



**MOSAID TECHNOLOGIES INCORPORATED  
EMPLOYEE AND DIRECTOR STOCK OPTION PLAN**

**PLAN DESCRIPTION**

**1. Purpose of the Plan**

The purpose of the Employee and Director Stock Option Plan is to develop the interest and incentive of eligible employees, consultants and directors of MOSAID Technologies Incorporated (the “**Company**”) and its subsidiaries in the Company’s growth and development by giving eligible employees, consultants and directors an opportunity to purchase Common Shares, thereby advancing the interests of the Company, enhancing the value of the Common Shares for the benefit of all the shareholders and increasing the ability of the Company to attract and retain skilled and motivated individuals in the service of the Company.

The Board of Directors has approved the terms of this Plan.

**2. Definitions**

In this Plan:

- (a) “**Affiliate**” has the meaning assigned by the *Securities Act* (Ontario), as amended from time to time;
- (b) “**Associate**” has the meaning assigned by the *Securities Act* (Ontario), as amended from time to time;
- (c) “**Board of Directors**” means the board of directors of the Company;
- (d) “**Black-out Period**” means the period during which the Company has imposed trading restrictions on its Insiders;
- (e) “**Change in Control**” shall mean:
  - (i) when any person, together with any Affiliate or Associate of such person (other than the Company or its subsidiaries, or an employee benefit plan of the Company or its subsidiaries, including any trustee of such plan acting as trustee) hereafter acquires, the direct or indirect “**beneficial**

**ownership**", as defined by the *Canada Business Corporations Act* (the "**CBCA**"), of securities of the Company representing fifty (50%) percent or more of the combined voting power of the Company's then outstanding securities; or

- (ii) the occurrence of a transaction requiring approval of the Company's shareholders involving the acquisition of the Company or all or substantially all of its business by an entity through purchase of assets by amalgamation, arrangement or otherwise;
- (f) "**Committee**" means the Human Resources Committee of three or more members appointed by the Board of Directors to administer the Plan. All references in the Plan to the Committee means the Board of Directors if no Committee has been appointed;
- (g) "**Common Shares**" means the Common Shares of the Company or, in the event of an adjustment contemplated in Section 9 hereof, such other Common Shares to which a Participant may be entitled upon the exercise of an option as a result of such adjustment;
- (h) "**Consultant**" means a consultant as defined by the *Securities Act* (Ontario), as amended from time to time, engaged by the Company or its subsidiaries;
- (i) "**Date of Grant**" means the date a Participant is granted an option to purchase Option Shares;
- (j) "**Director**" means a person occupying the position of director on the Board of Directors and who is not an Employee;
- (k) "**Employee**" means a full time permanent employee of the Company or its subsidiaries;
- (l) "**Exchange**" means the Toronto Stock Exchange or, if the Common Shares are not then listed and posted for trading on the Toronto Stock Exchange, on such stock exchange on which such shares are listed and posted for trading as may be selected for such purpose by the Committee;
- (m) "**Exercise Date**" means the date the Company receives from the Participant a completed Stock Option Purchase Form with payment for the Option Shares being purchased;
- (n) "**Insider**" means:
  - (i) an insider of the Company as defined by the *Securities Act* (Ontario) as amended from time to time; and

- (ii) an Associate or Affiliate of any person who is an Insider by virtue of clause (i) of this definition;
- (o) **“Market Price”** per Common Share shall be the closing price of the Common Shares on the Exchange on the trading day immediately preceding the Date of Grant. In the event that the Common Shares are not listed and posted for trading on the Exchange, the Market Price shall be determined by the Committee in its sole discretion;
- (p) **“Option Period”** means the period set forth in Section 6 during which a Participant may purchase Option Shares;
- (q) **“Option Price”** means the price per share at which a Participant may purchase Option Shares;
- (r) **“Option Shares”** means the Common Shares of the Company which a Participant is entitled to purchase under the Plan;
- (s) **“Participants”** means Directors, Consultants and Employees to whom options to purchase Option Shares are granted pursuant to the Plan and which remain unexercised; and
- (t) **“Plan”** means the MOSAID Technologies Incorporated Employee and Director Stock Option Plan.

### **3. Eligibility**

Participation in the Plan shall be limited to Participants who are designated from time to time by the Committee. Participation shall be voluntary and the extent to which any Participant shall be entitled to participate in the Plan shall be determined by the Committee.

