

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

**FORM S-8
REGISTRATION STATEMENT**
*UNDER
THE SECURITIES ACT OF 1933*

Sphere 3D Corp.

(Exact Name of Registrant as Specified in Its Charter)

Ontario, Canada
(State or Other Jurisdiction of
Incorporation or Organization)

Not Applicable
(I.R.S. Employer
Identification No.)

240 Matheson Blvd. East
Mississauga, Ontario L4Z 1X1
(Address, Including Zip Code, of Principal Executive Offices)

Overland Storage, Inc. 2009 Equity Incentive Plan
Overland Storage, Inc. 2003 Equity Incentive Plan
Overland Storage, Inc. Inducement Equity Awards
(Full Title of the Plan)

DL SERVICES
Columbia Centre,
701 Fifth Avenue,
Suite 6100, Seattle,
Washington, 98104
(206) 903-8800
(Name, Address and Telephone Number, Including Area Code, of Agent for Service)

COPY TO:

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Paul Sieben, Esq.
O'Melveny & Myers LLP
2765 Sand Hill Road
Menlo Park, California 94025
(650) 473-2600

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

CALCULATION OF REGISTRATION FEE

Title of Securities To Be Registered	Amount To Be Registered	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price	Amount Of Registration Fee
Common Shares, no par value per share, issuable pursuant to assumed restricted stock units under the Overland Storage, Inc. 2009 Equity Incentive Plan	245,924 ⁽¹⁾ shares	\$4.40 ⁽²⁾	\$1,082,066 ⁽²⁾	\$126
Common Shares, no par value per share, issuable pursuant to assumed stock options under the Overland Storage, Inc. 2009 Equity Incentive Plan	99,263 ⁽¹⁾ shares	\$12.11 ⁽³⁾	\$1,202,075 ⁽³⁾	\$140

Common Shares, no par value per share, issuable pursuant to assumed stock options under the Overland Storage, Inc. 2003 Equity Incentive Plan	4,808 ⁽¹⁾ Shares	\$24.73 ⁽³⁾	\$118,902 ⁽³⁾	\$14
Common Shares, no par value per share, issuable pursuant to assumed restricted stock units under the Overland Storage, Inc. Inducement Equity Awards ⁽⁴⁾	3,092 ⁽¹⁾ Shares	\$4.40 ⁽²⁾	\$13,604 ⁽²⁾	\$2
Common Shares, no par value per share, issuable pursuant to assumed stock options under the Overland Storage, Inc. Inducement Equity Awards ⁽⁴⁾	4,638 ⁽¹⁾ shares	\$20.48 ⁽³⁾	\$94,986 ⁽³⁾	\$11
TOTAL	357,725 ⁽¹⁾ shares		\$2,511,633 ⁽²⁾	\$293

- (1) This Registration Statement covers, in addition to the number of common shares, no par value per share (the “Common Shares”) of Sphere 3D Corp., a corporation incorporated under the laws of the Province of Ontario (the “Company” or the “Registrant”), stated above, options and other rights to purchase or acquire the shares of Common Stock covered by this Registration Statement and, pursuant to Rule 416 under the Securities Act of 1933, as amended (the “Securities Act”), an additional indeterminate number of shares, options and rights that may be offered or issued pursuant to the Overland Storage, Inc. 2009 Equity Incentive Plan, the Overland Storage, Inc. 2003 Equity Incentive Plan and the Overland Storage, Inc. Inducement Equity Awards (collectively, the “Plans”) as a result of one or more adjustments under the Plans to prevent dilution resulting from one or more stock splits, stock dividends or similar transactions.
- (2) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(h) and 457(c) under the Securities Act, based upon the average of the high and low prices of the Common Shares on March 27, 2015 (which is within five business days prior to the date of this filing), as quoted on the Nasdaq Global Select Market.
- (3) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(h) under the Securities Act, based upon the weighted average exercise price of options outstanding under the applicable Plan.
- (4) These awards were granted to certain individuals as an inducement to their accepting employment with Overland Storage, Inc. and its subsidiaries and were not made under the Overland Storage, Inc. 2009 Equity Incentive Plan or the Overland Storage, Inc. 2003 Equity Incentive Plan.

The Exhibit Index for this Registration Statement is at page 10.

