EXHIBIT G-10
(February, 2004)

DESCRIPTION OF STOCK OWNERSHIP PLANS

The Washington Office of the Insurance Commissioner advised Premera that, among the issues to be addressed by Premera in connection with the proposed Conversion Transaction described in the Statement Regarding the Acquisition of Control of a Domestic Health Carrier and Domestic Insurer dated September 17, 2002 (the "Form A filing"), is the matter of stock programs. By communication dated October 7, 2002, the Office of the Insurance Commissioner requested that Premera submit a Description of Stock Ownership Plans as part of the Form A filing.

At the time of the Form A filing, the Boards of PREMERA and Premera Blue Cross (the "Boards") had not approved any stock-based program, or made any determinations as to the nature of any stock-based programs that might be adopted in the future by them, or by or on behalf of New PREMERA. The Boards, at their meeting of October 17, 2003, have since approved the form of the New PREMERA [date] Equity Incentive Plan document (the "Plan"), a copy of which was provided to the OIC and is attached to this Exhibit G-10. This Exhibit G-10, as modified, is an attachment to the Plan and is incorporated therein.

Recognizing that the Office of Insurance Commissioner has requested information about potential stock-based programs, and in order to provide assurances that future programs will be subject to certain limitations and restrictions, the Boards of PREMERA and Premera Blue Cross have approved the parameters of an equity incentive program and authorized management to make certain commitments, as set forth in this Exhibit G-10, to the Office of Insurance Commissioner, related to stock-based programs at New PREMERA, in connection with the Conversion Transaction.

It is anticipated that New PREMERA, as a stock corporation, will adopt and make grants under one or more stock-based compensation programs covering employees, officers and directors, which may include stock options, restricted stock, stock appreciation rights (both stand-alone and in connection with options), performance shares and performance units, or such other stock programs as may be utilized by stock corporations ("Stock-Based Programs"). The terms of any such program will be approved by the New PREMERA Board of Directors and its Compensation Committee, and will be subject to the rules of any stock exchange upon which the stock of New PREMERA may be listed and such other laws and regulations as are otherwise applicable to stock programs for publicly traded corporations. Premera hereby makes the following commitments, and such commitments shall remain in full force and effect through the Stock Restriction Period (as defined below) unless modified by New PREMERA with approval of its shareholders including vote of the Foundation Shareholder's shares pursuant to the Voting Trust Agreement as defined in the Plan.

Any Stock-Based Programs for officers, employees and/or directors at New PREMERA shall be subject to the following restrictions (the "Stock Program Restrictions"):

(1) Maximum Share Reserve:

During the Wait Period (as defined in the Plan) and until the second anniversary after expiration of the Wait Period, the maximum number of shares with respect to grants made as part of any Stock-Based Program to officers, employees and directors of New PREMERA or its affiliates shall, in the aggregate, not exceed seven percent (7%) of the total number of shares of New PREMERA (including the shares issued for the benefit of the Foundation Shareholder) which are issued and outstanding after giving effect to the IPO as defined in the Plan ("IPO")(the "Maximum Share Reserve"). The portion of the Maximum Share Reserve that is not used by the second anniversary of expiration of the Wait Period may be used thereafter.

(2) Stock Restriction Period:

The Stock Program Restrictions set forth in this Exhibit G-10 shall apply during the Wait Period and until the second anniversary of expiration of the Wait Period, for a total period of thirty-six (36) months after the IPO ("Stock Restriction Period").

(3) Prohibition on Grants Under Stock-Based Programs:

New PREMERA shall not make any grants under any Stock-Based Programs relating to New PREMERA stock other than as provided in this Exhibit G-10 and the Plan during the Stock Restriction Period to any officer, employee or director of New PREMERA or the affiliates of New PREMERA.

(4) One-Time Option Grant to Employees Other than Officers or Directors (the "One-Time Grant"):

New PREMERA may make, at its discretion and at any time after the One-Time Grant Wait Period as defined in the Plan, a one-time grant of stock options to any employee of New PREMERA or its affiliated companies provided such grant meets the following requirements:

- Participants in One-Time Grant: No recipient of such stock option grant may be an officer or member of the Board of Directors of New PREMERA or New Premera Blue Cross, or any individual who, prior to the IPO, served in the capacity of an officer or member of the Board of Directors of PREMERA or Premera Blue Cross. For purposes of this Exhibit G-10, "officer" shall mean Vice Presidents or more senior officers.

- One-Time Grant Share Reserve: The total number of shares that may be granted as part of the One-Time Grant under this section (4) shall not exceed one and fifty-five one-hundredths percent (1.55%) of the total

number of shares of New PREMERA (including the shares issued for the benefit of the Foundation Shareholder) which are issued and outstanding after giving effect to the IPO (the "One-Time Grant Share Reserve"). Any grants that are made under the One-Time Grant shall constitute part of the Maximum Share Reserve. If and to the extent any portion of the One-Time Grant Share Reserve is not utilized for One-Time Grants, such unutilized percentage of shares shall become part of the Reserve Pool and may be utilized for grants otherwise permitted under this Exhibit G-10 subject to the Maximum Share Reserve.

- Exercise Price: The exercise price per share for such options to purchase stock of New PREMERA pursuant to the One-Time Grant shall be no less than 100% of the fair market value of such stock on the date of the grant of such option.

(5) Ongoing Grants:

- New PREMERA may make, at its discretion and at any time after the Wait Period but no sooner than indicated below, in addition to the One-Time Grant provided for in section (4), ongoing grants of stock options and LTIP Grants (as defined below) to any officer, employee or director of New PREMERA or its affiliated companies (the "Ongoing Grants"), provided that the total number of shares for which grants may be made as Ongoing Grants shall not exceed at the time of the grant the percent indicated below of the total number of shares of New PREMERA (including the shares issued for the benefit of the Foundation Shareholder) which are issued and outstanding after giving effect to the IPO.

  - First Ongoing Grant: Immediately after expiration of the Wait Period, Ongoing Grants of stock options not exceeding one and sixty-six one hundredths percent (1.66%), the "First Ongoing Grant." Of this amount, the Current Executive Officers' First Ongoing Grants shall not exceed 0.59% in the aggregate as follows: the Chief Executive Officer's First Ongoing Grant shall not exceed 0.17%, and the four Executive Vice Presidents' aggregate First Ongoing Grant shall not exceed 0.42%. The "Current Executive Officers," for purposes of this Exhibit G-10, shall be the individuals serving as Chief Executive Officer and as the four Executive Vice Presidents as of February 5, 2004.

  - Second Ongoing Grant: No sooner than the first anniversary of expiration of the Wait Period, Ongoing Grants not exceeding one and sixty-six one hundredths percent (1.66%) (the "Second Ongoing Grant.") Of this amount, the Current Executive Officers' Second Ongoing Grants shall not exceed 0.59% in the aggregate as follows: the Chief Executive Officer's Second Ongoing Grant shall not exceed 0.17%, and the four Executive Vice Presidents' aggregate Second Ongoing Grant shall not exceed 0.42%.

- LTIP Grants: For each of the two performance periods under the LTIP commencing on the January 1 immediately following expiration of the Wait Period, and on the anniversary of such January 1, up to an aggregate of sixty-seven one hundredths of one percent (0.67%) may be used for LTIP Grants (as defined below). Of this amount, allocations for each performance period to the Current Executive Officers may not exceed 0.31% in the aggregate as follows: 0.10% may be allocated to the Chief Executive Officer and 0.21% in the aggregate to the four Executive Vice Presidents.

- Exercise Price: The exercise price per share for options to purchase stock of New PREMERA shall be no less than 100% of the fair market value of such stock on the date of the grant of such option.

- Maximum Share Reserve: Any grants that are made under the Ongoing Grants shall constitute part of the Maximum Share Reserve. If and to the extent any portion of the shares available for Ongoing Grants under this section (5) is not utilized before shares become available for the next Ongoing Grant, such unutilized percentage of shares shall become part of the Reserve Pool and may be utilized for grants otherwise permitted under this Exhibit G-10 subject to the Maximum Share Reserve.

(6) Reserve Pool:

Beginning after the Wait Period, a pool of shares ("Reserve Pool") consisting of the remainder of the Maximum Share Reserve that is not used for grants described above, shall be available for grants; provided that, during the Stock Restriction Period, the Reserve Pool may be used only for stock option grants and LTIP Grants (as defined below) as provided in this section (6). Such stock option grants may be made, in addition to the One-Time Grant and the Ongoing Grants, for high-performing officers and employees (but grants for high performance shall not exceed 5,000 shares annually to any individual officer or employee, or 100,000 shares during the Stock Restriction Period in the aggregate), for new hires and new directors, and for newly-promoted employees and officers; provided that, the Reserve Pool cannot be used for stock option grants to Current Executive Officers in excess of the limits in section (5). Such LTIP Grants may be made only for new hires and employees promoted into the LTIP or LTIP participants who are promoted; provided that, the Reserve Pool cannot be used for LTIP Grants to the Current Executive Officers in excess of the limits in section (5) and may not be used to increase grant levels to a Senior Vice President by reason of promotion to Executive Vice President or Chief Executive Officer. The Reserve Pool shall be reduced by grants from the Reserve Pool and increased by forfeitures of grants, all as provided in the Plan. After it becomes available, the Reserve Pool may be used at any time during the Stock Restriction Period or thereafter.

(7) Additional Grants:

- Shareholder Approval: To the extent the Reserve Pool is insufficient for additional grants permissible under this Exhibit G-10, such additional grants may be made only pursuant to a Stock-Based Program approved by the shareholders of New PREMERA, including the Foundation Shareholder voting as described in section (9) of this Exhibit G-10.

(8) Long-Term Incentive Plan:

- LTIP: New PREMERA maintains a Long-Term Incentive Plan with three-year performance periods (the "LTIP").

- LTIP Grants: For any performance period commencing on the January 1 immediately following expiration of the Wait Period, grants of restricted stock of New PREMERA may be made as part of the LTIP ("LTIP Grants").

(9) Shareholder Voting:

If and to the extent that applicable law or stock exchange listing rules require shareholder approval of any stock plans or Stock-Based Programs approved by the Board of Directors or the Compensation Committee of New PREMERA, shares issued for the benefit of the Foundation Shareholder shall be voted in accordance with the requirements of the Voting Trust Agreement as defined in the Plan.

During the Stock Restriction Period, New PREMERA shall not offer or sell any shares of its stock to any director, officer or employee at a price per share that is less than its fair market value on the date of sale through a discounted employee stock purchase plan. At the IPO, New PREMERA shall not allocate any shares in a directed share program to any members of the Board of Directors of New PREMERA, Current Executive Officers, or Senior Vice Presidents, or to any immediate family member of such a director or officer. For these purposes, "immediate family member" includes the spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such director's or officer's home, not including individuals who are no longer an immediate family member as a result of legal separation or divorce, or those who have died or become incapacitated. At the IPO and for forty-five (45) days thereafter, no members of the Board of Directors of New PREMERA, Current Executive Officers, or Senior Vice Presidents, nor any spouse, dependent child or relative living in the household of such a director or officer, shall make any purchases of New PREMERA stock in the open market or otherwise. After such forty-five (45) day period, nothing contained in this Exhibit G-10 or otherwise in the Form A filing shall be construed to limit any officer, employee or member of the Board of Directors of PREMERA, Premera Blue Cross, New PREMERA, or New Premera Blue Cross or any relative of such director or officer from purchasing shares of New PREMERA,

provided such purchase by such officers, employees or members of the Board of Directors is at 100% of the fair market value of such stock.

At the expiration of the Stock Restriction Period, none of the restrictions, prohibitions or conditions contained in this Exhibit G-10 shall have any further force or effect.

[NEW PREMERA CORP.]

[year] EQUITY INCENTIVE PLAN

This is a new document, not previously filed as part of Premera's Form A, and therefore no redline version is provided.

Table of Contents

Page

1. PURPOSES 1
2. APPENDICES: DEFINITIONS AND RESTRICTIONS 1
   (a) Definitions 1
   (b) Stock Program Restrictions 1
3. ADMINISTRATION 1
   (a) Administration by Compensation Committee 1
   (b) Composition of Committee 1
   (c) Powers of the Committee 1
   (d) Effect of Committee's Decision 2
4. SHARES SUBJECT TO THE PLAN 2
   (a) Share Reserve 2
   (b) Reversion of Shares to the Share Reserve 2
   (c) Source of Shares 2
5. ELIGIBILITY 2
   (a) General Eligibility 2
   (b) Eligibility for Specific Grants 3
6. INCENTIVE AND NONSTATUTORY STOCK OPTIONS 3
   (a) Term 3
   (b) Exercise Price of Options 3
   (c) No Repricing 3
   (d) Potential Acquisitions by Company of Target with Options 3
   (e) Consideration 4
   (f) Transferability of an Incentive Stock Option 4
   (g) Transferability of a Nonstatutory Stock Option 4
   (h) Vesting Generally 4
   (i) Termination of Continuous Service due to Death, Disability, Retirement, or Other Reasons 5
7. BOARD MEMBER OPTIONS 6
   (a) General 6
   (b) Options 6
8. RESTRICTED STOCK GRANTS 7
   (a) Consideration 7
   (b) Restrictions on Transferability 7
   (c) Vesting Schedule 7
   (d) Termination of Continuous Service 7
9. STOCK APPRECIATION RIGHTS 7
   (a) Grant of Stock Appreciation Rights 7
   (b) Stock Appreciation Rights Granted in Connection with Options 8
   (c) Stand-Alone Stock Appreciation Rights 8
   (d) Settlement of Stock Appreciation Rights 8
   (e) Termination of Continuous Service 9
10. PERFORMANCE UNITS 9

(a) Grant of Performance Units 9
(b) Value of Performance Units 9
(c) Earning of Performance Units and Performance Shares 9
(d) Form and Timing of Payment of Performance Units 9
(e) Termination of Employment due to Death, Disability or Retirement 9
(f) Termination of Employment for Reasons other than Death, Disability or Retirement 10
(g) Transferability 10
(h) Amendments to Performance Criteria 10
11. COVENANTS OF THE COMPANY 10
(a) Availability of Shares 10
(b) Securities Law Compliance 10
12. USE OF PROCEEDS FROM STOCK 10
13. EFFECTIVE DATE OF PLAN 10
14. MISCELLANEOUS 11
(a) Acceleration of Exercisability and Vesting 11
(b) Shareholder Rights 11
(c) No Employment or other Service Rights 11
(d) Incentive Stock Option $100,000 Limitation; Treatment as a Nonstatutory Stock Option 11
(e) Investment Assurances 11
(f) Withholding Obligations 12
(g) Golden Parachute Taxes 12
(h) Plan Unfunded 12
(i) Wait Period 12
15. ADJUSTMENTS UPON CHANGES IN STOCK 13
(a) Capitalization Adjustments 13
(b) Change in Control 13
(c) No Limitations 14
16. DEFERRALS 14
17. AMENDMENT OF THE PLAN AND GRANTS 14
(a) Amendment of Plan 14
(b) Shareholder Approval 14
(d) Amendment of Grants 15
18. TERMINATION OR SUSPENSION OF THE PLAN 15
(a) Plan Term 15
(b) No Impairment of Rights 15
19. CHOICE OF LAW 15
APPENDIX A, DEFINITIONS 16
APPENDIX B, DESCRIPTION OF STOCK OWNERSHIP PLANS 22

[New PREMERA Corp.]

[year] Equity Incentive Plan

Adopted [date]

1. PURPOSES

The Company, by means of the Plan, seeks to secure and retain the services of highly-qualified Employees and Board Members, to provide incentives for such persons to exert maximum efforts on behalf of the Company, and to align the interests of such persons with those of the Company.

2. APPENDICES: DEFINITIONS AND RESTRICTIONS

(a) Definitions. Capitalized terms are defined herein or in Appendix A, attached hereto and incorporated herein.

(b) Stock Program Restrictions. The Stock Program Restrictions, set forth in Appendix B attached hereto and incorporated herein, shall apply to the Plan after the Conversion Date during the Stock Restriction Period, all as defined in and set forth in Appendix B.

3. ADMINISTRATION

(a) Administration by Compensation Committee. The Committee shall administer the Plan unless the Board delegates administration of the Plan to another committee that meets the requirements of Section 3(b) below.

