ii) such termination is by the Company or its Subsidiaries or successor entity without Cause or by the grantee for Good Reason.

(d) **SUBSTITUTE AWARDS.** The Committee may grant Awards under the Plan in substitution for stock and stock based awards held by employees, directors or other key persons of another corporation in connection with a merger or consolidation of the employing corporation with the Company or a Subsidiary or the acquisition by the Company or a Subsidiary of property or stock of the employing corporation. The Committee may direct that the substitute awards be granted on such terms and conditions as the Committee considers appropriate in the circumstances. Any substitute Awards granted under the Plan shall not count against the share limitation set forth in Section 3(a).

SECTION 4 ELIGIBILITY

Grantees under the Plan will be such full or part-time officers, employees, directors, consultants and other key persons (including prospective employees) of the Company and its Subsidiaries who are responsible for, or contribute to, the management, growth or profitability of the Company and its Subsidiaries as are selected from time to time by the Committee in its sole discretion.

SECTION 5 STOCK OPTIONS

Any Stock Option granted under the Plan shall be pursuant to a Stock Option Agreement which shall be in such form as the Committee may from time to time approve. Option agreements need not be identical.

Stock Options granted under the Plan may be either Incentive Stock Options or Non-Qualified Stock Options. Incentive Stock Options may be granted only to employees of the Company or any Subsidiary that is a "subsidiary corporation" within the meaning of Section 424(f) of the Code. To the extent that any Option does not qualify as an Incentive Stock Option, it shall be deemed a Non-Qualified Stock Option.

No Incentive Stock Option shall be granted under the Plan after the date which is 10 years from the date the Plan is approved by the Board.

(a) **TERMS OF STOCK OPTIONS.** Stock Options granted under the Plan shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem desirable. If the Committee so determines, Stock Options may be granted in lieu of cash compensation at the grantee's election, subject to such terms and conditions as the Committee may establish, as well as in addition to other compensation.

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

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

(iii) **EXERCISABILITY; RIGHTS OF A STOCKHOLDER.** Stock Options shall become exercisable at such time or times, whether or not in installments, as shall be determined by the Committee at or after the grant date. The Committee may at any time accelerate the exercisability of all or any portion of any Stock Option. An optionee shall have the rights of a stockholder only as to shares acquired upon the exercise of a Stock Option and not as to unexercised Stock Options.

(iv) **METHOD OF EXERCISE.** Stock Options may be exercised in whole or in part, by giving written notice of exercise to the Company, specifying the number of shares to be purchased. Payment of the purchase price may be made by one or more of the following methods to the extent provided in the Award agreement:

(A) In cash, by certified or bank check, other instrument acceptable to the Committee in U.S. funds payable to the order of the Company in an amount equal to the aggregate exercise price of such Option Shares;

(B) By the optionee delivering to the Company a promissory note if the Board has expressly authorized the loan of funds to the optionee for the purpose of enabling or assisting the optionee to effect the exercise of his or her Stock Option; provided that at least so much of the exercise price as represents the par value of the Stock shall be paid other than with a promissory note if otherwise required by state law;

(C) If permitted by the Committee, through the delivery (or attestation to the ownership) of shares of Stock that have been purchased by the optionee on the open market or have been beneficially owned by the optionee for at least six months and are not

then subject to restrictions under any Company plan. Such surrendered shares shall be valued at Fair Market Value on the exercise date;

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

Payment instruments will be received subject to collection. No certificates for shares of Stock so purchased will be issued to optionee until the Company has completed all steps required by law to be taken in connection with the issuance and sale of the shares, including without limitation (i) receipt of a representation from the optionee at the time of exercise of the Option that the optionee is purchasing the shares for the optionee's own account and not with a view to any sale or distribution thereof, (ii) the legending of any certificate representing the shares to evidence the foregoing representations and restrictions, and (iii) obtaining from optionee payment or provision for all withholding taxes due as a result of the exercise of the Option. The delivery of certificates representing the shares of Stock to be purchased pursuant to the exercise of a Stock Option will be contingent upon receipt from the optionee (or a purchaser acting in his or her stead in accordance with the provisions of the Stock Option) by the Company of the full purchase price for such shares and the fulfillment of any other requirements contained in the Option Award agreement or applicable provisions of laws. In the event an optionee chooses to pay the purchase price by previously-owned shares of Stock through the attestation method, the shares of Stock transferred to the optionee upon the exercise of the Stock Option shall be net of the number of shares attested to.

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

(c) RELOAD OPTIONS. At the discretion of the Committee, Options granted under the Plan may include a "reload" feature pursuant to which an optionee exercising an Option by the delivery of a number of shares of Stock in accordance with Section 5(a)(iv)(C) hereof would automatically be granted an additional Option (with an exercise price equal to the Fair Market Value of the Stock on the date the additional Option is granted and with such other terms as the Committee may provide) to purchase that number of shares of Stock equal to the sum of (i) the number delivered to exercise the original Option and (ii) the number withheld to satisfy any tax liabilities.

(d) NON-TRANSFERABILITY OF OPTIONS. No Stock Option shall be transferable by the optionee otherwise than by will or by the laws of descent and distribution and all Stock Options shall be exercisable, during the optionee's lifetime, only by the optionee, or by the optionee's legal representative or guardian in the event of the optionee's incapacity. Notwithstanding the foregoing, the Committee, in its sole discretion, may provide in the Award agreement regarding a given Option that the optionee may transfer, without consideration for the transfer, his or her

Non-Qualified Stock Options to members of his or her immediate family, to trusts for the benefit of such family members, or to partnerships in which such family members are the only partners, provided that the transferee agrees in writing with the Company to be bound by all of the terms and conditions of this Plan and the applicable Option.

SECTION 6 RESTRICTED STOCK AWARDS

(a) **NATURE OF RESTRICTED STOCK AWARDS.** A Restricted Stock Award is an Award pursuant to which the Company may, in its sole discretion, grant or sell, at such purchase price as determined by the Committee, in its sole discretion, shares of Stock subject to such restrictions and conditions as the Committee may determine at the time of grant ("Restricted Stock"), which purchase price shall be payable in cash or by promissory note (recourse, partial recourse, or nonrecourse) acceptable to the Committee. Conditions may be based on continuing employment (or other service relationship) and/or achievement of pre-established performance goals and objectives. The grant of a Restricted Stock Award is contingent on the grantee executing the Restricted Stock Award agreement. The terms and conditions of each such agreement shall be determined by the Committee, and such terms and conditions may differ among individual Awards and grantees.

(b) **RIGHTS AS A STOCKHOLDER.** Upon execution of a written instrument setting forth the Restricted Stock Award and payment of any applicable purchase price, a grantee shall have the rights of a stockholder with respect to the voting of the Restricted Stock, subject to such conditions contained in the written instrument evidencing the Restricted Stock Award. Unless the Committee shall otherwise determine, certificates evidencing the Restricted Stock shall remain in the possession of the Company until such Restricted Stock is vested as provided in subsection (d) below of this Section, and the grantee shall be required, as a condition of the grant, to deliver to the Company a stock power endorsed in blank.

(c) **RESTRICTIONS.** Restricted Stock may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of except as specifically provided herein or in the Restricted Stock Award agreement. If a grantee's employment (or other service relationship) with the Company and its Subsidiaries terminates under the conditions specified in the relevant instrument relating to the Award, or upon such other event or events as may be stated in the instrument evidencing the Award, the Company or its assigns shall have the right or shall agree, as may be specified in the relevant instrument, to repurchase some or all of the shares of Stock subject to the Award at such purchase price as is set forth in such instrument.

(d) **VESTING OF RESTRICTED STOCK.** The Committee at the time of grant shall specify the date or dates and/or the attainment of pre-established performance goals, objectives and other conditions on which Restricted Stock shall become vested, subject to such further rights of the Company or its assigns as may be specified in the instrument evidencing the Restricted Stock Award.

(e) **WAIVER, DEFERRAL AND REINVESTMENT OF DIVIDENDS.** The Restricted Stock Award agreement may require or permit the immediate payment, waiver, deferral or investment of dividends paid on the Restricted Stock.

SECTION 7 UNRESTRICTED STOCK AWARDS

(a) **GRANT OR SALE OF UNRESTRICTED STOCK.** The Committee may, in its sole discretion, grant (or sell at par value or such higher purchase price determined by the Committee) an

Unrestricted Stock Award to any grantee, pursuant to which such grantee may receive shares of Stock free of any vesting restrictions ("Unrestricted Stock") under the Plan. Unrestricted Stock Awards may be granted or sold as described in the preceding sentence in respect of past services or other valid consideration, or in lieu of any cash compensation due to such individual.

(b) ELECTIONS TO RECEIVE UNRESTRICTED STOCK IN LIEU OF COMPENSATION. Upon the request of a grantee and with the consent of the Committee, each such grantee may, pursuant to an advance written election delivered to the Company no later than the date specified by the Committee, receive a portion of the cash compensation otherwise due to such grantee in the form of shares of Unrestricted Stock either currently or on a deferred basis.

(c) RESTRICTIONS ON TRANSFERS. The right to receive shares of Unrestricted Stock on a deferred basis may not be sold, assigned, transferred, pledged or otherwise encumbered, other than by will or the laws of descent and distribution.

SECTION 8 TAX WITHHOLDING

(a) PAYMENT BY GRANTEE. Each grantee shall, no later than the date as of which the value of an Award or of any Stock or other amounts received thereunder first becomes includable in the gross income of the grantee for Federal income tax purposes, pay to the Company, or make arrangements satisfactory to the Committee regarding payment of, any federal, state, or local taxes of any kind required by law to be withheld with respect to such income. The Company and its Subsidiaries shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the grantee.

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

SECTION 9 TRANSFER, LEAVE OF ABSENCE, ETC.

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

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

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

SECTION 10 AMENDMENTS AND TERMINATION

The Board may, at any time, amend or discontinue the Plan and the Committee may, at any time, amend or cancel any outstanding Award (or provide substitute Awards at the same or reduced exercise or purchase price or with no exercise or purchase price in a manner not

inconsistent with the terms of the Plan), but such price, if any, must satisfy the requirements which would apply to the substitute or amended Award if it were then initially granted under this Plan for the purpose of satisfying changes in law or for any other lawful purpose, but no such action shall adversely affect rights under any outstanding Award without the holder's consent. If and to the extent determined by the Committee to be required by the Code to ensure that Incentive Stock Options granted under the Plan are qualified under Section 422 of the Code, Plan amendments shall be subject to approval by the Company's stockholders who are eligible to vote at a meeting of stockholders. Nothing in this Section 10 shall limit the Board's or Committee's authority to take any action permitted pursuant to Section 3(c).