### **4. Number of Option Shares and Limitations on Issuance**

The aggregate number of Option Shares which may be issued hereunder shall not exceed 3,067,323. The following restrictions shall also apply to this Plan:

- (i) the aggregate number of Common Shares issuable to Insiders, at any time, under all of the Company’s security based compensation arrangements, cannot exceed 10% of the issued and outstanding Common Shares of the Company;
- (ii) Insiders shall not be issued, under this Plan and all of the Company’s other security based compensation arrangements, within any one year period, a

number of Common Shares which exceeds 10% of the issued and outstanding Common Shares of the Company; and;

- (iii) Directors shall not be issued, within any one year period, a number of options to purchase Option Shares which, in the aggregate, exceeds 0.25% of the issued and outstanding Common Shares of the Company.

No fractional shares may be purchased or issued hereunder. Subject to the foregoing, the number of Option Shares that a Participant is entitled to purchase under the Plan will be determined by the Committee.

## **5. Price for Option Shares**

The Committee shall advise each Participant designated to participate in the Plan of the number of Option Shares such Participant is entitled to purchase and the Option Price at which the Option Shares may be purchased and the earliest date(s) upon which the Option Shares may be purchased. The Option Price at which the Option Shares may be purchased under the Plan shall not be less than the Market Price of the Common Shares.

## **6. Exercise**

- (a) Options to purchase Option Shares must be exercised within a period of 10 years from the Date of Grant. The limitation period or periods and the vesting period or periods within this 10 year period during which such options to purchase Option Shares or a portion thereof vests and may be exercised by the Participant shall be determined by the Committee and shall be set forth in the Stock Option Agreement (“**Stock Option Agreement**”) to be executed by the Participant, the form of which shall be approved by the Committee and be consistent with the provisions of the Plan. Notwithstanding the Option Period set out in any Stock Option Agreement, if an option to purchase Option Shares would otherwise expire during or immediately after a Black-out Period, then the Option Period shall be extended until 10 business days following the expiration of the Black-out Period, provided that no Option Period shall be extended beyond 10 years from the Date of Grant.
- (b) Unless otherwise determined by the Committee or the Board of Directors at or after the Date of Grant, any options outstanding immediately prior to the occurrence of a Change in Control, but which are not then exercisable, shall become fully exercisable upon the occurrence of a Change in Control. Unless otherwise determined by the Committee or the Board of Directors at or after the Date of Grant, all such outstanding options shall be cashed out at the Change in Control Price (as defined below), less the applicable Option Price for such options, as of the date such Change in Control is determined to have occurred, or as of such other date as the

Committee or the Board of Directors may determine prior to the Change in Control. Outstanding options may only be cashed out, as described above, if the Change in Control Price is higher than the Option Price for such outstanding options. If the Change in Control Price is equal to or lower than the Option Price for such outstanding options, the Committee or the Board of Directors may terminate such outstanding options and such outstanding options shall be of no further force or effect. Further, the Committee or the Board of Directors shall have the right to provide for the conversion or exchange of any outstanding options into or for options, rights or other securities in any entity participating in or resulting from the Change in Control. In addition, and notwithstanding Section 19, the Committee or the Board of Directors shall have the right to determine, at its discretion, that options outstanding, but which are not then exercisable, shall not become exercisable and shall be cancelled in the event of a Change in Control. For the purposes of this Plan, “**Change in Control Price**” means the highest price per Common Share paid in any transaction reported on a securities exchange or paid or offered in any bona fide transaction related to a potential or actual Change in Control of the Company at any time during the five (5) trading days preceding the Change in Control, as determined by the Committee or the Board of Directors.

## **7. Payment**

The Participant from time to time and at any time during the Option Period, may elect to purchase all or a portion of the Option Shares available for purchase during the relevant Option Period by lump sum payment by delivering to the Company at its registered office, a completed Stock Option Purchase Form (a “**Form**”). Such Form shall specify the number of Option Shares the Participant desires to purchase and shall be accompanied by payment in full of the Option Price for such Option Shares. Payment may be made by cash, certified cheque, bank draft, money order or the equivalent payable to the order of MOSAID Technologies Incorporated.

## **8. Share Certificates**

Upon exercise of the option and payment in full of the Option Price the Company shall cause to be delivered to the Participant within a reasonable period of time a certificate or certificates in the name of the Participant representing the number of Option Shares the Participant has purchased.