(b) Composition of Committee. The Committee shall consist of two (2) or more Board Members. During any period that the Company is a reporting company under the Exchange Act, each Board Member serving on the Committee shall qualify as a Non-Employee Board Member, an Outside Board Member and an Independent Board Member.

(c) Powers of the Committee. The Committee shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine from time to time which of the persons eligible under the Plan shall receive Grants; when and how each Grant shall be granted; what type or combination of types of Grant shall be granted; the provisions of each Grant (which need not be identical), specifically including any performance criteria and the time or times when a person shall be permitted to receive Common Stock pursuant to a Grant; and the number of shares of Common Stock with respect to which a Grant shall be made to each such person.

(ii) To construe and interpret the Plan and Grants under it, and to establish, amend and revoke rules and regulations for its administration. The Committee, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan or in any Grant Agreement, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

(iii) To amend the Plan or a Grant as provided in Section 17.

(iv) Generally, to exercise such powers and to perform such acts as the Committee deems necessary or expedient to promote the best interests of the Company that are not in conflict with the provisions of the Plan.

(d) Effect of Committee's Decision. All determinations, interpretations and constructions made by the Committee in good faith and all related orders or resolutions of the Board shall not be subject to review by any person and shall be final, binding and conclusive on all persons.

4. SHARES SUBJECT TO THE PLAN

(a) Share Reserve. Subject to the provisions of Section 15 relating to adjustments upon changes in Common Stock, the Grants that may be made with respect to Common Stock shall not exceed in the aggregate (i) _____ (_____)[1] shares of Common Stock (the "Share Reserve"); (ii) during the Stock Restriction Period as defined in Appendix B, consisting of the Wait Period and extending until the second anniversary of expiration of the Wait Period, the limitations set forth in Appendix B; and (iii) the Share Reserve that is not used during the Stock Restriction Period as defined in Appendix B may be used thereafter.

(b) Reversion of Shares to the Share Reserve. If any Grant shall for any reason expire or otherwise terminate, in whole or in part, without having been exercised in full, the shares of Common Stock not acquired under such Grant shall revert to the Share Reserve and again become available for issuance under the Plan.

(c) Source of Shares. The shares of Common Stock subject to the Plan may be unissued shares or reacquired shares, bought on the market or otherwise.

5. ELIGIBILITY

(a) General Eligibility. All Employees and future Employees of the Company or any Subsidiary whom the Committee determines to have contributed or who are expected to contribute to the Company or any Subsidiary shall be eligible to receive Grants under the Plan. All Board Members and future Board Members of the Company who are not also Employees are

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[1] This number will be established as a fixed number of shares in New PREMERA, calculated at the time the Plan is approved immediately prior to the IPO as seven percent (7%) of the common shares outstanding after giving effect to the expected IPO ("CSO"). For example, if the CSO is expected to be 30,000,000 shares after giving effect to the IPO, this number will be 2,100,000.

eligible to receive Options pursuant to the provisions of Section 7 and Restricted Stock Grants pursuant to the provisions of Section 8. The Committee shall have the power and complete discretion to select eligible Employees and Board Members to receive Grants and to determine for each eligible Employee and Board Member the nature of the Grant and the terms and conditions of each Grant. No Employee or Board Member shall be eligible to receive Grants under the Plan for more than _____ (___)[2] shares of Common Stock in any 12 month period; provided that during the Stock Restriction Period, the limitations in Appendix B, if lesser, shall also apply.

(b) Eligibility for Specific Grants. Incentive Stock Options may be granted only to Employees. Grants other than Incentive Stock Options may be granted to Employees and Board Members who are not also Employees as provided herein.

6. INCENTIVE AND NONSTATUTORY STOCK OPTIONS

Each Option shall be in such form and shall contain such terms and conditions as the Committee shall deem appropriate. All Options shall be separately designated Incentive Stock Options or Nonstatutory Stock Options at the time of grant, and, if certificates are issued, a separate certificate or certificates will be issued for shares of Common Stock purchased on exercise of each type of Option. The provisions of separate Options need not be identical, but each Option shall include (through incorporation of provisions hereof by reference in the Option or otherwise) the substance of each of the following provisions:

(a) Term. Options may be exercised in whole or in part at such times as may be specified by the Committee in the Grant Agreement, *provided, however*, that no Option shall be exercisable after the expiration of ten (10) years from the date it was granted.

(b) Exercise Price of Options. The exercise price of each Incentive Stock Option shall be not less than one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the Option on the date the Option is granted. The exercise price of each Nonstatutory Stock Option shall be not less than one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the Option on the date the Option is granted.

(c) No Repricing. In no event shall the Company or the Committee be permitted to Reprice an Option after the date of grant.

(d) Potential Acquisitions by Company of Target with Options. Notwithstanding other provisions of this Section 6 and Appendix B, in the event the Company is "issuing or assuming a stock option in a transaction to which Section 424(a) of the Code applies" in the context of a corporate transaction, the Company may issue a new or substitute Option for an old option and the exercise price of the new or substitute Option may be lower than the Fair Market Value of the Company's Common Stock on the date of the new or substitute Option if (i) the

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[2]This number will be calculated as a fixed number of shares at the time the Plan is approved, as one-half of one percent (0.5%) of the expected CSO after giving effect to the IPO. For example, if the expected CSO after giving effect to the IPO, are 30,000,000 shares, this number will be 150,000.

aggregate fair market value of shares of Common Stock subject to the Option in excess of the aggregate Option price is not more than the aggregate fair market value of shares subject to the old option in excess of the aggregate option price under the old option; (ii) the employee does not receive additional benefits under the Option which he or she did not have under the old option; and (iii) such Option is issued in a manner satisfying the provisions of Section 424(a) of the Code.

(e) Consideration. The purchase price of Common Stock acquired pursuant to an Option shall be paid, to the extent permitted by applicable statutes, regulations and any relevant Exchange, either (i) in cash at the time the Option is exercised, (ii) in the discretion of the Committee at the time of the grant of the Option (or subsequently in the case of a Nonstatutory Stock Option) by delivery to the Company of other Common Stock, or (iii) at the discretion of the Committee, through a broker in a so-called "cashless exercise" whereby the broker sells the Option shares and delivers cash sales proceeds to the Company in payment of the exercise price. Unless otherwise specifically provided in the Option, the purchase price of Common Stock acquired pursuant to an Option that is paid by delivery to the Company of other Common Stock acquired, directly or indirectly, from the Company shall be paid only by shares of the Common Stock of the Company that have been held for more than six (6) months (or such longer or shorter period of time required to avoid a charge to earnings for financial accounting purposes).

(f) Transferability of an Incentive Stock Option. An Incentive Stock Option shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Optionholder only by the Optionholder. Notwithstanding the foregoing, the Optionholder may, by delivering written notice to the Company in a form satisfactory to the Company, designate a third party who, in the event of the death of the Optionholder, shall thereafter be entitled to exercise the Option.

(g) Transferability of a Nonstatutory Stock Option. A Nonstatutory Stock Option shall be transferable only to the extent provided in the Grant Agreement. Notwithstanding the foregoing, the Optionholder may (i) by delivering written notice to the Company in a form satisfactory to the Company, designate a third party who, in the event of the death of the Optionholder, shall thereafter be entitled to exercise the Option and/or (ii) transfer any Option to members of the Optionholder's immediate family or trusts or family partnerships for the benefit of such persons, subject to such terms and conditions as may be established by the Committee.

(h) Vesting Generally. The total number of shares of Common Stock subject to an Option may, but need not, vest and therefore become exercisable in periodic installments that may, but need not, be equal. The Option may be subject to such other terms and conditions on the time or times when it may be exercised (which may be based on performance or other criteria) as the Committee may deem appropriate. The vesting provisions of individual Options may vary and may include provisions for acceleration of vesting upon specified events. The provisions of this subsection 6(f) are subject to any Option provisions governing the minimum number of shares of Common Stock as to which an Option may be exercised. Notwithstanding the foregoing, each Option granted during the two-year period after the Conversion Date shall vest during the Optionholder's Continuous Service in four equal annual installments on the first,

second, third, and fourth anniversaries of the date of grant, so that such Option will be 100% vested and nonforfeitable on the fourth anniversary of the date of grant.

(i) Termination of Continuous Service due to Death, Disability, Retirement, or Other Reasons.

(i) Disability of Optionholder. In the event that an Optionholder's Continuous Service terminates as a result of the Optionholder's Disability, his or her Option automatically will be accelerated and become fully vested and exercisable immediately. The Optionholder may exercise his or her Option for a period ending on the earlier of (a) the date specified in the Grant Agreement that ends before expiration of the term of the Option or (b) twelve (12) months following Optionholder's termination. The Option terminates if the Optionholder does not exercise his or her Option within the permitted period discussed in this subparagraph.

(ii) Death of Optionholder. In the event of the death of an Optionholder:

(A) If an Optionholder's Continuous Service terminates as a result of the Optionholder's death, the Option automatically will be accelerated and become fully vested and exercisable immediately.

(B) If the Optionholder dies within the period (if any) specified in the Grant Agreement after the termination of the Optionholder's Continuous Service for a reason other than death, then the Option may be exercised to the extent the Optionholder was entitled to exercise such Option as of the date of death.

In either case, the Option may be exercised by the Optionholder's estate, by a person who acquired the right to exercise the Option by bequest or inheritance, or by a person designated to exercise the Option upon the Optionholder's death, for a period ending on the earlier of (a) the date specified in the Grant Agreement that ends before expiration of the term of the Option or (b) twelve (12) months following Optionholder's death. The Option terminates if the Optionholder does not exercise his or her Option within the permitted period discussed in this subparagraph.

(iii) Retirement of Optionholder.

(A) In the event an Employee Optionholder's Continuous Service terminates as a result of the Optionholder's Retirement, then his or her Option automatically shall accelerate and be fully vested and exercisable immediately.

(B) If a Board Member Optionholder's Continuous Service terminates when he or she has completed the maximum number of consecutive years permitted for service on the Board, then his or her Option automatically shall accelerate and become fully vested and exercisable immediately.

In each case, the Option may be exercised for a period ending on the earlier of (a) the date specified in the Grant Agreement that ends before expiration of the term of the Option or (b)

twelve (12) months following Optionholder's termination. The Option terminates if the Optionholder does not exercise his or her Option within the permitted period discussed in this subparagraph.

(iv) Termination of Continuous Service for Reasons other than Death, Disability, or Retirement. In the event an Optionholder's Continuous Service terminates for reasons other than upon the Optionholder's death, Disability, or Retirement, the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise such Option as of the date of termination) for a period ending on the earlier of (a) the date specified in the Grant Agreement that ends before expiration of the term of the Option or (b) three (3) months following termination of the Optionholder's Continuous Service. The Option terminates if the Optionholder does not exercise his or her Option within the permitted period discussed in this subparagraph.

(v) Exercise Limitations on Incentive Stock Options. In the case of Incentive Stock Options, the tax treatment prescribed under Section 422 of the Code may not be available if the Options are not exercised within the Section 422 prescribed time period after each of the various types of employment termination.

7. BOARD MEMBER OPTIONS

(a) General. Each Board Member who is not also an Employee may receive grants of Options pursuant to this Section 7. All Options granted under this Section 7 shall be Nonstatutory Stock Options subject to Section 6 and shall not be entitled to special tax treatment under section 422 of the Code. The Committee may establish Fees in shares of Common Stock or in cash.

(b) Options. Each Option granted under this Section 7 shall be evidenced by an agreement in such form as the Committee shall from time to time approve, which agreement shall comply with Section 6 and be subject to the following terms and conditions:

(i) Grant of Option. The Committee shall determine the time of the Grant and the number of shares granted. If at any time under the Plan there are not sufficient shares of Common Stock available to permit fully the Option Grants to the Board Members described in this paragraph, the Option Grants shall be reduced pro rata (to zero if necessary) so as not to exceed the number of shares of Common Stock available.

(ii) Exercise of Options. Except as provided in the Grant Agreement or in automatic acceleration provisions herein, all Options issued to Board Members shall become exercisable as follows: one-third on the day before the first annual meeting of shareholders after the date of grant; one-third on the day before the second annual meeting after the date of grant; and the remainder on the day before the third annual meeting of shareholders after the date of grant.

8. RESTRICTED STOCK GRANTS

Subject to the provisions of the Plan, the Committee may make grants of Restricted Stock to Employees and to Board Members who are not also Employees. Notice of such grant shall be given to the Employee or Board Member stating the number of shares of Restricted Stock granted, the purchase price and the terms and conditions to which the Restricted Stock is subject. The terms and conditions of separate Grants of Restricted Stock need not be identical, but each agreement evidencing such Grant of Restricted Stock shall include (through incorporation of provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(a) Consideration. The purchase price of Common Stock acquired by the Employee or Board Member pursuant to his or her Restricted Stock Grant shall be paid either: (i) in cash at the time of purchase, or (ii) in any other form of lawful consideration (including performance of services) that may be acceptable to the Committee in its discretion.

(b) Restrictions on Transferability. No shares of Restricted Stock may be sold, assigned, transferred, pledged, hypothecated, or otherwise encumbered or disposed of until the restrictions on such shares as set forth in the Employee's or Board Member's Grant Agreement have lapsed or been removed pursuant to paragraph (c) below, *provided, however*, that an Employee or Board Member may transfer shares of Restricted Stock to members of the Employee's or Board Member's immediate family or trusts or family partnerships for the benefit of such persons, subject to such terms and conditions as may be established by the Committee.

(c) Vesting Schedule. The Committee shall establish as to each Grant of Restricted Stock the terms and conditions upon which the restrictions set forth in paragraph (b) above shall lapse. The terms and conditions may include the achievement of a performance goal (in the case of an Employee) or the completion of a certain period of service with the Company (in the case of an Employee or Board Member). Such terms and conditions may also include, without limitation, the lapsing of such restrictions as a result of the death or Disability of the Employee or Board Member. Notwithstanding the provisions of paragraph (b) above, the Committee may at any time, in its sole discretion, accelerate the time at which any or all restrictions will lapse or remove any and all such restrictions.

(d) Termination of Continuous Service. Any unvested shares of Restricted Stock shall be forfeited automatically as of the date of the Employee's or Board Member's termination of Continuous Service for any reason, unless otherwise provided in the Grant Agreement.

9. STOCK APPRECIATION RIGHTS

(a) Grant of Stock Appreciation Rights. Whenever the Committee deems it appropriate, it may grant Stock Appreciation Rights in connection with all or any part of an Option to an Employee or in a stand-alone Grant. The Committee may limit the amount that the Employee will be entitled to receive upon exercise of any Stock Appreciation Right.

(b) Stock Appreciation Rights Granted in Connection with Options. The following provisions apply to all Stock Appreciation Rights that are granted in connection with Options:

(i) Stock Appreciation Rights shall entitle the Employee, upon exercise of all or any part of the Stock Appreciation Rights, to surrender to the Employer unexercised that portion of the underlying Option relating to the same number of shares of Common Stock as is covered by the Stock Appreciation Rights (or the portion of the Stock Appreciation Rights so exercised) and to receive in exchange from the Employer an amount equal to the excess of (x) the Fair Market Value on the date of exercise of the Common Stock covered by the surrendered portion of the underlying Option over (y) the exercise price of the Common Stock covered by the surrendered portion of the underlying Option.

(ii) Upon the exercise of a Stock Appreciation Right and surrender of the related portion of the underlying Option, the Option, to the extent surrendered, shall not thereafter be exercisable.

(iii) Subject to any further conditions upon exercise imposed by the Committee, a Stock Appreciation Right shall be exercisable only to the extent that the related Option is exercisable and a Stock Appreciation Right shall expire no later than the date on which the related Option expires.

(iv) A Stock Appreciation Right may only be exercised at a time when the Fair Market Value of the Common Stock covered by the Stock Appreciation Right exceeds the exercise price of the Common Stock covered by the underlying Option.

(c) Stand-Alone Stock Appreciation Rights. The following provisions apply to all Stock Appreciation Rights that are not granted in connection with Options:

(i) Stock Appreciation Rights shall entitle the Employee, upon exercise of all or any part of the Stock Appreciation Rights, to receive in exchange from the Employer an amount equal to the excess of (x) the Fair Market Value on the date of exercise of the Common Stock covered by the surrendered Stock Appreciation Right over (y) the Fair Market Value of the Common Stock on the date of grant of the Stock Appreciation Right. The Committee may limit the amount that the Employee will be entitled to receive upon exercise of a Stock Appreciation Right and may decide in what form to pay the settlement of the Stock Appreciation Rights.