SECTION 11 STATUS OF PLAN

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

SECTION 12 GENERAL PROVISIONS

- (a) **NO DISTRIBUTION; COMPLIANCE WITH LEGAL REQUIREMENTS.** The Committee may require each person acquiring Stock pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring the shares without a view to distribution thereof. No shares of Stock shall be issued pursuant to an Award until all applicable securities law and other legal and stock exchange or similar requirements have been satisfied. The Committee may require the placing of such stop-orders and restrictive legends on certificates for Stock and Awards as it deems appropriate.
- (b) **DELIVERY OF STOCK CERTIFICATES.** Stock certificates to grantees under this Plan shall be deemed delivered for all purposes when the Company or a stock transfer agent of the Company shall have mailed such certificates in the United States mail, addressed to the grantee, at the grantee's last known address on file with the Company.
- (c) **OTHER COMPENSATION ARRANGEMENTS; NO EMPLOYMENT RIGHTS.** Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, including trusts, and such arrangements may be either generally applicable or applicable only in specific cases. The adoption of this Plan and the grant of Awards do not confer upon any employee any right to continued employment with the Company or any Subsidiary.
- (d) **TRADING POLICY RESTRICTIONS.** Option exercises and other Awards under the Plan shall be subject to such Company's insider-trading-policy-related restrictions, terms and conditions as may be established by the Committee, or in accordance with policies set by the Committee, from time to time.
- (e) **LOANS TO AWARD RECIPIENTS.** The Company shall have the authority to make loans to recipients of Awards hereunder (including to facilitate the purchase of shares) and shall further have the authority to issue shares for promissory notes hereunder.

SECTION 13 EFFECTIVE DATE OF PLAN

This Plan shall become effective upon approval by the holders of a majority of the votes cast at a meeting of stockholders at which a quorum is present or by written consent in accordance with applicable law. Subject to such approval by the stockholders and to the requirement that no Stock may be issued hereunder prior to such approval, Stock Options and other Awards may be granted hereunder on and after adoption of this Plan by the Board.

SECTION 14 GOVERNING LAW

This Plan and all Awards and actions taken thereunder shall be governed by Delaware law, applied without regard to conflict of law principles.

ADOPTED BY BOARD OF DIRECTORS:	December 8, 1999 (Amended March 29, 2000)
APPROVED BY STOCKHOLDERS:	December 8, 1999
AMENDED:	December 28, 2001, September 29, 2003

EXHIBIT 10.2

**INCENTIVE STOCK OPTION AGREEMENT
UNDER THE HAIGHTS CROSS COMMUNICATIONS, INC.
2000 STOCK OPTION AND GRANT PLAN**

NAME OF OPTIONEE: [NAME] (the "Optionee")

NO. OF OPTION SHARES: [Number] Shares of Common Stock
GRANT DATE: [Date] (the "Grant Date")
EXPIRATION DATE: [Date] (the "Expiration Date")
OPTION EXERCISE PRICE/SHARE: [Price] (the "Option Exercise Price")

Pursuant to the Hights Cross Communications, Inc. 2000 Stock Option and Grant Plan (the "Plan"), Hights Cross Communications, Inc., a Delaware corporation (together with all successors thereto, the "Company"), hereby grants to the Optionee, who is an employee of the Company or any of its Subsidiaries, an option (the "Stock Option") to purchase on or prior to the Expiration Date, or such earlier date as is specified herein, all or any part of the number of shares of Common Stock, par value \$.001 per share ("Common Stock"), of the Company indicated above (the "Option Shares," and such shares once issued shall be referred to as the "Issued Shares"), at the Option Exercise Price, subject to the terms and conditions set forth in this Incentive Stock Option Agreement (this "Agreement") and in the Plan. This Stock Option is intended to qualify as an "incentive stock option" as defined in Section 422(b) of the Internal Revenue Code of 1986, as amended from time to time (the "Code"). To the extent that any portion of the Stock Option does not so qualify, it shall be deemed a non-qualified stock option.

DEFINITIONS. For the purposes of this Agreement, the following terms shall have the following respective meanings. All capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Plan.

"Act" shall mean the Securities Act of 1933, as amended, and the rules and regulations thereunder.

An "Affiliate" of any Person means a Person that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with the first mentioned Person. A Person shall be deemed to control another Person if such first Person possesses directly or indirectly the power to direct, or cause the direction of, the management and policies of the second Person, whether through the ownership or voting securities, by contract or otherwise.

"Bankruptcy" shall mean (i) the filing of a voluntary petition under any bankruptcy or insolvency law, or a petition for the appointment of a receiver or the making of an assignment for the benefit of creditors, with respect to the Optionee or any Permitted Transferee, or (ii) the Optionee or any Permitted Transferee being subjected involuntarily to such a petition or assignment or to an attachment or other legal or equitable interest with respect to the

Optionee's assets, which involuntary petition or assignment or attachment is not discharged within 60 days after its date, and (iii) the Optionee or any Permitted Transferee being subject to a transfer of the Stock Option or the Issued Shares by operation of law, except by reason of death.

"Board" shall mean the Board of Directors of the Company or its successor entity.

"Cause" shall mean that the Optionee has:

Acted with negligence or willful misconduct in connection with the performance of his or her material duties;

Acted in an insubordinate, recalcitrant, disobedient, refractory, truculent, or unmanageable manner;

Acted in a violent manner;

Used abusive language toward any manager or employee;

Been the subject of excessive unreported or unexcused absences;

Committed a material act of common law fraud against the Company or any of its officers;

Been convicted of a felony;

Breached a fiduciary duty owed to the Company;

Embezzled assets of the Company;

Failed to adequately treat a drug or alcohol dependency problem which has an adverse impact on the performance of the Optionee's duties;

Violated any material policy of the Company, including the Company's Equal Employment and Harassment Policy; or

Voluntarily resigned his or her employment with the Company or any of its Subsidiaries.

"Committee" shall mean the Board or a committee of the Board then responsible for administration of the Plan.

"Common Stock" shall mean the Company's Common Stock, par value \$.001 per share, together with any shares into which Common Stock may be converted or exchanged, as provided above and herein.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

"Good Reason" shall mean the occurrence of any of the following events: (i) a substantial adverse change in the nature or scope of the Optionee's responsibilities, authorities, powers, functions or duties; (ii) a reduction in the Optionee's annual base salary except for across-the-board salary reductions similarly affecting all or substantially all management employees; or (iii) the relocation of the offices at which the Optionee is principally employed to a location more than fifty (50) miles from such offices.

"Initial Public Offering" shall mean the consummation of the first fully underwritten, firm commitment public offering pursuant to an effective registration statement under the Act, other than on Forms S-4 or S-8 or their then equivalents, covering the offer and sale by the Company of its equity securities, or such other event as a result of or following which the Common Stock shall be publicly held.

"Permitted Transferees" shall mean any of the following to whom the Optionee may transfer Issued Shares hereunder: the Optionee's spouse, children (natural or adopted), stepchildren or a trust for their sole benefit of which the Optionee is the settlor; provided, however, that any such trust does not require or permit distribution of any Issued Shares during the term of this Agreement unless subject to its terms.

"Person" shall mean any individual, corporation, partnership (limited or general), limited liability company, limited liability partnership, association, trust, joint venture, unincorporated organization or any similar entity.

"Sale Event" shall mean, regardless of form thereof, consummation of (i) the dissolution or liquidation of the Company, (ii) the sale of all or substantially all of the assets of the Company on a consolidated basis to an unrelated person or entity, (iii) a merger, reorganization or consolidation in which the holders of the Company's outstanding voting power immediately prior to such transaction do not own a majority of the outstanding voting power of the successor entity immediately upon completion of such transaction, (iv) the sale of all or a majority of the outstanding capital stock of the Company to an unrelated person or entity or (v) any other transaction in which the owners of the Company's outstanding voting power immediately prior to such transaction do not own at least a majority of the outstanding voting power of the successor entity immediately upon completion of the transaction.

"Service Relationship" shall mean any relationship as an employee, part-time employee, director or consultant of the Company or any Subsidiary of the Company such that, for example, a Service Relationship shall be deemed to continue without interruption in the event the Optionee's status changes from full-time employee to part-time employee or consultant.

"Subsidiary" shall mean any corporation, limited liability company or other entity (other than the Company) in any unbroken chain of corporations, limited liability companies or other entities beginning with the Company if each of the corporations, limited liability companies or entities (other than the last corporation or entity in the unbroken chain) owns stock or other interests possessing 50 percent or more of the economic interest or the total combined voting power of all classes of stock or other interests in one of the other corporations, limited liability companies or entities in the chain.

VESTING AND EXERCISABILITY.

No portion of this Stock Option may be exercised until such portion shall have vested.

Except as set forth below and in Section 6, and subject to the determination of the Committee in its sole discretion to accelerate the vesting schedule hereunder, this Stock Option shall vest and be exercisable with respect to the percentage of the Option Shares on the respective dates indicated below:

Incremental (Aggregate Percentage) Option Shares Exercisable	Vesting Date
-----	-----
[%] (%)	[Date]
[%] (%)	[Date]
[%] (%)	[Date]

100% (100%)	

Notwithstanding anything herein to the contrary, but without limitation of Section 6, in the event that this Stock Option is assumed or continued by the Company or its successor entity in the sole discretion of the parties to a Sale Event and thereafter remains in effect following such Sale Event as contemplated by Section 6, then this Stock Option shall be deemed vested and exercisable in full upon the date on which the Optionee's Service Relationship with the Company and its Subsidiaries or successor entity, as the case may be, terminates if (i) such termination occurs within 18 months of such Sale Event and (ii) such termination is by the Company or a Subsidiary or successor entity of the Company without Cause or by the Optionee for Good Reason.

In the event the Optionee's Service Relationship with the Company and its Subsidiaries is terminated by the Company for Cause, this Stock Option shall immediately expire and be null and void as of the date of such termination. In the event that the Optionee's Service Relationship with the Company and its Subsidiaries terminates for any other reason or under any other circumstances, including the Optionee's resignation, retirement or termination by the Company (other than for Cause), or upon the Optionee's death or disability (as defined in Section 422(c)(6) of the Code), this Stock Option may thereafter be exercised, to the extent it was vested and exercisable on the date of such termination, until the date specified in Section 1(d) below. Any portion of the Stock Option that is not exercisable on the date of such termination of the Service Relationship shall immediately expire and be null and void.

Subject to the provisions of Section 2(c) and Section 6 below, once any portion of this Stock Option becomes vested and exercisable, it shall continue to be exercisable by the Optionee or his or her successors as contemplated herein at any time or times prior to the earliest of (i) the date which is (A) twelve (12) months following the date on which the Optionee's Service Relationship with the Company and its Subsidiaries terminates due to death or disability or (B) 90 days following the date on which the Optionee's Service Relationship with the Company terminates if the termination is due to any other reason (other than termination by the Company for Cause), or (ii) the Expiration Date. For purposes of this Agreement the Committee

shall have sole discretion to determine the reason for the termination of the Optionee's Service Relationship with the Company or any Subsidiary.

It is understood and intended that this Stock Option is intended to qualify as an "incentive stock option" as defined in Section 422 of the Code to the extent permitted under applicable law. Accordingly, the Optionee understands that in order to obtain the benefits of an incentive stock option under Section 422 of the Code, no sale or other disposition may be made of Issued Shares for which incentive stock option treatment is desired within the one-year period beginning on the day after the day of the transfer of such Issued Shares to him or her, nor within the two-year period beginning on the day after the grant of this Stock Option and further that this Stock Option must be exercised within three months after termination of employment (or twelve months in the case of death or disability) to qualify as an incentive stock option. If the Optionee disposes (whether by sale, gift, transfer or otherwise) of any such Issued Shares within either of these periods, he or she will notify the Company within thirty (30) days after such disposition. The Optionee also agrees to provide the Company with any information concerning any such dispositions required by the Company for tax purposes. Further, to the extent Option Shares and any other incentive stock options of the Optionee having an aggregate Fair Market Value in excess of \$100,000 (determined as of the Grant Date) vest in any year, such options will not qualify as incentive stock options.

