The option evidenced by this agreement and the securities issuable upon exercise of such option have not been registered or qualified under any state or federal securities laws. This option agreement may not be transferred except by will or under the laws of descent and distribution. The securities issuable upon exercise of the option may not be offered or sold, pledged or otherwise distributed for value, nor may the securities issued upon exercise of the option be transferred on the books of the company, without an opinion of counsel, concurred in by counsel for the company, that no violation of said registration provisions would result therefrom. this option agreement does not constitute an offer or solicitation to any person in any jurisdiction where such offer or solicitation may not lawfully be made.

**EXAMPLE CORPORATION**

**NONQUALIFIED STOCK OPTION AGREEMENT**

Corporation,a Washington corporation (the “Company”), through its Board of Directors or a Committee thereof (the “Plan Administrator”) has granted to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (“Optionee”) an option (the “Option”) to purchase \_\_\_\_\_\_ shares of the Company’s common stock (the “Option Shares”) at a price of $\_\_\_\_\_\_ per share (the “Option Price”). The Option has been granted to Optionee on \_\_\_\_\_\_\_\_\_\_ \_\_\_, 200\_ (the “Grant Date”), pursuant to the EXAMPLE Corporation 20\_\_ Stock Option Plan (the “Plan”).

**1. Nature of the Option.**

**1.1** The Option is a nonqualified option and is not intended to qualify as an Incentive Stock Option as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the “Code”).

**1.2** Except as expressly provided herein, the Option is subject to the terms, definitions and provisions of the Plan including but not limited to Section 11.1 (which permits adjustments to Options upon the occurrence of certain events such as stock splits, stock dividends and recapitalizations) and Section 11.2 (which will apply if an Approved Transaction occurs). The terms defined in the Plan have the same meaning in this Agreement.

**2. Date Exercisable; Vesting.**

**2.1** Subject to the restrictions and conditions set forth in the Plan, the Option shall become exercisable by Optionee as follows:

**2.1.1** The Option shall become exercisable as to twenty percent (20%) of the total number of Option Shares at the end of the twelve (12) month period of Optionee's Continuous Service with the Company following the Grant Date.

**2.1.2** The Option shall thereafter become exercisable as to twenty percent (20%) of the total number of Option Shares at the end of each subsequent twelve (12) month period of Optionee's Continuous Service with the Company.

**2.1.3** The right to purchase any installment of the Option Shares shall be cumulative, so that when the right to purchase any Option Shares has accrued, such Option Shares may be purchased at any time or from time to time thereafter prior to the Expiration Date, subject to the limitations of Sections 3 and 4 herein.

**2.2** In the event Optionee’s status as a director, officer, employee or consultant of the Company is for any reason terminated, the Option shall be exercisable thereafter only to the extent the Option, or any portion of the Option was vested and exercisable on the Termination Date.

**3. Exercise of Option.**

**3.1 Manner of Exercise.** The Option may be exercised in whole or in part by delivery to the Company, from time to time, of written notice, substantially in the form of Exhibit A, attached hereto and incorporated herein by reference, signed by Optionee, specifying the number of Option Shares that Optionee then desires to purchase, together with cash or check payable to the order of the Company, or other form of payment acceptable to the Plan Administrator, for an amount of United States dollars equal to the Option Price of such Option Shares.

**3.2 Stock Certificates.** As soon as practicable after any exercise in whole or in part of the Option by Optionee, the Company shall deliver to Optionee or, at Optionee’s request, Optionee’s designated broker, a certificate or certificates for the number of Option Shares with respect to which the Option was so exercised, registered in Optionee's name.

**4. Duration of Option.** The Option, to the extent not previously exercised, shall terminate upon the earliest of the following dates:

**4.1** The date ten (10) years from the Grant Date (the “Expiration Date”);

**4.2** Thirty (30) days after the Termination Date of the Optionee’s status as an employee, director, officer or consultant of the Company if the Optionee is terminated for reasons other than Cause, Disability or death;

**4.3** Immediately and automatically upon first notification to Optionee of Optionee’s termination for Cause, unless the Plan Administrator in its sole discretion determines otherwise;

**4.4** Six (6) months after Optionee's Termination Date, if such termination is by reason of Optionee's Disability;

**4.5** Ninety (90) days after Optionee's Termination Date, if such termination is by reason of Optionee's death;

**4.6** The date of any sale, transfer or hypothecation, or any attempted sale, transfer or hypothecation, of such Option in violation of Section 5 hereof; or

**4.7** In accordance with Section 7.6 of the Plan.

**5. Nontransferability.**

**5.1 Restriction.** The Option is not transferable byOptionee other than by will and by the laws of descent and distribution, and during the lifetime of Optionee by gift and/or pursuant to a qualified domestic relations order to members of the Optionee’s Immediate Family to the extent and in the manner determined by the Plan Administrator. No assignment or transfer of the Option, whether voluntary, involuntary, or by operation of law or otherwise, except by will or the laws of descent and distribution or as determined by the Plan Administrator shall vest in the assignee or transferee any interest or right, but immediately upon any attempt to assign or transfer the Option, the Option shall terminate and be of no further force or effect.

