

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K  
CURRENT REPORT

PURSUANT TO SECTIONS 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): August 15, 2005

AVID TECHNOLOGY, INC.  
(Exact Name of Registrant as Specified in Its Charter)

Delaware	0-21174	04-2977748
(State or Other Jurisdiction of Incorporation or Organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

Avid Technology Park, One Park West, Tewksbury, MA	01876
(Address of Principal Executive Offices)	(zip code)

Registrant's telephone number, including area code: (978) 640-6789

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

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

// Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

// Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

// Pre-commencement communications pursuant to Rule 14d-2 (b) under the Exchange Act (17 CFR 240.14d-2(b))

// Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement

2005 Stock Incentive Plan - Form Agreements

On August 15, 2005, the Compensation Committee of the Board of Directors of Avid Technology, Inc. (the "Company") adopted the following form agreements to be used for the grant of stock options and restricted stock under the Company's 2005 Stock Incentive Plan:

- o Incentive Stock Option Grant Terms and Conditions;
- o Nonstatutory Stock Option Grant Terms and Conditions; and
- o Restricted Stock Award Terms and Conditions.

## Amended 2005 Bonus Plan

On August 18, 2005, the Board of Directors of the Company approved, by unanimous written consent, an amendment to the Company's 2005 Bonus Plan (the "Bonus Plan"). The purpose of the amendment is to include the operating profit of Pinnacle Systems, Inc. ("Pinnacle") for the period beginning August 9, 2005 (the date the Company acquired Pinnacle) through December 31, 2005 in the calculation used to determine whether any bonuses will be paid under the Bonus Plan.

SIGNATURE

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

Date: August 18, 2005

AVID TECHNOLOGY, INC.  
(Registrant)

By:/s/

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Paul Milbury  
Chief Financial Officer  
(Principal Financial Officer)

EXHIBIT INDEX

Exhibit	Description
- - - - -	- - - - -
*#10.01	Form of Incentive Stock Option Grant Terms and Conditions
*#10.02	Form of Nonstatutory Stock Option Grant Terms and Conditions
*#10.03	Form of Restricted Stock Award Terms and Conditions

- - - - -  
\* Documents filed herewith  
# Management contract or compensatory plan



Incentive Stock Option Grant

Terms and Conditions

1. Grant of Option. Avid Technology, Inc., a Delaware corporation (the "Company"), has granted to the Optionee identified in the attached Notice of Stock Option Grant (the "Notice") an option pursuant to the Company's Stock Plan identified in the Notice (the "Plan") to purchase a total number of shares as identified in the Notice (the "Shares") of common stock, \$0.01 par value per share, of the Company ("Common Stock") at the price per share and subject to the terms and conditions set forth herein and in the Notice and the Plan.

It is intended that the option evidenced hereby shall be an incentive stock option as defined in Section 422 of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder (the "Code"). Except as otherwise indicated by the context, the term "Optionee," as used in this option, shall be deemed to include any person who acquires the right to exercise this option validly under its terms. Except where the context otherwise requires, the term "Company" shall include any of the Company's present or future parent or subsidiary corporations as defined in Sections 424(e) and 424(f) of the Code.

2. Vesting Schedule. Except as otherwise provided herein, this option may be exercised in whole or in part prior to the tenth anniversary (the "Final Exercise Date") of the date of grant as indicated in the Notice (the "Grant Date"), subject to the vesting schedule provided in the Notice. The right of exercise shall be cumulative so that to the extent the option is not exercised in any period to the maximum extent permissible it shall continue to be exercisable, in whole or in part, with respect to all Shares for which it is vested until the earlier of the Final Exercise Date or the termination of this option under Section 3 hereof or the Plan.

3. Exercise of Option.

(a) Form of Exercise. Each election to exercise this option shall be in a manner as determined by the Company from time to time and shall be accompanied by payment in full in accordance with Section 4 below. The Optionee may purchase less than the number of shares covered hereby, provided that no partial exercise of this option may be for any fractional share or for fewer than ten whole shares.