EXERCISE OF STOCK OPTION.

The Optionee may exercise this Stock Option only in the following manner: Prior to the Expiration Date (subject to Section 6), the Optionee may deliver a Stock Option exercise notice (an "Exercise Notice") in the form of Appendix A hereto indicating his or her election to purchase some or all of the Option Shares with respect to which this Stock Option is exercisable at the time of such notice. Such notice shall specify the number of Option Shares to be purchased. Payment of the purchase price may be made by one or more of the following methods:

in cash, by certified or bank check, or other instrument acceptable to the Committee in U.S. funds payable to the order of the Company in an amount equal to the purchase price of such Option Shares;

by the Optionee delivering to the Company a promissory note if the Board has expressly authorized the loan of funds to the Optionee for the purpose of enabling or assisting the Optionee to effect the exercise of his or her Stock Option; provided that at least so much of the exercise price as represents the par value of the Stock shall be paid other than with a promissory note if otherwise required by state law;

if the Initial Public Offering covering the offer and sale of Common Stock of the Company to the public has occurred, then (A) through the delivery (or attestation to ownership) of shares of Common Stock that have been purchased by the Optionee on the open market or that have been held by the Optionee for at least six months and are not subject to restrictions under any plan of the Company, (B) by the Optionee delivering to the Company a properly executed Exercise Notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to

the Company to pay the option purchase price, provided that in the event the Optionee chooses to pay the option purchase price as so provided, the Optionee and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Committee shall prescribe as a condition of such payment procedure, or (C) a combination of (i), (iii)(A) and (iii)(B) above. Payment instruments will be received subject to collection.

Certificates for the Option Shares so purchased will be issued and delivered to the Optionee upon compliance to the satisfaction of the Committee with all requirements under applicable laws or regulations in connection with such issuance. Until the Optionee shall have complied with the requirements hereof and of the Plan, the Company shall be under no obligation to issue the Option Shares subject to this Stock Option, and the determination of the Committee as to such compliance shall be final and binding on the Optionee. The Optionee shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Common Stock subject to this Stock Option unless and until this Stock Option shall have been exercised pursuant to the terms hereof, the Company shall have issued and delivered the Option Shares to the Optionee, and the Optionee's name shall have been entered as a stockholder of record on the books of the Company. Thereupon, the Optionee shall have full dividend and other ownership rights with respect to such Issued Shares, subject to the terms of this Agreement.

Notwithstanding any other provision hereof or of the Plan, no portion of this Stock Option shall be exercisable after the Expiration Date.

INCORPORATION OF PLAN. Notwithstanding anything herein to the contrary, this Stock Option shall be subject to and governed by all the terms and conditions of the Plan.

TRANSFERABILITY. This Agreement is personal to the Optionee and is not transferable by the Optionee in any manner other than by will or by the laws of descent and distribution. The Stock Option may be exercised during the Optionee's lifetime only by the Optionee (or by the Optionee's guardian or personal representative in the event of the Optionee's incapacity). The Optionee may elect to designate a beneficiary by providing written notice of the name of such beneficiary to the Company, and may revoke or change such designation at any time by filing written notice of revocation or change with the Company; such beneficiary may exercise the Optionee's Stock Option in the event of the Optionee's death to the extent provided herein. If the Optionee does not designate a beneficiary, or if the designated beneficiary predeceases the Optionee, the executor of the Optionee may exercise this Stock Option to the extent provided herein in the event of the Optionee's death.

EFFECT OF CERTAIN TRANSACTIONS. In the case of a Sale Event, this Stock Option shall terminate upon the effective time of any such Sale Event unless provision is made in connection with such transaction in the sole discretion of the parties thereto for the assumption of this Stock Option heretofore granted, or the substitution of this Stock Option with a new Stock Option of the successor entity or a parent thereof, with such adjustment as to the number and kind of shares and the per share exercise prices as such parties shall agree. In the event of such termination, the Optionee shall be permitted, for a specified period of time prior to the consummation of the Sale

Event as determined by the Committee, to exercise all portions of the Stock Option which are then exercisable.

WITHHOLDING TAXES. The Optionee shall, not later than the date as of which the exercise of this Stock Option becomes a taxable event for federal income tax purposes, pay to the Company or make arrangements satisfactory to the Committee for payment of any federal, state and local taxes required by law to be withheld on account of such taxable event. Subject to approval by the Committee, the Optionee may elect to have the minimum tax withholding obligation satisfied, in whole or in part, by authorizing the Company to withhold from shares of Common Stock to be issued, or transferring to the Company, a number of shares of Common Stock with an aggregate Fair Market Value that would satisfy the withholding amount due. The Optionee acknowledges and agrees that the Company or any Subsidiary of the Company has the right to deduct from payments of any kind otherwise due to the Optionee, or from the Option Shares to be issued in respect of an exercise of this Stock Option, any federal, state or local taxes of any kind required by law to be withheld with respect to the issuance of Option Shares to the Optionee.

RESTRICTIONS ON TRANSFER OF ISSUED SHARES. None of the Issued Shares acquired upon exercise of the Stock Option shall be sold, assigned, transferred, pledged, hypothecated, given away or in any other manner disposed of or encumbered, whether voluntarily or by operation of law, unless such transfer is in compliance with all applicable securities laws (including, without limitation, the Act), and such disposition is in accordance with the terms and conditions of Sections 8 and 9. In connection with any transfer of Issued Shares, the Company may require the transferor to provide at the Optionee's own expense an opinion of counsel to the transferor, satisfactory to the Company, that such transfer is in compliance with all foreign, federal and state securities laws (including, without limitation, the Act). Any attempted disposition of Issued Shares not in accordance with the terms and conditions of Sections 8 and 9 shall be null and void, and the Company shall not reflect on its records any change in record ownership of any Issued Shares as a result of any such disposition, shall otherwise refuse to recognize any such disposition and shall not in any way give effect to any such disposition of any Issued Shares. Subject to the foregoing general provisions, Issued Shares may be transferred pursuant to the following specific terms and conditions:

Transfers to Permitted Transferees. The Optionee may sell, assign, transfer or give away any or all of the Issued Shares to Permitted Transferees; provided, however, that such Permitted Transferee(s) shall, as a condition to any such transfer, agree to be subject to the provisions of this Agreement to the same extent as the Optionee (including, without limitation, the provisions of Sections 8, 9 and 11) and shall have delivered a written acknowledgment to that effect to the Company.

Transfers Upon Death. Upon the death of the Optionee, any Issued Shares then held by the Optionee at the time of such death and any Issued Shares acquired thereafter by the Optionee's legal representative pursuant to this Agreement shall be subject to the provisions of Sections 8 and 9, if applicable, and the Optionee's estate, executors, administrators, personal representatives, heirs, legatees and distributees shall be obligated to convey such Issued Shares to the Company or its assigns under the terms contemplated hereby.

Company's Right of First Refusal. In the event that the Optionee (or any transferee holding Issued Shares subject to this Section 8(c)) desires to transfer all or any part of the Issued Shares to any person other than the Company (an "Offeror"), the Optionee shall: (i) obtain in writing an irrevocable and unconditional bona fide offer (the "Offer") for the purchase thereof from the Offeror; and (ii) give written notice (the "Option Notice") to the Company setting forth the Optionee's desire to transfer such shares, which Option Notice shall be accompanied by a photocopy of the Offer and shall set forth the name and address of the Offeror and the price and terms of the Offer. Upon receipt of the Option Notice, the Company shall have an assignable option to purchase any or all of such Issued Shares (the "Company Option Shares") specified in the Option Notice, such option to be exercisable by giving, within 30 days after receipt of the Option Notice, a written counternotice to the Optionee. If the Company elects to purchase any or all of such Company Option Shares, it shall be obligated to purchase, and the Optionee shall be obligated to sell to the Company, such Company Option Shares at the price and terms indicated in the Offer within 30 days from the date of delivery by the Company of such counternotice.

Sale of Option Shares to Offeror. The Optionee may, for 60 days after the expiration of the 30-day option period as set forth in Section 8(c), sell to the Offeror, pursuant to the terms of the Offer, any or all of such Company Option Shares not purchased or agreed to be purchased by the Company or its assignee. If any or all of such Company Option Shares are not sold pursuant to an Offer within the time permitted above, the unsold Company Option Shares shall remain subject to the terms of this Section 8.

Adjustments for Changes in Capital Structure. If, as a result of any reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar change in the Common Stock, the outstanding shares of Common Stock are increased or decreased or are exchanged for a different number or kind of shares of the Company's stock, the restrictions contained in this Section 8 shall apply with equal force to additional and/or substitute securities, if any, received by the Optionee in exchange for, or by virtue of his or her ownership of, Issued Shares.

COMPANY'S RIGHT OF REPURCHASE.

Right of Repurchase. The Company shall have the right (the "Repurchase Right") upon the occurrence of any of the events specified in Section 9(b) below (the "Repurchase Event") to repurchase from the Optionee (or his or her estate) some or all (as determined by the Company) of the Issued Shares held or subsequently acquired upon exercise of this Stock Option in accordance with the terms hereof by the Optionee (or his or her estate) at the price per share specified below. The Repurchase Right may be exercised by the Company within 19 months following the date of such event (the "Repurchase Period"). The Repurchase Right shall be exercised by the Company by giving the holder written notice on or before the last day of the Repurchase Period of its intention to exercise the Repurchase Right, and, together with such notice, tendering to the holder an amount equal to the Fair Market Value of the Issued Shares, determined as provided in Section 9(c). The Company may assign the Repurchase Right to one or more persons. Upon exercise of the Repurchase Right in the manner provided in this Section 9(a), the Optionee (or his or her estate) shall deliver to the Company the stock certificate or

certificates representing the shares being repurchased, duly endorsed and free and clear of any and all liens, charges and encumbrances.

If Issued Shares are not purchased under the Repurchase Right, the Optionee and his or her successor in interest, if any, will hold any such shares in his or her possession subject to all of the provisions of this Section 8 and Section 9 and Section 11 hereof.

Company's Right to Exercise Repurchase Right. The Company shall have the Repurchase Right in the event that any of the following events shall occur:

The termination of the Optionee's Service Relationship with the Company and its Subsidiaries for any reason whatsoever, regardless of the circumstances thereof, and including, without limitation, upon death, disability, retirement, discharge or resignation for any reason, whether voluntarily or involuntarily; or

The Optionee's Bankruptcy.

Determination of Fair Market Value. The Fair Market Value of the Issued Shares shall be, for purposes of this Section 9, reasonably determined by the Board in good faith as of the date the Board decides to exercise the Repurchase Right.

ESCROW ARRANGEMENT.