**5.2** **Shareholder Agreement.** Unless the Plan Administrator determines otherwise, in connection with the exercise of the Option, in whole or in part, and as a condition to the issuance of the Option Shares, Optionee will be required to execute and deliver to the Company a Shareholder Agreement in such form as may be required by the Company at the time of such exercise, or a counterpart thereof together with a spousal consent, if applicable, unless Optionee has previously executed such Shareholder Agreement. The Shareholder Agreement may provide for, among other things, the repurchase by the Company of shares acquired upon exercise of an Option at a price equal to its exercise price in the event an Optionee’s employment by the Company has terminated.

**6. No Rights as a Shareholder Prior to Exercise.** Optionee shall not be deemed for any purpose to be a shareholder of the Company with respect to any Option Shares as to which the Option has not been exercised.

**7. Adjustments.** In the event of an alteration in the capital structure of the Company on account of a stock split, reverse stock split, consolidation or any like capital adjustment, the Option shall be subject to adjustment by the Plan Administrator in accordance with the Plan.

**8. Miscellaneous Provisions.**

**8.1 Taxation Upon Exercise of Option.**  Optionee understands that pursuant to certain provisions of the Code, upon exercise of the Option, Optionee may recognize income for tax purposes in an amount equal to the excess of the then fair market value of the Option Shares over the Option Price. The Company may be required to withhold tax with respect to such income and the Company may require the Optionee to make a cash payment to cover such liability as a condition of exercise of the Option.

**8.2 Disputes.** Any dispute or disagreement that may arise under or as a result of this Agreement, or any question as to the interpretation of this Agreement or the Plan, shall be determined by the Plan Administrator in its absolute discretion, and any such determination shall be final, binding, and conclusive on all affected persons.

**8.3 Compliance.** By accepting the Option, the Optionee represents and agrees, for the Optionee and all persons who acquire rights in the Option through the Optionee, that none of the Option Shares purchased upon exercise of the Option will be distributed in violation of applicable federal and state laws and regulations. If requested by the Company, the Optionee shall furnish evidence satisfactory to the Company (including a written and signed representation letter and a consent to be bound by all transfer restrictions imposed by applicable law, legend condition or otherwise) to that effect, before delivery of the Option Shares.

**8.4 Investment Intent.** By executing this Agreement:

**8.4.1** The Optionee accepts the Option and agrees to comply with and be bound by all of the provisions of this Agreement and the Plan, including but not limited to the market standoff provisions of Section 13.5 of the Plan.

**8.4.2** The Optionee acknowledges that no registration statement under the Securities Act, or under any state securities laws, has been filed with respect to the Option or any Option Shares that may be acquired upon exercise of the Option, and the Company is under no obligation to do so.

**8.4.3** The Optionee represents and warrants that the Option, and any Option Shares acquired upon exercise of the Option, will be acquired and held by the Optionee for the Optionee’s own account, for investment purposes only, and not with a view towards the distribution or public offering thereof nor with any present intention of reselling or distributing the same at any particular future time.

**8.4.4** The Optionee agrees not to sell, transfer, or otherwise dispose of the Option except as specifically permitted by this Agreement, the Plan and any applicable securities laws.

**8.4.5** The Optionee agrees not to sell, transfer or otherwise dispose of any Option Shares acquired upon exercise of the Option unless (i) there is an effective registration statement under the Securities Act covering the proposed disposition and compliance with governing state securities laws, (ii) the Optionee delivers to the Company, at the Optionee’s expense, a “no-action” letter or similar interpretative opinion, satisfactory in form and substance to the Company, from the staff of each appropriate securities agency, to the effect that such Option Shares may be disposed of by Optionee in the manner proposed, or (iii) the Optionee delivers to the Company, at the Optionee’s expense, a legal opinion, satisfactory in form and substance to the Company, of legal counsel designated by the Optionee and satisfactory to the Company, to the effect that the proposed disposition may be effected without registration or qualification of such Option Shares under the Securities Act or any applicable state securities laws.

**8.5 Not an Employment Agreement.** This Agreement does not constitute an employment agreement nor does it entitle the Optionee to any specific employment or to employment for a period of time and that the Optionee’s continued employment, if any, with the Company shall be at will and is subject to termination in accordance with the Company’s prevailing policies and any other agreement between the Optionee and the Company.

**8.6 Governing Law.** This Agreement shall be administered, interpreted and enforced under the internal laws of the State of Washington, without regard to conflicts of laws thereof.

IN WITNESS WHEREOF, the parties have executed this Agreement effective on the Date of Grant.

**OPTIONEE: COMPANY:**

**Corporation**

Print Name:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Its: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Exhibit A**

**NOTICE OF EXERCISE OF OPTION**

**TO: CORPORATION**

I, \_\_\_\_\_\_\_\_\_\_\_\_\_\_, a resident of the State of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, hereby exercise my Option granted by Corporation (the "Company") in the Nonqualified Stock Option Agreement dated \_\_\_\_\_\_\_\_\_ \_\_\_\_, 20\_\_, subject to all the terms and provisions thereof and of the Corporation Stock Option Plan referred to therein, and notify the Company of my desire to purchase \_\_\_\_\_\_\_\_\_\_ shares of common stock of the Company (the "Option Shares") at the exercise price of $\_\_\_\_\_\_\_\_\_\_\_ per share, which were offered to me pursuant to said Option.

I understand that in connection with this exercise of my Option, I may also have to execute a Shareholder Agreement if I do not presently own any shares in the Company and have not previously executed a Shareholder Agreement.

All capitalized terms shall have the meaning set forth in the Plan or the Nonqualified Stock Option Agreement.

Dated: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Taxpayer I.D. Number (Signature of Optionee)

Address:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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