(ii) A Stock Appreciation Right may be exercised only at a time when the Fair Market Value of the Common Stock covered by the Stock Appreciation Right exceeds the Fair Market Value of the Common Stock on the date of grant of the Stock Appreciation Right.

(d) Settlement of Stock Appreciation Rights. The manner in which the Employer's obligation arising upon the exercise of a Stock Appreciation Right shall be paid shall be determined by the Committee and shall be set forth in an agreement evidencing the Stock Appreciation Right Grant. The agreement evidencing the Stock Appreciation Right Grant may provide for payment in Common Stock or cash, or a fixed combination of Common Stock or

cash, or the Committee may reserve the right to determine the manner of payment at the time the Stock Appreciation Right is exercised. Shares of Common Stock issued upon the exercise of a Stock Appreciation Right shall be valued at their Fair Market Value on the date of exercise.

(e) **Termination of Continuous Service**. The Employee's Grant Agreement shall specify the terms under which a Stock Appreciation Right shall terminate or be exercisable in the event of termination of the Employee's Continuous Service.

10. PERFORMANCE UNITS

(a) **Grant of Performance Units**. Subject to the terms of the Plan, the Committee may grant Performance Units to eligible Employees at any time and from time to time. Performance Units shall entitle the Employee to Performance Shares (or cash in lieu thereof) upon the achievement of performance goals that are set forth in the Grant Agreement evidencing the Grant of Performance Units. The time period during which the performance goals must be met shall be called a "Performance Period." Performance Periods shall, in all cases, exceed six (6) months in length. The Committee shall have complete discretion in determining the number of Performance Units and Performance Shares granted to each Employee. Further, the Committee may grant Performance Units as part of an annual incentive plan or a long-term incentive plan maintained by the Company for its employees.

(b) **Value of Performance Units**. Each Performance Unit shall have an initial value that is established by the Committee at the time of grant or shall have a specified number of shares of Common Stock.

(c) **Earning of Performance Units and Performance Shares**. After the applicable Performance Period has ended and if the Committee certifies that the performance goals established by the Committee for the Employee have been attained or otherwise satisfied, the Committee shall authorize the issuance of Performance Shares registered in the name of the Employee or payment of cash in lieu of Performance Shares.

(d) **Form and Timing of Payment of Performance Units**. Payment of earned Performance Units shall be made in a single lump sum, within seventy-five (75) calendar days following the close of the applicable Performance Period. The Committee, in its sole discretion, may pay earned Performance Units in the form of cash or in Performance Shares (or in a combination thereof), which have an aggregate Fair Market Value equal to the value of the earned Performance Units at the close of the applicable Performance Period.

(e) **Termination of Employment due to Death, Disability or Retirement**. In the event the employment of an Employee is terminated by reason of death, Disability or Retirement during a Performance Period, the Employee shall receive a prorated payout of the Performance Units. Any prorated payout shall be determined by the Committee, in its sole discretion, and shall be based upon the length of time that the Employee held the Performance Units during the Performance Period, and shall further be adjusted based on the achievement of the preestablished performance goals. The Committee, in its sole discretion, shall determine the timing of delivery

of Performance Shares (or cash in lieu thereof).

(f) Termination of Employment for Reasons other than Death, Disability or Retirement. In the event that an Employee's employment terminates for any reason other than those reasons set forth in Section 10(e), all unvested Performance Units shall terminate.

(g) Transferability. An Employee's interest in a Grant of Performance Units may not be sold, assigned, transferred, pledged, hypothecated, or otherwise encumbered. Further, an Employee's rights under the Plan shall be exercisable during the Employee's lifetime only by the Employee or the Employee's legal representative.

(h) Amendments to Performance Criteria. The Committee may at any time, in its sole discretion, interpret or clarify any and all performance criteria for a Grant of Performance Units.

11. COVENANTS OF THE COMPANY

(a) Availability of Shares. During the terms of the Grants, the Company shall keep available at all times the number of shares of Common Stock required to satisfy such Grants.

(b) Securities Law Compliance. The Company shall seek to obtain from each securities regulatory commission or agency having jurisdiction over the Plan such authority as may be required to make Grants and to issue and sell shares of Common Stock upon exercise of the Grants; *provided, however*, that this undertaking shall not require the Company to register under the Securities Act the Plan, any Grant or any Common Stock issued or issuable pursuant to any such Grant. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority which counsel for the Company deems necessary for the lawful issuance and sale of Common Stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell Common Stock upon exercise of such Grants unless and until such authority is obtained, provided that the Company shall make a good faith effort to provide alternative compensation arrangements for the benefit of affected Employees and Board Members.

12. USE OF PROCEEDS FROM STOCK

Proceeds from the sale of Common Stock pursuant to Grants shall constitute general funds of the Company.

13. EFFECTIVE DATE OF PLAN

The Plan shall become effective upon approval by (i) the Board and (ii) the shareholders in the manner prescribed by Section 422 of the Code and pursuant to any applicable Exchange requirements.

14. MISCELLANEOUS

(a) Acceleration of Exercisability and Vesting. The Committee shall have the power to accelerate the time at which a Grant may first be exercised or the time during which a Grant or any part thereof will vest in accordance with the Plan, notwithstanding the provisions in the Grant stating the time at which it may first be exercised or the time during which it will vest.

(b) Shareholder Rights. No Employee or Board Member shall 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 such Grant unless and until such Employee or Board Member has satisfied all requirements for exercise of the Grant pursuant to its terms.

(c) No Employment or other Service Rights. Nothing in the Plan or any instrument executed or Grant granted pursuant thereto shall confer upon any Employee or Board Member any right to continue to serve the Company or any Subsidiary in the capacity in effect at the time the Grant was granted or shall affect the right of the Company or a Subsidiary to terminate (i) the employment of an Employee with or without notice and with or without Cause, or (ii) the service of a Board Member pursuant to the Articles of Incorporation or Bylaws of the Company or a Subsidiary, and any applicable provisions of the Washington Business Corporation Act or the corporate law of the state in which a Subsidiary is incorporated, as the case may be.

(d) Incentive Stock Option $100,000 Limitation; Treatment as a Nonstatutory Stock Option. To the extent that the aggregate Fair Market Value (determined at the time of grant) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any Optionholder during any calendar year (under all plans of the Company and its Subsidiaries) exceeds one hundred thousand dollars ($100,000), the Options or portions thereof which exceed such limit (according to the order in which they were granted) shall be treated as Nonstatutory Stock Options. To the extent a grant of any Option was intended to qualify as an Incentive Stock Option but fails for any reason to qualify for such treatment, such Option shall be treated as a Nonstatutory Stock Option.

(e) Investment Assurances. The Company may require an Employee or Board Member, as a condition of exercising or acquiring Common Stock under any Grant (i) to give written assurances satisfactory to the Company as to the Employee or Board Member's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters and that he or she is capable of evaluating, alone or together with such purchaser representative, the merits and risks of exercising the Grant, and (ii) to give written assurances satisfactory to the Company stating that the Employee or Board Member is acquiring Common Stock subject to the Grant for the Employee's or Board Member's own account and not with any present intention of selling or otherwise distributing the Common Stock. The foregoing requirements, and any assurances given pursuant to such requirements, shall be inoperative if (1) the issuance of the shares of Common Stock upon the exercise or acquisition of Common Stock under the Grant has been registered under a then currently effective registration statement under the Securities Act, or (2) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the

circumstances under the then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the Common Stock.

(f) Withholding Obligations. To the extent provided by the terms of a Grant Agreement, the Employee or Board Member may satisfy any federal, state or local tax withholding obligation relating to the exercise or acquisition of Common Stock under a Grant by any of the following means (in addition to the Company's right to withhold from any compensation paid to the Employee or Board Member by the Company) or by a combination of such means: (i) tendering a cash payment, (ii) authorizing the Company to withhold shares of Common Stock from the shares of Common Stock otherwise issuable to the Employee or Board Member as a result of the exercise or acquisition of Common Stock under the Grant, *provided, however*, that no shares of Common Stock are withheld with a value exceeding the minimum amount of tax required to be withheld by law, or (iii) delivering to the Company owned and unencumbered shares of Common Stock.

(g) Golden Parachute Taxes. In the event that any amounts paid or deemed paid to an Employee or Board Member under the Plan are deemed to constitute "excess parachute payments" as defined in Section 280G of the Code (taking into account any other payments made under the Plan and any other compensation paid or deemed paid to a Employee or Board Member), or if any Employee or Board Member is deemed to receive an "excess parachute payment" by reason of his or her vesting of Options pursuant to Section 15(b) herein, the Employee or Board Member's benefits shall be either:

(i) delivered in full, or

(ii) delivered to such lesser extent as would result in no portion of such benefits being subject to the excise tax under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax under Section 4999 of the Code, results in the receipt by Employee or Board Member on an after-tax basis, of the greater net value, notwithstanding that all or some portion of such benefits may be taxable under Section 4999 of the Code.

(h) Plan Unfunded. The Plan shall be unfunded. Except for the Committee's reservation of a sufficient number of authorized shares to the extent required by law to meet the requirements of the Plan, the Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure payment of any Grant under the Plan.

(i) Wait Period. No Grants may be made under the Plan: (i) until after the One-Time Grant Wait Period for Director-level employees and below; and (ii) no Grants may be made under the Plan to any Vice President, Senior Vice President, Executive Vice President, Chief Executive Officer or member of the Board of Directors of the Company until after the Wait Period.

15. ADJUSTMENTS UPON CHANGES IN STOCK

(a) Capitalization Adjustments. If any change is made in the Common Stock subject to the Plan, or subject to any Grant, without the receipt of consideration by the Company (through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the Company), the Plan will be appropriately adjusted in the class(es) and maximum number of securities subject to the Plan pursuant to subsection 4(a), and the outstanding Grants will be appropriately adjusted in the class(es) and number of securities and price per share of Common Stock subject to such outstanding Grants. The Committee shall make such adjustments, and its determination shall be final, binding and conclusive. The conversion of any convertible securities of the Company shall not be treated as a transaction "without receipt of consideration" by the Company.

(b) Change in Control. In the event of a Change in Control any surviving corporation shall assume any Grants outstanding under the Plan or shall substitute similar stock grants (including a grant to acquire the same consideration paid to the shareholders in the transaction described in this subsection 15(b)) for those outstanding under the Plan, or such Grants shall continue in full force and effect, all as follows:

(i) If the surviving corporation refuses to assume or continue such Grants or to substitute similar stock grants for those outstanding under the Plan, then Grants held by each Board Member whose Continuous Service has not terminated may be exercised by the Board Member (to the extent that the Board Member was entitled to exercise on such date) immediately prior to closing of the Change in Control as determined by the Committee at the time of the Change in Control, and the unvested Grants shall terminate.

(ii) If the Change in Control occurs before the second anniversary of the Conversion Date, and the surviving corporation refuses to assume or continue such Grants or to substitute similar stock grants for those outstanding under the Plan, then Grants held by each Employee whose Continuous Service has not terminated may be exercised by the Employee (to the extent that the Employee was entitled to exercise on such date) immediately prior to closing of the Change in Control as determined by the Committee at the time of the Change in Control and unvested Grants shall terminate.

(iii) If the Change in Control occurs on or after the second anniversary of the Conversion Date, and either (1) with respect to an Employee whose Continuous Service has not terminated, the surviving corporation refuses to assume or continue such Grants or to substitute similar stock grants for those outstanding under the Plan, or (2) during the CIC Period, the Employee's Continuous Service terminates other than a Termination for Cause, or the Employee suffers a Constructive Termination, then

(A) the time during which Options or Stock Appreciation Rights may be exercised automatically will be accelerated and become fully vested and exercisable immediately prior to the consummation of such transaction, and any such Options or Stock

Appreciation Rights shall automatically terminate upon consummation of such transaction if not exercised prior to such event;

(B) any restriction periods and restrictions imposed on Restricted Stock shall lapse, and within ten (10) business days after the occurrence of a Change in Control, the stock certificates representing shares of Restricted Stock, without any legends or restrictions thereon, shall be delivered to the Employee;

(C) the performance goals under all Performance Units shall be deemed to have been fully earned for the elapsed portion of any Performance Period that is in process as of the effective date of the Change in Control, and shall be paid out in cash to participants within thirty (30) days following the effective date of the Change in Control; for these purposes, the "elapsed portion" shall be the ratio of the number of days of the Performance Period that have occurred prior to the effective date of the Change in Control to the total number of days in the Performance Period; and

(D) subject to Section 17, the Committee shall have the authority to make any modifications to the Grants as determined by the Committee to be appropriate before the effective date of the Change in Control.

(c) **No Limitations**. The Grants will in no way affect the Company's right to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

16. DEFERRALS

Subject to applicable statutes, regulations or Exchange requirements, the Committee may permit an Employee or Board Member to defer the payment of some or all of the cash or shares of Common Stock otherwise payable pursuant to a Grant. If any such deferral election is required or permitted, the Committee shall, in its sole discretion, establish rules and procedures for such payment deferrals.

17. AMENDMENT OF THE PLAN AND GRANTS

(a) Amendment of Plan. The Committee at any time, and from time to time, may amend the Plan. However, except as provided in Section 15 relating to adjustments upon changes in Common Stock, no amendment shall be effective unless approved by the shareholders of the Company to the extent shareholder approval is necessary to satisfy the applicable requirements of Section 422 of the Code, Rule 16b-3 or any relevant Exchange requirements. Appendix B cannot be amended or deleted except with approval by vote of the shareholders, including the Foundation Shareholder voting as provided in the Voting Trust Agreement.

(b) Shareholder Approval. The Committee may, in its sole discretion, submit any other amendment to the Plan for shareholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of Section 162(m) of the Code and the

regulations thereunder regarding the exclusion of performance-based compensation from the limit on corporate deductibility of compensation paid to certain executive officers.

(c) Amendment of Grants. The Committee may, at any time, and from time to time, amend the terms of any one or more Grants; *provided, however*, that the rights under any Grant shall not be impaired by any such amendment unless (i) the Company requests the consent of the Employee or Board Member and (ii) the Employee or Board Member consents in writing.

18. TERMINATION OR SUSPENSION OF THE PLAN

(a) Plan Term. The Committee may suspend or terminate the Plan at any time. Unless sooner terminated, the Plan shall terminate on the day before the tenth (10th) anniversary of the date the Plan is adopted by the Committee or approved by the shareholders of the Company, whichever is earlier. No Grants may be made under the Plan while the Plan is suspended or after it is terminated.

(b) No Impairment of Rights. Suspension or termination of the Plan shall not impair rights and obligations under any Grant made while the Plan is in effect except with the written consent of the Employee or Board Member.

19. CHOICE OF LAW

The law of the State of Washington shall govern all questions concerning the construction, validity and interpretation of this Plan, without regard to Washington's conflict of laws rules.

APPENDIX A, DEFINITIONS

DEFINITIONS

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

"***Board Member***" means an individual who is a member of the Board of Directors of the Company or a Subsidiary.

"***Change in Control***" means:

(a) A reorganization, merger, consolidation or similar transaction involving the Company or [New PBC] in which neither the Company nor [New PBC], nor a wholly-owned subsidiary of the Company or New PBC, is the surviving entity; or

(b) A sale, liquidation or other disposition of more than fifty percent (50%) of the assets of the [New PBC] other than transfer or other disposition of such assets to a wholly-owned subsidiary of the Company or [New PBC]; or

(c) Dissolution of the Company; or

(d) In one or more transactions, a sale, disposition, or transfer of, or a contractual arrangement with respect to, assets of or voting rights in the Company or [New PBC] resulting in any person or Group of Associated Persons (as defined below), or an entity unrelated to the Company or [New PBC], obtaining Control (as defined below) of the Company or [New PBC] or more than fifty percent (50%) of the aggregate assets of the Company or [New PBC]. For purposes of this paragraph, "Control" means a 50% or greater (direct or indirect) (i) right of beneficial ownership in the assets of, or (ii) ownership and/or voting interest in, the Company or [New PBC]. For purposes of this paragraph, "Group of Associated Persons" means persons (A) who acquire Control of either the Company or [New PBC] in connection with a transaction between such persons and the Company and [New PBC], or (B) who have a written agreement among themselves to exercise such beneficial ownership, membership or voting rights in concert.