(b) Continuous Relationship with the Company Required. Except as otherwise provided in this Section 3, this option may not be exercised unless the Optionee, at the time he or she exercises this option, is, and has been at all times since the Grant Date, an employee or officer of, or consultant or advisor to, the Company (an "Eligible Optionee").

(c) Termination of Relationship with the Company. If the Optionee ceases to be an Eligible Optionee for any reason, then, except as provided in paragraphs (d) and (e) below, the right to exercise this option shall terminate three months after such cessation (but in no event after the Final Exercise Date), provided that this option shall be exercisable only to the extent that

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the Optionee was entitled to exercise this option on the date of such cessation. Notwithstanding the foregoing, if the Optionee, prior to the Final Exercise Date, violates the non-competition or confidentiality provisions of any employment contract, confidentiality and nondisclosure agreement or other similar agreement between the Optionee and the Company, the right to exercise this option shall terminate immediately upon such violation.

(d) Exercise Period Upon Retirement, Death or Disability. If the Optionee retires, dies or becomes disabled (within the meaning of Section 22(e)(3) of the Code) prior to the Final Exercise Date while he or she is an Eligible Optionee and the Company has not terminated such relationship for "cause" as specified in paragraph (e) below, this option shall be exercisable, within the period of one year following the date of retirement, death or disability of the Optionee, by the Optionee (or in the case of death by an authorized transferee), provided that this option shall be exercisable only to the extent that this option was exercisable by the Optionee on the date of his or her retirement, death or disability, and further provided that this option shall not be exercisable after the Final Exercise Date. For purposes of this Section 3, "retirement" shall mean the cessation of employment with the Company for any reason other than "cause" as specified in paragraph (e) below, by an Optionee who is at least 55 years of age and who has worked full-time for the

Company for the five years immediately preceding the date of cessation of employment.

(e) Discharge for Cause. If the Optionee, prior to the Final Exercise Date, is discharged by the Company for "cause" (as defined below), the right to exercise this option shall terminate immediately upon the effective date of such discharge. "Cause" shall mean willful misconduct by the Optionee or willful failure by the Optionee to perform his or her responsibilities to the Company (including, without limitation, breach by the Optionee of any provision of any employment, consulting, advisory, nondisclosure, non-competition or other similar agreement between the Optionee and the Company), as determined by the Company, which determination shall be conclusive. The Optionee shall be considered to have been discharged for "Cause" if the Company determines, within 30 days after the Optionee's resignation, that discharge for cause was warranted.

4. Payment of Purchase Price. Common Stock purchased upon the exercise of this option shall be paid for as follows:

(a) in cash or by check, payable to the order of the Company;

(b) with the prior consent of the Company (which may be withheld in its sole discretion, by (i) delivery of an irrevocable and unconditional undertaking by a creditworthy broker to deliver promptly to the Company sufficient funds to pay the exercise price and any required tax withholding or (ii) delivery by the Optionee to the Company of a copy of irrevocable and unconditional instructions to a creditworthy broker to deliver promptly to the Company cash or a check sufficient to pay the exercise price and any required tax withholding;

(c) if the Common Stock is registered under the Securities Exchange Act of 1934, by delivery of shares of Common Stock owned by the Optionee valued at their fair market value ("Fair Market Value") as determined by (or in a manner approved by) the Board of Directors of the Company (the "Board"), provided (i) such method of payment is then permitted under applicable law,

(ii) such Common Stock, if acquired directly from the Company, was owned by the Optionee for six months or such other minimum period of time, if any, as may be established by the Board in its discretion and (iii) such Common Stock is not subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements;

(d) to the extent permitted by applicable law and by the Board, by payment of such other lawful consideration as the Board may determine; or

(e) by any combination of the above permitted forms of payment.

5. Tax Matters.

(a) Withholding. No Shares will be issued pursuant to the exercise of this option unless and until the Optionee pays to the Company, or makes provision satisfactory to the Company for payment of, any federal, state or local withholding taxes required by law to be withheld in respect of this option. In the Board's discretion, and subject to such conditions as the Board may establish, such tax obligations may be paid in whole or in part in shares of Common Stock, including Shares retained from the option creating the tax obligation, valued at their Fair Market Value. The Company may, to the extent permitted by law, deduct any such tax obligations from any payment of any kind otherwise due to the Optionee.