## **9. Adjustment in Shares**

Appropriate adjustments in the number of Common Shares subject to the Plan and, as regards options granted or to be granted, in the number of Common Shares optioned and in the Option Price, shall be made by the Committee to give effect to the adjustments in

the number of Common Shares resulting from sub-divisions, consolidations or re-classification of the Common Shares or other relevant changes in the authorized or issued capital of the Company.

#### **10. Termination of Participant For Any Reason Other Than Death**

In the event that an Employee's employment or Consultant's engagement with the Company or any of its subsidiaries is terminated during the Option Period for any reason other than death or a Director shall cease to be a Director for any reason other than death, the Participant may elect to purchase all or a portion of the remaining Option Shares that have vested at the time such employment, consultancy or Director position is terminated at any time during the 30 day period, or such later date as determined by the Board of Directors, following the date of such termination of employment, consultancy or of Director position (but in no event, after the expiration of the Option Period). For the purposes of this Plan, a change to an Employee's, Consultant's or Director's status within the Company or any subsidiary of the Company (for example, from Consultant to Employee) shall not be considered a termination and the Employee's, Consultant's or Director's rights under the option shall be the same as if such change in status had not occurred. For purposes of this Section 10: (i) the date of termination of an Employee's employment or a Consultant's engagement shall be the date designated in writing by the Company (or by its subsidiary, as the case may be) as the effective date of termination, notwithstanding any period of notice or reasonable notice that the Company (or subsidiary, as the case may be) may be required by contract or at law to provide to the Participant in connection with such termination; and (ii) the date that a Director ceases to be a Director on the Board of Directors for any reason other than death shall be the date designated in writing by the Company or Board of Directors as the effective date of such cessation.

#### **11. Termination By Reason of Death**

In the event the Participant dies during the Option Period, the Participant's legal representative will be permitted to exercise any previously unexercised vested options granted under the Plan prior to the Participant's death and take delivery of all Option Shares previously purchased but not delivered, at any time during the 180 day period following the death of the Participant (but in no event after the expiration of the Option Period.)

#### **12. Discretion to Permit Exercise**

Notwithstanding the provisions of Sections 10 and 11, the Committee may, in its discretion, at any time prior to or following the events contemplated in such Sections, permit the exercise of any or all options to purchase Option Shares held by the Participant in the manner and on the terms authorized by the Committee, but in no event will the Committee authorize the exercise of an option pursuant to this Section beyond the expiration of the Option Period.

### **13. Transfer and Assignment**

The Participant's rights under options granted under the Plan are not assignable or transferable by the Participant or subject to any other alienation, sale, pledge or encumbrance by such Participant during the Participant's lifetime and therefore the options are exercisable during the Participant's lifetime only by the Participant. The obligation of each Participant shall be binding on his or her heirs, executors and administrators.

### **14. Employment and Board Position Non-Contractual**

The granting of an option to a Participant under the Plan does not confer upon the Participant any right to continue in the employment of, or as a consultant to, the Company or any subsidiary of the Company or as a Director, as the case may be, nor does it interfere in any way with the rights of the Employee or Consultant, or the Company's rights, to terminate the Employee's employment or Consultant's engagement at any time or the shareholders' rights to elect Directors.

### **15. Rights as Shareholders**

Participants shall not have any rights as a shareholder with respect to Option Shares until full payment has been made to the Company and a share certificate or share certificates have been duly issued.

### **16. Administration of The Plan**

The Plan shall be administered by the Committee. The Committee shall have the power to interpret and construe the terms and conditions of the Plan and the options. Any determination by the Committee shall be final and conclusive on all persons affected thereby unless otherwise determined by the Board of Directors. The day-to-day administration of the Plan may be delegated to such officers and employees of the Company or any subsidiary of the Company as the Committee shall determine.

### **17. Notices**

All written notices to be given by the Participant to the Company may be delivered personally or by registered mail, postage prepaid, addressed as follows:

MOSAID Technologies Incorporated  
11 Hines Road  
Ottawa, ON K2K 2X1  
Attention: Corporate Secretary

Any notice given by the Participant pursuant to the terms of the option shall not be effective until actually received by the Company at the above address. Any notice to be

given to the Participant shall be sufficiently given if delivered personally or by postage prepaid mail to the last address of the Participant on the records of the Company and shall be effective seven days after mailing.