Escrow. In order to carry out the provisions of Sections 8 and 9 of this Agreement more effectively, the Company shall hold any Issued Shares in escrow together with separate stock powers executed by the Optionee in blank for transfer, and any Permitted Transferee shall, as an additional condition to any transfer of Issued Shares, execute a like stock power as to such Issued Shares. The Company shall not dispose of the Issued Shares except as otherwise provided in this Agreement. In the event of any purchase by the Company (or any of its assigns), the Company is hereby authorized by the Optionee and any Permitted Transferee, as the Optionee's and each such Permitted Transferee's attorney-in-fact, to date and complete the stock powers necessary for the transfer of the Issued Shares being purchased and to transfer such Issued Shares in accordance with the terms hereof. At such time as any Issued Shares are no longer subject to the Company's Repurchase Right and first refusal rights, the Company shall, at the written request of the Optionee, deliver to the Optionee (or the relevant Permitted Transferee) a certificate representing such Issued Shares with the balance of the Issued Shares to be held in escrow pursuant to this Section 10.

Remedy. Without limitation of any other provision of this Agreement or other rights, in the event that the Optionee, any Permitted Transferees or any other person or entity is required to sell the Optionee's Issued Shares pursuant to the provisions of Section 8, Section 9, and Section 11 of this Agreement and in the further event that he or she refuses or for any reason fails to deliver to the Company or its designated purchaser of such Issued Shares the certificate or certificates evidencing such Issued Shares together with a related stock power, the Company or such designated purchaser may deposit the applicable purchase price for such Issued Shares with a bank designated by the Company, or with the Company's independent public accounting firm, as agent or trustee, or in escrow, for the Optionee, any Permitted Transferees or other person or entity, to be held by such bank or accounting firm for the benefit of and for delivery to

him, them or it, and/or, in its discretion, pay such purchase price by offsetting any indebtedness then owed by the Optionee as provided above. Upon any such deposit and/or offset by the Company or its designated purchaser of such amount and upon notice to the person or entity who was required to sell the Issued Shares to be sold pursuant to the provisions of Sections 8, 9 and 11, such Issued Shares shall at such time be deemed to have been sold, assigned, transferred and conveyed to such purchaser, the holder thereof shall have no further rights thereto (other than the right to withdraw the payment thereof held in escrow, if applicable), and the Company shall record such transfer in its stock transfer book or in any appropriate manner.

DRAG ALONG RIGHT. In the event the holders of a majority of the Company's equity securities then outstanding (the "Majority Shareholders") determine that the Company should enter into a Sale Event, the Optionee, including any Permitted Transferees, shall be obligated to and shall upon the written request of the Majority Shareholders (subject to Section 6): (a) sell, transfer and deliver, or cause to be sold, transferred and delivered, to the purchaser in such Sale Event, his or her Issued Shares (including for this purpose all of such Optionee's or his or her Permitted Transferee's Issued Shares that presently or as a result of any such transaction may be acquired upon the exercise of options (following the payment of the exercise price therefor)) on substantially the same terms applicable to the Majority Shareholders (with appropriate adjustments to reflect the conversion of convertible securities, the redemption of redeemable securities and the exercise of exercisable securities as well as the relative preferences and priorities of preferred stock); and (b) execute and deliver such instruments of conveyance and transfer and take such other action, including voting such Issued Shares in favor of any Sale proposed by the Majority Shareholders and executing any purchase agreements, merger agreements, indemnity agreements, escrow agreements or related documents, as the Majority Shareholders or such purchaser may reasonably require in order to carry out the terms and provisions of this Section 11.

LOCKUP PROVISION. The Optionee agrees, if requested by the Company and any underwriter engaged by the Company, not to sell or otherwise transfer or dispose of any securities of the Company (including, without limitation pursuant to Rule 144 under the Act) held by him or her for such period following the effective date of any registration statement of the Company filed under the Act as the Company or such underwriter shall specify reasonably and in good faith, not to exceed 180 days in the case of the Company's Initial Public Offering or 90 days in the case of any other public offering.

MISCELLANEOUS PROVISIONS.

Equitable Relief. The parties hereto agree and declare that legal remedies may be inadequate to enforce the provisions of this Agreement and that equitable relief, including specific performance and injunctive relief, may be used to enforce the provisions of this Agreement.

Change and Modifications. This Agreement may not be orally changed, modified or terminated, nor shall any oral waiver of any of its terms be effective. This Agreement may be changed, modified or terminated only by an agreement in writing signed by the Company and the Optionee.

Governing Law. This Agreement shall be governed by and construed in accordance with the law of the State of Delaware without regard to conflict of law principles.

Headings. The headings are intended only for convenience in finding the subject matter and do not constitute part of the text of this Agreement and shall not be considered in the interpretation of this Agreement.

Saving Clause. If any provision(s) of this Agreement shall be determined to be illegal or unenforceable, such determination shall in no manner affect the legality or enforceability of any other provision hereof.

Notices. All notices, requests, consents and other communications shall be in writing and be deemed given when delivered personally, by telex or facsimile transmission or when received if mailed by first class registered or certified mail, postage prepaid. Notices to the Company or the Optionee shall be addressed as set forth underneath their signatures below, or to such other address or addresses as may have been furnished by such party in writing to the other.

Benefit and Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto, their respective successors, permitted assigns, and legal representatives. The Company has the right to assign this Agreement, and such assignee shall become entitled to all the rights of the Company hereunder to the extent of such assignment.

Dispute Resolution. Except as provided below, any dispute arising out of or relating to this Agreement or the breach, termination or validity hereof shall be finally settled by binding arbitration conducted expeditiously in accordance with the J.A.M.S./Endispute Comprehensive Arbitration Rules and Procedures (the "J.A.M.S. Rules"). The arbitration shall be governed by the United States Arbitration Act, 9 U.S.C. Sections 1-16, and judgment upon the award rendered by the arbitrators may be entered by any court having jurisdiction thereof. The place of arbitration shall be New York, New York.

The parties covenant and agree that the arbitration shall commence within 60 days of the date on which a written demand for arbitration is filed by any party hereto. In connection with the arbitration proceeding, the arbitrator shall have the power to order the production of documents by each party and any third-party witnesses. In addition, each party may take up to three depositions as of right, and the arbitrator may in his or her discretion allow additional depositions upon good cause shown by the moving party. However, the arbitrator shall not have the power to order the answering of interrogatories or the response to requests for admission. In connection with any arbitration, each party shall provide to the other, no later than 7 business days before the date of the arbitration, the identity of all persons that may testify at the arbitration and a copy of all documents that may be introduced at the arbitration or considered or used by a party's witness or expert. The arbitrator's decision and award shall be made and delivered within 6 months of the selection of the arbitrator. The arbitrator's decision shall set forth a reasoned basis for any award of damages or finding of liability. The arbitrator shall not have power to award damages in excess of actual compensatory damages and shall not multiply actual damages or award punitive damages or any other damages that are specifically excluded under this Agreement, and each party hereby irrevocably waives any claim to such damages.

The parties covenant and agree that they will participate in the arbitration in good faith. This Section 13(h) applies equally to requests for temporary, preliminary or permanent injunctive relief, except that in the case of temporary or preliminary injunctive relief any party may proceed in court without prior arbitration for the limited purpose of avoiding immediate and irreparable harm.

Each of the parties hereto (i) hereby irrevocably submits to the jurisdiction of any United States District Court of competent jurisdiction for the purpose of enforcing the award or decision in any such proceeding, (ii) hereby waives, and agrees not to assert, by way of motion, as a defense, or otherwise, in any such suit, action or proceeding, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution (except as protected by applicable law), that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that this Agreement or the subject matter hereof may not be enforced in or by such court, and hereby waives and agrees not to seek any review by any court of any other jurisdiction which may be called upon to grant an enforcement of the judgment of any such court. Each of the parties hereto hereby consents to service of process by registered mail at the address to which notices are to be given. Each of the parties hereto agrees that its, his or her submission to jurisdiction and its, his or her consent to service of process by mail is made for the express benefit of the other parties hereto. Final judgment against any party hereto in any such action, suit or proceeding may be enforced in other jurisdictions by suit, action or proceeding on the judgment, or in any other manner provided by or pursuant to the laws of such other jurisdiction.

Counterparts. For the convenience of the parties and to facilitate execution, this Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same document.

Termination. The Company's repurchase rights under Section 9, the restrictions on transfer of Issued Shares under Section 8 and the drag along obligations under Section 11 shall terminate upon the closing of the Company's Initial Public Offering or upon consummation of any Sale Event, as a result of which shares of the Company (or the surviving or resulting entity) of the same class as the Issued Shares are registered under Section 12 of the Exchange Act and publicly traded on NASDAQ/NMS or any national security exchange.

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned as of the Grant Date first above written.

HIGHTS CROSS COMMUNICATIONS, INC.

By: _____
Name: Peter J. Quandt
Title: Chairman and Chief Executive Officer

Address:

10 New King Street
Suite 102
White Plains, NY 10604

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned as of the Grant Date first above written.

OPTIONEE:

Name :
Address:

SPOUSE'S CONSENT(1)

I acknowledge that I have read the foregoing Incentive Stock Option Agreement and understand the contents thereof.

Name:

(1) Only required if Optionee's state of residence is AZ, CA, ID, LA, NM, NV, TX, WA or WI.

DESIGNATED BENEFICIARY:

Beneficiary's Address:

APPENDIX A

STOCK OPTION EXERCISE NOTICE

Hights Cross Communications, Inc.
10 New King Street
Suite 102
White Plains, NY 10604

Attention: Chief Financial Officer

Pursuant to the terms of my stock option agreement dated _____ (the "Agreement") under the Hights Cross Communications, Inc. 2000 Stock Option and Grant Plan, I, [Insert Name] _____, hereby [Circle One] partially/fully exercise such option by including herein payment in the amount of \$_____ representing the purchase price for [Fill in number of Option Shares] _____ option shares. I have chosen the following form(s) of payment:

- 1. Cash
- 2. Certified or bank check payable to Hights Cross Communications, Inc.
- 3. Other (as described in the Agreement (please describe))

Sincerely yours,

Name:

Address:

EXHIBIT 10.3

**INCENTIVE STOCK OPTION AGREEMENT
UNDER THE HAIGHTS CROSS COMMUNICATIONS, INC.
2000 STOCK OPTION AND GRANT PLAN**

(PERFORMANCE VESTING)

NAME OF OPTIONEE: [Name] (the "Optionee")
NO. OF OPTION SHARES: [Number] Shares of Common Stock
GRANT DATE: [Date] (the "Grant Date")
EXPIRATION DATE: [Date] (the "Expiration Date")
OPTION EXERCISE PRICE/SHARE: [Price] (the "Option Exercise Price")

Pursuant to the Hights Cross Communications, Inc. 2000 Stock Option and Grant Plan (the "Plan"), Hights Cross Communications, Inc., a Delaware corporation (together with all successors thereto, the "Company"), hereby grants to the Optionee, who is an employee of the Company or any of its Subsidiaries, an option (the "Stock Option") to purchase on or prior to the Expiration Date, or such earlier date as is specified herein, all or any part of the number of shares of Common Stock, par value \$.001 per share ("Common Stock"), of the Company indicated above (the "Option Shares," and such shares once issued shall be referred to as the "Issued Shares"), at the Option Exercise Price, subject to the terms and conditions set forth in this Incentive Stock Option Agreement (this "Agreement") and in the Plan. This Stock Option is intended to qualify as an "incentive stock option" as defined in Section 422(b) of the Internal Revenue Code of 1986, as amended from time to time (the "Code"). To the extent that any portion of the Stock Option does not so qualify, it shall be deemed a non-qualified stock option.

