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COMPANY NAME HERE, INC.

Incentive Stock Option Grant Agreement

THIS AGREEMENT is made effective as of **MONTH DAY, YEAR**, (the “Option Grant Date”), between COMPANY NAME HERE, INC. a Washington corporation (the “Company”), and _____ “Optionee”) with reference to the following facts:

- A. The Board of Directors of the Company has established the COMPANY NAME HERE, INC. 2000 Incentive Stock Option Plan (“Plan A”) and the Nonstatutory Stock Option Plan (“Plan B”) (collectively, the “Plans”), effective as of April 6, 2000.
- B. According to the provisions of those Plans, the Board of Directors of the Company, by action duly taken on **MONTH DAY, YEAR**, granted to the Optionee an Option to purchase the shares of the common stock of the Company (the “Common Stock”) on the terms and conditions set forth in this Agreement and in the Plans.

IT IS THEREFORE AGREED as follows:

1. Grant.

The Optionee may, at Optionee’s option and on the terms and conditions set forth in this Agreement and in the Plans, purchase:

- 1.1 All or any part of an aggregate of One-Hundred Thousand shares (100,000) shares of Common Stock under Plan A at the price per share set forth in Section 2, below.
- 1.2 All or any part of an aggregate of _____ (____) shares of Common Stock under Plan B at the price per share set forth in Section 2, below. The grant in this Section 1 shall be referred to herein as the “Option.”

2. Option Price and Exercise Date.

The Option shall be exercisable at the option price (the “Option Price”) as to the specified number of shares (“Optionee Shares”) on and after the “start” dates and on or before the “terminate” dates set forth in the table shown below:

Number of Shares	Plan	Option Price	Start Date	Terminate Date
100,000	A	.01	April 25, 2000	

Optionee acknowledges that he understands that he has no right whatsoever to exercise the Option granted under this Agreement with respect to any Optioned Shares covered by any installment until such installment accrues as provided above. Optionee further understands that the Option granted under the Agreement shall expire and become unexercisable as provided in Section 3.3 below. In the event of Optionee's termination as an employee of the Company, vesting shall cease but Optionee shall have the right to exercise vested Options as of the date of termination pursuant to section 3.3(d) below.

3. Governing Plans.

This Agreement hereby incorporates by reference the Plans and all of the terms and conditions of the Plans as the same may be amended from time to time after the date of this Agreement in accordance with the terms of the Plans, but no such subsequent amendment shall adversely affect the Optionee's rights under this Agreement and the Plans, except as may be required by applicable law. Optionee expressly acknowledges and agrees that the provisions of this Agreement are subject to the Plans; the terms of this Agreement shall in no manner limit or modify the controlling provisions of the Plans; and in case of any conflict between the provisions of the Plans and this Agreement, the provisions of the Plans shall be controlling and binding upon the parties to this Agreement. The Optionee also expressly acknowledges, represents and agrees as follows:

3.1 Optionee acknowledges receipt of a copy of the Plans, a copy of which is also attached to this Agreement, represents that the Optionee is familiar with the terms and provisions of the Plans, and hereby accepts this Agreement subject to the terms and conditions of the Plans.

3.2 Optionee agrees to accept as binding, conclusive and final all decisions or interpretations of the Board of Directors (or the Committee, if so authorized) upon any questions arising under the Plans.

3.3 Optionee acknowledges that he is familiar with Section 5 of the Plans regarding the terms and conditions of the Option and represents that the Optionee understands that the Option must be exercised on or before the earliest of the following dates, whichever is applicable:

- (a) the "terminate date" noted above in Section 2;
- (b) the date prior to the day the Option shall expire, as provided in Article VIII of the Plans;
- (c) the date on which a transaction specified under Article VIII C. of the Plans is consummated;
- (d) the date which is not more than three (3) months following the

Optionee's termination of employment for any reason other than death or total and permanent disability, as provided under Article VIII D. of the Plans; or

- (e) the date that is one (1) year following the Optionee's termination of employment by reason of his death, or the date that is one (1) year following his termination of employment by reason of total and permanent disability, whichever is applicable, as provided in Article VIII E. of the Plans.

3.4 Optionee acknowledges, understands and agrees that the existence of the Plans and the execution of this Agreement are not sufficient by themselves to cause any exercise of any Option granted under Plan A and this Agreement to qualify for favorable tax treatment through the application of Section 422A of the Internal Revenue Code of 1986, as amended (the "Code"); that Optionee must, in order to so qualify, individually meet by his own action all applicable requirements of Section 422A of the Code, including without limitation the following holding period requirement:

Holding Period Requirement: No disposition of an Optioned Share may be made by Optionee within two (2) years from the date of the granting of the Option(s) or within one (1) year of the transfer of such Optioned Share to him, whichever is later.

