

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

Filing Date: **2013-01-09** | Period of Report: **2013-01-09**  
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FILER

**LIONBRIDGE TECHNOLOGIES INC /DE/**

CIK: **1058299** | IRS No.: **043398462** | State of Incorpor.: **DE** | Fiscal Year End: **1231**  
Type: **8-K** | Act: **34** | File No.: **000-26933** | Film No.: **13520743**  
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Mailing Address  
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WALTHAM MA 02451*

Business Address  
*1050 WINTER STREET  
WALTHAM MA 02154  
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UNITED STATES  
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):

January 9, 2013

## Lionbridge Technologies, Inc.

(Exact name of registrant as specified in its charter)

Delaware

000-26933

04-3398462

(State or other jurisdiction  
of incorporation)

(Commission  
File Number)

(I.R.S. Employer  
Identification No.)

1050 Winter Street, Suite 2300, Waltham,  
Massachusetts

02451

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code:

781-434-6000

Not Applicable

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:

- 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 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

LTIP: On January 4, 2013, the Nominating and Compensation Committee of the Board of Directors of Lionbridge Technologies, Inc. ("LTI") approved and granted to each Executive Officer and certain other key employees a long-term performance based stock incentive award (the "LTIP") under the Corporation's 2011 Stock Incentive Plan. Pursuant to the terms of the LTIP, restrictions with respect to the stock will lapse upon the achievement of revenue and profitability targets within the two calendar years from and including the year of grant. If the targets are not achieved, the shares will be forfeited by the holder.

The forms of LTIP Award Agreement are attached as Exhibits 10.1 and 10.2 to this Form 8-K and the description of such terms contained in such Award Agreements is incorporated by reference herein.

Independent Director Compensation Plan: On January 4, 2013, the Nominating and Compensation Committee of the Board of Directors of LTI amended and restated the Independent Director Compensation Plan to provide for per meeting fees of \$500 and \$2,000 for attendance by a director at any unscheduled or special meeting of the Board of Directors.

The Independent Director Compensation Plan, as amended and restated, is attached as Exhibit 10.3 to this Form 8-K and the description of such terms contained in this Plan is incorporated by reference herein.

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**SIGNATURES**

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.

Lionbridge Technologies, Inc.

January 9, 2013

By: *Margaret A. Shukur*

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*Name: Margaret A. Shukur*

*Title: SVP, General Counsel and Secretary*

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Exhibit Index

<b>Exhibit No.</b>	<b>Description</b>
10.1	Form of 2013 LTIP (RSA)
10.2	Form of 2013 LTIP (RSU)
10.3	Independent Directors Compensation Plan

Form of LTIP Agreement

**PERFORMANCE-BASED RESTRICTED STOCK AGREEMENT**

This Performance-Based Restricted Stock Agreement dated **January 4, 2013** is made by and between Lionbridge Technologies, Inc., a Delaware corporation (hereinafter referred to as the “Company”), and [NAME], a key employee of the Company or a subsidiary of the Company (hereinafter referred to as the “Employee”). This is an Agreement between the Company and the Employee with respect to restricted stock granted under the 2011 Stock Incentive Plan of Lionbridge Technologies, Inc., (the “Plan”). Capitalized terms not defined herein shall have such meanings ascribed to them in the Plan.

WHEREAS, the Nominating and Compensation Committee of the Company’s Board of Directors (the “Committee”), appointed to administer the Plan, has determined that it would be to the advantage and best interest of the Company and its shareholders to grant the Restricted Stock (as hereinafter defined) provided for herein to the Employee;

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto do hereby agree as follows:

**ARTICLE I**

**GRANT OF PERFORMANCE-BASED RESTRICTED STOCK**

**Section 1.1 – Grant of Restricted Stock**

In consideration of the Employee’s agreement to remain in the employ of the Company or its Subsidiary and for other good and valuable consideration, the value of which exceeds the par value of the Restricted Stock, on the date hereof the Company grants to the Employee [XXXX #] shares of its common stock \$0.01 par value (the “Restricted Stock”), upon the terms and conditions set forth in this Agreement.