(b) Disqualifying Disposition. If the Optionee disposes of Shares acquired upon exercise of this option within two years from the Grant Date or one year after such Shares were acquired pursuant to exercise of this option, the Optionee shall notify the Company in writing of such disposition.

6. Nontransferability of Option. This option may not be sold, assigned, transferred, pledged or otherwise encumbered by the Optionee, either voluntarily or by operation of law, except by will or the laws of descent and distribution, and, during the lifetime of the Optionee, this option shall be exercisable only by the Optionee.

7. Provisions of the Plan. This option is subject to the provisions of the Plan, a copy of which is furnished to the Optionee with this option.

8. Miscellaneous.

(a) Governing Law. This option shall be governed by and construed in accordance with the laws of the State of Delaware without regard to applicable conflicts of laws.

(b) Severability. The invalidity or unenforceability of any provision hereof shall not affect the validity or enforceability of any other provision hereof, and each such other provision shall be severable and enforceable to the extent permitted by law.

(c) Binding Effect. These terms and conditions shall be binding upon and inure to the benefit of the Company and the Optionee and their respective heirs, executors, administrators, legal representatives, successors and assigns.



(d) Entire Agreement. These terms and conditions, the attached Notice and the Plan constitute the entire agreement between the parties, and supersedes all prior agreements and understandings, relating to the subject matter hereof.

(e) Amendment. These terms and conditions may be amended or modified in accordance with Section 11(f) of the Plan.

Avid Technology, Inc.  
Notice of Grant of Stock Option

[NAME]

Employee ID: \_\_\_\_\_

Dear \_\_\_\_\_,

Effective \_\_\_\_\_ (the "Grant Date"), you have been granted a stock option to buy \_\_\_\_\_ shares of common stock of Avid Technology, Inc. (the "Company") at an exercise price of \$ \_\_\_\_\_ per share.

Shares in each period will become fully vested on the date shown.

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Number of Shares	Vest Type	Full Vest	Expiration
-----			
	On Vest Date		
-----			
	Monthly		
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By your signature and the Company's signature below, you and the Company agree that this option is granted under and governed by the terms and conditions of the 2005 Stock Incentive Plan and the attached Terms and Conditions.

AVID TECHNOLOGY, INC.

By \_\_\_\_\_ Date \_\_\_\_\_

\_\_\_\_\_  
Employee Date \_\_\_\_\_



Nonstatutory Stock Option Grant  
Terms and Conditions

1. Grant of Option. Avid Technology, Inc., a Delaware corporation (the "Company"), has granted to the Optionee identified in the attached Notice of Stock Option Grant (the "Notice") an option pursuant to the Company's Stock Plan identified in the Notice (the "Plan") to purchase a total number of shares as identified in the Notice (the "Shares") of common stock, \$0.01 par value per share, of the Company ("Common Stock") at the price per share and subject to the terms and conditions set forth herein and in the Notice and the Plan.

It is intended that the option evidenced hereby shall not be an incentive stock option as defined in Section 422 of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder (the "Code"). Except as otherwise indicated by the context, the term "Optionee," as used in this option, shall be deemed to include any person who acquires the right to exercise this option validly under its terms. Except where the context otherwise requires, the term "Company" shall include any of the Company's present or future parent or subsidiary corporations as defined in Sections 424(e) and 424(f) of the Code.

2. Vesting Schedule. Except as otherwise provided herein, this option may be exercised in whole or in part prior to the tenth anniversary (the "Final Exercise Date") of the date of grant as indicated in the Notice (the "Grant Date"), subject to the vesting schedule provided in the Notice. The right of exercise shall be cumulative so that to the extent the option is not exercised in any period to the maximum extent permissible it shall continue to be exercisable, in whole or in part, with respect to all Shares for which it is vested until the earlier of the Final Exercise Date or the termination of this option under Section 3 hereof or the Plan.