A transaction shall not constitute a Change in Control if its sole purpose is to make a change to the Company's corporate form, to change the place of organization, or to create a holding company, if the resulting entity or holding company, as the case may be, will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction with substantially the same rights as securities holders as prior to such transaction.

A divestiture of stock by the Foundation Shareholder or a public offering by the Company shall not trigger a Change in Control; provided that no entity, person or Group of Associated Persons (i) acquires Control of the Company, [New PBC], or a successor of either the Company or [New PBC], or (ii) has the right to appoint or elect fifty percent (50%) or more of

the Directors of the Company or [New PBC], or a successor of either the Company or [New PBC] ("Board Control"); provided further, the Foundation Shareholder's ownership of such stock shall not be deemed to be Control under sub-clause (i) above or deemed to be Board Control under sub-clause (ii) unless (A) the Foundation Shareholder has unrestricted authority to appoint or elect at least fifty percent (50%) of such Directors, or (B) the Voting Trust Agreement is no longer in effect.

"CIC Period" means the period (a) beginning on the earlier of (i) twelve (12) months prior to a Change in Control, or (ii) if the Company enters into a Transaction Agreement more than twelve (12) months prior to a Change in Control contemplated in the Transaction Agreement, the later of the date on which the Company enters into the Transaction Agreement or the date which is eighteen (18) months prior to the Change in Control; and (b) ending eighteen (18) months following such Change in Control.

"***Code***" means the Internal Revenue Code of 1986, as amended.

"***Committee***" means the Company's Compensation Committee or another committee of the Board designated to administer the Plan.

"***Common Stock***" means the common stock of the Company.

"***Company***" means [New PREMERA Corp.], a Washington corporation.

"Constructive Termination" means the occurrence of any of the following during a CIC Period: (i) a material reduction of the Employee's duties, title, authority or responsibilities, relative to the Employee's duties, title, authority or responsibilities as in effect immediately prior to a CIC Period, or the assignment to Employee of duties inconsistent with such title, authority or responsibilities; (ii) a reduction by the Company in the Base Salary of the Employee; (iii) a material reduction by the Company in the kind or level of qualified retirement and welfare employee benefits to which the Employee was entitled immediately prior to a CIC Period with the result that the Employee's overall benefits package is materially reduced without similar action occurring to other eligible comparably situated employees; (iv) a material reduction in the Employee's opportunity to earn incentive compensation in aggregate amounts equivalent to incentives under the Company's Annual Plan and Long-Term Plan (or other similar incentive plans) in effect immediately prior to the CIC Period; (v) a material reduction in the opportunity to earn nonqualified retirement benefits in aggregate amounts equivalent to benefits under the DB SERP or the DC SERP (or similar nonqualified retirement plans) in effect immediately prior to the CIC Period; (vi) the relocation of the Employee to a facility or a location outside of a fifty mile (50) mile radius from the Employee's principal location or facility immediately prior to a CIC Period; or (vii) any other act or set of facts or circumstances which, under applicable law, constitutes a constructive termination of the Employee.

"***Continuous Service***" means with respect to an Employee that the Employee's service with the Company or a Subsidiary is not interrupted or terminated. The Employee's Continuous Service shall not be deemed to have terminated merely because of a change in the capacity in

which the Employee renders service to the Company or a Subsidiary as an Employee or a change in the entity for which the Employee renders such service, provided that there is no interruption or termination of the Employee's Continuous Service. An Employee's Continuous Service shall not be deemed to have terminated: (i) by reason of a leave of absence, paid or unpaid, authorized by the Company under a uniform nondiscriminatory policy applicable to all Employees until the first anniversary of commencement of Employee's leave of absence; (ii) during Employee's absence for military service to the extent required by USERRA and applicable state laws; or (iii) if the employee is absent due to pregnancy, birth or adoption of a child, or caring for a child immediately following birth or adoption, until the second anniversary of commencement of the leave of absence. "Continuous Service" with respect to a Board Member who is not also an Employee means that the Board Member's service on the Board has not been terminated and that the Board Member has not failed to be reelected.

"***Conversion Date***" means the date of closing of the transactions pursuant to which Premera Blue Cross and PREMERA reorganized so that their respective successors became for-profit corporate entities.

"***Disability***" means that an individual is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. An individual will be considered "Disabled" on the date the Committee determines the individual satisfies the definition of Disability. The Committee may require an individual to submit to a physical examination in order to confirm Disability.

"***Employee***" means any person employed by the Company or a Subsidiary (whether existing as of the date of adoption of the Plan or hereafter created or acquired). Mere service as a Board Member or payment of a Board Member's fee by the Company or a Subsidiary shall not be sufficient to constitute "employment" by the Company or a Subsidiary.

"***Employer***" means the Company, and each Subsidiary that employs one or more Employees.

"***Exchange***" means any national securities exchange or national market on which the Company has a class of equity securities listed.

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

"***Fair Market Value***" means, as of any date, the value of the Common Stock determined as follows:

(i) If the Common Stock is listed on an Exchange, the Fair Market Value of a share of Common Stock shall be the closing sale price for such stock (or the closing bid, if no sale was reported) quoted on such Exchange on the day of determination, as reported in *The Wall Street Journal* or such other source as the Committee deems reliable.

(i) In the absence of such markets for the Common Stock, the Fair Market Value shall be determined in good faith by the Committee.

"***Fees***" means the consideration a Board Member may receive for service on the Board, including, without limitation, retainer fees, meeting fees and committee fees, but excluding travel and other out of pocket expense reimbursements.

"***Foundation Shareholder***" means one or more nonprofit corporations that, upon Conversion, initially hold 100% of the Company's Common Stock.

"***Grant***" means a Grant of Options, Restricted Stock, Stock Appreciation Rights, Performance Units or Performance Shares granted under the Plan.

"***Grant Agreement***" means a written agreement between the Company and a holder of a Grant evidencing the terms and conditions of an individual Grant. Each Grant Agreement shall be subject to the terms and conditions of the Plan.

"***Incentive Stock Option***" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

"***Independent Board Member***" shall have the meaning given by any relevant Exchange.

"***IPO***" means the first offering in which securities of the Company are sold to an underwriter for reoffering to the public pursuant to an effective registration statement under the Securities Act of 1933, as amended.

"***Listing Date***" means the first date upon which any security of the Company is listed on an Exchange.

"***Non-Employee Board Member***" means a Board Member who (i) is not a current Employee or Officer of the Company or its parent or a Subsidiary, (ii) does not receive compensation (directly or indirectly) from the Company or its parent or a Subsidiary for services rendered as a consultant or in any capacity other than as a Board Member (except for an amount as to which disclosure would not be required under Item 404(a) of Regulation S-K), (iii) does not possess an interest in any other transaction as to which disclosure would be required under Item 404(a) of Regulation S-K and (iv) is not engaged in a business relationship as to which disclosure would be required under Item 404(b) of Regulation S-K.

"***Nonstatutory Stock Option***" means an Option not intended to qualify as an Incentive Stock Option.

"***Officer***" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

"***Option***" means an Incentive Stock Option or a Nonstatutory Stock Option granted pursuant to the Plan (including grants to Board Members pursuant to Section 7).

"***Optionholder***" means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

"***Outside Board Member***" means a Board Member who either (i) is not a current employee of the Company or an "affiliated corporation" (within the meaning of Treasury Regulations promulgated under Section 162(m) of the Code), is not a former employee of the Company or an "affiliated corporation" receiving compensation for prior services (other than benefits under a tax qualified pension plan), was not an officer of the Company or an "affiliated corporation" at any time and is not currently receiving direct or indirect remuneration from the Company or an "affiliated corporation" for services in any capacity other than as a Board Member, or (ii) is otherwise considered an "outside director" for purposes of Section 162(m) of the Code.

"***Performance Shares***" means shares of Common Stock granted pursuant to Section 10 of the Plan.

"***Performance Units***" means contingent rights to receive Performance Shares or cash in lieu thereof pursuant to Section 10 of the Plan.

"***Plan***" means this Equity Incentive Plan.

"***Regulation S-K***" means Regulation S-K promulgated by the Securities and Exchange Commission pursuant to the Securities Act, as in effect from time to time.

"***Reprice***" means any of the following: (a) amending the terms of an Option to lower its exercise price, (b) any action that is treated as a repricing under generally accepted accounting principles, (c) canceling an Option at a time when its exercise price is equal to or greater than the Fair Market Value of the underlying Common Stock in exchange for another option, restricted shares or other equity, or (d) any other repricing event as defined by the relevant Exchange.

"***Repurchase Blackout Period***" means six (6) months from the date the Common Stock relating to a Grant is issued to the Employee or Board Member or, in the case of a Grant with vesting restrictions (such as Restricted Stock), six (6) months from the vesting date or, in any case, such longer or shorter period of time as required to avoid a variable charge to earnings for financial accounting purposes.

"***Restricted Stock***" means shares of Common Stock granted pursuant to Section 8 of the Plan.

"***Retirement***" means termination of an Employee's employment (i) at age fifty-five (55) with at least ten (10) years of Continuous Service, or (ii) anytime after age fifty-five (55), provided that the sum of the Employee's age and completed years of Continuous Service at the time of termination is at least sixty-five (65).

"***Rule 16b-3***" means Rule 16b-3 promulgated by the Securities and Exchange Commission under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.

"***Section 162(m) Employee***" means the chief executive officer and the other officers of the Company for whom total compensation is required to be reported to shareholders under the Exchange Act, as determined for purposes of Section 162(m) of the Code.

"***Securities Act***" means the Securities Act of 1933, as amended.

"***Stock Appreciation Right***" means the right to receive appreciation in the Common Stock pursuant to the provisions of Section 9 of the Plan.

"***Subsidiary***" means any corporation (other than the Company and the Foundation Shareholder) in an unbroken chain of corporations beginning with the Company if, as of the date of grant, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

"*Termination for Cause*" means a termination of employment by reason of a determination by the Company that the Employee or Board Member has committed an act or acts constituting any of the following: (i) unauthorized disclosure or use of the Company's confidential or proprietary information, (ii) misappropriation of a business opportunity of the Company, (iii) materially aiding a competitor of Company, (iv) a conviction of, or plea of *nolo contendere* to, any felony (other than a law, rule or regulation relating to a traffic violation or other offense that has no material adverse effect on the Company), or (v) repeated failure or refusal to perform his or her material duties for the Company.

"***Transaction Agreement***" means a definitive written agreement which commits the Company to a transaction for a Change in Control, pursuant to which the Change in Control contemplated in the Transaction Agreement subsequently occurs (including such agreements which contain conditions precedent to closing, but not including non-binding letters of intent or other similar non-binding expressions of interest). For purposes of counting periods prior to a Change in Control, the term month shall mean each full month prior to the Change in Control.

"***Voting Trust Agreement***" means that certain Voting Trust and Divestiture Agreement entered into by the Foundation Shareholder as part of the Conversion process.

"***Wait Period***" shall mean the period commencing on the date of the IPO and ending one (1) year thereafter. The "***One-Time Grant Wait Period***" shall mean the period commencing with the date of the IPO and ending forty-five (45) calendar days thereafter.

APPENDIX B, DESCRIPTION OF STOCK OWNERSHIP PLANS

EXHIBIT G-10 TO FORM A
DESCRIPTION OF STOCK OWNERSHIP PLANS

EXHIBIT G-10
(February, 2004)

DESCRIPTION OF STOCK OWNERSHIP PLANS

The Washington Office of the Insurance Commissioner advised Premera that, among the issues to be addressed by Premera in connection with the proposed Conversion Transaction described in the Statement Regarding the Acquisition of Control of a Domestic Health Carrier and Domestic Insurer dated September 17, 2002 (the "Form A filing"), is the matter of stock programs. By communication dated October 7, 2002, the Office of the Insurance Commissioner requested that Premera submit a Description of Stock Ownership Plans as part of the Form A filing.

At the time of the Form A filing, the Boards of PREMERA and Premera Blue Cross (the "Boards") had not approved any stock-based program, or made any determinations as to the nature of any stock-based programs that might be adopted in the future by them, or by or on behalf of New PREMERA. The Boards, at their meeting of October 17, 2003, have since approved the form of the New PREMERA [date] Equity Incentive Plan document (the "Plan"), a copy of which was provided to the OIC and is attached to this Exhibit G-10. This Exhibit G-10, as modified, is an attachment to the Plan and is incorporated therein.

Recognizing that the Office of Insurance Commissioner has requested information about potential stock-based programs, and in order to provide assurances that future programs will be subject to certain limitations and restrictions, the Boards of PREMERA and Premera Blue Cross have approved the parameters of an equity incentive program and authorized management to make certain commitments, as set forth in this Exhibit G-10, to the Office of Insurance Commissioner, related to stock-based programs at New PREMERA, in connection with the Conversion Transaction.

It is anticipated that New PREMERA, as a stock corporation, will adopt and make grants under one or more stock-based compensation programs covering employees, officers and directors, which may include stock options, restricted stock, stock appreciation rights (both stand-alone and in connection with options), performance shares and performance units, or such other stock programs as may be utilized by stock corporations ("Stock-Based Programs"). The terms of any such program will be approved by the New PREMERA Board of Directors and its Compensation Committee, and will be subject to the rules of any stock exchange upon which the stock of New PREMERA may be listed and such other laws and regulations as are otherwise applicable to stock programs for publicly traded corporations. Premera hereby makes the following commitments, and such commitments shall remain in full force and effect through the Stock Restriction Period (as defined below) unless modified by New PREMERA with approval of its shareholders including vote of the Foundation Shareholder's shares pursuant to the Voting Trust Agreement as defined in the Plan.

Any Stock-Based Programs for officers, employees and/or directors at New PREMERA shall be subject to the following restrictions (the "Stock Program Restrictions"):

(1) Maximum Share Reserve:

During the Wait Period (as defined in the Plan) and until the second anniversary after expiration of the Wait Period, the maximum number of shares with respect to grants made as part of any Stock-Based Program to officers, employees and directors of New PREMERA or its affiliates shall, in the aggregate, not exceed seven percent (7%) of the total number of shares of New PREMERA (including the shares issued for the benefit of the Foundation Shareholder) which are issued and outstanding after giving effect to the IPO as defined in the Plan ("IPO")(the "Maximum Share Reserve"). The portion of the Maximum Share Reserve that is not used by the second anniversary of expiration of the Wait Period may be used thereafter.

(2) Stock Restriction Period:

The Stock Program Restrictions set forth in this Exhibit G-10 shall apply during the Wait Period and until the second anniversary of expiration of the Wait Period, for a total period of thirty-six (36) months after the IPO ("Stock Restriction Period").

(3) Prohibition on Grants Under Stock-Based Programs:

New PREMERA shall not make any grants under any Stock-Based Programs relating to New PREMERA stock other than as provided in this Exhibit G-10 and the Plan during the Stock Restriction Period to any officer, employee or director of New PREMERA or the affiliates of New PREMERA.

(4) One-Time Option Grant to Employees Other than Officers or Directors (the "One-Time Grant"):

New PREMERA may make, at its discretion and at any time after the One-Time Grant Wait Period as defined in the Plan, a one-time grant of stock options to any employee of New PREMERA or its affiliated companies provided such grant meets the following requirements:

- Participants in One-Time Grant: No recipient of such stock option grant may be an officer or member of the Board of Directors of New PREMERA or New Premera Blue Cross, or any individual who, prior to the IPO, served in the capacity of an officer or member of the Board of Directors of PREMERA or Premera Blue Cross. For purposes of this Exhibit G-10, "officer" shall mean Vice Presidents or more senior officers.

- One-Time Grant Share Reserve: The total number of shares that may be granted as part of the One-Time Grant under this section (4) shall not exceed one and fifty-five one-hundredths percent (1.55%) of the total

number of shares of New PREMERA (including the shares issued for the benefit of the Foundation Shareholder) which are issued and outstanding after giving effect to the IPO (the "One-Time Grant Share Reserve"). Any grants that are made under the One-Time Grant shall constitute part of the Maximum Share Reserve. If and to the extent any portion of the One-Time Grant Share Reserve is not utilized for One-Time Grants, such unutilized percentage of shares shall become part of the Reserve Pool and may be utilized for grants otherwise permitted under this Exhibit G-10 subject to the Maximum Share Reserve.