**ARTICLE II**

**TERMS OF RESTRICTED STOCK**

**Section 2.1 – Restrictions on Transfer**

The Employee may not sell, assign, transfer, pledge, hypothecate, mortgage or otherwise dispose of, by gift or otherwise, or in any way encumber all or any of the Restricted Stock until such time as the Restricted Stock becomes vested pursuant to the provisions of this Agreement.

**Section 2.2 – Vesting of Restricted Stock**

(a) **In general.** All shares of Restricted Stock shall be subject to forfeiture (“unvested”) and shall be forfeited in accordance with the Forfeiture Schedules set forth in Section 2.2(b) below based on upon the achievement of revenue and profitability targets (the “Revenue Target” and the “Profitability Target”), during the calendar year of the grant and the following calendar year (the “Measuring Period”).

(b) **Forfeiture Schedule.**

All shares of Restricted Stock shall be subject to forfeiture (“unvested”) and shall be forfeited in accordance with the following schedule based on percent completion of the Revenue Target and the Profitability Target within the requisite Measurement Period as follows:

<b>Percent of Revenue target achieved within the Measurement Period</b>	_____	<b>Percent of Incentive Restricted Stock Forfeited</b>
100%	_____	0 %
99%	_____	3 %
98%	_____	6 %
97%	_____	9 %
96%	_____	12 %
95%	_____	15 %
94%	_____	18 %
93%	_____	21 %
92%	_____	24 %
91%	_____	27 %
90%	_____	30 %

89%	---	33 %
88%	---	36 %
87%	---	39 %
86%	---	42 %
85%	---	45 %
84%	---	48 %
83%	---	51 %
82%	---	54 %
81%	---	57 %
80%	---	60 %
< 80%	---	100%

**Percent of Profitability target  
achieved within the Measurement  
Period**

100%	---
99%	---
98%	---
97%	---
96%	---
95%	---
94%	---
93%	---
92%	---
91%	---
90%	---
89%	---
88%	---
87%	---
86%	---
85%	---
84%	---
83%	---
82%	---
81%	---
80%	---
79%	---
78%	---
77%	---
76%	---
75%	---
74%	---
73%	---
72%	---
71%	---
70%	---
< 70%	---

**Percent of Incentive Restricted  
Stock Forfeited**

0 %
2 %
4 %
6 %
8 %
10 %
12 %
14 %
16 %
18 %
20 %
22 %
24 %
26 %
28 %
30 %
32 %
34 %
36 %
38 %
40 %
42 %
44 %
46 %
48 %
50 %
52 %
54 %
56 %
58 %
60 %
100%

(c) To the extent earned in accordance with the above schedule and provided he or she remained an employee of the Company continuously to January 1<sup>st</sup> of the year immediately following the Measuring Period, the Grantee's rights to the Restricted Stock shall become nonforfeitable ("vested") on the date the Company publicly releases earnings for the second year of the Measuring Period.

(d) In the event of the Grantee's death, Disability or a termination of employment of the Grantee by the Company (or a Subsidiary thereof) other than a termination for cause, if the event occurs after the end of the calendar year of the Grant but before the end of the Measuring Period, the Grantee's rights to one-half of the Restricted Stock that would otherwise become nonforfeitable ("vested") on the date the Company publicly releases earnings for the second year of the Measuring Period shall become nonforfeitable as of such date.

(e) In the event of a Reorganization Event, all shares of Restricted Stock shall vest without any further action on the part of the Company or the Grantee as of the date of the Change of Control.

(f) Definitions.

(i) For all purposes of this Agreement, the term "Reorganization Event" shall have the meaning set forth in Section 11 of the Plan.

(ii) The term "Revenue Target" means \$ to be achieved on a cumulative basis within the Measurement Period.