3.5 Optionee acknowledges and understands that the Optionee shall pay the Option Price as provided in Section 2 above.

4. Exercise.

In order to exercise an Option, the Optionee must deliver a written notice of exercise to the Company at its principal business office, which notice must specify the number of shares to be purchased (see Exhibit A). The notice of exercise must be accompanied by payment in a form determined to be acceptable by the Board of Directors in its sole discretion. Notwithstanding the foregoing provisions regarding payment, payment of such purchase price or any portion thereof may be made with shares of stock of the same class as the shares then subject to this Agreement. If shares of that class are then Publicly Traded (as defined herein), such shares to be credited toward such purchase price on the valuation basis set forth below, in which event the stock certificates evidencing the shares so to be used shall accompany the notice of exercise and shall be duly endorsed or accompanied by duly executed stock powers to transfer the same to the Company; provided, however, that such payment in stock instead of cash shall not be effective and shall be rejected by the Company if (i) the Company is then prohibited from purchasing or acquiring shares of the class of its stock thus tendered to it, or (ii) the right or power of the person exercising the Option to deliver such shares in payment of said purchase price is subject to the prior interests of any other person (excepting the Company), as indicated by legends upon the certificate(s) or as known to the Company. For credit toward the purchase price, shares so surrendered shall be valued at their Fair Market Value (as defined herein) as of the day immediately preceding the delivery to the Company of the certificate(s) evidencing such shares. If

the Company rejects the payment in stock, the tendered notice of exercise shall not be effective hereunder unless promptly after being notified of such rejection the person exercising the Option pays the purchase price in acceptable form. If and while payment of the purchase price with stock is permitted in accordance with the foregoing provisions, the person then entitled to exercise this Option may, in lieu of using previously outstanding shares therefor, use some of the shares as to which this Option is then being exercised, in which case the notice of exercise need not be accompanied by any stock certificates but shall include a statement directing the Company to withhold so many of the shares that would otherwise have been delivered upon that exercise of this Option as equals the number of shares that would have been transferred to the Company if the purchase price had been paid with previously issued stock.

5. Stock Restriction Agreement.

As a condition to the exercise of any portion of an Option, the Board may require the Optionee to enter into a stock restriction agreement (“Stock Restriction Agreement”) with the Company which will subject the Optionee’s stock to a first right of refusal in favor of the Company. The Optionee will be required by this Agreement to notify the Company in writing prior to any sale of the stock. The Company will then have thirty (30) days to elect to purchase the stock at the same price and on the same terms as the proposed sale by the Optionee to a third party.

6. Representations and Warranties.

Optionee represents and warrants that Optionee is acquiring this Option for his own account and not with a view to or for sale in connection with any distribution of this Option or the shares of Common Stock, which may be acquired upon exercise of the Option. As a condition to the exercise of any portion of an Option, the Company may require the person exercising such Option to make a representation and/or warranty to the Company as may, in the judgment of counsel to the Company, be required under any applicable law or regulation, including but not limited to a representation and warranty that the shares are being acquired only for investment and without any present intention to sell or distribute such shares, if, in the opinion of counsel for the Company, such a representation is required under the Securities Act of 1933 or any other applicable law, regulation or rule of any governmental agency.

7. Options Not Transferable.

The Option may be exercised during the lifetime of the Optionee only by the Optionee. The Optionee’s rights and interests under this Agreement and in and to the Option may not be sold, pledged, hypothecated, assigned, encumbered, gifted or otherwise transferred in any manner either voluntarily or involuntarily by operation of law, except by will or the laws of descent or distribution subject to the provisions of Article XIII of the Plans.

8. No Enlargement of Rights.

Nothing in this Agreement shall be construed to confer upon the Optionee any right to continued employment with or retention by the Company, or to restrict in any way the right of the Company to terminate his employment.

9. Withholding of Taxes.

Optionee authorizes the Company to withhold, in accordance with any applicable law, from the

compensation payable to him any taxes required to be withheld by federal, state or local law as a result of the grant of an Option or the issuance of stock pursuant to the exercise of such Option.

10. Applicable Law.

This Agreement shall be construed and enforced in accordance with the laws of the State of Washington.

11. Agreement Binding on Successors.

The terms of this Agreement shall be binding upon the executors, administrators, heirs, successors, transferees and assignees of the Optionee.

12. Cost of Litigation.

In any action at law or in equity to enforce any of the provisions or rights under this Agreement or the Plans, the unsuccessful party to such litigation, as determined by the court in a final judgment or decree, shall pay the successful party or parties all costs, expenses and reasonable attorneys' fees incurred by the successful party or parties (including without limitation costs, expenses and fees on any appeals), and if the successful party recovers judgment in any such action or proceeding, such costs, expenses and attorneys' fees shall be included as part of the judgment.