PART I

INFORMATION REQUIRED IN THE
SECTION 10(a) PROSPECTUS

The document(s) containing the information specified in Part I of Form S-8 will be sent or given to participants as specified by Securities Act Rule 428(b)(1).

PART II

INFORMATION REQUIRED IN THE
REGISTRATION STATEMENT

Item 3. Incorporation of Certain Documents by Reference

The following documents of the Company filed with the Securities and Exchange Commission (the "Commission") are incorporated herein by reference:

- (a) The Registrant's Annual Report on Form 40-F filed with the Commission on March 31, 2015, as subsequently amended (the "Form 40-F"), which includes the audited consolidated balance sheets of the Registrant and subsidiaries as of December 31, 2014 and 2013, and the related audited consolidated statements of operations, equity and comprehensive income (loss), and cash flows for each of the years in the two-year period ended December 31, 2014.
- (b) The description of the Registrant's common shares contained in its Registration Statement on Form 8-A (File No. 001-36532) filed with the Commission on July 7, 2014 pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any other amendment or report filed for the purpose of updating such description.
- (c) The Registrant's Registration Statement on Form F-4 (File No. 333-197569) filed with the Commission on July 23, 2014, as subsequently amended (the "Form F-4"), which includes (i) the audited consolidated balance sheets of the Registrant and subsidiaries as of December 31, 2013 and 2012, and the related audited consolidated statements of operations, equity and comprehensive income (loss), and cash flows for each of the years in the two-year period ended December 31, 2013, (ii) the consolidated audited balance sheets of Overland Storage, Inc. and subsidiaries ("Overland") as of June 30, 2014 and 2013, and the related audited consolidated statements of operations, equity and comprehensive income (loss), and cash flows for each of the fiscal years in the two-year period ended June 30, 2014, (iii) the audited consolidated balance sheets of Tandberg Data S.à r.l. and subsidiaries ("Tandberg") as of December 31, 2013 and 2012, and the related audited consolidated statements of operations, equity and comprehensive income (loss), and cash flows for each of the years in the two-year period ended December 31, 2013, and (iv) the unaudited pro forma condensed combined financial information of the Registrant, Overland and Sphere giving effect to the acquisition of Overland by the Registrant and derived from the historical consolidated financial statements and notes thereto of the Registrant, Overland and Tandberg contained in the Form F-4.

All documents subsequently filed by the Company pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), prior to the filing of a post-effective amendment which indicates that all securities offered hereby have been sold or which deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference into this Registration Statement and to be a part hereof from the date of filing of such documents; provided, however, that documents or information deemed to have been furnished and not filed in accordance with Commission rules shall not be deemed incorporated by reference into this Registration Statement. Any statement contained herein or in

a document, all or a portion of which is incorporated or deemed to be incorporated by reference herein, shall be deemed to be modified or superseded for purposes of this Registration Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or amended, to constitute a part of this Registration Statement.

Item 4. Description of Securities

Not applicable.

Item 5. Interests of Named Experts and Counsel

Not applicable.

Item 6. Indemnification of Directors and Officers

Under the Business Corporations Act (Ontario), the Company may indemnify a director or officer, a former director or officer or another individual who acts or acted at the Company's request as a director or officer, or an individual acting in a similar capacity, of another entity, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the individual in respect of any civil, criminal, administrative, investigative or other proceeding in which the individual is involved because of that association with the Company or other entity on condition that (i) the individual acted honestly and in good faith with a view to the best interests of the Company or, as the case may be, to the best interests of the other entity for which the individual acted as a director or officer or in a similar capacity at the Company's request, and (ii) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the individual also had reasonable grounds for believing that his or her conduct was lawful. Further, the Company may, with court approval, indemnify an individual described above in respect of an action by or on behalf of the Company or other entity to obtain a judgment in its favor, to which the individual is made a party because of the individual's association with the Company or other entity, against all costs, charges and expenses reasonably incurred by the individual in connection with such action if the individual fulfills condition (i) above. An individual as described above is entitled as a matter of right to indemnification from the Company in respect of all costs, charges and expenses reasonably incurred by such individual in connection with the defence of any civil, criminal, administrative, investigative or other proceedings to which such individual is subject if he or she was not judged by a court or other competent authority to have committed any fault or omitted to do anything that he or she ought to have done, and has fulfilled conditions (i) and (ii) above.