- Exercise Price: The exercise price per share for such options to purchase stock of New PREMERA pursuant to the One-Time Grant shall be no less than 100% of the fair market value of such stock on the date of the grant of such option.

(5) Ongoing Grants:

- New PREMERA may make, at its discretion and at any time after the Wait Period but no sooner than indicated below, in addition to the One-Time Grant provided for in section (4), ongoing grants of stock options and LTIP Grants (as defined below) to any officer, employee or director of New PREMERA or its affiliated companies (the "Ongoing Grants"), provided that the total number of shares for which grants may be made as Ongoing Grants shall not exceed at the time of the grant the percent indicated below of the total number of shares of New PREMERA (including the shares issued for the benefit of the Foundation Shareholder) which are issued and outstanding after giving effect to the IPO.

  - First Ongoing Grant: Immediately after expiration of the Wait Period, Ongoing Grants of stock options not exceeding one and sixty-six one hundredths percent (1.66%), the "First Ongoing Grant." Of this amount, the Current Executive Officers' First Ongoing Grants shall not exceed 0.59% in the aggregate as follows: the Chief Executive Officer's First Ongoing Grant shall not exceed 0.17%, and the four Executive Vice Presidents' aggregate First Ongoing Grant shall not exceed 0.42%. The "Current Executive Officers," for purposes of this Exhibit G-10, shall be the individuals serving as Chief Executive Officer and as the four Executive Vice Presidents as of February 5, 2004.

  - Second Ongoing Grant: No sooner than the first anniversary of expiration of the Wait Period, Ongoing Grants not exceeding one and sixty-six one hundredths percent (1.66%) (the "Second Ongoing Grant.") Of this amount, the Current Executive Officers' Second Ongoing Grants shall not exceed 0.59% in the aggregate as follows: the Chief Executive Officer's Second Ongoing Grant shall not exceed 0.17%, and the four Executive Vice Presidents' aggregate Second Ongoing Grant shall not exceed 0.42%.

- LTIP Grants: For each of the two performance periods under the LTIP commencing on the January 1 immediately following expiration of the Wait Period, and on the anniversary of such January 1, up to an aggregate of sixty-seven one hundredths of one percent (0.67%) may be used for LTIP Grants (as defined below). Of this amount, allocations for each performance period to the Current Executive Officers may not exceed 0.31% in the aggregate as follows: 0.10% may be allocated to the Chief Executive Officer and 0.21% in the aggregate to the four Executive Vice Presidents.

- Exercise Price: The exercise price per share for options to purchase stock of New PREMERA shall be no less than 100% of the fair market value of such stock on the date of the grant of such option.

- Maximum Share Reserve: Any grants that are made under the Ongoing Grants shall constitute part of the Maximum Share Reserve. If and to the extent any portion of the shares available for Ongoing Grants under this section (5) is not utilized before shares become available for the next Ongoing Grant, such unutilized percentage of shares shall become part of the Reserve Pool and may be utilized for grants otherwise permitted under this Exhibit G-10 subject to the Maximum Share Reserve.

(6) Reserve Pool:

Beginning after the Wait Period, a pool of shares ("Reserve Pool") consisting of the remainder of the Maximum Share Reserve that is not used for grants described above, shall be available for grants; provided that, during the Stock Restriction Period, the Reserve Pool may be used only for stock option grants and LTIP Grants (as defined below) as provided in this section (6). Such stock option grants may be made, in addition to the One-Time Grant and the Ongoing Grants, for high-performing officers and employees (but grants for high performance shall not exceed 5,000 shares annually to any individual officer or employee, or 100,000 shares during the Stock Restriction Period in the aggregate), for new hires and new directors, and for newly-promoted employees and officers; provided that, the Reserve Pool cannot be used for stock option grants to Current Executive Officers in excess of the limits in section (5). Such LTIP Grants may be made only for new hires and employees promoted into the LTIP or LTIP participants who are promoted; provided that, the Reserve Pool cannot be used for LTIP Grants to the Current Executive Officers in excess of the limits in section (5) and may not be used to increase grant levels to a Senior Vice President by reason of promotion to Executive Vice President or Chief Executive Officer. The Reserve Pool shall be reduced by grants from the Reserve Pool and increased by forfeitures of grants, all as provided in the Plan. After it becomes available, the Reserve Pool may be used at any time during the Stock Restriction Period or thereafter.

(7) Additional Grants:

- Shareholder Approval: To the extent the Reserve Pool is insufficient for additional grants permissible under this Exhibit G-10, such additional grants may be made only pursuant to a Stock-Based Program approved by the shareholders of New PREMERA, including the Foundation Shareholder voting as described in section (9) of this Exhibit G-10.

(8) Long-Term Incentive Plan:

- LTIP: New PREMERA maintains a Long-Term Incentive Plan with three-year performance periods (the "LTIP").

- LTIP Grants: For any performance period commencing on the January 1 immediately following expiration of the Wait Period, grants of restricted stock of New PREMERA may be made as part of the LTIP ("LTIP Grants").

(9) Shareholder Voting:

If and to the extent that applicable law or stock exchange listing rules require shareholder approval of any stock plans or Stock-Based Programs approved by the Board of Directors or the Compensation Committee of New PREMERA, shares issued for the benefit of the Foundation Shareholder shall be voted in accordance with the requirements of the Voting Trust Agreement as defined in the Plan.

During the Stock Restriction Period, New PREMERA shall not offer or sell any shares of its stock to any director, officer or employee at a price per share that is less than its fair market value on the date of sale through a discounted employee stock purchase plan. At the IPO, New PREMERA shall not allocate any shares in a directed share program to any members of the Board of Directors of New PREMERA, Current Executive Officers, or Senior Vice Presidents, or to any immediate family member of such a director or officer. For these purposes, "immediate family member" includes the spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such director's or officer's home, not including individuals who are no longer an immediate family member as a result of legal separation or divorce, or those who have died or become incapacitated. At the IPO and for forty-five (45) days thereafter, no members of the Board of Directors of New PREMERA, Current Executive Officers, or Senior Vice Presidents, nor any spouse, dependent child or relative living in the household of such a director or officer, shall make any purchases of New PREMERA stock in the open market or otherwise. After such forty-five (45) day period, nothing contained in this Exhibit G-10 or otherwise in the Form A filing shall be construed to limit any officer, employee or member of the Board of Directors of PREMERA, Premera Blue Cross, New PREMERA, or New Premera Blue Cross or any relative of such director or officer from purchasing shares of New PREMERA,

provided such purchase by such officers, employees or members of the Board of Directors is at 100% of the fair market value of such stock.

At the expiration of the Stock Restriction Period, none of the restrictions, prohibitions or conditions contained in this Exhibit G-10 shall have any further force or effect.

SPECIMEN FORM
(Subject to change by Compensation Committee consistent with terms of Equity Incentive Plan)

STOCK OPTION AGREEMENT
(Incentive and Nonstatutory Stock Options)
Under
[New PREMERA Corp.]
[YEAR] EQUITY INCENTIVE PLAN

Pursuant to your Stock Option Grant Notice ("**Grant Notice**") and this Stock Option Agreement, [New PREMERA Corp.] (the "**Company**") has granted you an option under its [year] Equity Incentive Plan (the "**Plan**") to purchase the number of shares of the Company's Common Stock indicated in your Grant Notice at the exercise price indicated in your Grant Notice. Defined terms not explicitly defined in this Stock Option Agreement but defined in the Plan shall have the same definitions as in the Plan.

The details of your option are as follows:

1. VESTING. Subject to the limitations contained herein, and unless otherwise provided in your Grant Notice, your option will vest in four equal installments on the first, second, third, and fourth anniversaries of the date of grant, so that your option will be 100% vested on the fourth anniversary of the date of grant, provided that vesting will cease upon the termination of your Continuous Service.

2. NUMBER OF SHARES AND EXERCISE PRICE. The number of shares of Common Stock subject to your option and your exercise price per share referenced in your Grant Notice may be adjusted from time to time for Capitalization Adjustments, as provided in Section 15(a) of the Plan.

3. **100,000 Limit.** If your option is an Incentive Stock Option, then, as provided in the Plan, to the extent that the aggregate Fair Market Value (determined at the time of grant) of the shares of Common Stock with respect to which your option plus all other Incentive Stock Options you hold are exercisable for the first time by you during any calendar year (under all plans of the Company and its Subsidiaries) exceeds one hundred thousand dollars ($100,000), your option(s) or portions thereof that exceed such limit (according to the order in which they were granted) shall be treated as nonstatutory stock options.

4. METHOD OF PAYMENT. Payment of the exercise price is due in full upon exercise of all or any part of your option. You may elect to make payment of the exercise price in cash, by check, by delivery of shares of Common Stock or, in the discretion of the Committee, through a broker in a so-called "cashless exercise," whereby the broker sells the Option shares and delivers cash sales proceeds to the Company in payment of the exercise price. If your payment is by delivery of shares of Common Stock, you must have either (a) held the Common Stock for the period required to avoid a charge to the Company's reported earnings (generally six months) or (b) acquired the Common Stock other than from the Company. In addition, you must own the Common Stock free and clear of any liens, claims, encumbrances or security interests, and the Common Stock must be valued at Fair Market Value on the date of exercise. "Delivery" for these purposes, in the sole discretion of the Company at the time you exercise your option, shall include delivery to the Company of your attestation of ownership of such shares of Common Stock in a form approved by the Company. Notwithstanding the foregoing, you may not exercise your option by tender to the Company of Common Stock to the extent such tender would violate the provisions of any law, regulation or agreement restricting the redemption of the Company's stock.

5. WHOLE SHARES. You may exercise your option only for whole shares of Common Stock.

6. SECURITIES LAW COMPLIANCE. Notwithstanding anything to the contrary contained herein, you may not exercise your option unless the shares of Common Stock issuable upon such exercise are then registered under the Securities Act or, if such shares of Common Stock are not then so registered, the Company has determined that such exercise and issuance would be exempt from the registration requirements of the Securities Act. The exercise of your option must also comply with other applicable laws and regulations governing your option, and you may not exercise your option if the Company determines that such exercise would not be in material compliance with such laws and regulations.

7. TERM. The term of your option commences on the date of grant and expires upon the ***earliest*** of the following:

(a) Three (3) months after the termination of your Continuous Service for any reason other than your death, Disability or Retirement, provided that if during any part of such three- (3-) month period your option is not exercisable solely because of the condition set forth in the preceding paragraph relating to "Securities Law Compliance," your option shall not expire until the earlier of the Expiration Date or until it shall have been exercisable for an aggregate period of three (3) months after the termination of your Continuous Service;

(b) Twelve (12) months after the termination of your Continuous Service due to your Disability or Retirement;

(c) Twelve months after your death if you die either during your Continuous Service or within three (3) months after your Continuous Service terminates;

(d) The Expiration Date indicated in your Grant Notice; or

(e) The tenth (10th) anniversary of the date of grant.

If your option is an Incentive Stock Option, note that, to obtain the federal income tax advantages associated with an Incentive Stock Option, the Code requires that at all times beginning on the date of grant of your option and ending on the day three (3) months before the date of your option's exercise, you must be an employee of the Company or a Subsidiary, except in the event of your death or Disability. The Company has provided for extended exercisability of your option under certain circumstances for your benefit but cannot guarantee that your option will necessarily be treated as an Incentive Stock Option if you continue to provide services to the Company or a Subsidiary as a consultant or Board Member after your employment terminates or if you otherwise exercise your option more than three (3) months after the date your employment terminates.

8. EXERCISE.

(a) You may exercise the vested portion of your option during its term by delivering a Notice of Exercise (in a form designated by the Company) together with the exercise price to the Secretary of the Company, or to such other person as the Company may designate, during regular business hours, together with such additional documents as the Company may then require.

(b) By exercising your option you agree that, as a condition to any exercise of your option, the Company may require you to enter into an arrangement providing for the payment by you to the Company of any tax withholding obligation of the Company arising by reason of (i) the exercise of your option, (ii) the lapse of any substantial risk of forfeiture to which the shares of Common Stock are subject at the time of exercise, or (iii) the disposition of shares of Common Stock acquired upon such exercise.

(c) If your option is an Incentive Stock Option, by exercising your option you agree that you will notify the Company in writing within fifteen (15) days after the date of any disposition of any of the shares of the Common Stock issued upon exercise of your option that occurs within two (2) years after the date of your option grant or within one (1) year after such shares of Common Stock are transferred to you upon exercise of your option.

(d) By exercising your option, if you are an employee-shareholder, you agree that in connection with any registration of the Company's securities, upon the request of the Company or the underwriters managing any registered public offering of the Company's securities, you will not sell or otherwise dispose of any shares of the Common Stock without the prior written consent of the Company or such managing underwriters, as the case may be, for a period of time (not to exceed 180 days) after the effective date of such registration and subject to all restrictions as the Company or the managing underwriters may specify for employee-shareholders generally. You further agree to execute and deliver such other agreements as may be reasonably requested by the Company and/or the underwriter(s) that are consistent with the foregoing or that are necessary to give further effect thereto. In order to enforce the foregoing covenant, the

Company may impose stop-transfer instructions with respect to your shares of Common Stock until the end of such period.

9. **TRANSFERABILITY**. Your option is not transferable, except as provided herein. . If your option is an Incentive Stock Option, it can be transferred by will or by the laws of descent and distribution, and is exercisable during your life only by you. If your option is not an Incentive Stock Option, you may transfer any option to members of your immediate family or trusts or family partnerships for the benefit of such persons, subject to such terms and conditions as may be established by the Committee. Notwithstanding the foregoing, by delivering written notice to the Company, in a form satisfactory to the Company, you may designate a third party who, in the event of your death, shall thereafter be entitled to exercise your option.

10. **OPTION NOT A SERVICE CONTRACT**. Your option is not an employment or service contract, and nothing in your option shall be deemed to create in any way whatsoever any obligation on your part to continue in the employ of the Company or a Subsidiary, or of the Company or a Subsidiary to continue your employment. In addition, nothing in your option shall obligate the Company or a Subsidiary, their respective shareholders, Boards of Directors, Officers or Employees to continue any relationship that you might have as a Board Member or consultant for the Company or a Subsidiary.

11. **WITHHOLDING OBLIGATIONS.**

(a) At the time you exercise your option, in whole or in part, or at any time thereafter as requested by the Company, you hereby authorize withholding from payroll and any other amounts payable to you, and otherwise agree to make adequate provision for, any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company or a Subsidiary, if any, which arise in connection with your option.

(b) Upon your request and subject to approval by the Company, in its sole discretion, and compliance with any applicable conditions or restrictions of law, the Company may withhold from fully vested shares of Common Stock otherwise issuable to you upon the exercise of your option a number of whole shares of Common Stock having a Fair Market Value, determined by the Company as of the date of exercise, not in excess of the minimum amount of tax required to be withheld by law. If the date of determination of any tax withholding obligation is deferred to a date later than the date of exercise of your option, share withholding pursuant to the preceding sentence shall not be permitted unless you make a proper and timely election under Section 83(b) of the Code, covering the aggregate number of shares of Common Stock acquired upon such exercise with respect to which such determination is otherwise deferred, to accelerate the determination of such tax withholding obligation to the date of exercise of your option. Notwithstanding the filing of such election, shares of Common Stock shall be withheld solely from fully vested shares of Common Stock determined as of the date of exercise of your option that are otherwise issuable to you upon such exercise. Any adverse consequences to you arising in connection with such share withholding procedure shall be your sole responsibility.

(c) You may not exercise your option unless the tax withholding obligations of the Company and/or any Subsidiary are satisfied. Accordingly, you may not be able to exercise your option when desired even though your option is vested, and the Company shall have no obligation to issue a certificate for such shares of Common Stock or release such shares of Common Stock from any escrow provided for herein.

12. **NOTICES**. Any notice required to be given or delivered to the Company shall be in writing and addressed to the Corporate Secretary of the Company at its principal corporate offices. Any notice required to be given or delivered to an Employee or Board Member hereunder shall be in writing and addressed to the Employee or Board Member at the last address they provided to the Company. All notices shall be deemed effectively given upon personal delivery, three (3) days after deposit in the United States mail by certified or registered mail (return receipt requested), one (1) business day after its deposit with any return receipt express courier (prepaid), or one (1) business day after transmission by telecopier.