13. Necessary Acts.

The Optionee agrees to perform all acts and execute and deliver any documents that may be reasonable necessary to carry out the provisions of this Agreement, including but not limited to all acts and documents related to compliance with federal and/or state securities laws.

14. Counterparts.

For convenience, this Agreement may be executed in any number of identical counterparts, each of which shall be deemed a complete original in itself and may be introduced into evidence or used for any purpose without the production of any other counterparts.

15. Gender.

Words of any gender used in this Agreement shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural, and vice versa, unless the context requires otherwise.

16. Invalid Provisions.

In the event that any provision of this Agreement is found to be invalid or otherwise unenforceable under applicable law, such invalidity or unenforceability shall not be construed as rendering any other provisions contained in this Agreement invalid or unenforceable, and all such other provisions shall be given full force and effect to the same extent as though the invalid and unenforceable provision was not contained in this Agreement.

17. Certain Definitions. As used in this Agreement, the following terms shall have the meanings set forth below opposite such terms:

17.1 “Fair Market Value” of corporate stock shall mean:

(a) If the stock is then Publicly Traded, the closing price of stock of that class as of the day in question (or, if such day is not a trading day in the principal securities market or markets for such stock, on the nearest preceding trading day), as reported with respect to the market (or the composite of markets, if more than one) in which shares of such stock are then traded, or, if no such closing prices are reported, on the basis of the mean between the high bid and low asked prices that day on the principal market or quotation system on which shares of such stock are then quoted, or, if not so quoted, as furnished by a professional securities dealer making a market in such stock selected by or under authority of the board of directors of the Company.

(b) If the stock is then not Publicly Traded, the price at which one could reasonably expect such stock to be sold in an arm’s length transaction, for cash, other than on an installment basis, to a person not employed by, controlled by, in control of or under common control with the issuer of such shares. Such Fair Market Value shall be that which has currently or most recently been determined for this purpose by the Company’s board of directors, or at the discretion of that board by an independent appraiser or appraisers selected by the board, in either case giving due consideration to recent transactions involving shares of such stock, if any, the issuer’s net worth, prospective earning power and dividend-paying capacity, the goodwill of the issuer’s business, the issuer’s industry position and its management, that industry’s economic outlook, the values of securities of issuers whose stock is Publicly Traded and which are engaged in similar businesses, the effect of transfer restrictions to which such stock may be subject under law and under the applicable terms of any contract governing such stock, the absence of a public market for such stock and such other matters as the board or its appraiser or appraisers deem pertinent. The determination by the Company’s board of directors or its appraiser or appraisers of the Fair Market Value shall, if not unreasonable, be conclusive and binding notwithstanding the possibility that other persons might make a different, and also reasonable, determination. If the Fair Market Value to be used was thus fixed more than sixteen months prior to the day as of which Fair Market Value is being determined, it shall in any event be no less than the book value of the stock being valued at the end of the most recent period for which financial statements of the issuer are available.

17.2 “Publicly Traded” shall mean, with respect to any stock, if stock of that class is listed or admitted to unlisted trading privileges on a national securities exchange or on the NASDAQ National Market or if sales or bid and offer quotations are reported for that class of stock in the automated quotation system (“NASDAQ”) operated by the National Association of Securities Dealers, Inc. (“NASD”).

17.3 “Restricted Stock Owner” means an Optionee who has acquired and owns Restricted Stock.

17.4 "Restricted Stock" means shares of Common Stock acquired pursuant to a grant under Plan B that have not yet vested, in accordance with Section 2. Shares of Common Stock that vest shall no longer be treated as Restricted Stock.

Sample Preview

IN WITNESS WHEREOF, the Company has granted this Option on the date of grant specified above.

COMPANY NAME HERE, INC.

OPTIONEE

By _____
Its: _____

Name (printed)

By _____

Signature

Address:

Address:

Social Security Number

Sample Preview

EXHIBIT A

Purchase Form

COMPANY NAME HERE, INC.

Address

Ladies and Gentlemen:

The undersigned hereby irrevocably subscribes for _____ () shares of the common stock of Company Name Here, Inc., a Washington corporation, pursuant to and in accordance with the terms and conditions of the Stock Option Agreement dated _____. Enclosed is the undersigned's payment of _____ Dollars (\$ _____) as consideration for such shares. The undersigned requests that a certificate for such shares be issued in the name of the undersigned and delivered to the undersigned at the address listed below.

The undersigned represents that it is acquiring the shares solely for its own account for investment only, and not with a view to resale or distribution.

Dated: _____, 20_____.

[Name]

[Address]