1. DEFINITIONS. For the purposes of this Agreement, the following terms shall have the following respective meanings. All capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Plan.

"Act" shall mean the Securities Act of 1933, as amended, and the rules and regulations thereunder.

An "Affiliate" of any Person means a Person that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with the first mentioned Person. A Person shall be deemed to control another Person if such first Person possesses directly or indirectly the power to direct, or cause the direction of, the management and policies of the second Person, whether through the ownership or voting securities, by contract or otherwise.

"Bankruptcy" shall mean (i) the filing of a voluntary petition under any bankruptcy or insolvency law, or a petition for the appointment of a receiver or the making of an

assignment for the benefit of creditors, with respect to the Optionee or any Permitted Transferee, or (ii) the Optionee or any Permitted Transferee being subjected involuntarily to such a petition or assignment or to an attachment or other legal or equitable interest with respect to the Optionee's assets, which involuntary petition or assignment or attachment is not discharged within 60 days after its date, and (iii) the Optionee or any Permitted Transferee being subject to a transfer of the Stock Option or the Issued Shares by operation of law, except by reason of death.

"Board" shall mean the Board of Directors of the Company or its successor entity.

"Cause" shall mean that the Optionee has:

- (i) Acted with negligence or willful misconduct in connection with the performance of his or her material duties;
- (ii) Acted in an insubordinate, recalcitrant, disobedient, refractory, truculent, or unmanageable manner;
- (iii) Acted in a violent manner;
- (iv) Used abusive language toward any manager or employee;
- (v) Been the subject of excessive unreported or unexcused absences;
- (vi) Committed a material act of common law fraud against the Company or any of its officers;
- (vii) Been convicted of a felony;
- (viii) Breached a fiduciary duty owed to the Company;
- (ix) Embezzled assets of the Company;
- (x) Failed to adequately treat a drug or alcohol dependency problem which has an adverse impact on the performance of the Optionee's duties;
- (xi) Violated any material policy of the Company, including the Company's Equal Employment and Harassment Policy; or
- (xii) Voluntarily resigned his or her employment with the Company or any of its Subsidiaries.

"Committee" shall mean the Board or a committee of the Board then responsible for administration of the Plan.

"Common Stock" shall mean the Company's Common Stock, par value \$.001 per share, together with any shares into which Common Stock may be converted or exchanged, as provided above and herein.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

"Initial Public Offering" shall mean the consummation of the first fully underwritten, firm commitment public offering pursuant to an effective registration statement under the Act, other than on Forms S-4 or S-8 or their then equivalents, covering the offer and sale by the Company of its equity securities, or such other event as a result of or following which the Common Stock shall be publicly held.

"Permitted Transferees" shall mean any of the following to whom the Optionee may transfer Issued Shares hereunder: the Optionee's spouse, children (natural or adopted), stepchildren or a trust for their sole benefit of which the Optionee is the settlor; provided, however, that any such trust does not require or permit distribution of any Issued Shares during the term of this Agreement unless subject to its terms.

"Person" shall mean any individual, corporation, partnership (limited or general), limited liability company, limited liability partnership, association, trust, joint venture, unincorporated organization or any similar entity.

"Sale Event" shall mean, regardless of form thereof, consummation of

(i) the dissolution or liquidation of the Company, (ii) the sale of all or substantially all of the assets of the Company on a consolidated basis to an unrelated person or entity, (iii) a merger, reorganization or consolidation in which the holders of the Company's outstanding voting power immediately prior to such transaction do not own a majority of the outstanding voting power of the successor entity immediately upon completion of such transaction, (iv) the sale of all or a majority of the outstanding capital stock of the Company to an unrelated person or entity or (v) any other transaction in which the owners of the Company's outstanding voting power immediately prior to such transaction do not own at least a majority of the outstanding voting power of the successor entity immediately upon completion of the transaction.

"Service Relationship" shall mean any relationship as an employee, part-time employee, director or consultant of the Company or any Subsidiary of the Company such that, for example, a Service Relationship shall be deemed to continue without interruption in the event the Optionee's status changes from full-time employee to part-time employee or consultant.

"Subsidiary" shall mean any corporation, limited liability company or other entity (other than the Company) in any unbroken chain of corporations, limited liability companies or other entities beginning with the Company if each of the corporations, limited liability companies or entities (other than the last corporation or entity in the unbroken chain) owns stock or other interests possessing 50 percent or more of the economic interest or the total combined voting power of all classes of stock or other interests in one of the other corporations, limited liability companies or entities in the chain.

2. VESTING AND EXERCISABILITY.

(a) No portion of this Stock Option may be exercised until such portion shall have vested.

(b) Except as set forth below and in Section 6, and subject to the determination of the Committee in its sole discretion to accelerate the vesting schedule hereunder, this Stock Option shall vest and be exercisable as provided on Schedule A attached hereto.

(c) In the event the Optionee's Service Relationship with the Company and its Subsidiaries is terminated by the Company for Cause, this Stock Option shall immediately expire and be null and void as of the date of such termination. In the event that the Optionee's Service Relationship with the Company and its Subsidiaries terminates for any other reason or under any other circumstances, including the Optionee's resignation, retirement or termination by the Company (other than for Cause), or upon the Optionee's death or disability (as defined in Section 422(c)(6) of the Code), this Stock Option may thereafter be exercised, to the extent it was vested and exercisable on the date of such termination, until the date specified in Section 1(d) below. Any portion of the Stock Option that is not exercisable on the date of such termination of the Service Relationship shall immediately expire and be null and void.

(d) Subject to the provisions of Section 2(c) and Section 6 below, once any portion of this Stock Option becomes vested and exercisable, it shall continue to be exercisable by the Optionee or his or her successors as contemplated herein at any time or times prior to the earliest of (i) the date which is (A) twelve (12) months following the date on which the Optionee's Service Relationship with the Company and its Subsidiaries terminates due to death or disability or (B) 90 days following the date on which the Optionee's Service Relationship with the Company terminates if the termination is due to any other reason (other than termination by the Company for Cause), or (ii) the Expiration Date. For purposes of this Agreement the Committee shall have sole discretion to determine the reason for the termination of the Optionee's Service Relationship with the Company or any Subsidiary.

(e) It is understood and intended that this Stock Option is intended to qualify as an "incentive stock option" as defined in Section 422 of the Code to the extent permitted under applicable law. Accordingly, the Optionee understands that in order to obtain the benefits of an incentive stock option under Section 422 of the Code, no sale or other disposition may be made of Issued Shares for which incentive stock option treatment is desired within the one-year period beginning on the day after the day of the transfer of such Issued Shares to him or her, nor within the two-year period beginning on the day after the grant of this Stock Option and further that this Stock Option must be exercised within three months after termination of employment (or twelve months in the case of death or disability) to qualify as an incentive stock option. If the Optionee disposes (whether by sale, gift, transfer or otherwise) of any such Issued Shares within either of these periods, he or she will notify the Company within thirty (30) days after such disposition. The Optionee also agrees to provide the Company with any information concerning any such dispositions required by the Company for tax purposes. Further, to the extent Option Shares and any other incentive stock options of the Optionee having an aggregate Fair Market

Value in excess of \$100,000 (determined as of the Grant Date) vest in any year, such options will not qualify as incentive stock options.

3. EXERCISE OF STOCK OPTION.

(a) The Optionee may exercise this Stock Option only in the following manner: Prior to the Expiration Date (subject to Section 6), the Optionee may deliver a Stock Option exercise notice (an "Exercise Notice") in the form of Appendix A hereto indicating his or her election to purchase some or all of the Option Shares with respect to which this Stock Option is exercisable at the time of such notice. Such notice shall specify the number of Option Shares to be purchased. Payment of the purchase price may be made by one or more of the following methods:

(i) in cash, by certified or bank check, or other instrument acceptable to the Committee in U.S. funds payable to the order of the Company in an amount equal to the purchase price of such Option Shares;

(ii) by the Optionee delivering to the Company a promissory note if the Board has expressly authorized the loan of funds to the Optionee for the purpose of enabling or assisting the Optionee to effect the exercise of his or her Stock Option; provided that at least so much of the exercise price as represents the par value of the Stock shall be paid other than with a promissory note if otherwise required by state law;

(iii) if the Initial Public Offering covering the offer and sale of Common Stock of the Company to the public has occurred, then (A) through the delivery (or attestation to ownership) of shares of Common Stock that have been purchased by the Optionee on the open market or that have been held by the Optionee for at least six months and are not subject to restrictions under any plan of the Company, (B) by the Optionee delivering to the Company a properly executed Exercise Notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company to pay the option purchase price, provided that in the event the Optionee chooses to pay the option purchase price as so provided, the Optionee and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Committee shall prescribe as a condition of such payment procedure, or (C) a combination of (i), (iii)(A) and (iii)(B) above. Payment instruments will be received subject to collection.

(b) Certificates for the Option Shares so purchased will be issued and delivered to the Optionee upon compliance to the satisfaction of the Committee with all requirements under applicable laws or regulations in connection with such issuance. Until the Optionee shall have complied with the requirements hereof and of the Plan, the Company shall be under no obligation to issue the Option Shares subject to this Stock Option, and the determination of the Committee as to such compliance shall be final and binding on the Optionee. The Optionee shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Common Stock subject to this Stock Option unless and until this Stock Option shall have been exercised pursuant to the terms hereof, the Company shall have issued and delivered the Option Shares to the Optionee, and the Optionee's name shall have

been entered as a stockholder of record on the books of the Company. Thereupon, the Optionee shall have full dividend and other ownership rights with respect to such Issued Shares, subject to the terms of this Agreement.

(c) Notwithstanding any other provision hereof or of the Plan, no portion of this Stock Option shall be exercisable after the Expiration Date.

4. INCORPORATION OF PLAN. Notwithstanding anything herein to the contrary, this Stock Option shall be subject to and governed by all the terms and conditions of the Plan.

5. TRANSFERABILITY. This Agreement is personal to the Optionee and is not transferable by the Optionee in any manner other than by will or by the laws of descent and distribution. The Stock Option may be exercised during the Optionee's lifetime only by the Optionee (or by the Optionee's guardian or personal representative in the event of the Optionee's incapacity). The Optionee may elect to designate a beneficiary by providing written notice of the name of such beneficiary to the Company, and may revoke or change such designation at any time by filing written notice of revocation or change with the Company; such beneficiary may exercise the Optionee's Stock Option in the event of the Optionee's death to the extent provided herein. If the Optionee does not designate a beneficiary, or if the designated beneficiary predeceases the Optionee, the executor of the Optionee may exercise this Stock Option to the extent provided herein in the event of the Optionee's death.

6. EFFECT OF CERTAIN TRANSACTIONS. In the case of a Sale Event, this Stock Option shall terminate upon the effective time of any such Sale Event unless provision is made in connection with such transaction in the sole discretion of the parties thereto for the assumption of this Stock Option heretofore granted, or the substitution of this Stock Option with a new Stock Option of the successor entity or a parent thereof, with such adjustment as to the number and kind of shares and the per share exercise prices as such parties shall agree. In the event of such termination, the Optionee shall be permitted, for a specified period of time prior to the consummation of the Sale Event as determined by the Committee, to exercise all portions of the Stock Option which are then exercisable.