13. **Further Instruments**. The parties agree to execute such further instruments and to take such further action as may be reasonably necessary to carry out the purposes and intent of this Agreement.

14. Headings. The captions and headings of this Agreement are included for ease of reference only and will be disregarded in interpreting or construing this Agreement. All references herein to Sections will refer to Sections of this Agreement.

15. Agreement Subject to Plan. Your option and this Agreement are subject to all the provisions of the Plan, the provisions of which are hereby made a part of this Agreement, and are further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan. In the event of any conflict between the provisions of this Agreement and those of the Plan, the provisions of the Plan shall control. By executing this Agreement, you acknowledge receipt of the Plan and any interpretations, amendments, rules and regulations adopted pursuant to the Plan as they currently exist and accept the terms and conditions of the Plan, such interpretations, amendments, rules and regulations and of this Agreement.

[NEW PREMERA]

By_____
Its_____

OPTIONEE:

_____

This Specimen was originally filed on 10/17/03; no changes

SPECIMEN FORM
(Subject to change by Compensation Committee consistent with terms of Equity Incentive Plan)

[NEW PREMERA]
STOCK OPTION GRANT NOTICE
FOR PURCHASE OF COMMON STOCK
UNDER THE

____ EQUITY INCENTIVE PLAN

FOR VALUABLE CONSIDERATION, [NEW PREMERA] (the "Company") does hereby grant to the individual named below ("Optionee"), the option ("Option") to purchase the number of shares of Common Stock of the Company (the "Option Shares") for the exercise price per share set forth below, and the right to purchase the Option Shares under this Option shall accrue and vest according to the vesting schedule described below, all subject to the terms and conditions of the Stock Option Grant Agreement and the Company's ____ Equity Incentive Plan (the "Plan"):

Optionee: **Name:** **Social Security #:** **Address:**	
Number of Option Shares:	
Exercise Price Per Share:	
Date of Option Grant:	
Type of Option Grant	
Term of Option:	Ten (10) years after the Date of Option Grant
Vesting Schedule:	[25% per year upon each anniversary of the Date of Option Grant (fully vested in four (4) years)]
Additional Provisions:	

EXECUTED as of the Date of Option Grant.

[NEW PREMERA]

By_____
Its_____

OPTIONEE:

_____

This Specimen was originally filed on 10/17/03; no changes

SPECIMEN FORM
(Subject to change by Compensation Committee consistent with terms of Equity Incentive Plan)

[NEW PREMERA]

NOTICE OF EXERCISE OF STOCK OPTION

TO: [NEW PREMERA] (the "Company")

The undersigned hereby exercises the Stock Option granted on _____, _____, by the Company pursuant to its ____ Stock Incentive Plan, to purchase _____ Shares of Common Stock of the Company at a price of $_____ per Share, for a total purchase price of $_____.

THE SHARES ARE BEING ACQUIRED BY THE UNDERSIGNED FOR INVESTMENT PURPOSES ONLY AND NOT WITH ANY PRESENT INTENTION TO TRANSFER OR DISTRIBUTE THE SAME.

By this exercise, the undersigned agrees, if this exercise relates to an Incentive Stock Option, to notify the Company in writing within fifteen (15) days after the date of any disposition of any of the Shares of Common Stock issued upon exercise of the foregoing Stock Option that occurs within two (2) years after the date of grant of such Stock Option or within one (1) year after such Shares of Common Stock are issued upon exercise of the foregoing Stock Option.

I am paying the cost to exercise as specified below by method a, b, c or d (check one below).

___ a. Cash Payment: Enclosed is my check # _____ in the amount of _____.

___ b. Cashless Exercise and Same-Day Sale: I will call my stock broker (check one below) to authorize them to issue a check payable to the Company from my account #_____.

___ c. Surrender of Company Shares: (Shares acquired from the Company must have been held for at least six months.)

___ d. by such other means as has been approved by the Committee of the Company.

Please issue in my name, as printed below my signature to this notice of exercise, a stock certificate evidencing my ownership of the Shares of Common Stock

DATE:_____ SIGNATURE: _____

ADDRESS: _____ PRINT NAME: _____

_____

_____

RESTRICTED STOCK AGREEMENT
Under
[New PREMERA Corp.]
[YEAR] EQUITY INCENTIVE PLAN

This Restricted Stock Agreement (this "**Agreement**") is made and entered into as of _____, 200__ (the "**Effective Date**") by and between [New PREMERA Corp.], a Washington corporation (the "**Company**"), and _____ ("**Participant**"). Capitalized Terms used in this Agreement, if not otherwise defined, have the meanings given them in the Company's [year] Equity Incentive Plan (the "**Plan**").

WHEREAS, the Committee has selected the Participant to receive a Restricted Stock Award pursuant to the Plan; and

WHEREAS, the Restricted Stock Award provided in this Agreement is offered in consideration for the Participant's agreement to accept employment, serve as a Board Member or other service with the Company, and the Participant is willing to abide by the obligations imposed under this Agreement;

NOW, THEREFORE, in consideration of the mutual benefits hereinafter provided, and each intending to be legally bound, the Company and the Participant hereby agree as follows:

1. Grant Of Shares. Subject to the restrictions, terms and conditions of the Plan and this Agreement, the Company hereby awards to the Participant _____ ( ) shares (the "**Shares**") of the Company's Common Stock. As used in this Agreement, the term "Shares" refers to the Shares granted under this Agreement and includes all securities received (i) in replacement of the Shares, (ii) as a result of stock dividends or stock splits in respect of the Shares, and (iii) in replacement of the Shares in a recapitalization, merger, reorganization or the like.

2. Delivery.

(a) Deliveries by Participant. Participant hereby delivers to the Company (i) this Agreement; (ii) two (2) copies of a blank Stock Power and Assignment Separate from Stock Certificate in the form of **Exhibit 1** attached hereto (the "**Stock Powers**"), both executed by Participant (and Participant's spouse, if any), and (iii) if Participant is married, a Consent of Spouse in the form of **Exhibit 2** attached hereto (the "**Spouse Consent**") duly executed by Participant's spouse.

(b) Deliveries by the Company. Upon its receipt of all of the documents to be executed and delivered by Participant to the Company under Section 2(a), the Company will issue a duly executed stock certificate evidencing the Shares in the name of Participant, with such certificate to be placed in escrow as provided in Section 10 until expiration of the period during which the Shares are subject to forfeiture as set forth in Section 3.

3. Forfeiture and Vesting.

(a) Forfeiture. As of the Effective Date, all of the Shares are subject to forfeiture to the Company, without compensation, upon termination of the Participant's Continuous Service with the Company for any reason or no reason, with or without cause. The Shares shall become vested and cease to be subject to forfeiture without compensation (but shall remain subject to the other terms of this Agreement).

Shares that have not yet vested and are subject to forfeiture without compensation are referred to in this Agreement as "Unvested Shares." Shares that have vested and are no longer subject to forfeiture without compensation (but remain subject to the other terms of this Agreement) are referred to in this Agreement as "**Vested Shares.**" Notwithstanding anything in this Agreement to the contrary, no Shares will become Vested Shares after the effective date of termination of the Participant's Continuous Service with the Company (the "**Termination Date**"). There shall be no proportionate or partial vesting in the periods prior to the applicable vesting dates and all vesting shall occur only on the appropriate vesting date.

(b) Vesting Schedule. Subject to the limitations contained herein, the Shares will

vest in four equal installments on the first, second, third and fourth anniversaries of the date of grant, so that the Shares will be 100% vested on the fourth anniversary of the Effective Date [***or insert vesting based on performance goals***].

(c) Termination and Termination Date. In case of any dispute as to whether the Participant is terminated, the Committee shall have sole discretion to determine whether the Participant has been terminated and the Termination Date.

(d) Adjustments. The number of Shares that are Vested Shares or Unvested Shares will be proportionally adjusted to reflect any change made in the Common Stock, without the receipt of consideration by the Company (through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the Company) occurring after the Effective Date, as described in the Plan.

(e) Acceleration of Vesting. The acceleration of vesting of Unvested Shares in the event of a Change in Control shall be governed by Section 15(b) of the Plan.

4. Right of Termination Unaffected. Nothing in this Agreement shall be construed to limit or otherwise affect in any manner whatsoever the right or power of the Company or a Subsidiary to terminate Participant's Continuous Service or other relationship with the Company or a Subsidiary at any time for any reason or no reason, with or without cause.

5. Representations And Warranties Of Participant. Participant represents and warrants to the Company that:

(a) Agrees to Terms of this Agreement. Participant has received a copy of this Agreement and the Plan, has read and understands the terms of this Agreement and the Plan, and agrees to be bound by their terms and conditions. Participant acknowledges that there may be adverse tax consequences upon acquisition and disposition of the Shares, and that Participant should consult a tax adviser prior to such acquisition or disposition.

(b) Acquisition for Own Account for Investment. Participant is acquiring the Shares for Participant's own account for investment purposes only and not with a view to, or for sale in connection with, a distribution of the Shares within the meaning of the Securities Act of 1933, as amended (the "**Securities Act**"). Participant has no present intention of selling or otherwise disposing of all or any portion of the Shares and no one other than Participant has any beneficial ownership of any of the Shares.

(c) Access to Information. Participant has had access to all information regarding the Company and its present and prospective business, assets, liabilities and financial condition that Participant reasonably considers important in making the decision to acquire the Shares, and Participant has had ample opportunity to ask questions of the Company's representatives concerning such matters.

(d) Understanding of Risks. Participant is fully aware of (i) the highly speculative nature of an investment in the Shares, (ii) the financial hazards involved, (iii) the lack of liquidity of the Shares and the restrictions on transferability of the Shares (*e.g.*, that Participant may not be able to sell or dispose of the Shares or use them as collateral for loans), (iv) the qualifications and backgrounds of the management of the Company, and (v) the tax consequences of acquiring the Shares.

(e) No General Solicitation. At no time was Participant presented with or solicited by any publicly issued or circulated newspaper, mail, radio, television or other form of general advertising or solicitation in connection with the acquisition of the Shares.

(f) Participant's Qualifications. Participant has a preexisting personal or business relationship with the Company and/or certain of its officers and/or directors of a nature and duration sufficient to make Participant aware of the character, business acumen and general business and financial circumstances of the Company and/or such officers and directors. By reason of Participant's business or financial experience, Participant is capable of evaluating the merits and risks of acquiring the Shares and has the ability to protect Participant's own interests in this transaction.

6. Restricted Securities.

(a) No Transfers Unless Registered or Exempt. Participant understands that Participant may not transfer any Shares unless such Shares are registered under the Securities Act and qualified under applicable state securities laws or unless, in the opinion of counsel to the Company, exemptions from such registration and qualification requirements are available. Participant understands that only the Company may file a registration statement with the Securities and Exchange Commission (the "**SEC**") and that the Company is under no obligation to do so with respect to the Shares. Participant has also been advised that exemptions from registration and qualification may not be available or may not permit Participant to transfer all or any of the Shares in the amounts or at the times proposed by Participant.

(b) SEC Rule 144. In addition, Participant has been advised that SEC Rule 144 promulgated under the Securities Act, which permits certain limited sales of unregistered securities, is not presently available with respect to the Shares and, in any event, requires that the Shares be held for a minimum of one year, and in certain cases two years, after they have been purchased and paid for (within the meaning of Rule 144), before they may be resold under Rule 144. Participant understands that Rule 144 may indefinitely restrict transfer of the Shares so long as Participant remains an "affiliate" of the Company and "current public information" about the Company (as defined in Rule 144) is not publicly available.

7. Restrictions on Transfers.

(a) Disposition of Shares. Participant hereby agrees that Participant shall make no disposition of the Shares unless and until:

(i) Participant shall have notified the Company of the proposed disposition and provided a written summary of the terms and conditions of the proposed disposition;

(ii) Participant shall have complied with all requirements of this Agreement applicable to the disposition of the Shares;

(iii) Participant shall have provided the Company with written assurances, in form and substance satisfactory to counsel for the Company, that (a) the proposed disposition does not require registration of the Shares under the Securities Act, or (b) all appropriate action necessary for compliance with the registration requirements of the Securities Act or of any exemption from registration available under the Securities Act (including Rule 144) has been taken; and

(iv) Participant shall have provided the Company with written assurances, in form and substance satisfactory to the Company, that the proposed disposition will not result in the contravention of any transfer restrictions applicable to the Shares.

(b) Restriction on Transfer. Participant shall not sell, assign, transfer, pledge, hypothecate, or otherwise encumber or dispose of the Shares that are subject to forfeiture pursuant to Section 3 until the restrictions on such Shares have lapsed or been removed pursuant to paragraph (c) below, *provided, however*, that an Employee or Board Member may transfer shares of Restricted Stock to members of the Employee's or Board Member's immediate family or trusts or family partnerships for the benefit of such persons, subject to such terms and conditions as may be established by the Committee.

(c) Transferee Obligations. Each person (other than the Company) to whom the Shares are transferred, as a condition precedent to the validity of such transfer, acknowledge in writing to the Company that such person is bound by the provisions of this Agreement and that the transferred shares are subject to the market stand-off provisions of Section 8, to the same extent such shares would be so subject if retained by the Participant.

8. Market Standoff Agreement. Participant agrees in connection with any registration of the Company's securities that, upon the request of the Company or the underwriters managing any registered public offering of the Company's securities, Participant will not sell or otherwise dispose of any Shares without the prior written consent of the Company or such managing underwriters, as the case may be, for a period of time (not to exceed 180 days) after the effective date of such registration and subject to all restrictions as the Company or the managing underwriters may specify for employee-shareholders generally (regardless of whether Participant is an employee of the Company). Participant further agrees to execute and deliver such other agreements as may be reasonably requested by the Company and/or the underwriter(s) that are consistent with the foregoing or that are necessary to

give further effect thereto. In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to Participant's Shares until the end of such period.

9. Rights as Shareholder. Subject to the terms and conditions of this Agreement, Participant will have all of the rights of a shareholder of the Company with respect to the Shares from and after the date that Participant delivers all of the documents to be executed and delivered by Participant to the Company under Section 2(a) until such time as Participant disposes of the Shares or the shares are forfeited to the Company. Upon forfeiture of the Shares, Participant will have no further rights as a holder of the Shares and Participant will promptly surrender the stock certificate(s) evidencing the Shares to the Company for transfer or cancellation.

10. Escrow. As security for Participant's faithful performance of this Agreement, Participant agrees, immediately upon receipt of the stock certificate(s) evidencing the Shares, to deliver such certificate(s), together with the Stock Powers executed by Participant and by Participant's spouse, if any (with the date and number of Shares left blank), to the Secretary of the Company or other designee of the Company ("**Escrow Holder**"), who is hereby appointed to hold such certificate(s) and Stock Powers in escrow and to take all such actions and to effectuate all such transfers and/or releases of such Shares as are in accordance with the terms of this Agreement. Participant and the Company agree that Escrow Holder will not be liable to any party to this Agreement (or to any other party) for any actions or omissions unless Escrow Holder is grossly negligent or intentionally fraudulent in carrying out the duties of Escrow Holder under this Section. Escrow Holder may rely upon any letter, notice or other document executed by any signature purported to be genuine and may rely on the advice of counsel and obey any order of any court with respect to the transactions contemplated by this Agreement. Shares will be released from escrow upon termination of the period during which such Shares are subject to forfeiture pursuant to Section 3.

11. Restrictive Legends and Stop-Transfer Orders.

(a) Legends. Participant understands and agrees that the Company will place the legends set forth below or similar legends on any stock certificate(s) evidencing the Shares, together with any other legends that may be required by state or federal securities laws, the Company's Certificate of Incorporation or Bylaws, any other agreement between Participant and the Company or any agreement between Participant and any third party:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SALE OR DISPOSITION MAY BE MADE WITHOUT AN EFFECTIVE REGISTRATION STATEMENT COVERING SAID SHARES OR AN OPINION OF COUNSEL FOR THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES LAWS OF THE STATE HAVING JURISDICTION OVER SUCH SALE OR DISTRIBUTION.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON PUBLIC RESALE AND TRANSFER AS SET FORTH IN A RESTRICTED STOCK AGREEMENT BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER. SUCH PUBLIC SALE AND TRANSFER RESTRICTIONS ARE BINDING ON TRANSFEREES OF THESE SHARES.