3. Exercise of Option.

(a) Form of Exercise. Each election to exercise this option shall be in a manner as determined by the Company from time to time and shall be accompanied by payment in full in accordance with Section 4 below. The Optionee may purchase less than the number of shares covered hereby, provided that no partial exercise of this option may be for any fractional share or for fewer than ten whole shares.

(b) Continuous Relationship with the Company Required. Except as otherwise provided in this Section 3, this option may not be exercised unless the Optionee, at the time he or she exercises this option, is, and has been at all times since the Grant Date, an employee, officer or director of, or consultant or advisor to, the Company (an "Eligible Optionee").

(c) Termination of Relationship with the Company. If the Optionee ceases to be an Eligible Optionee for any reason, then, except as provided in paragraphs (d) and (e) below, the right to exercise this option shall terminate three months after such cessation (but in no event after the Final Exercise Date), provided that this option shall be exercisable only to the extent that the Optionee was entitled to exercise this option on the date of such cessation.

Notwithstanding the foregoing, if the Optionee, prior to the Final Exercise Date, violates the non-competition or confidentiality provisions of any employment contract, confidentiality and nondisclosure agreement or other similar agreement between the Optionee and the Company, the right to exercise this option shall terminate immediately upon such violation.

(d) Exercise Period Upon Retirement, Death or Disability. If the Optionee retires, dies or becomes disabled (within the meaning of Section 22(e)(3) of the Code) prior to the Final Exercise Date while he or she is an Eligible Optionee and the Company has not terminated such relationship for "cause" as specified in paragraph (e) below, this option shall be exercisable, within the period of one year following the date of retirement, death or disability of the Optionee, by the Optionee (or in the case of death by an authorized transferee), provided that this option shall be exercisable only to the extent that this option was exercisable by the Optionee on the date of his or her retirement, death or disability, and further provided that this option shall not be exercisable after the Final Exercise Date. For purposes of this Section 3, "retirement" shall mean the cessation of employment with the Company for any reason other than "cause" as specified in paragraph (e) below, by an Optionee who is at least 55 years of age and who has worked full-time for the Company for the five years immediately preceding the date of cessation of employment.

(e) Discharge for Cause. If the Optionee, prior to the Final Exercise Date, is discharged by the Company for "cause" (as defined below), the right to exercise this option shall terminate immediately upon the effective date of such discharge. "Cause" shall mean willful misconduct by the Optionee or willful failure by the Optionee to perform his or her responsibilities to the Company (including, without limitation, breach by the Optionee of any provision of any employment, consulting, advisory, nondisclosure, non-competition or other similar agreement between the Optionee and the Company), as determined by the Company, which determination shall be conclusive. The Optionee shall be considered to have been discharged for "Cause" if the Company determines, within 30 days after the Optionee's resignation, that discharge for cause was warranted.

4. Payment of Purchase Price. Common Stock purchased upon the exercise of this option shall be paid for as follows:

(a) in cash or by check, payable to the order of the Company;

(b) with the prior consent of the Company (which may be withheld in its sole discretion), by (i) delivery of an irrevocable and unconditional undertaking by a creditworthy broker to deliver promptly to the Company sufficient funds to pay the exercise price and any required tax withholding or (ii) delivery by the Optionee to the Company of a copy of irrevocable and unconditional instructions to a creditworthy broker to deliver promptly to the Company cash or a check sufficient to pay the exercise price and any required tax withholding;

(c) if the Common Stock is registered under the Securities Exchange Act of 1934, by delivery of shares of Common Stock owned by the Optionee valued at their fair market value ("Fair Market Value") as determined by (or in a manner approved by) the Board of Directors of the Company (the "Board"), provided (i) such method of payment is then permitted under applicable law, (ii) such Common Stock, if acquired directly from the Company, was owned by the

Optionnee for six months or such other minimum period of time, if any, as may be established by the Board in its discretion and (iii) such Common Stock is not subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements;

(d) to the extent permitted by applicable law and by the Board, by payment of such other lawful consideration as the Board may determine; or

(e) by any combination of the above permitted forms of payment.