7. WITHHOLDING TAXES. The Optionee shall, not later than the date as of which the exercise of this Stock Option becomes a taxable event for federal income tax purposes, pay to the Company or make arrangements satisfactory to the Committee for payment of any federal, state and local taxes required by law to be withheld on account of such taxable event. Subject to approval by the Committee, the Optionee may elect to have the minimum tax withholding obligation satisfied, in whole or in part, by authorizing the Company to withhold from shares of Common Stock to be issued, or transferring to the Company, a number of shares of Common Stock with an aggregate Fair Market Value that would satisfy the withholding amount due. The Optionee acknowledges and agrees that the Company or any Subsidiary of the Company has the right to deduct from payments of any kind otherwise due to the Optionee, or from the Option Shares to be issued in respect of an exercise of this Stock Option, any federal, state or local taxes of any kind required by law to be withheld with respect to the issuance of Option Shares to the Optionee.

8. RESTRICTIONS ON TRANSFER OF ISSUED SHARES. None of the Issued Shares acquired upon exercise of the Stock Option shall be sold, assigned, transferred, pledged, hypothecated, given away or in any other manner disposed of or encumbered, whether voluntarily or by operation of law, unless such transfer is in compliance with all applicable securities laws (including, without limitation, the Act), and such disposition is in accordance with the terms and conditions of Sections 8 and 9. In connection with any transfer of Issued Shares, the Company may require the transferor to provide at the Optionee's own expense an opinion of counsel to the transferor, satisfactory to the Company, that such transfer is in compliance with all foreign, federal and state securities laws (including, without limitation, the Act). Any attempted disposition of Issued Shares not in accordance with the terms and conditions of Sections 8 and 9 shall be null and void, and the Company shall not reflect on its records any change in record ownership of any Issued Shares as a result of any such disposition, shall otherwise refuse to recognize any such disposition and shall not in any way give effect to any such disposition of any Issued Shares. Subject to the foregoing general provisions, Issued Shares may be transferred pursuant to the following specific terms and conditions:

(a) Transfers to Permitted Transferees. The Optionee may sell, assign, transfer or give away any or all of the Issued Shares to Permitted Transferees; provided, however, that such Permitted Transferee(s) shall, as a condition to any such transfer, agree to be subject to the provisions of this Agreement to the same extent as the Optionee (including, without limitation, the provisions of Sections 8, 9 and 11) and shall have delivered a written acknowledgment to that effect to the Company.

(b) Transfers Upon Death. Upon the death of the Optionee, any Issued Shares then held by the Optionee at the time of such death and any Issued Shares acquired thereafter by the Optionee's legal representative pursuant to this Agreement shall be subject to the provisions of Sections 8 and 9, if applicable, and the Optionee's estate, executors, administrators, personal representatives, heirs, legatees and distributees shall be obligated to convey such Issued Shares to the Company or its assigns under the terms contemplated hereby.

(c) Company's Right of First Refusal. In the event that the Optionee (or any transferee holding Issued Shares subject to this Section 8(c)) desires to transfer all or any part of the Issued Shares to any person other than the Company (an "Offeror"), the Optionee shall: (i) obtain in writing an irrevocable and unconditional bona fide offer (the "Offer") for the purchase thereof from the Offeror; and (ii) give written notice (the "Option Notice") to the Company setting forth the Optionee's desire to transfer such shares, which Option Notice shall be accompanied by a photocopy of the Offer and shall set forth the name and address of the Offeror and the price and terms of the Offer. Upon receipt of the Option Notice, the Company shall have an assignable option to purchase any or all of such Issued Shares (the "Company Option Shares") specified in the Option Notice, such option to be exercisable by giving, within 30 days after receipt of the Option Notice, a written counternotice to the Optionee. If the Company elects to purchase any or all of such Company Option Shares, it shall be obligated to purchase, and the Optionee shall be obligated to sell to the Company, such Company Option Shares at the price and terms indicated in the Offer within 30 days from the date of delivery by the Company of such counternotice.

(d) Sale of Option Shares to Offeror. The Optionee may, for 60 days after the expiration of the 30-day option period as set forth in Section 8(c), sell to the Offeror, pursuant to the terms of the Offer, any or all of such Company Option Shares not purchased or agreed to be purchased by the Company or its assignee. If any or all of such Company Option Shares are not sold pursuant to an Offer within the time permitted above, the unsold Company Option Shares shall remain subject to the terms of this Section 8.

(e) Adjustments for Changes in Capital Structure. If, as a result of any reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar change in the Common Stock, the outstanding shares of Common Stock are increased or decreased or are exchanged for a different number or kind of shares of the Company's stock, the restrictions contained in this Section 8 shall apply with equal force to additional and/or substitute securities, if any, received by the Optionee in exchange for, or by virtue of his or her ownership of, Issued Shares.

9. COMPANY'S RIGHT OF REPURCHASE.

(a) Right of Repurchase. The Company shall have the right (the "Repurchase Right") upon the occurrence of any of the events specified in Section 9(b) below (the "Repurchase Event") to repurchase from the Optionee (or his or her estate) some or all (as determined by the Company) of the Issued Shares held or subsequently acquired upon exercise of this Stock Option in accordance with the terms hereof by the Optionee (or his or her estate) at the price per share specified below. The Repurchase Right may be exercised by the Company within 19 months following the date of such event (the "Repurchase Period"). The Repurchase Right shall be exercised by the Company by giving the holder written notice on or before the last day of the Repurchase Period of its intention to exercise the Repurchase Right, and, together with such notice, tendering to the holder an amount equal to the Fair Market Value of the Issued Shares, determined as provided in Section 9(c). The Company may assign the Repurchase Right to one or more persons. Upon exercise of the Repurchase Right in the manner provided in this Section 9(a), the Optionee (or his or her estate) shall deliver to the Company the stock certificate or certificates representing the shares being repurchased, duly endorsed and free and clear of any and all liens, charges and encumbrances.

If Issued Shares are not purchased under the Repurchase Right, the Optionee and his or her successor in interest, if any, will hold any such shares in his or her possession subject to all of the provisions of this Section 8 and Section 9 and Section 11 hereof.

(b) Company's Right to Exercise Repurchase Right. The Company shall have the Repurchase Right in the event that any of the following events shall occur:

(i) The termination of the Optionee's Service Relationship with the Company and its Subsidiaries for any reason whatsoever, regardless of the circumstances thereof, and including, without limitation, upon death, disability, retirement, discharge or resignation for any reason, whether voluntarily or involuntarily; or

(ii) The Optionee's Bankruptcy.

(c) Determination of Fair Market Value. The Fair Market Value of the Issued Shares shall be, for purposes of this Section 9, reasonably determined by the Board in good faith as of the date the Board decides to exercise the Repurchase Right.

10. ESCROW ARRANGEMENT.

(a) Escrow. In order to carry out the provisions of Sections 8 and 9 of this Agreement more effectively, the Company shall hold any Issued Shares in escrow together with separate stock powers executed by the Optionee in blank for transfer, and any Permitted Transferee shall, as an additional condition to any transfer of Issued Shares, execute a like stock power as to such Issued Shares. The Company shall not dispose of the Issued Shares except as otherwise provided in this Agreement. In the event of any purchase by the Company (or any of its assigns), the Company is hereby authorized by the Optionee and any Permitted Transferee, as the Optionee's and each such Permitted Transferee's attorney-in-fact, to date and complete the stock powers necessary for the transfer of the Issued Shares being purchased and to transfer such Issued Shares in accordance with the terms hereof. At such time as any Issued Shares are no longer subject to the Company's Repurchase Right and first refusal rights, the Company shall, at the written request of the Optionee, deliver to the Optionee (or the relevant Permitted Transferee) a certificate representing such Issued Shares with the balance of the Issued Shares to be held in escrow pursuant to this Section 10.

(b) Remedy. Without limitation of any other provision of this Agreement or other rights, in the event that the Optionee, any Permitted Transferees or any other person or entity is required to sell the Optionee's Issued Shares pursuant to the provisions of Section 8, Section 9, and Section 11 of this Agreement and in the further event that he or she refuses or for any reason fails to deliver to the Company or its designated purchaser of such Issued Shares the certificate or certificates evidencing such Issued Shares together with a related stock power, the Company or such designated purchaser may deposit the applicable purchase price for such Issued Shares with a bank designated by the Company, or with the Company's independent public accounting firm, as agent or trustee, or in escrow, for the Optionee, any Permitted Transferees or other person or entity, to be held by such bank or accounting firm for the benefit of and for delivery to him, them or it, and/or, in its discretion, pay such purchase price by offsetting any indebtedness then owed by the Optionee as provided above. Upon any such deposit and/or offset by the Company or its designated purchaser of such amount and upon notice to the person or entity who was required to sell the Issued Shares to be sold pursuant to the provisions of Sections 8, 9 and 11, such Issued Shares shall at such time be deemed to have been sold, assigned, transferred and conveyed to such purchaser, the holder thereof shall have no further rights thereto (other than the right to withdraw the payment thereof held in escrow, if applicable), and the Company shall record such transfer in its stock transfer book or in any appropriate manner.

11. DRAG ALONG RIGHT. In the event the holders of a majority of the Company's equity securities then outstanding (the "Majority Shareholders") determine that the Company should enter into a Sale Event, the Optionee, including any Permitted Transferees, shall be obligated to and shall upon the written request of the Majority Shareholders (subject to Section 6): (a) sell, transfer and deliver, or cause to be sold, transferred and delivered, to the purchaser in such Sale Event, his or her Issued Shares (including for this purpose all of such Optionee's or his

or her Permitted Transferee's Issued Shares that presently or as a result of any such transaction may be acquired upon the exercise of options (following the payment of the exercise price therefor)) on substantially the same terms applicable to the Majority Shareholders (with appropriate adjustments to reflect the conversion of convertible securities, the redemption of redeemable securities and the exercise of exercisable securities as well as the relative preferences and priorities of preferred stock); and (b) execute and deliver such instruments of conveyance and transfer and take such other action, including voting such Issued Shares in favor of any Sale proposed by the Majority Shareholders and executing any purchase agreements, merger agreements, indemnity agreements, escrow agreements or related documents, as the Majority Shareholders or such purchaser may reasonably require in order to carry out the terms and provisions of this Section 11.

12. **LOCKUP PROVISION.** The Optionee agrees, if requested by the Company and any underwriter engaged by the Company, not to sell or otherwise transfer or dispose of any securities of the Company (including, without limitation pursuant to Rule 144 under the Act) held by him or her for such period following the effective date of any registration statement of the Company filed under the Act as the Company or such underwriter shall specify reasonably and in good faith, not to exceed 180 days in the case of the Company's Initial Public Offering or 90 days in the case of any other public offering.

13. MISCELLANEOUS PROVISIONS.

(a) **Equitable Relief.** The parties hereto agree and declare that legal remedies may be inadequate to enforce the provisions of this Agreement and that equitable relief, including specific performance and injunctive relief, may be used to enforce the provisions of this Agreement.