(b) Stop-Transfer Instructions. Participant agrees that, in order to ensure compliance with the restrictions imposed by this Agreement, the Company may issue appropriate "stop-transfer" instructions to its transfer agent, if any, and if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

(c) Refusal to Transfer. The Company will not be required (i) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement, or (ii) to treat as owner of such Shares, or to accord the right to vote or pay dividends to any Participant or other transferee to whom such Shares have been so transferred.

12. Tax Consequences. PARTICIPANT UNDERSTANDS THAT PARTICIPANT MAY SUFFER ADVERSE TAX CONSEQUENCES AS A RESULT OF PARTICIPANT'S ACQUISITION OR DISPOSITION OF THE SHARES. PARTICIPANT

REPRESENTS THAT PARTICIPANT HAS CONSULTED WITH ANY TAX ADVISER PARTICIPANT DEEMS ADVISABLE IN CONNECTION WITH THE ACQUISITION OR DISPOSITION OF THE SHARES AND THAT PARTICIPANT IS NOT RELYING ON THE COMPANY FOR ANY TAX ADVICE. Participant hereby acknowledges that Participant has been informed that, unless an election is filed by the Participant with the Internal Revenue Service (and, if necessary, the proper state taxing authorities), *within 30 days* of the acquisition of the Shares, electing pursuant to Section 83(b) of the Internal Revenue Code (and similar state tax provisions, if applicable) to be taxed currently on the Fair Market Value on the date of acquisition of the Shares, there will be a recognition of taxable income to the Participant, the Fair Market Value of the Vested Shares, at the time they cease to be Unvested Shares. Participant represents that Participant has consulted any tax adviser(s) Participant deems advisable in connection with Participant's purchase of the Shares and the filing of the election under Section 83(b) and similar tax provisions. A form of Election under Section 83(b) is attached hereto as **Exhibit 3** for reference. **PARTICIPANT HEREBY ASSUMES ALL RESPONSIBILITY FOR FILING OR NOT FILING SUCH ELECTION AND PAYING ANY TAXES RESULTING FROM FILING OR FAILING TO FILE SUCH ELECTION.**

13. Compliance with Laws and Regulations. The issuance and transfer of the Shares will be subject to and conditioned upon compliance by the Company and Participant with all applicable state and federal laws and regulations and with all applicable requirements of any Exchange on which the Company's Common Stock may be listed at the time of such issuance or transfer.

14. Successors and Assigns. The Company may assign any of its rights under this Agreement. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Agreement will be binding upon Participant and Participant's heirs, executors, administrators, successors and assigns.

15. Governing Law; Severability. This Agreement will be governed by and construed in accordance with the internal laws of the State of Washington as such laws are applied to agreements between Washington residents entered into and to be performed entirely within Washington, excluding that body of laws pertaining to conflict of laws. If any provision of this Agreement is determined by a court of law to be illegal or unenforceable, then such provision will be enforced to the maximum extent possible and the other provisions will remain fully effective and enforceable.

16. Notices. Any notice required to be given or delivered to the Company shall be in writing and addressed to the Corporate Secretary of the Company at its principal corporate offices. Any notice required to be given or delivered to Participant hereunder shall be in writing and addressed to Participant at the last address Participant provided to the Company. All notices shall be deemed effectively given upon personal delivery, three (3) days after deposit in the United States mail by certified or registered mail (return receipt requested), one (1) business day after its deposit with any return receipt express courier (prepaid), or one (1) business day after transmission by telecopier.

17. Further Instruments. The parties agree to execute such further instruments and to take such further action as may be reasonably necessary to carry out the purposes and intent of this Agreement.

18. Headings. The captions and headings of this Agreement are included for ease of reference only and will be disregarded in interpreting or construing this Agreement. All references herein to Sections will refer to Sections of this Agreement.

19. Agreement Subject to Plan. The Restricted Stock Award and this Agreement are subject to all the provisions of the Plan, the provisions of which are hereby made a part of this Agreement, and are further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan. In the event of any conflict between the provisions of this Agreement and those of the Plan, the provisions of the Plan shall control. Participant, by execution hereof, acknowledges receipt of the Plan and any interpretations, amendments, rules and regulations adopted pursuant to the Plan as they currently exist and acceptance of the terms and conditions of the Plan, such interpretations, amendments, rules and regulations and of this Agreement.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed in duplicate by its duly authorized representative and Participant has executed this Agreement in duplicate, as of the Execution Date.

[NEW PREMERA CORP.]	**PARTICIPANT**
By: _____	_____
Its: _____	Print Name: _____

LIST OF EXHIBITS

Exhibit 1: Stock Power and Assignment Separate from Stock Certificate

Exhibit 2: Consent of Spouse

Exhibit 3: Election Under Section 83(b) of the Internal Revenue Code

SPECIMEN FORM
(Subject to change by Compensation Committee consistent with terms of Equity Incentive Plan)
EXHIBIT 1

Stock Power and Assignment
Separate from Stock Certificate

FOR VALUE RECEIVED and pursuant to that certain Restricted Stock Agreement dated as of _____, 200__ (the "**Agreement**"), the undersigned hereby sells, assigns and transfers unto _____, _____ shares of the Common Stock of [New PREMERA Corp.], a Washington corporation (the "**Company**"), standing in the undersigned's name on the books of the Company represented by Certificate No(s). _____ delivered herewith, and does hereby irrevocably constitute and appoint the Secretary of the Company as the undersigned's attorney-in-fact, with full power of substitution, to transfer said stock on the books of the Company. THIS ASSIGNMENT MAY ONLY BE USED AS AUTHORIZED BY THE AGREEMENT AND THE EXHIBITS THERETO.

Dated: _____, 200_

PARTICIPANT

_____
(Signature)

_____
(Please Print Name)

_____
(Spouse's Signature)

_____
(Please Print Spouse's Name)

Instruction: Please do not fill in any blanks other than the signature line. The purpose of this Stock Power and Assignment is to enable the Company and/or its assignee(s) to acquire the shares upon forfeiture to the Company set forth in the Agreement without requiring additional signatures on the part of Participant or Participant's Spouse.

SPECIMEN FORM
(Subject to change by Compensation Committee consistent with terms of Equity Incentive Plan)

EXHIBIT 2

Consent of Spouse

I, the undersigned, am the spouse of _____ ("**Participant**"). I have read and hereby consent to and approve all the terms and conditions of the Restricted Stock Agreement (the "**Agreement**") dated _____, 2001 between [Company], a Washington corporation (the "**Company**"), pursuant to which Participant has been granted _____ ( ) shares of the Company's common stock (the "**Shares**").

In consideration of the Company granting my spouse the right to acquire the Shares under the Agreement, I hereby agree to be irrevocably bound by all the terms and conditions of the Agreement (including but not limited to the market standoff agreements contained therein), and further agree that any community property interest I may have in the Shares will be similarly bound by the Agreement.

I hereby appoint Participant as my attorney-in-fact, to act in my name, place and stead with respect to any amendment of the Agreement, and with respect to the making and filing of an election under Internal Revenue Code Section 83(b) in connection with the acquisition of the Shares.

Dated: _____, 200_

_____
(Spouse's Signature)

_____
(Please Print Spouse's Name)

SPECIMEN FORM
(Subject to change by Compensation Committee consistent with terms of Equity Incentive Plan)
EXHIBIT 3

Section 83(b) Election

The undersigned taxpayer hereby elects, pursuant to Section 83(b) of the Internal Revenue Code, to include in gross income for the taxpayer's current taxable year the excess, if any, of the fair market value of the property described below at the time of transfer over the amount paid for such property, as compensation for services.

(1) The taxpayer who performed the services is:

Name:
Address:
Social Security No.:

(2) The property with respect to which the election is made is _____ ( ) shares of the Common Stock of [Company] (the "Company").

(3) The property was transferred on _____, 200_.

(4) The taxable year for which the election is made is the calendar year 200_.

(5) The shares are subject to the following restrictions: at the time of taxpayer's termination of employment or services any shares that have not vested will be forfeited to the Company and the Company may repurchase all or a portion of the shares that have vested at the then current fair market value.

(6) The fair market value of the shares at the time of transfer (determined without regard to any restriction other than a restriction which by its terms will never lapse) was $____ per share.

(7) The amount paid for such shares was $____ per share.

(8) A copy of this statement was furnished to the Company for whom taxpayer rendered the services underlying the transfer of such shares.

(9) This statement is executed on _____, 200_.

_____ Taxpayer

_____ Spouse (if any)

This election must be filed with the Internal Revenue Service Center with which the Participant files his or her federal income tax returns and must be filed within 30 days after the date of acquisition. This filing should be made by registered or certified mail, return receipt requested. The Participant must retain two copies of the completed form for filing with his or her federal and state tax returns for the current tax year and an additional copy for his or her records.

STOCK APPRECIATION RIGHTS AGREEMENT
(granted in connection with an option)

This Agreement is made and entered into on _____[Date], by and between _____ [New PREMERA Corp.], a Washington corporation (the "**Company**"), and _____, an employee of the Company (the "**employee**").

RECITALS

WHEREAS, the Company has adopted the 200_ Equity Incentive Plan (the "**Plan**"), providing for the granting of certain rights, including stock options and stock appreciation rights, to its employees relating to shares of its Common Stock

WHEREAS, the employee is a key employee who is in a position to make an important contribution to the Company's long-term performance.

WHEREAS, concurrently with the execution of this Agreement, the Company is granting to the employee a stock option under the plan to purchase _____ [number] shares of the Common Stock (the "**related option**").

NOW, THEREFORE, in consideration of the mutual benefits hereinafter provided, and each intending to be legally bound, the parties hereby agree as follows:

1. Grant of Stock Appreciation Rights and Related Options. The Company grants to the employee, on the terms and conditions stated below, stock appreciation rights covering all of the _____[number] shares of Common Stock which are covered by the related option (subject to adjustment as provided in Section 4 of this Agreement). Except as otherwise provided in Section 3 of this Agreement, a stock appreciation right is a right to receive _____ per cent (_____%) of the excess of the Fair Market Value of a share of Common Stock on the date on which an appreciation right is exercised over the option price provided for in the related option. That amount is referred to as the "spread." The stock appreciation rights granted under this Agreement shall become nonexercisable and be forfeited to the extent that the related option is exercised. In consideration of the grant of the stock appreciation rights under this Agreement and the related rights that are being concurrently granted to employee, the employee agrees to continue in the employment of the Company or a Subsidiary for a period of at least [__] year from the date of grant.

2. Option Price for Related Stock Option. The option price provided for in the related option is _____ Dollars ($_____) (the "option price").

3. Limitation on Appreciation Value. Notwithstanding any other provision of this Agreement, the employee may not receive more than 100% of the option price on exercise of a stock appreciation right. Amounts which are not paid to the employee by reason of this Section 3 shall be retained by the Company.

4. Shares Affected; Adjustments. The number of shares of Common Stock covered by the stock appreciation rights awarded by this Agreement and the option price shall be proportionately adjusted for any increase or decrease in the number of issued and outstanding shares of Common Stock which causes the number of shares of Common Stock covered by the related option and the price per share at which the related option is exercisable to be so adjusted. The Committee shall make all determinations as to the appropriate adjustments, whose determination in that respect shall be final, binding, and conclusive.

If the event of a Change in Control, Section 15(b) of the Plan shall govern the acceleration or termination of the stock appreciation rights granted by this Agreement

The grant of stock appreciation rights under this Agreement shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure or to merge, consolidate, or dissolve, or to liquidate, sell, or transfer all or any part of its business or assets.

5. Exercise of Rights Granted. Subject to the conditions stated in this Agreement, the right to exercise the stock appreciation rights granted under this Agreement shall accrue in the same installments as the right to exercise the related option.

A stock appreciation right may be exercised in whole or in part only on surrender of the related option by the employee. Shares subject to the related option shall be used not more than once to calculate the cash or shares to be received by the employee pursuant to an exercise of the stock appreciation right.

6. Payment of Exercise Price. On the exercise of a stock appreciation right and surrender of the related option, the Company shall deliver to the person surrendering the related option an amount equivalent to the spread in cash, Common Stock, or partly in cash and partly in Common Stock, and insofar as payment is made in the form of Common Stock, the amount of the payment shall be based on the committee's determination of the Fair Market Value of a share of Common Stock on the date of exercise. The committee shall have the sole discretion to determine the form in which payment is to be made on the exercise of a stock appreciation right. No fractional shares of Common Stock shall be issued, and no payments shall be made in lieu of fractional shares. Neither the employee nor any person claiming under or through the employee shall be or have any of the rights or privileges of a shareholder of the Company unless and until certificates representing the shares of Common Stock have been issued and delivered to him or her.

7. Effect of Termination of Employment. In the event of termination of the employee's employment for any reason, including the employee's death, Disability or Retirement, the stock appreciation rights granted under this plan shall terminate or be exercisable to the same extent as the related option.

8. Exercise of Rights by Employee; Descent; Death. The stock appreciation rights granted under this Agreement shall be exercisable during the employee's lifetime only by the employee. The rights shall be nontransferable by the employee otherwise than by will or the laws of descent and distribution.

9. Method of Exercise. The stock appreciation rights under this Agreement may be exercised by the person then entitled to do so to the extent that the right to exercise has then accrued by giving written notice of exercise to the Company specifying the number of stock appreciation rights to be exercised and accompanied by the amount of any income tax the Company is required by law to withhold by reason of the exercise.

10. Transferability of Rights. Except as otherwise provided in this Agreement, the rights and privileges conferred by this Agreement shall not be transferred, assigned, pledged, or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to sale under execution, attachment, or similar process. On any attempt to transfer, assign, pledge, or otherwise dispose of the rights and privileges, contrary to the provisions of this Agreement, or on any attempted sale under any execution, attachment, or similar process on the rights and privileges, the rights and privileges shall immediately become null and void.

11. Agreement Subject to Internal Revenue Ruling. The Company may elect to seek a ruling from the Internal Revenue Service that the employee will not realize income as the result of anything contained in this Agreement except at such time and to the extent that actual payments are made to the employee under this Agreement. This Agreement is expressly made subject to any modifications required by the Internal Revenue Service as a condition to the issuance of a ruling, if any. The Committee, in its absolute discretion, shall determine whether any modifications shall be made or shall be deemed so substantial as to require withdrawal of the request for ruling and termination of this Agreement.

12. Tax Consequences. EMPLOYEE UNDERSTANDS THAT EMPLOYEE MAY SUFFER ADVERSE TAX CONSEQUENCES AS A RESULT OF HIS OR HER EXERCISE OF THE STOCK APPRECIATION RIGHTS. EMPLOYEE REPRESENTS THAT HE OR SHE HAS CONSULTED WITH ANY TAX ADVISER HE OR SHE DEEMS ADVISABLE IN CONNECTION WITH THE GRANTING AND EXERCISE OF THE STOCK APPRECIATION RIGHTS AND THAT PARTICIPANT IS NOT RELYING ON THE COMPANY FOR ANY TAX ADVICE.

13. Compliance with Laws and Regulations. The issuance and transfer of shares of Common Stock, if any, by the Company in connection with the exercise of the stock appreciation rights will be subject to and conditioned upon compliance by the Company and employee with all applicable state and federal laws and regulations and with all applicable requirements of any Exchange on which the

Company's Common Stock may be listed at the time of such issuance or transfer.

14. Successors and Assigns. The Company may assign any of its rights under this Agreement and this Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Agreement will be binding upon employee and employee's heirs, executors, administrators, successors and assigns.

15. Governing Law; Severability. This Agreement will be governed by and construed in accordance with the internal laws of the State of Washington as such laws are applied to agreements between Washington residents entered into and to be performed entirely within Washington, excluding that body of laws pertaining to conflict of laws. If any provision of this Agreement is determined by a court of law to be illegal or unenforceable, then such provision will be enforced to the maximum extent possible and the other provisions will remain fully effective and enforceable.

16. Notices. Any notice required to be given or delivered to the Company shall be in writing and addressed to the Corporate Secretary of the Company at its principal corporate offices. Any notice required to be given or delivered to employee hereunder shall be in writing and addressed to employee at the last address employee provided to the Company. All notices shall be deemed effectively given upon personal delivery, three (3) days after deposit in the United States mail by certified or registered mail (return receipt requested), one (1) business day after its deposit with any return receipt express courier (prepaid), or one (1) business day after transmission by telecopier.