5. Tax Matters. No Shares will be issued pursuant to the exercise of this option unless and until the Optionee pays to the Company, or makes provision satisfactory to the Company for payment of, any federal, state or local withholding taxes required by law to be withheld in respect of this option. In the Board's discretion, and subject to such conditions as the Board may establish, such tax obligations may be paid in whole or in part in shares of Common Stock, including Shares retained from the option creating the tax obligation, valued at their Fair Market Value. The Company may, to the extent permitted by law, deduct any such tax obligations from any payment of any kind otherwise due to the Optionee.

6. Nontransferability of Option. This option may not be sold, assigned, transferred, pledged or otherwise encumbered by the Optionee, either voluntarily or by operation of law, except by will or the laws of descent and distribution or pursuant to a qualified domestic relations order, and, during the lifetime of the Optionee, this option shall be exercisable only by the Optionee.

7. Provisions of the Plan. This option is subject to the provisions of the Plan, a copy of which is furnished to the Optionee with this option.

8. Miscellaneous.

(a) Governing Law. This option shall be governed by and construed in accordance with the laws of the State of Delaware without regard to applicable conflicts of laws.

(b) Severability. The invalidity or unenforceability of any provision hereof shall not affect the validity or enforceability of any other provision hereof, and each such other provision shall be severable and enforceable to the extent permitted by law.

(c) Binding Effect. These terms and conditions shall be binding upon and inure to the benefit of the Company and the Optionee and their respective heirs, executors, administrators, legal representatives, successors and assigns.

(d) Entire Agreement. These terms and conditions, the attached Notice and the Plan constitute the entire agreement between the parties, and supersedes all prior agreements and understandings, relating to the subject matter hereof.

(e) Amendment. These terms and conditions may be amended or modified in accordance with Section 11(f) of the Plan.

Avid Technology, Inc.  
Notice of Grant of Stock Option

[NAME]

Employee ID: \_\_\_\_\_

Dear \_\_\_\_\_,

Effective \_\_\_\_\_ (the "Grant Date"), you have been granted a stock option to buy \_\_\_\_\_ shares of common stock of Avid Technology, Inc. (the "Company") at an exercise price of \$ \_\_\_\_\_ per share.

Shares in each period will become fully vested on the date shown.

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Number of Shares	Vest Type	Full Vest	Expiration
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	On Vest Date		
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	Monthly		
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By your signature and the Company's signature below, you and the Company agree that this option is granted under and governed by the terms and conditions of the 2005 Stock Incentive Plan and the attached Terms and Conditions.

AVID TECHNOLOGY, INC.

By \_\_\_\_\_ Date \_\_\_\_\_

\_\_\_\_\_  
Employee Date \_\_\_\_\_





Notice of Grant of Restricted Stock Under 2005 Stock Incentive Plan

[NAME]  
Employee ID: -----

Dear \_\_\_\_\_,

Effective \_\_\_\_\_ (the "Effective Date"), you have been granted the right to buy \_\_\_\_\_ shares of Avid Technology, Inc. (the "Company") common stock, \$0.01 par value per share (the "Shares"), at \$ \_\_\_\_\_ per share. The total price of the Shares is \$ \_\_\_\_\_. The Shares are subject to the terms and conditions of the Company's 2005 Stock Incentive Plan, as amended and the Terms and Conditions of the Restricted Stock Award, each of which is attached hereto, and which, together with this Notice of Grant of Restricted Stock, forms the complete agreement between you and the Company relative to the Shares.

The Shares will vest as set forth in the following schedule, and will become fully vested on the last date shown.

Vested Shares	Vesting Date
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Upon termination of your employment, the Company has an option to repurchase the Shares that are not then vested at a price of \$ \_\_\_\_\_ per Share, pursuant to the Terms and Conditions of the Restricted Stock Award.