In accordance with the Business Corporations Act (Ontario), the Company has agreed to indemnify each of its directors and officers against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him in respect of any civil, criminal, administrative action or proceeding in which such individual is involved by reason of his association with the Company or other entity if he acted honestly and in good faith with a view to the best interests of the Company or such other entity, and he had reasonable grounds for believing that his conduct was lawful.

A policy of directors' and officers' liability insurance is maintained by the Registrant which insures directors and officers for losses as a result of claims against the directors and officers of the Registrant in their capacity as directors and officers and also reimburses the

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to directors, officers or persons controlling the Company pursuant to the foregoing provisions, the Company has been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act of 1933, as amended, and is therefore unenforceable.

Item 7. Exemption from Registration Claimed

Not applicable.

Item 8. Exhibits

See the attached Exhibit Index at page 9, which is incorporated herein by reference.

Item 9. Undertakings

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act;

(ii) To reflect in the prospectus any facts or events arising after the effective date of this Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this Registration Statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in this Registration Statement or any material change to such information in this Registration Statement;

provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the Registrant pursuant to Section 13 or 15(d) of the Exchange Act that are incorporated by reference in this Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the Registrant's annual report pursuant to Section 13(a) or 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in this Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(h) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, executive officers and controlling persons of the Registrant pursuant to the provisions described in Item 6 above, or otherwise, the Registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Form S-8 Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Jose, State of California, on March 31, 2015.

SPHERE 3D CORP.

By: /s/ Eric Kelly

Eric Kelly
Chief Executive Officer

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Eric Kelly and Peter Tassiopoulos, or either one or both of them, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place, and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments, exhibits thereto and other documents in connection therewith) to this Registration Statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that each of said attorneys-in-fact and agents, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Eric Kelly</u> Eric Kelly	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	March 31, 2015
<u>/s/ Kurt Kalbfleisch</u> Kurt Kalbfleisch	Chief Financial Officer (Principal Financial and Accounting Officer)	March 31, 2015
<u>/s/ Peter Ashkin</u> Peter Ashkin	Director	March 31, 2015
<u>/s/ Mario Biasini</u> Mario Biasini	Director	March 31, 2015
<u>/s/ Daniel J. Bordessa</u> Daniel J. Bordessa	Director	March 31, 2015
<u>/s/ Glenn M. Bowman</u> Glenn M. Bowman	Director	March 31, 2015
<u>/s/ Vivekanand Mahadevan</u> Vivekanand Mahadevan	Director	March 31, 2015
<u>/s/ Peter Tassiopoulos</u> Peter Tassiopoulos	Director	March 31, 2015

SIGNATURE OF AUTHORIZED REPRESENTATIVE IN THE UNITED STATES

Pursuant to the requirements of the Securities Act, the undersigned, the duly authorized representative in the United States of the Registrant, has signed this registration statement in the City of San Jose, State of California on March 31, 2015.

AUTHORIZED U.S. REPRESENTATIVE

By: /s/ Eric Kelly

Eric Kelly

Chairman of the Board and Chief Executive Officer

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
4.1	Overland Storage, Inc. 2009 Equity Incentive Plan.
4.2	Overland Storage, Inc. Form of Stock Option Agreement Under 2009 Equity Incentive Plan.
4.3	Overland Storage, Inc. Form of Restricted Stock Unit Agreement Under 2009 Equity Incentive Plan.
4.4	Overland Storage, Inc. Form of Restricted Stock Unit Agreement Under 2009 Equity Incentive Plan (Officer Version).
4.5	Overland Storage, Inc. 2003 Equity Incentive Plan.
4.6	Overland Storage, Inc. Form of Stock Option Agreement Under 2003 Equity Incentive Plan.
4.7	Overland Storage, Inc. Form of Inducement Stock Option Agreement.
4.8	Overland Storage, Inc. Form of Inducement Restricted Stock Unit Agreement.
5	Opinion of Meretsky Law Firm (opinion re legality).
23.1	Consents of Collins Barrow (consent of independent registered public accounting firm).
23.2	Consent of Moss Adams LLP (consent of independent registered public accounting firm).
23.3	Consent of RSM Deutschland GmbH Wirtschaftsprüfungsgesellschaft (consent of independent registered public accounting firm).
23.4	Consent of Counsel (included in Exhibit 5).
24	Power of Attorney (included in this Registration Statement under "Signatures").

OVERLAND STORAGE, INC.