(b) **Change and Modifications.** This Agreement may not be orally changed, modified or terminated, nor shall any oral waiver of any of its terms be effective. This Agreement may be changed, modified or terminated only by an agreement in writing signed by the Company and the Optionee.

(c) **Governing Law.** This Agreement shall be governed by and construed in accordance with the law of the State of Delaware without regard to conflict of law principles.

(d) **Headings.** The headings are intended only for convenience in finding the subject matter and do not constitute part of the text of this Agreement and shall not be considered in the interpretation of this Agreement.

(e) **Saving Clause.** If any provision(s) of this Agreement shall be determined to be illegal or unenforceable, such determination shall in no manner affect the legality or enforceability of any other provision hereof.

(f) **Notices.** All notices, requests, consents and other communications shall be in writing and be deemed given when delivered personally, by telex or facsimile transmission or when received if mailed by first class registered or certified mail, postage prepaid. Notices to the Company or the Optionee shall be addressed as set forth underneath their signatures below,

or to such other address or addresses as may have been furnished by such party in writing to the other.

(g) **Benefit and Binding Effect.** This Agreement shall be binding upon and shall inure to the benefit of the parties hereto, their respective successors, permitted assigns, and legal representatives. The Company has the right to assign this Agreement, and such assignee shall become entitled to all the rights of the Company hereunder to the extent of such assignment.

(h) **Dispute Resolution.** Except as provided below, any dispute arising out of or relating to this Agreement or the breach, termination or validity hereof shall be finally settled by binding arbitration conducted expeditiously in accordance with the J.A.M.S./Endispute Comprehensive Arbitration Rules and Procedures (the "J.A.M.S. Rules"). The arbitration shall be governed by the United States Arbitration Act, 9 U.S.C. Sections 1-16, and judgment upon the award rendered by the arbitrators may be entered by any court having jurisdiction thereof. The place of arbitration shall be New York, New York.

The parties covenant and agree that the arbitration shall commence within 60 days of the date on which a written demand for arbitration is filed by any party hereto. In connection with the arbitration proceeding, the arbitrator shall have the power to order the production of documents by each party and any third-party witnesses. In addition, each party may take up to three depositions as of right, and the arbitrator may in his or her discretion allow additional depositions upon good cause shown by the moving party. However, the arbitrator shall not have the power to order the answering of interrogatories or the response to requests for admission. In connection with any arbitration, each party shall provide to the other, no later than 7 business days before the date of the arbitration, the identity of all persons that may testify at the arbitration and a copy of all documents that may be introduced at the arbitration or considered or used by a party's witness or expert. The arbitrator's decision and award shall be made and delivered within 6 months of the selection of the arbitrator. The arbitrator's decision shall set forth a reasoned basis for any award of damages or finding of liability. The arbitrator shall not have power to award damages in excess of actual compensatory damages and shall not multiply actual damages or award punitive damages or any other damages that are specifically excluded under this Agreement, and each party hereby irrevocably waives any claim to such damages.

The parties covenant and agree that they will participate in the arbitration in good faith. This Section 13(h) applies equally to requests for temporary, preliminary or permanent injunctive relief, except that in the case of temporary or preliminary injunctive relief any party may proceed in court without prior arbitration for the limited purpose of avoiding immediate and irreparable harm.

Each of the parties hereto (i) hereby irrevocably submits to the jurisdiction of any United States District Court of competent jurisdiction for the purpose of enforcing the award or decision in any such proceeding, (ii) hereby waives, and agrees not to assert, by way of motion, as a defense, or otherwise, in any such suit, action or proceeding, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution (except as protected by applicable law), that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding

is improper or that this Agreement or the subject matter hereof may not be enforced in or by such court, and hereby waives and agrees not to seek any review by any court of any other jurisdiction which may be called upon to grant an enforcement of the judgment of any such court. Each of the parties hereto hereby consents to service of process by registered mail at the address to which notices are to be given. Each of the parties hereto agrees that its, his or her submission to jurisdiction and its, his or her consent to service of process by mail is made for the express benefit of the other parties hereto. Final judgment against any party hereto in any such action, suit or proceeding may be enforced in other jurisdictions by suit, action or proceeding on the judgment, or in any other manner provided by or pursuant to the laws of such other jurisdiction.

(i) Counterparts. For the convenience of the parties and to facilitate execution, this Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same document.

(j) Termination. The Company's repurchase rights under Section 9, the restrictions on transfer of Issued Shares under Section 8 and the drag along obligations under Section 11 shall terminate upon the closing of the Company's Initial Public Offering or upon consummation of any Sale Event, as a result of which shares of the Company (or the surviving or resulting entity) of the same class as the Issued Shares are registered under Section 12 of the Exchange Act and publicly traded on NASDAQ/NMS or any national security exchange.

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned as of the Grant Date first above written.

HAIGHTS CROSS COMMUNICATIONS, INC.

By: _____

Name: Peter J. Quandt
Title: Chairman and Chief Executive
Officer

Address:

10 New King Street
Suite 102
White Plains, NY 10604

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned as of the Grant Date first above written.

OPTIONEE:

Name:

Address:

SPOUSE'S CONSENT(1)

I acknowledge that I have read the foregoing Incentive Stock Option Agreement and understand the contents thereof.

Name:

(1) Only required if Optionee's state of residence is AZ, CA, ID, LA, NM, NV, TX, WA or WI.

DESIGNATED BENEFICIARY:

Beneficiary's Address:

APPENDIX A

STOCK OPTION EXERCISE NOTICE

Hights Cross Communications, Inc.
10 New King Street
Suite 102
White Plains, NY 10604
Attention: Chief Financial Officer

Pursuant to the terms of my stock option agreement dated _____ (the "Agreement") under the Hights Cross Communications, Inc. 2000 Stock Option and Grant Plan, I, [Insert Name] _____, hereby [Circle One] partially/fully exercise such option by including herein payment in the amount of \$_____ representing the purchase price for [Fill in number of Option Shares] _____ option shares. I have chosen the following form(s) of payment:

- 1. Cash
- 2. Certified or bank check payable to Hights Cross Communications, Inc.
- 3. Other (as described in the Agreement (please describe))

Sincerely yours,

Name:

Address:

SCHEDULE A

PERFORMANCE VESTING CRITERIA

1. DEFINITIONS. For purposes of this Schedule A, the following terms shall have the following meanings:

- (a) "Business" shall mean the Hights Cross Communications, Inc. business unit in which the Optionee is employed at the Grant Date, as set forth in the letter delivered to the Optionee under Section 4 below;
- (b) "Floor" shall mean the minimum Gross EBITDA that the Business must achieve for a given fiscal year in order for any portion of the Stock Option eligible for vesting with respect to such fiscal year (as described in Section 2 below) to actually vest and become exercisable;
- (c) "Gross EBITDA" shall mean the earnings of the Business before
- (i) interest income and expense allocable to the Business, (ii) corporate income taxes allocable to the Business, (iii) depreciation on property, plant and equipment of the Business, (iv) amortization of goodwill of the Business, (v) amortization of other intangibles of the Business, (vi) gains or losses on the disposition of assets, lines of business, product lines or similar transactions by the Business, and (vii) amortization of prepublication costs; and
- (d) "Target" shall mean the Gross EBITDA that the Business must achieve for a given fiscal year in order for the full percentage of the Stock Option eligible for vesting with respect to such fiscal year (as described in Section 2 below) to actually vest and become exercisable.

2. PERCENTAGE OF STOCK OPTION AVAILABLE FOR VESTING. The percentage of the Stock Option that is eligible for vesting with respect to a given fiscal year shall be as follows:

FISCAL YEAR ENDING	PERCENTAGE (AGGREGATE PERCENTAGE) OF STOCK OPTION ELIGIBLE FOR VESTING
-----	-----
December 31, 2004	40% (40%)
December 31, 2005	40% (80%)
December 31, 2006	20% (100%)

3. VESTING AND EXERCISABILITY. Upon the date of the completion of the Company's annual audit with respect to the Company's fiscal years ending December 31, 2004, 2005 and 2006:

- (a) If the Gross EBITDA for the applicable fiscal year is equal to or less than the Floor for such year, then 0% of the Stock Option eligible for vesting with respect to such

fiscal year shall vest, and the percentage of the Stock Option eligible for vesting with respect to such fiscal year shall immediately expire and be null and void; or

If the Gross EBITDA for the applicable fiscal year is greater than the Floor, then the percentage of the Stock Option eligible for vesting that shall actually vest with respect to such fiscal year shall be equal to (i) the percentage of the Stock Option eligible for vesting for such year (as set forth in the table in Section 2 above), multiplied by (ii) a fraction (not to exceed 1), the numerator of which shall be equal to the Gross EBITDA for such fiscal year minus the Floor, and the denominator of which shall be equal to the Target minus the Floor. If the Gross EBITDA for the applicable fiscal year is greater than the Floor, but less than the Target, then the percentage of the Stock Option available for vesting with respect to such fiscal year that does not actually vest shall immediately expire and be null and void.

By way of example only, if for the fiscal year ending December 31, 2004, the Floor is \$8,000,000, the Target is \$10,000,000, and the actual Gross EBITDA is \$9,250,000, then the percentage of the Stock Option that would actually vest with respect to such fiscal year would be equal to:

$$40\% * ((\$9,250,000 - \$8,000,000)/(\$10,000,000 - \$8,000,000)) = 25.0\%$$

and 15.0% of the Stock Option would immediately expire and be null and void.

4. FLOOR AND TARGET. The Floor and Target for a Business for a given fiscal year during the term of this Agreement shall be established and approved by the Board of Directors and shall be set forth in the table below to be delivered by the Company to the Optionee as soon as practical upon the start of such fiscal year but in no event later than April 30 of such fiscal year.

	AMOUNT IN THOUSANDS	

FISCAL YEAR ENDING	FLOOR	TARGET
-----	----	-----

EXHIBIT 14

HAIGHTS CROSS COMMUNICATIONS, INC.

CODE OF BUSINESS CONDUCT AND ETHICS

INTRODUCTION

PURPOSE AND SCOPE

The Board of Directors of Hights Cross Communications, Inc. (together with its subsidiaries, the "Company") established this Code of Business Conduct and Ethics (the "Code") to aid the Company's directors, officers and employees in making ethical and legal decisions when conducting the Company's business and performing their day-to-day duties.

The Board of Directors of the Company, or a committee of the Board of Directors, is responsible for administering the Code. The Board of Directors has delegated day-to-day responsibility for administering and interpreting the Code for the Company to Paul J. Crecca, the Company's Executive Vice President and Chief Financial Officer (the "Compliance Officer"). In turn, the Compliance Officer has delegated day-to-day responsibility for administering and interpreting the Code for each of the Company's business units to the chief financial officer of each such unit. The Company expects its directors, officers and employees to exercise reasonable judgment when conducting the Company's business. The Company encourages its directors, officers and employees to refer to this Code frequently to ensure that they are acting within both the letter and the spirit of this Code. The Company also understands that this Code will not contain the answer to every situation you may encounter or every concern you may have about conducting the Company's business ethically and legally. In these situations, or if you otherwise have questions or concerns about this Code, the Company encourages each officer and employee to speak with his or her supervisor (if applicable) or, if you are uncomfortable doing that, with your unit's chief financial officer or with the Compliance Officer.