17. Further Instruments. The parties agree to execute such further instruments and to take such further action as may be reasonably necessary to carry out the purposes and intent of this Agreement.

18. Headings. The captions and headings of this Agreement are included for ease of reference only and will be disregarded in interpreting or construing this Agreement. All references herein to Sections will refer to Sections of this Agreement.

19. Agreement Subject to Plan. The Restricted Stock Award and this Agreement are subject to all the provisions of the Plan, the provisions of which are hereby made a part of this Agreement, and are further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan. In the event of any conflict between the provisions of this Agreement and those of the Plan, the provisions of the Plan shall control. Employee, by execution hereof, acknowledges receipt of the Plan and any interpretations, amendments, rules and regulations adopted pursuant to the Plan as they currently exist and acceptance of the terms and conditions of the Plan, such interpretations, amendments, rules and regulations and of this Agreement.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed in duplicate by its duly authorized representative and employee has executed this Agreement in duplicate, as of the Execution Date.

[NEW PREMERA CORP.]

By: _____

Its: _____

PARTICIPANT

_____

Print Name: _____

STOCK APPRECIATION RIGHTS AGREEMENT
(stand-alone)

This Agreement is made and entered into on _____[Date], by and between _____ [New PREMERA Corp.], a Washington corporation (the "**Company**"), and _____, an employee of the Company (the "**employee**").

RECITALS

WHEREAS, the Company has adopted the 200_ Equity Incentive Plan (the "**Plan**"), providing for the granting of stand-alone stock appreciation rights to its employees.

WHEREAS, the employee is a key employee who is in a position to make an important contribution to the Company's long-term performance and the Company wishes to award stock appreciation rights to employee as an incentive to remain in the service of the Company.

NOW, THEREFORE, in consideration of the mutual benefits hereinafter provided, and each intending to be legally bound, the parties hereby agree as follows:

1. Grant of Stock Appreciation Rights. The Company grants to the employee, on the terms and conditions stated below, _____[number] stock appreciation right units (subject to adjustment as provided in Section 3 of this Agreement) (the "Units"). Except as otherwise provided in Section 3 of this Agreement, a Unit is the right to receive the excess of (a) the Fair Market Value of a share of Common Stock on the exercise date over (b) the Fair Market Value of a share of Common Stock on the grant date (the "Unit Value"). In consideration of the grant of the Units under this Agreement, the employee agrees to continue in the employment of the Company or a Subsidiary for a period of at least [___] year(s) from the date of grant.

2. Limitation on Appreciation Value. Notwithstanding any other provision of this Agreement, the employee may not receive more than 100% of the fair market value on a share of Common Stock on the grant date on exercise of a Unit. Amounts which are not paid to the employee by reason of this Section 2 shall be retained by the Company.

3. Shares Affected; Adjustments. The number of shares of Common Stock covered by the Units awarded by this Agreement shall be proportionately adjusted for any increase or decrease in the number of issued and outstanding shares of Common Stock which causes the number of shares of Common Stock covered by the Units and the price per share at which the Units are exercisable to be so adjusted. The Committee shall make all determinations as to the appropriate adjustments, whose determination in that respect shall be final, binding, and conclusive.

If the event of a Change in Control, Section 15(b) of the Plan shall govern the acceleration or termination of the Units granted by this Agreement.

The grant of Units under this Agreement shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure or to merge, consolidate, or dissolve, or to liquidate, sell, or transfer all or any part of its business or assets.

4. Vesting. Employee shall be vested in the Units if he or she remains in the full-time employ of the Company in accordance with the following schedule:

As of Any Date Occurring Before the Following Date	Employee Shall Be Vested in the Following Number of Units
_____, 200_	Zero Units
_____, 200_	_____ Units
_____, 200_	_____ Units
_____, 200_	_____ Units
_____, 200_	_____ Units

5. Payment. For each Unit exercised by the employee, the employee (or in the event of the employee's death, his personal representative) shall be entitled to a cash payment equal to the Unit Value as of the date the Unit is exercised, without regard to changes in the Fair Market Value of a share of Common Stock of the Company occurring after the

date of exercise of the applicable Unit. The amount payable with respect to the exercise of a Unit under this paragraph 5 shall be made, without interest, as soon as practicable after the later of the date the Unit is exercised or the date on which the Fair Market Value of Unit has been determined. All payments in respect of the exercise or purchase of Units hereunder will be subject to the withholding and payment of applicable payroll, withholding and other taxes. The committee shall have the sole discretion to determine the form in which payment is to be made on the exercise of a Unit. No fractional shares of Common Stock shall be issued, and no payments shall be made in lieu of fractional shares. Neither the employee nor any person claiming under or through the employee shall be or have any of the rights or privileges of a shareholder of the Company unless and until certificates representing shares of Common Stock have been issued and delivered to the him or her.

6. **Effect of Termination of Employment**. Employee shall forfeit, and shall not become vested in, any Units in which employee is not vested as of the date on which his employment with the Company terminates. Employee shall have twelve (12) months after the termination of Employee's Continuous Service due to Employee's Disability, Death or Retirement to exercise a vested Unit and three (3) months after the termination of Employee's Continuous Service for any reason other than Employee's Disability, Death or Retirement, provided, however, that in no event may a vested Unit be exercised more than ten (10) years following the date of grant.

7. **Exercise of Rights by Employee; Descent; Death**. The Units granted under this Agreement shall be exercisable during the employee's lifetime only by the employee. The Units shall be nontransferable by the employee otherwise than by will or the laws of descent and distribution.

8. **Method of Exercise**. The Units under this Agreement may be exercised by the person then entitled to do so to the extent that the right to exercise has then accrued by giving written notice of exercise to the Company specifying the number of Units to be exercised and accompanied by the amount of any income tax the Company is required by law to withhold by reason of the exercise.

9. **Transferability of Rights**. Except as otherwise provided in this Agreement, the rights and privileges conferred by this Agreement shall not be transferred, assigned, pledged, or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to sale under execution, attachment, or similar process. On any attempt to transfer, assign, pledge, or otherwise dispose of the rights and privileges, contrary to the provisions of this Agreement, or on any attempted sale under any execution, attachment, or similar process on the rights and privileges, the rights and privileges shall immediately become null and void.

10. **Agreement Subject to Internal Revenue Ruling**. The Company may elect to seek a ruling from the Internal Revenue Service that the employee will not realize income as the result of anything contained in this Agreement except at such time and to the extent that actual payments are made to the employee under this Agreement. This Agreement is expressly made subject to any modifications required by the Internal Revenue Service as a condition to the issuance of a ruling, if any. The Committee, in its absolute discretion, shall determine whether any modifications shall be made or shall be deemed so substantial as to require withdrawal of the request for ruling and termination of this Agreement.

11. **Tax Consequences**. EMPLOYEE UNDERSTANDS THAT EMPLOYEE MAY SUFFER ADVERSE TAX CONSEQUENCES AS A RESULT OF HIS OR HER EXERCISE OF THE UNITS. EMPLOYEE REPRESENTS THAT HE OR SHE HAS CONSULTED WITH ANY TAX ADVISER HE OR SHE DEEMS ADVISABLE IN CONNECTION WITH THE GRANTING AND EXERCISE OF THE UNITS AND THAT EMPLOYEE IS NOT RELYING ON THE COMPANY FOR ANY TAX ADVICE.

12. **Successors and Assigns**. The Company may assign any of its rights under this Agreement and this Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Agreement will be binding upon employee and his or her heirs, executors, administrators, successors and assigns.

13. **Governing Law; Severability**. This Agreement will be governed by and construed in accordance with the internal laws of the State of Washington as such laws are applied to agreements between Washington residents entered into and to be

performed entirely within Washington, excluding that body of laws pertaining to conflict of laws. If any provision of this Agreement is determined by a court of law to be illegal or unenforceable, then such provision will be enforced to the maximum extent possible and the other provisions will remain fully effective and enforceable.

14. Notices. Any notice required to be given or delivered to the Company shall be in writing and addressed to the Corporate Secretary of the Company at its principal corporate offices. Any notice required to be given or delivered to employee hereunder shall be in writing and addressed to employee at the last address he or she provided to the Company. All notices shall be deemed effectively given upon personal delivery, three (3) days after deposit in the United States mail by certified or registered mail (return receipt requested), one (1) business day after its deposit with any return receipt express courier (prepaid), or one (1) business day after transmission by telecopier.

15. Further Instruments. The parties agree to execute such further instruments and to take such further action as may be reasonably necessary to carry out the purposes and intent of this Agreement.

16. Headings. The captions and headings of this Agreement are included for ease of reference only and will be disregarded in interpreting or construing this Agreement. All references herein to Sections will refer to Sections of this Agreement.

17. Agreement Subject to Plan. This Agreement is subject to all the provisions of the Plan, the provisions of which are hereby made a part of this Agreement, and are further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan. In the event of any conflict between the provisions of this Agreement and those of the Plan, the provisions of the Plan shall control. Participant, by execution hereof, acknowledges receipt of the Plan and any interpretations, amendments, rules and regulations adopted pursuant to the Plan as they currently exist and acceptance of the terms and conditions of the Plan, such interpretations, amendments, rules and regulations and of this Agreement.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed in duplicate by its duly authorized representative and Participant has executed this Agreement in duplicate, as of the Execution Date.

[NEW PREMERA CORP.]

By: _____

Its: _____

PARTICIPANT

_____

Print Name: _____

SPECIMEN FORM
(Subject to change by Compensation Committee consistent with terms of Equity Incentive Plan)

PERFORMANCE AWARD AGREEMENT

This Agreement is made and entered into on _____[Date], by and between _____ [New PREMERA Corp.], a Washington corporation (the "**Company**"), and _____, an employee of the Company (the "**Employee**").

RECITALS

WHEREAS, the Company has adopted the 200_ Equity Incentive Plan (the "**Plan**"), providing for the granting of certain rights, including Performance Units and Performance Shares.

WHEREAS, the Performance Units are designed to provide employees with incentive compensation that is tied to the achievement of pre-established and objective performance goals.

WHEREAS, the Employee is a key employee who is in a position to make an important contribution to the Company's long-term performance.

NOW, THEREFORE, in consideration of the mutual benefits hereinafter provided, and each intending to be legally bound, the parties hereby agree as follows:

1. Award of Performance Units. The Company grants to the Employee, on the terms and conditions stated below, _____ Performance Units with a value equal to the Fair Market Value of the corresponding number of shares of Common Stock as of the date of grant, to be paid, subject to the conditions set forth below, either in cash or in Shares of Common Stock on the last day of the Performance Period if [***insert performance targets***].

2. Earning of Performance Units and Performance Shares. After the applicable Performance Period has ended and if the Committee certifies that your performance goals established by the Committee have been attained or otherwise satisfied, the Committee shall authorize the issuance of Performance Shares registered in the name of the Employee or payment of cash in lieu of Performance Shares.

3. Form and Timing of Payment of Performance Units. Payment of earned Performance Units shall be made in a single lump sum within seventy-five (75) calendar days following the close of the applicable Performance Period. The Committee, in its sole discretion, may pay earned Performance Units in the form of cash or in Performance Shares (or in a combination thereof), which have an aggregate Fair Market Value equal to the value of the earned Performance Units at the close of the applicable Performance Period.

4. Shares Affected; Adjustments. The number of shares of Common Stock covered by the Performance Units awarded by this Agreement shall be proportionately adjusted for any increase or decrease in the number of issued and outstanding shares of Common Stock which causes the number of shares of Common Stock covered by the Performance Units to be so adjusted. The Committee shall make all determinations as to the appropriate adjustments, whose determination in that respect shall be final, binding, and conclusive.

If the event of a Change in Control, Section 15(b) of the Plan shall govern the acceleration or termination of the Performance Units granted by this Agreement.

The grant of the Performance Units under this Agreement shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure or to merge, consolidate, or dissolve, or to liquidate, sell, or transfer all or any part of its business or assets.

5. Effect of Termination of Employment due to Death, Disability or Retirement. In the event your employment is terminated by reason of death, Disability or Retirement during a Performance Period, all unvested Performance Units shall terminate, *provided, however*, you shall receive a prorated payout of the Performance Units. Any prorated payout shall be determined by the Committee, in its sole discretion, and shall be based upon the length of time that you held the Performance Units during the Performance Period, and shall further be adjusted based on the achievement of the preestablished performance goals.

The Committee, in its sole discretion, shall determine the timing of delivery of Performance Shares (or cash in lieu thereof). [***Delete the last bracketed section in the event the Committee chooses the not to prorate the payout.***]

6. Effect of Termination of Employment for Reasons other than Death, Disability or Retirement. In the event that your employment terminates for any reason other than those reasons set forth in Section 5 of this Agreement, all unvested Performance Units shall terminate.

7. Transferability of Rights. Your interest in the Performance Units may not be sold, assigned, transferred, pledged, hypothecated, or otherwise encumbered. Further, your rights to the Performance Units shall be exercisable during your lifetime only by you or your legal representative. On any attempt to sell, assign, transfer, pledge, hypothecate or otherwise encumber any of the rights and privileges, contrary to the provisions of this Agreement, or on any attempted sale under any execution, attachment, or similar process on the rights and privileges, the rights and privileges shall immediately become null and void.

8. Tax Consequences. EMPLOYEE UNDERSTANDS THAT EMPLOYEE MAY SUFFER ADVERSE TAX CONSEQUENCES AS A RESULT OF THE GRANT OF PERFORMANCE UNITS AND/OR PERFORMANCE SHARES. EMPLOYEE REPRESENTS THAT HE OR SHE HAS CONSULTED WITH ANY TAX ADVISER HE OR SHE DEEMS . ADVISABLE IN CONNECTION WITH THE GRANTING OF THE PERFORMANCE UNITS AND/OR PERFORMANCE SHARES AND THAT EMPLOYEE IS NOT RELYING ON THE COMPANY FOR ANY TAX ADVICE.

9. Compliance with Laws and Regulations. The issuance and transfer of Performance Shares, if any, by the Company in connection with the award of Performance Units will be subject to and conditioned upon compliance by the Company and Employee with all applicable state and federal laws and regulations and with all applicable requirements of any Exchange on which the Company's Common Stock may be listed at the time of such issuance or transfer.

10. Successors and Assigns. The Company may assign any of its rights under this Agreement and this Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Agreement will be binding upon employee and employee's heirs, executors, administrators, successors and assigns.

11. Governing Law; Severability. This Agreement will be governed by and construed in accordance with the internal laws of the State of Washington as such laws are applied to agreements between Washington residents entered into and to be performed entirely within Washington, excluding that body of laws pertaining to conflict of laws. If any provision of this Agreement is determined by a court of law to be illegal or unenforceable, then such provision will be enforced to the maximum extent possible and the other provisions will remain fully effective and enforceable.

12. Notices. Any notice required to be given or delivered to the Company shall be in writing and addressed to the Corporate Secretary of the Company at its principal corporate offices. Any notice required to be given or delivered to Employee hereunder shall be in writing and addressed to Employee at the last address Employee provided to the Company. All notices shall be deemed effectively given upon personal delivery, three (3) days after deposit in the United States mail by certified or registered mail (return receipt requested), one (1) business day after its deposit with any return receipt express courier (prepaid), or one (1) business day after transmission by telecopier.

13. Further Instruments. The parties agree to execute such further instruments and to take such further action as may be reasonably necessary to carry out the purposes and intent of this Agreement.

14. Headings. The captions and headings of this Agreement are included for ease of reference only and will be disregarded in interpreting or construing this Agreement. All references herein to Sections will refer to Sections of this Agreement.

15. Agreement Subject to Plan. The grant of Performance Units and this Agreement are subject to all the provisions of the Plan, the provisions of which are hereby made a part of this Agreement, and are further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan. In the event of any conflict between the provisions of this

Agreement and those of the Plan, the provisions of the Plan shall control. Employee, by execution hereof, acknowledges receipt of the Plan and any interpretations, amendments, rules and regulations adopted pursuant to the Plan as they currently exist and acceptance of the terms and conditions of the Plan, such interpretations, amendments, rules and regulations and of this Agreement.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed in duplicate by its duly authorized representative and employee has executed this Agreement in duplicate, as of the Execution Date.

[NEW PREMERA CORP.]

By: _____

Its: _____

EMPLOYEE

_____

Print Name: _____