By your signature and the Company's signature below, you and the Company agree that the Shares are granted under and governed by the terms and conditions of the Company's 2005 Stock Incentive Plan and the Terms and Conditions of the Restricted Stock Award.

AVID TECHNOLOGY, INC.

By _____	Date _____
Name:	
Title:	
Address: One Park West	
Tewksbury, MA 01876	

_____	Date _____
Employee	
Address:	

Avid Technology, Inc.  
Terms and Conditions of Restricted Stock Award  
Granted Under 2005 Stock Incentive Plan  
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1. Purchase of Shares.  
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Avid Technology, Inc., a Delaware corporation (the "Company") shall issue and sell to the Participant, and the Participant shall purchase from the Company, subject to the terms and conditions set forth herein and in the Company's 2005 Stock Incentive Plan (the "Plan"), the number of shares identified in the attached Notice (the "Shares") of common stock, \$.01 par value, of the Company ("Common Stock"), at a purchase price per share identified in the attached Notice. The aggregate purchase price for the Shares shall be paid by the Participant by check payable to the order of the Company or such other method as may be acceptable to the Company. The Company shall record on its books the issuance to the Participant of that number of Shares purchased by the Participant. The Participant agrees that the Shares shall be subject to the Purchase Option set forth in Section 2 herein and the restrictions on transfer

set forth in Section 4 herein.

2. Purchase Option.

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(a) The Shares shall vest and become "Vested Shares" on the dates set forth in the attached Notice (each of such vesting dates being referred to as a "Vesting Date"). Except as provided in subsection 2(b) below, in the event that the Participant ceases to be employed by the Company (as an employee or officer of, or an advisor or consultant to, the Company) for any reason or no reason, with or without cause, prior to the final Vesting Date following the date hereof, vesting shall cease and the Company shall have the right and option (the "Purchase Option") to purchase from the Participant, for a sum specified in the attached Notice (the "Option Price"), some or all of the Shares that are not then Vested Shares.

(b) In the event that the Participant's employment with the Company is terminated by reason of death or disability (as defined in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended (the "Code")), the Participant's Shares shall vest with respect to an additional number of Shares that would have vested during the one-year period following the termination of the Participant's employment with the Company.

(c) For purposes of these Terms and Conditions of the Restricted Stock Award, employment with the Company shall include employment with any of the Company's present or future parent or subsidiary corporations as defined in Sections 424(e) and 424(f) of the Code.

3. Exercise of Purchase Option and Closing.

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(a) The Company may exercise the Purchase Option by delivering or mailing to the Participant (or his estate), within 90 days after the termination of the employment of the Participant with the Company, a written notice of exercise of the Purchase Option. Such notice shall specify the number of Shares to be purchased. If and to the extent the Purchase Option is not so exercised by

the giving of such a notice within such 90-day period, the Purchase Option shall automatically expire and terminate effective upon the expiration of such 90-day period.

(b) Within 10 days after delivery to the Participant of the Company's notice of the exercise of the Purchase Option pursuant to subsection (a) above, the Company shall cause to be transferred to the Company on its books that number of Shares which the Company has elected to purchase in accordance with the terms herein. In the event a certificate or certificates representing the Shares have been issued to the Participant, the Participant (or his estate) shall tender to the Company at its principal offices the certificate or certificates representing the Shares which the Company has elected to purchase in accordance with the terms herein, duly endorsed in blank or with duly endorsed stock powers attached thereto, all in form suitable for the transfer of such Shares to the Company. Upon such transfer, the Company shall deliver or mail to the Participant a check in the amount of the aggregate Option Price for such Shares (provided that any delay in making such payment shall not invalidate the Company's exercise of the Purchase Option with respect to such Shares).

(c) After the time at which any Shares are transferred to the Company pursuant to subsection 3(b) above, the Company shall not pay any dividend to the Participant on account of such Shares or permit the Participant to exercise any of the privileges or rights of a stockholder with respect to such Shares, but shall, in so far as permitted by law, treat the Company as the owner of such Shares.

(d) The Option Price may be payable, at the option of the Company, in cancellation of all or a portion of any outstanding indebtedness of the Participant to the Company or in cash (by check) or both.