(iii) The term "Profitability Target" means \$ to be achieved on a cumulative basis within the Measurement Period and determined as follows:

Income from Operations, plus  
Merger, Restructuring & other charges  
Amortization of Acquisition Related Intangibles  
Depreciation  
Amortization, and  
Stock Based Compensation Expense

(g) The Grantee acknowledges and agrees that the Nominating and Compensation Committee of the Board of Directors may in its sole discretion adjust either Target to reflect the impact of foreign currency exchange rate fluctuations during the Measurement Period or any other extraordinary events.

Section 2.3 – Forfeiture of Restricted Stock

Until the Restricted Stock is vested in accordance with Section 2.2 of this Agreement, it will be forfeited to the Company immediately upon a termination of employment for any reason.

Section 2.4 – Escrow

The Secretary of the Company shall retain physical custody of the certificates representing the Restricted Stock until all of the restrictions imposed pursuant to this Agreement expire or shall have been removed.

Section 2.5 – Legend

The certificates evidencing the Restricted Stock shall bear a legend substantially as follows until all of the restrictions imposed pursuant to this Agreement expire or have been removed:

The shares represented by this certificate are subject to restrictions on transfer until the date the Company publicly releases its earnings for 2014 and may not be sold, exchanged, transferred, pledged, hypothecated or otherwise disposed of except in accordance with and subject to all of the terms and conditions of a Restricted Stock Agreement dated as of January 4, 2013, a copy of which the Company shall furnish to the holder of this certificate upon request and without charge.

**ARTICLE III**  
**OTHER PROVISIONS**

Section 3.1 – Notices

Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of its Secretary, and any notice to be given to the Employee shall be addressed to such Employee at the address given beneath such Employee's signature hereto. By a notice given pursuant to this Section 3.1, either party may hereafter designate a different address for notices to be given to such party. Any notice which is required to be given to the Employee shall, if the Employee is then deceased, be given to the Employee's personal representative if such representative has previously informed the Company of such representative's status and address by written notice under this Section 3.1. Any notice shall be deemed duly given when enclosed in a properly sealed envelope or wrapper addressed as aforesaid, deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

Section 3.2. - Acknowledgement.

By entering into this Agreement and accepting the Award, Employee acknowledges that: (a) the Plan is discretionary and may be modified, suspended or terminated by the Company at any time as provided in the Plan; (b) the grant of the Restricted Stock is a one-time benefit and does not create any contractual or other right to receive future grants of awards or benefits in lieu of awards; (c) all determinations with respect to any such future grants, including, but not limited to, the times when awards will be granted, the number of shares subject to each award, the award price, if any, and the time or times when each award will be settled, will be at the sole discretion of the Company; (d) Employee's participation in the Plan is voluntary; (e) the value of the Restricted Stock is an extraordinary item which is outside the scope of Employee's service contract, if any; (f) the Restricted Stock is not part of normal or expected compensation for any purpose, including without limitation for calculating any benefits, severance, resignation, termination, redundancy, end of service payments, bonuses, pension or retirement benefits or similar payments; (g) the future value of the Common Stock subject to the Restricted Stock is unknown and cannot be predicted with certainty, (h) neither the Plan, nor the issuance of the Restricted Stock confers upon Employee any right to continue in the service of (or any other relationship with) the Company or any Related Company, (i) the grant of the Restricted Stock will not be interpreted to form an employment relationship with the Company or any Related Company, and (j) he or she reconfirms his or her contractual and legal obligations of confidentiality to the Company and his or her obligations not to compete with the Company, as such as described in his or her Non-Disclosure Agreement, Non-Competition Agreement and/or Business Protection Agreement with the Company.

