

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

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FILER

AVICI SYSTEMS INC

CIK: **1094895** | IRS No.: **020493372** | State of Incorporation: **DE** | Fiscal Year End: **1231**
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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

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

**Date of Report (Date
of earliest event
reported): April 27,
2005**

AVICI SYSTEMS INC.

(Exact name of registrant as specified in its charter)

Delaware

(State of incorporation or organization)

000-30865

(Commission file number)

02-0493372

(I.R.S. employer identification no.)

101 Billerica Avenue, North Billerica, MA 01862

(Address of principal executive office) (Zip code)

Registrant's telephone number, including area code: (978) 964-2000

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:

- 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))
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Item 1.01. Entry into a Material Definitive Agreement

On April 27, 2005, the Compensation Committee of the Board of Directors of Avici Systems Inc. (“Avici” or the “Company”) established the terms of employment for William J. Leighton, III, PhD, the President and Chief Executive Officer of Avici. Dr. Leighton will be paid a base salary at the rate of \$300,000.22 per annum, as previously reported, and will be eligible to receive an annual cash bonus of up to 35% of annual salary upon achievement by the company of specified financial objectives as determined by the Compensation Committee. Dr. Leighton was also granted an option to purchase 300,000 shares of Avici common stock with an exercise price per share equal to the fair market value of such stock on the date of grant. The stock option will vest over four years in monthly increments of 2.0833% and is subject to the terms and conditions of Avici’s 2000 Stock Option and Incentive Plan, as amended. A copy of Dr. Leighton’s employment agreement is set forth in an exhibit to this Form 8-K.

In addition, on April 27, 2005 the Compensation Committee granted 15,000 shares of performance-based restricted stock to Paul F. Brauneis, Avici’s Chief Financial Officer, 18,000 shares of performance-based restricted stock to Christopher W. Gunner, Avici’s Senior Vice President of Research and Development, and 15,000 shares of performance-based restricted stock to Chris Koeneman, Avici’s Senior Vice President of Worldwide Sales and Service. The restricted stock vests five years from the date of grant, or upon the attainment of certain performance-based conditions as established by the Compensation Committee or upon a change in control of the Company, if earlier, and is subject to the terms and conditions of Avici’s 2000 Stock Option and Incentive Plan, as amended.

In consideration of Surya Panditi’s contributions to Avici, the Compensation Committee also approved extending the period during which Mr. Panditi, the departing Chairman of the Board of Directors, may exercise vested options to purchase shares of Avici Common Stock pursuant to the Company’s 2000 Stock Option and Incentive Plan, as amended, for twelve months and approved the payment through 2005 of certain trustee and related legal expenses and other miscellaneous expenses, expected in total to be less than \$6,000.

Item 5.02. Appointment of Principle Officer

On April 27, 2005, Dr. Leighton accepted appointment as President and Chief Executive Officer of Avici. Dr. Leighton, age 53, has served as a member of the Company’s Board of Directors since May 2004 and as interim Chief Executive Officer since November 2004. Before joining the Company, Dr. Leighton spent 27 years employed by AT&T. From May 2003 to March 2004, Dr. Leighton served as Vice President of Research at AT&T Labs. Prior to that, Dr. Leighton was the Vice President of Technology and Services Strategy at AT&T Labs.

Item 9.01 Financial Statements and Exhibits

(c) Exhibits.

10.01 Memorandum setting forth terms of employment for Dr. William Leighton dated April 27, 2005.

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.

AVICI SYSTEMS INC.

Date: April 29, 2005

By: /s/ Paul F. Brauneis

Paul F. Brauneis,
Chief Financial Officer, Treasurer,
Senior Vice President of Finance
and Administration and Principal
Accounting Officer

Date: April 27, 2005
To: Bill Leighton
From: Bill Ingram, Chairman of the Compensation Committee of the Board of Directors
Subject: Initial Terms of Employment

Bill:

I am pleased to offer you the full time position of President and Chief Executive Officer of Avici Systems Inc (“Avici”), reporting to the Board of Directors. Your bi-weekly base salary will be \$11,538.47, which annualized is \$300,000.22. In addition, you will be eligible to receive an annual bonus with a target of 35% of your annual base pay at the discretion of the Compensation Committee of Avici’s Board of Directors.

You will also be granted a non-qualified option to purchase 300,000 shares of Avici common stock with an exercise price per share equal to the fair market value of the Avici common stock on the date of grant. The stock option will vest on a per month basis of 2.0833%. In addition, upon the occurrence of a change of control of Avici, you will receive accelerated vesting of 50% of any unvested stock options. Also, in connection with a change of control, if you are terminated without cause or suffer a reduction in responsibility, position, or compensation, you will receive accelerated vesting of all your remaining unvested stock options. This grant is subject to the terms and conditions of Avici’s 2000 Stock Option and Incentive Plan, as amended (the “Plan”). The term ‘change of control’ used in this memorandum shall have the meaning of the term ‘acquisition’ as set forth in the Plan.

In the event of termination without cause, you will receive twelve months continuation of salary and benefits. Also, in the event you terminate your employment with Avici following a change of control of Avici that brings a reduction in your responsibility, position, or compensation, or you are terminated without cause following a change of control of Avici, you will receive twelve months continuation of salary and benefits.

Avici will provide a housing allowance, not to exceed \$3,000 per month, for a location within a reasonable commuting distance to Avici’s headquarters.

You will be eligible to participation in Avici’s benefit programs which offers two medical insurance plans to choose from, Blue Cross/Blue Shield of New England-HMO and Blue Cross/Blue Shield-PPO. Other benefits include Delta Dental plan with orthodontia coverage, a Fidelity 401(k) program, a pre-tax medical and dependent care program, a vision plan, life insurance, supplemental life insurance, short and long-term disability benefits, an Employee Stock Purchase Plan, a legal assistance program, and other optional programs. Avici will also provide you 25 accrued vacation days and 10 holidays days plus 1 floater day each year. Please note that Avici reserves the right to change, modify or discontinue any of its current benefits plans, providers and policies in the future.

Please understand that these terms of employment do not constitute a contract of employment for any particular period or a guarantee of continued employment. Our relationship is one of voluntary employment, “at will”. While we hope our relationship will be mutually beneficial, it should be recognized that you will retain your right to terminate your employment at any time for any reason and that Avici will retain the same right. In accepting these terms, you represent that you have not relied upon any agreements or representations, written or oral, express or implied, with respect to your employment that are not expressly set forth in this memorandum.