(e) The Company shall not purchase any fraction of a Share upon exercise of the Purchase Option, and any fraction of a Share resulting from a computation made pursuant to Section 2 herein shall be rounded to the nearest whole Share (with any one-half Share being rounded upward).

(f) The Company may assign its Purchase Option to one or more persons or entities.

4. Restrictions on Transfer.  
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The Participant shall not sell, assign, transfer, pledge, hypothecate or otherwise dispose of, by operation of law or otherwise any unvested Shares, or any interest therein, except by will or the laws of descent and distribution or pursuant to a qualified domestic relations order, provided that such Shares shall remain subject to these Terms and Conditions of Restricted Stock Award (including without limitation the restrictions on transfer set forth in this Section 4, and the Purchase Option) and such permitted transferee shall, as a condition to such transfer, deliver to the Company a written instrument confirming that such transferee shall be bound by all of the terms and conditions herein.

5. Effect of Prohibited Transfer.

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The Company shall not be required (a) to transfer on its books any of the Shares which shall have been sold or transferred in violation of any of the provisions set forth herein, or (b) to treat as owner of such Shares or to pay dividends to any transferee to whom any such Shares shall have been so sold or transferred.

6. Restrictive Legend.

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All certificates representing Shares shall have affixed thereto a legend in substantially the following form, in addition to any other legends that may be required under federal or state securities laws:

"The shares of stock represented by this certificate are subject to restrictions on transfer and an option to purchase set forth in certain Terms and Conditions of Restricted Stock Award, and a copy of such Terms and Conditions of Restricted Stock Award is available for inspection without charge at the office of the Secretary of the corporation."

7. Provisions of the Plan.

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These Terms and Conditions of Restricted Stock Award are subject to the provisions of the Plan, a copy of which is furnished herewith to the Participant.

8. Withholding Taxes; Section 83(b) Election.

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(a) The Participant acknowledges and agrees that the Company has the right to withhold from payments of any kind otherwise due to the Participant, or to require the Participant to pay to the Company any federal, state or local taxes of any kind required by law to be withheld by the Company with respect to the purchase of the Shares by the Participant or the lapse of the Purchase Option. At the option of the Board of Directors of the Company, the Participant may satisfy such tax obligation in whole or in part by surrendering to the Company shares of Common Stock, including Shares which are Vested Shares, having a value, based on the last reported sale price of the Common Stock on the NASDAQ National Market on the day prior to surrender, equal to the amount of such obligation.

(b) The Participant acknowledges that the Participant has been informed of the availability of making an election in accordance with Section 83(b) of the Code; that such election must be filed with the Internal Revenue Service within 30 days of the transfer of shares to the Participant; and that the Participant is solely responsible for making such election.

9. Miscellaneous.

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(a) Severability. The invalidity or unenforceability of any provision hereof shall not affect the validity or enforceability of any other provision hereof, and each such other provision shall be severable and enforceable to the extent permitted by law.

(b) Binding Effect. These terms and conditions shall be binding upon and inure to the benefit of the Company and the Participant and their respective heirs, executors, administrators, legal representatives, successors and assigns, subject to the restrictions on transfer set forth in Section 4 herein.

(c) Notice. All notices required or permitted hereunder shall be in writing and deemed effectively given upon personal delivery or five days after deposit in the United States Post Office, by registered or certified mail, postage prepaid, addressed to the other party hereto at the address shown beneath his or its respective signature to the attached Notice, or at such other address or addresses as either party shall designate to the other in accordance with this Section 9(c).

(d) Entire Agreement. These terms and conditions, the attached Notice and the Plan constitute the entire agreement between the parties, and supersede all prior agreements and understandings, relating to the subject matter herein.

(e) Amendment. These terms and conditions may be amended or modified in accordance with Section 11(f) of the Plan.

(f) Governing Law. These terms and conditions shall be construed, interpreted and enforced in accordance with the internal laws of the State of Delaware without regard to any applicable conflicts of laws.