2009 EQUITY INCENTIVE PLAN

(AS AMENDED EFFECTIVE AUGUST 8, 2011)

**(All share numbers herein are presented after giving effect to
the Company's December 2009 1-for-3 reverse stock split)**

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2009 Equity Incentive Plan

ARTICLE 1 INTRODUCTION.

The Board adopted the Plan effective as of the Effective Date conditioned upon and subject to approval by the Company's shareholders on or before the first anniversary of the Effective Date. The purpose of the Plan is to promote the long-term success of the Company and the creation of shareholder value by (a) encouraging Employees, Outside Directors and Consultants to focus on critical long-range objectives, (b) encouraging the attraction and retention of Employees, Outside Directors and Consultants with exceptional qualifications and (c) linking Employees, Outside Directors and Consultants directly to shareholder interests through increased stock ownership. The Plan seeks to achieve this purpose by providing for Awards in the form of Restricted Shares, Stock Units, Options (which may constitute incentive stock options or nonstatutory stock options) or stock appreciation rights.

The Plan shall be governed by, and construed in accordance with, the laws of the State of California (except its choice-of-law provisions).

ARTICLE 2 ADMINISTRATION.

2.1 Committee Composition. The Committee shall administer the Plan. The Committee shall consist exclusively of two or more Directors of the Company, who shall be appointed by the Board. In addition, the composition of the Committee shall satisfy:

(a) Such requirements as the Securities and Exchange Commission may establish for administrators acting under plans intended to qualify for exemption under Rule 16b-3 (or its successor) under the Exchange Act; and

(b) Such requirements as the Internal Revenue Service may establish for outside directors acting under plans intended to qualify for exemption under section 162(m)(4)(C) of the Code.

2.2 Committee Authority. Subject to the specific provisions and limitations of the Plan, and Applicable Law, the Committee shall have the authority and power to (a) select the Employees, Outside Directors and Consultants who are to receive Awards under the Plan, (b) determine the type, number, vesting requirements, performance conditions (if any) and their degree of satisfaction, and other features and conditions of such Awards, (c) correct any defect, supply any omission, and reconcile any inconsistency in the Plan or any Award agreement, (d) accelerate the vesting, or extend the post-termination exercise term, or waive restrictions, of Awards at any time and under such terms and conditions as it deems appropriate, (e) interpret the Plan and any Award agreements, (f) adopt such plans or subplans as may be deemed necessary or appropriate to provide for the participation by non-U.S. employees of the Company and its Subsidiaries and Affiliates, which plans and/or subplans shall be attached hereto as appendices, and (g) make all other decisions relating to the operation of the Plan. The Committee may adopt such rules or guidelines as it deems appropriate to implement the Plan.

2.3 Committee for Non-Officer Grants. The Board may also appoint a secondary committee of the Board, which shall be composed of two or more Directors of the Company who need not satisfy the requirements of Sections 2.1(a) and 2.1(b). Such secondary committee may administer the Plan with respect to Employees and Consultants who are not Officers or Directors of the Company, may grant Awards under the Plan to such Employees and Consultants and may determine all features and conditions of such Awards. Within the limitations of this Section 2.3, any reference in the Plan to the Committee shall include such secondary committee.

2.4 Scope of Discretion. On all matters for which the Plan confers the authority, right or power on the Board, the Committee, or a secondary committee to make decisions, that body may make those

decisions in its sole and absolute discretion. Those decisions will be final, binding and conclusive and shall be afforded the maximum deference under Applicable Law. In making its decisions, the Board, Committee or secondary committee need not treat all persons eligible to receive Awards, all Participants, or all Awards the same way. Notwithstanding anything herein to the contrary, and except as provided in Section 16.2, the discretion of the Board, Committee or secondary committee is subject to the specific provisions and specific limitations of the Plan, as well as all rights conferred on specific Participants by Award agreements and other agreements entered into pursuant to the Plan.

2.5 Rules of Interpretation. Any reference to a “Section” or “Article,” without more, is to a Section or Article of the Plan. Captions and titles are used for convenience in the Plan and shall not, by themselves, determine the meaning of the Plan. Except when otherwise indicated by the context, the singular includes the plural and vice versa. Any reference to a statute is also a reference to the applicable rules and regulations adopted under that statute. Any reference to a statute, rule or regulation, or to a section of a statute, rule or regulation, is a reference to that statute, rule, regulation, or section as amended from time to time, both before and after the Effective Date and including any successor provisions.