## **18. Corporate Action**

Nothing contained in the Plan or in the option shall be considered so as to prevent the Company or any subsidiary of the Company from taking corporate action which is deemed by the Company or the subsidiary to be appropriate or in its best interest, whether or not such action would have an adverse effect on the Plan or any option.

## **19. Amendments**

- (a) Subject to the rules and policies of any stock exchange on which the Common Shares are listed and applicable law, the Board of Directors may, without notice or shareholder approval, at any time or from time to time, amend the Plan for the purposes of:
  - (i) making any amendments to the vesting provisions of each option set out in any Stock Option Agreement;
  - (ii) making any amendments to the Option Period of any option provided that no option held by an Insider may be extended beyond its original expiry date and no option may be exercised after the tenth (10<sup>th</sup>) anniversary of the Date of Grant;
  - (iii) making any amendments to the provisions set out in Sections 10 and 11 of the Plan;
  - (iv) making any amendments to add covenants of the Company for the protection of Participants, provided that the Board of Directors shall be of the good faith opinion that such additions will not be prejudicial to the rights or interests of the Participants;
  - (v) making any amendments not inconsistent with the Plan as may be necessary or desirable with respect to matters or questions, which in the good faith opinion of the Board of Directors, having in mind the best interests of the Participants, it may be expedient to make, provided that the Board of Directors shall be of the opinion that such amendments and modifications will not be prejudicial to the interests of the Participants; or
  - (vi) making any such changes or corrections which, on the advice of counsel to the Company, are required for the purpose of curing or correcting any ambiguity or defect or inconsistent provision or clerical

omission or mistake or manifest error, provided that the Board of Directors shall be of the opinion that such changes or corrections will not be prejudicial to the rights and interests of the Participants.

- (b) Notwithstanding any other provision of this Plan, none of the following amendments shall be made to this Plan without approval of the Exchange (to the extent the Company has any securities listed on such exchange) and the approval of shareholders:
  - (i) amendments to the Plan which would increase the number of Common Shares issuable under the Plan, otherwise than in accordance with Section 9 of this Plan;
  - (ii) amendments to the Plan which would increase the number of Common Shares issuable to Insiders under the Plan, otherwise than in accordance with Section 9 of this Plan;
  - (iii) amendments to the Plan which would increase the number of Common Shares issuable to Directors under the Plan, otherwise than in accordance with Section 9 of this Plan;
  - (iv) amendments that would extend the Option Period of any options held by Insiders beyond the Option Period otherwise determined in accordance with this Plan;
  - (v) amendments that would reduce the Option Price of any options held by Insiders, otherwise than in accordance with Sections 6 or 9 of this Plan; and
  - (vi) the addition of any form of financial assistance to a Participant.
- (c) Subject to Sections 18 and 21, the Board of Directors shall not alter or impair any rights or increase any obligation with respect to an option previously granted under the Plan without the consent of the optionee.

## **20. Governing Law**

The Plan is established under the laws of the Province of Ontario and the rights of all parties and the construction and effect of each provision of the Plan shall be according to the laws of the Province of Ontario and laws of Canada applicable therein.

## **21. Government Regulation**

The Company's obligation to issue and deliver Common Shares under any option is subject to:

- (a) the satisfaction of all requirements under applicable securities law in respect thereof and obtaining all regulatory approvals as the Company shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof, including shareholder approval, if required;
- (b) the admission of such Common Shares to listing on any stock exchange on which Common Shares may be listed; and
- (c) the receipt from the Participant of such representations, agreements and undertakings as to future dealings in such Common Shares as the Company determines to be necessary or advisable in order to safeguard against the violation of the securities law of any jurisdiction.

In this connection, the Company shall take all reasonable steps to obtain such approvals and registrations as may be necessary for the issuance of such Common Shares in compliance with applicable securities law and for the listing of such Common Shares on any stock exchange on which such Common Shares are then listed.

## **22. Approvals**

The Plan shall be subject to acceptance by the Exchange in compliance with all conditions imposed by the Exchange. Any options granted prior to such acceptance shall be conditional upon such acceptance being given and any conditions complied with and no such options may be exercised unless such acceptance is given and such conditions are complied with.

September 22, 2006.

## **MOSAID TECHNOLOGIES INCORPORATED**



---

Thomas I. Csathy  
Chairman of the Board of Directors