CONTENTS OF THIS CODE

This Code has two sections which follow this Introduction. The first section, "STANDARDS OF CONDUCT," contains the actual guidelines that our directors, officers and employees are expected to adhere to in the conduct of the Company's business. The second section, "COMPLIANCE PROCEDURES," contains specific information about how this Code functions including who administers the Code, who can provide guidance under the Code and how violations may be reported, investigated and punished. This section also contains a discussion about waivers of and amendments to this Code.

A NOTE ABOUT OTHER OBLIGATIONS

The Company's directors, officers and employees generally have other legal and contractual obligations to the Company. This Code is not intended to reduce or limit the other obligations that you may have to the Company. Instead, the standards in this Code should be viewed as the minimum standards that the Company expects from its directors, officers and employees in the conduct of the Company's business.

STANDARDS OF CONDUCT

CONFLICTS OF INTEREST

The Company recognizes and respects the right of its directors, officers and employees to engage in outside activities which they may deem proper and desirable, provided that these activities do not impair or interfere with the performance of their duties to the Company or their ability to act in the Company's best interests. In most, if not all, cases this will mean that our directors, officers and employees must avoid situations that present a potential or actual conflict between their personal interests and the Company's interests.

A "conflict of interest" occurs when a director's, officer's or employee's personal interest interferes with the Company's interests. Conflicts of interest may arise in many situations. For example, conflicts of interest can arise when a director, officer or employee takes an action or has an outside interest, responsibility or obligation that may make it difficult for him or her to perform the responsibilities of his or her position objectively and/or effectively in the Company's best interests. Conflicts of interest may also occur when a director, officer or employee or his or her immediate family member receives some personal benefit (whether improper or not) as a result of the director's, officer's or employee's position with the Company. Each individual's situation is different and in evaluating his or her own situation, a director, officer or employee will have to consider many factors.

Any transaction or relationship that reasonably could be expected to give rise to a conflict of interest should be reported promptly to the Compliance Officer.

COMPLIANCE WITH LAWS, RULES AND REGULATIONS

The Company seeks to conduct its business in compliance with both the letter and the spirit of applicable laws, rules and regulations. No director, officer or employee shall engage in any unlawful activity in conducting the Company's business or in performing his or her day-to-day company duties, nor shall any director, officer or employee instruct others to do so.

PROTECTION AND PROPER USE OF COMPANY'S ASSETS

Loss, theft and misuse of the Company's assets has a direct impact on the Company's business and its profitability. Employees, officers and directors are expected to protect the Company's assets (both tangible and intangible) that are entrusted to them and to protect the Company's assets in general. Employees, officers and directors are also expected to take steps to ensure that the Company's assets are used only for legitimate business purposes.

CORPORATE OPPORTUNITIES

Employees, officers and directors owe a duty to the Company to advance its legitimate business interests when the opportunity to do so arises. Each employee, officer and director is prohibited from:

- diverting to himself or herself or to others any opportunities that are discovered through the use of the Company's property or information or as a result of his or her position with the Company unless such opportunity has first been presented to, and rejected by, the Company,
- using the Company's property or information or his or her position for improper personal gain, or
- competing with the Company.

CONFIDENTIALITY

Confidential information generated and gathered in the Company's business plays a vital role in the Company's business, prospects and ability to compete. "Confidential information" includes all non-public information that might be of use to competitors or harmful to the Company or its customers if disclosed. Directors, officers and employees may not disclose or distribute the Company's confidential information, except when disclosure is authorized by the Company or required by applicable law, rule or regulation or pursuant to an applicable legal proceeding. Directors, officers and employees shall use confidential information solely for legitimate company purposes. Directors, officers and employees must return all of the Company's confidential and/or proprietary information in their possession to the Company when they cease to be employed by or to otherwise serve the Company.

FAIR DEALING

Competing vigorously, yet lawfully, with competitors and establishing advantageous, but fair, business relationships with customers and suppliers is a part of the foundation for long-term success. However, unlawful and unethical conduct, which may lead to short-term gains, may damage a company's reputation and long-term business prospects. Accordingly, it is the Company's policy that directors, officers and employees must endeavor to deal ethically and lawfully with the Company's customers, suppliers, competitors and employees in all business dealings on the Company's behalf. No director, officer or employee should take unfair advantage of another person in business dealings on the Company's behalf through the abuse of privileged or confidential information or through improper manipulation, concealment or misrepresentation of material facts.

ACCURACY OF RECORDS

The integrity, reliability and accuracy in all material respects of the Company's books, records and financial statements is fundamental to the Company's continued and future business success. No director, officer or employee may cause the Company to enter into a transaction with the intent to document or record it in a deceptive or unlawful manner. In addition, no director, officer or employee may create any false or artificial documentation or record any false entry for any transaction entered into by the Company. Similarly, officers and employees who have responsibility for accounting and financial reporting matters have a responsibility to accurately record all funds, assets and transactions on the Company's books and records.

QUALITY OF PUBLIC DISCLOSURES

The Company is committed to providing its investors with complete and accurate information about its financial condition and results of operations as required by the securities laws of the United States. It is the Company's policy that the reports and documents it files with or submits to the Securities and Exchange Commission, and its earnings releases and similar public communications made by the Company, include fair, timely and understandable disclosure. Officers and employees who are responsible for these filings and disclosures, including the Company's principal executive, financial and accounting officers, must use reasonable judgment and perform their responsibilities honestly, ethically and objectively in order to ensure that this disclosure policy is fulfilled. The Company's senior management is primarily responsible for monitoring the Company's public disclosure.

COMPLIANCE PROCEDURES

COMMUNICATION OF CODE

All directors, officers and employees will be supplied with a copy of the Code upon adoption on September __, 2004. Thereafter, all directors, officers and employees will be supplied with a copy of the Code upon beginning service at the Company or any of its subsidiaries. Any updates to the Code will be either directly provided to all directors, officers and employees, or a notification will be sent stating that the update is available on the Company's website. A copy of the Code is also available to all directors, officers and employees by requesting one from the Human Resources Department or by accessing the company's website at www.haightscross.com.

MONITORING COMPLIANCE AND DISCIPLINARY ACTION

The Company's management, under the supervision of the Compliance Officer, shall take reasonable steps from time to time to (i) monitor and audit compliance with the Code, including the establishment of monitoring and auditing systems that are reasonably designed to investigate and detect conduct in violation of the Code, and (ii) when appropriate, impose and enforce appropriate disciplinary measures for violations of the Code.

Disciplinary measures for violations of the Code may include, but are not limited to, counseling, oral or written reprimands, warnings, probation or suspension with or without pay, demotions, reductions in salary, termination of employment or service and restitution.

The Compliance Officer shall periodically report to the Board of Directors on these compliance efforts including, without limitation, periodic reporting of alleged violations of the Code and the actions taken with respect to any such violation.

REPORTING CONCERNS/RECEIVING ADVICE

COMMUNICATION CHANNELS

Be Proactive. Every employee is encouraged to act proactively by asking questions and seeking guidance, and is strongly encouraged to report suspected violations of the Code and other policies and procedures of the Company, as well as any violation or suspected violation of applicable law, rule or regulation arising in the conduct of the Company's business or occurring on the Company's property. **IF ANY EMPLOYEE BELIEVES THAT ACTIONS HAVE TAKEN PLACE, MAY BE TAKING PLACE, OR MAY BE ABOUT TO TAKE PLACE THAT VIOLATE OR WOULD VIOLATE THE CODE, HE OR SHE IS OBLIGATED TO BRING THE MATTER TO THE ATTENTION OF THE COMPLIANCE OFFICER.**

Seeking Guidance. The best starting point for an officer or employee seeking advice on ethics-related issues or reporting potential violations of the Code will usually be his or her supervisor. However, if the conduct in question involves his or her supervisor, if the employee has reported the conduct in question to his or her supervisor and does not believe that he or she has dealt with it properly, or if the officer or employee does not feel that he or she can discuss

the matter with his or her supervisor, or his or her unit's chief financial officer, the employee may raise the matter with the Compliance Officer.

Communication Alternatives. Any officer or employee may communicate with the Compliance Officer by any of the following methods:

- In writing (which may be done anonymously as set forth below under "Reporting; Anonymity; Retaliation"), addressed to the Compliance Officer by U.S. mail to Hights Cross Communications, Inc. Attn: Paul Crecca, 10 New King Street, Suite 102, White Plains, NY 10604;
- By e-mail to Paul Crecca at pjcrecca@hightscross.com (anonymity cannot be maintained);
- By telephone to Paul Crecca at (914) 289-9420;
- In writing (which may be done anonymously as set forth below under "Reporting; Anonymity; Retaliation"), addressed to the Director of Human Resources by U.S. mail to Hights Cross Communications, Inc. Attn: Diane Curtin, 10 New King Street, Suite 102, White Plains, NY 10604;
- By e-mail to Diane Curtin at dqcurtin@hightscross.com (anonymity cannot be maintained); or
- By telephone to Diane Curtin at (914) 289-9460.

Reporting Accounting and Similar Concerns. Any concerns or questions regarding potential violations of the Code, any other company policy or procedure or applicable law, rules or regulations involving accounting, internal accounting controls or auditing matters should also be directed to the Compliance Officer by one of the methods described above.

Misuse of Reporting Channels. Employees must not use these reporting channels in bad faith or in a false or frivolous manner.

REPORTING; ANONYMITY; RETALIATION

When reporting suspected violations of the Code, the Company prefers that officers and employees identify themselves in order to facilitate the Company's ability to take appropriate steps to address the report, including conducting any appropriate investigation. However, the Company also recognizes that some people may feel more comfortable reporting a suspected violation anonymously.

If an officer or employee wishes to remain anonymous, he or she may do so, and the Company will use reasonable efforts to protect the confidentiality of the reporting person subject to applicable law, rule or regulation or to any applicable legal proceedings. In the event the report is made anonymously, however, the Company may not have sufficient information to look into or otherwise investigate or evaluate the allegations. Accordingly, persons who make reports anonymously should provide as much detail as is reasonably necessary to permit the Company to

evaluate the matter(s) set forth in the anonymous report and, if appropriate, commence and conduct an appropriate investigation.

NO RETALIATION

The Company expressly forbids any retaliation against any officer or employee who, acting in good faith, reports suspected misconduct. Any person who participates in any such retaliation is subject to disciplinary action, including termination.

WAIVERS AND AMENDMENTS

No waiver of any provisions of the Code for the benefit of a director or an executive officer (which includes, without limitation, for purposes of this Code, the Company's principal executive, financial and accounting officers) shall be effective unless (i) such waiver is approved by the Board of Directors, and (ii) if applicable, such waiver is promptly disclosed to the Company's investors in accordance with applicable United States securities laws and/or the rules and regulations of the exchange or system on which the Company's shares are traded or quoted, as the case may be.

Any waivers of the Code for other employees may be made by the Compliance Officer.

All amendments to the Code must be approved by the Board of Directors and, if applicable, must be promptly disclosed to the Company's investors in accordance with applicable United States securities laws and/or the rules and regulations of the exchange or system on which the Company's shares are traded or quoted, as the case may be. .

End of Filing

Powered By **EDGAR**
Online

© 2005 | **EDGAR Online, Inc.**