Section 3.3 - Recoupment and Forfeiture on Certain Conditions

The Employee expressly understands and agrees that this grant of Restricted Stock is conditioned on Employee's agreement and consent that the Board of Directors of the Company or its Nominating and Compensation Committee has the sole discretion to require the Employee or Employee's estate to repay to the Company, in cash and upon demand, any Proceeds (as defined below) resulting from the sale or other disposition (including to the Company) of Shares issuable or issued upon vesting of Restricted Stock (a) in the event of a restatement (other than a restatement due to a change in accounting policies) of the Company's financial results where the restatement results in a material impact on the financial statements for the period affecting the achievement of the performance conditions for this grant of Restricted Stock in Section 2.2 or (b) if the Board or the Committee determines that the Employee has engaged in fraud or misconduct ("Misconduct") that resulted in or substantially resulted in vesting of any or all of this grant of Restricted Shares due to achievement of the performance conditions in Section 2.2. The amount to be repaid shall be determined by the Committee in its sole discretion based on its determination of the effect of the Misconduct or the restatement on the Corporation's stock price, up to an amount equal to the market value per Share at the time of such sale or other disposition multiplied by the number of shares sold or disposed of. If Shares have vested and have not been disposed of, Shares will be subject to forfeiture (together with any cash amounts described in the prior sentence, "Proceeds"). Any determination by the Committee with respect to the foregoing shall be final, conclusive and binding on all interested parties. This provision expires on the earlier of (a) a Change of Control or (b) three years from the date of grant of the Award.

Section 3.4 - Construction

In the event of any discrepancy between the terms of this Agreement and the terms of the Plan itself, the Plan will control. This Agreement shall be administered, interpreted and enforced under the laws of the Commonwealth of Massachusetts.

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the parties hereto.

LIONBRIDGE TECHNOLOGIES, INC.

By: \_\_\_\_

\_\_\_\_  
[NAME]

**FORM OF RSU LTIP AGREEMENT  
PERFORMANCE BASED RESTRICTED STOCK UNIT AWARD AGREEMENT**

TO: <<Participant>>

To encourage your continued service as a key employee of Lionbridge Technologies, Inc. or a Subsidiary (collectively, the “Company”), and in consideration and recognition of the fact that you have access to certain trade secrets and confidential information of Lionbridge, you have been granted this performance based restricted stock unit award (the “Award”) pursuant to the Company’s 2011 Stock Incentive Plan (the “Plan”). The Award represents the right to receive shares of Common Stock of the Company subject to the fulfillment of the vesting conditions set forth in this agreement (this “Agreement”).

The terms of the Award are as set forth in this Agreement and in the Plan. The Plan is incorporated into this Agreement by reference, which means that this Agreement is limited by and subject to the express terms and provisions of the Plan. In the event of a conflict between the terms of this Agreement and the terms of the Plan, the terms of the Plan shall control. Capitalized terms that are not defined in this Agreement have the meanings given to them in the Plan. The most important terms of the Award are summarized as follows:

1. **Award Date:** January 4, 2013
2. **Number of Restricted Stock Units Subject to this Award:** \_\_\_\_\_
3. **Vesting Schedule:** The Award will vest according to the following schedule:

(a) In general. All Restricted Stock Units shall be subject to forfeiture (“unvested”) and shall be forfeited in accordance with the Forfeiture Schedules set forth in Section 3(b) below based on upon the achievement of revenue and profitability targets (the “Revenue Target” and the “Profitability Target”), during the calendar year of the grant and the following calendar year (the “Measuring Period”).

(b) Forfeiture Schedule.

All Restricted Stock Units shall be subject to forfeiture (“unvested”) and shall be forfeited in accordance with the following schedule based on percent completion of the Revenue Target and the Profitability Target within the requisite Measurement Period as follows:

**Percent of Revenue target achieved  
within the Measurement Period**

100%
99%
98%
97%
96%
95%
94%
93%
92%
91%
90%
89%
88%
87%
86%
85%
84%
83%
82%
81%
80%

**Percent of Restricted Stock Unit  
Forfeited**

0 %
3 %
6 %
9 %
12 %
15 %
18 %
21 %
24 %
27 %
30 %
33 %
36 %
39 %
42 %
45 %
48 %
51 %
54 %
57 %
60 %

Percent of Profitability target achieved within the Measurement Period
100%
99%
98%
97%
96%
95%
94%
93%
92%
91%
90%
89%
88%
87%
86%
85%
84%
83%
82%
81%
80%
79%
78%
77%
76%
75%
74%
73%
72%
71%
70%
< 70%

Percent of Restricted Stock Unit Forfeited
0 %
2 %
4 %
6 %
8 %
10 %
12 %
14 %
16 %
18 %
20 %
22 %
24 %
26 %
28 %
30 %
32 %
34 %
36 %
38 %
40 %
42 %
44 %
46 %
48 %
50 %
52 %
54 %
56 %
58 %
60 %
100%

(c) To the extent earned in accordance with the above schedule and provided you have remained an employee of the Company continuously to January 1<sup>st</sup> of the year immediately following the Measuring Period, your rights to the shares represented by the Restricted Stock Units shall become nonforfeitable (“vested”) on the date the Company publicly releases earnings for the second year of the Measuring Period.

(d) In the event of your death, Disability or a termination of your employment by the Company (or a Subsidiary thereof) other than a termination for cause, if the event occurs after the end of the calendar year of the Grant but before the end of the Measuring Period, your rights to one-half of the number of shares represented by the Restricted Stock Unit Award that would otherwise become nonforfeitable (“vested”) on the date the Company publicly releases earnings for the second year of the Measuring Period shall become vested as of such date.

(e) In the event of a Reorganization Event, your Restricted Stock Unit Award shall vest without any further action on the part of the Company or you as of the date of the Change of Control.

(f) Definitions.

- (i) For all purposes of this Agreement, the term “Reorganization Event” shall have the meaning set forth in Section 11 of the Plan.
- (ii) The term “Revenue Target” means \$ to be achieved on a cumulative basis within the Measurement Period.
- (iii) The term “Profitability Target” means \$ to be achieved on a cumulative basis within the Measurement Period and determined as follows:
  - Income from Operations, plus
  - Merger, Restructuring & other charges
  - Amortization of Acquisition Related Intangibles
  - Depreciation
  - Amortization, and
  - Stock Based Compensation Expense

(g) The Grantee acknowledges and agrees that the Nominating and Compensation Committee of the Board of Directors may in its sole discretion adjust either Target to reflect the impact of foreign currency exchange rate fluctuations during the Measurement Period or any other extraordinary events.

**4. Conversion of Restricted Stock Units and Issuance of Shares.** Upon each vesting of the Award (each, a “Vest Date”), one share of Common Stock shall be issuable for each restricted stock unit that vests on such Vest Date (the “Shares”), subject to the terms and provisions of the Plan and this Agreement. Thereafter, the Company will transfer such Shares to you upon satisfaction of any required tax withholding obligations. No fractional shares shall be issued under this Agreement.

**5. Termination of Service.** The unvested portion of the Award will terminate automatically and be forfeited to the Company immediately and without further notice upon termination of your service as an employee of the Company for any reason (including as a result of death or disability). No Shares shall be issued or issuable with respect to any portion of the Award that terminates unvested and is forfeited.

**6. Right to Shares.** You shall not have any right in, to or with respect to any of the Shares (including any voting rights or rights with respect to dividends paid on the Common Stock) issuable under the Award until the Award is settled by the issuance of such Shares to you.

**7. Taxes.**

**(a) Generally.** You are ultimately liable and responsible for all taxes owed in connection with the Award. The Company does not commit and is under no obligation to structure the Award to reduce or eliminate your tax liability.

**(b) Payment of Withholding Taxes.** Prior to any event in connection with the Award (e.g., vesting) that the Company determines may result in any domestic or foreign tax withholding obligation, whether national, federal, state or local, including any social tax obligation (the “Tax Withholding Obligation”), you must arrange for the satisfaction of the minimum amount of such Tax Withholding Obligation in a manner acceptable to the Company.

**(c) Right to Retain Shares.** The Company may refuse to issue any Shares to you until you satisfy the Tax Withholding Obligation. To the maximum extent permitted by law, the Company has the right to retain without notice from Shares issuable under the Award or from salary payable to you, Shares or cash having a value sufficient to satisfy the Tax Withholding Obligation.

**8. Limitation on Rights; No Right to Future Grants.** By entering into this Agreement and accepting the Award, you acknowledge that: (a) the Plan is discretionary and may be modified, suspended or terminated by the Company at any time as provided in the Plan; (b) the grant of the Award is a one-time benefit and does not create any contractual or other right to receive future grants of awards or benefits in lieu of awards; (c) all determinations with respect to any such future grants, including, but not limited to, the times when awards will be granted, the number of shares subject to each award, the award price, if any, and the time or times when each award will be settled, will be at the sole discretion of the Company; (d) your participation in the Plan is voluntary; (e) the value of the Award is an extraordinary item which is outside the scope of your service contract, if any; (f) the Award is not part of normal or expected compensation for any purpose, including without limitation for calculating any benefits, severance, resignation, termination, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments; (g) the future value of the Common Stock subject to the Award is unknown and cannot be predicted with certainty, (h) neither the Plan, the Award nor the issuance of the Shares confers upon you any right to continue in the service of (or any other relationship with) the Company or any Subsidiary, (i) the grant of the Award will not be interpreted to form an employment relationship with the Company or any

Subsidiary and (j) you confirm your continuing obligations of confidentiality with respect to any confidential information of the Company or any Subsidiary.

**9. Execution of Award Agreement.** Please acknowledge your acceptance of the terms and conditions of the Award by signing the original of this Agreement and returning it to the Company.

Very truly yours,  
LIONBRIDGE TECHNOLOGIES, INC.

**ACCEPTANCE AND ACKNOWLEDGMENT**

I accept the Restricted Stock Unit Award described in this Agreement and in the Plan, and acknowledge receipt of a copy of this Agreement and the Plan, and acknowledge that I have read them carefully and that I fully understand their contents.

Dated:

Taxpayer I.D. Number

<<Participant>>

Address:

**Lionbridge Technologies, Inc.  
Performance Based Restricted Stock Unit Award**

Name:	NAME
Number of Restricted Stock Units:	number
Date of Grant:	January 4, 2013
Amount paid:	\$ 0
Vesting Schedule:	Upon achievement of Revenue and Profitability Targets measured over the period of 2013 and 2014.

**LIONBRIDGE TECHNOLOGIES, INC.**  
**INDEPENDENT DIRECTORS' COMPENSATION POLICY**  
**Amended and Restated as of January 4, 2013**

Each non-employee member of the Board of Directors of Lionbridge Technologies, Inc. who directly holds less than 1% of the Company's outstanding common stock (an "Eligible Director") shall receive compensation made up of (i) an annual retainer payable in cash and through a restricted stock unit (the "Retainer"), (ii) an initial grant of stock options upon election to the Board (the "Initial Option Grant") and (iii) an annual grant of stock options (the "Annual Option Grant").

In addition, each Eligible Director who serves on the Audit Committee shall receive an annual cash retainer in connection with such service (the "Audit Retainer").

Chairmen of the Audit Committee and the Nominating and Compensation Committee shall receive an additional annual retainer (the "Audit Chairman Retainer" and the "Nominating and Compensation Chairman Retainer").

All non-employee directors shall be entitled to travel expense reimbursement and shall be covered by the provisions of the Company's charter and bylaws with respect to liability.

**Annual Retainer.**

Each Eligible Director shall receive an annual cash retainer in the amount of \$25,000 and an annual equity retainer in the form of Restricted Stock Units with a value on the date of grant of \$30,000, determined based on the closing stock price of the Company's common stock on the date of grant. This Cash Retainer will be paid annually in advance on the date of the Company's Annual Meeting of Stockholders to each Eligible Director and the Restricted Stock Units will be granted annually in advance on the date of the Company's Annual Meeting of Stockholders to each Eligible Director.

**Meeting Fees.**

Each Eligible Director shall receive an additional fee for attendance at any unscheduled or special Board Meeting. Regularly scheduled Board Meetings consist of the four quarterly Board meetings, the meeting to approve the Annual Report on Form 10-K and the meeting to review the Corporation's budget. This additional fee is \$500 for a telephonic meeting and \$2,000 for an in-person meeting.

**Deferred Compensation Plan.**

Each Eligible Director shall have the option to defer all or a portion of his or her annual cash or equity retainer, and any committee retainer, in the Company's Deferred Compensation Plan for Independent Directors.

**Initial Option Grant.**

On the date of election to his or her first term as a director, each Eligible Director shall automatically be granted a stock option to purchase 20,000 shares of common stock of the Company and the Annual Option described below. The exercise price of this Initial Option shall be equal to fair market value of the Company's stock on the date of grant and the Initial Option shall vest over two years from the date of grant at the rate of 50% on each of the first and second anniversaries of the date of grant. The Initial Option shall be issued under the terms and provisions of any of the Company's then existing equity plans that have been approved by the Company's stockholders. The Initial Option shall have a term of 5 years.

**Annual Option Grant.**

On the date of the Company's Annual Meeting of Stockholders, each Eligible Director shall automatically be granted a stock option to purchase 10,000 shares of common stock of the Company. The exercise price of this Annual Option shall be equal to fair market value of the Company's stock on the date of grant and the Annual Option shall vest over two years from the date of grant from the date of grant at the rate of 50% on each of the first and second anniversaries of the date of grant. The Annual Option shall be issued under the terms and provisions of any of the Company's then existing equity plans that have been approved by the Company's stockholders. The Annual Option shall have a term of 5 years.

**Audit Retainer.**

In addition to the Annual Retainer, each Eligible Director (other than the Audit Committee Chairman) serving on the Audit Committee shall receive an annual cash retainer in the amount of \$5,000. This Audit Retainer will be

paid annually in advance on the date of the Company's Annual Meeting of Stockholders to each Eligible Director.

**Audit Chairman Retainer.**

The Chairman of the Audit Committee shall receive an annual cash retainer in the amount of \$15,000, in addition to the Annual Retainer. This Audit Chairman Retainer will be paid annually in advance on the date of the Company's Annual Meeting of Stockholders.

**Nominating and Compensation Chairman Retainer.**

The Chairman of the Nominating and Compensation Committee shall receive an annual cash retainer in the amount of \$15,000, in addition to the Annual Retainer. This Nominating and Compensation Committee Chairman Retainer will be paid annually in advance on the date of the Company's Annual Meeting of Stockholders.

**Lead Director Retainer.**

The Lead Director shall receive an annual cash retainer in the amount of \$15,000, in addition to the Annual Retainer. This Retainer will be paid annually in advance on the date of the Company's Annual Meeting of Stockholders.

**Expense Reimbursement.**

All directors shall be reimbursed for reasonable travel expenses in connection with attendance at meetings of the Company's Board of Directors and its committees. Commercial airfare reimbursement is limited to coach fare.

**Directors' Liability.**

The Company's Amended and Restated Certificate of Incorporation provides that no director of the Company shall be personally liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director. There are exceptions to these protections in the case of any of the following:

Breach of the director's duty of loyalty to the Company or its stockholders;

Acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

Under Section 174 of the General Corporation Law of Delaware (relating to unlawful declaration of dividends and unlawful purchase of the Company's stock)

Any transaction from which the director derived an improper personal benefit.

The Company has and does maintain Directors' and Officers' liability insurance coverage with a \$20,000,000 limit.

**Change of Control.**

Upon the closing of a Change of Control of the Company (as such term is defined in the Company's Change of Control Plan) any outstanding but unvested Option or RSU shall become fully vested and exercisable.

**Retirement.**

Upon the retirement (as hereinafter defined) of any Director from service from the Board of Directors, any outstanding but unvested shares under any Option or RSU held by such Director that are scheduled to vest on or before December 31 of the calendar year of retirement shall become fully vested and exercisable. Where used herein, the term "retirement" means a decision by a Director to decline nomination for re-election to another term as a director of the Company following service of at least one full term as a Director.