2.6 Unfunded Plan. The Plan shall be unfunded. Although bookkeeping accounts may be established with respect to Participants, any such accounts will be used merely as a convenience. The Company shall not be required to segregate any assets on account of the Plan, the grant of Awards, or the issuance of Common Shares. The Company and the Committee shall not be deemed to be a trustee of stock or cash to be awarded under the Plan. Any obligations of the Company to any Participant shall be based solely upon contracts entered into under the Plan. No such obligations shall be deemed to be secured by any pledge or other encumbrance on any assets of the Company. Neither the Company nor the Committee shall be required to give any security or bond for the performance of any such obligations.

2.7 Limitation of Liability. The Company (or members of the Board, Committee or secondary committee) shall not be liable to a Participant or other persons as to: (i) the non-issuance or sale of Common Shares as to which the Company has been unable to obtain from any regulatory body having jurisdiction the authority deemed by the Company’s counsel to be necessary to the lawful issuance and sale of any Common Shares hereunder; and (ii) any unexpected or adverse tax consequence realized by any Participant or other person due to the grant, receipt, exercise or settlement of any Award granted hereunder.

2.8 Electronic Communications. Subject to compliance with Applicable Law and/or regulations, an Award agreement or other documentation or notices relating to the Plan and/or Awards may be communicated to Participants by electronic media.

2.9 Indemnification. To the maximum extent permitted by applicable law, each member of the Committee, or of the Board, or any persons (including without limitation Employees and Officers) who are delegated by the Board or Committee to perform administrative functions in connection with the Plan, shall be indemnified and held harmless by the Company against and from (i) any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan or any Award agreement, and (ii) from any and all amounts paid by him or her in settlement thereof, with the Company’s approval, or paid by him or her in satisfaction of any judgment in any such claim, action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company’s Articles of Incorporation or Bylaws, by contract, as a matter of law, or otherwise, or under any power that the Company may have to indemnify them or hold them harmless.

2.10 Suspension or Termination of Awards. If at any time (including after a notice of exercise has been delivered) the Committee (or the Board), reasonably believes that a Participant has committed an act of Cause (which includes a failure to act), the Committee (or Board) may suspend the Participant’s right to exercise any Option or SAR (or payment of a Cash Award or vesting of Restricted Stock Grants or Stock Units) pending a determination of whether there was in fact an act of Cause. If the Committee (or the Board) determines a Participant has committed an act of Cause, neither the Participant nor his or her estate shall be entitled to exercise

any outstanding Option or SAR whatsoever and all of Participant's outstanding Awards shall then terminate without consideration. Any determination by the Committee (or the Board) with respect to the foregoing shall be final, conclusive and binding on all interested parties.

2.11 Clawback Policy. The Company may (i) cause the cancellation of any Award, (ii) require reimbursement of any Award by a Participant and (iii) effect any other right of recoupment of equity or other compensation provided under this Plan or otherwise in accordance with Company policies and/or applicable law (each, a "Clawback Policy"). In addition, a Participant may be required to repay to the Company certain previously paid compensation, whether provided under this Plan or an Award Agreement or otherwise, in accordance with the Clawback Policy.

ARTICLE 3 SHARES AVAILABLE FOR GRANTS.

3.1 Basic Limitation. Common Shares issued pursuant to the Plan shall be authorized but unissued or reacquired shares. The maximum aggregate number of Common Shares reserved for issuance under the Plan is equal to the sum of: (i) 6,892,815 Common Shares plus (ii) any Common Shares subject to any outstanding awards under the Prior Plans that on or after the Shareholder Approval Date are either forfeited or are repurchased at original cost by the Company plus any Common Shares that are not issued to the award holder as a result of a Prior Plan outstanding award being exercised or settled on or after the Shareholder Approval Date for less than the full number of Common Shares that are subject to such exercise or settlement, subject to maximum of 1,404,769 Common Shares for this clause (ii). The aggregate number of Common Shares that may be issued under the Plan through ISOs is 8,297,584 Common Shares. The limitations of this Section 3.1 shall be subject to adjustment pursuant to Article 10.

3.2 Dividend Equivalents. Any dividend equivalents paid or credited under the Plan shall not be applied against the number of Common Shares available for Awards.

3.3 Share Utilization. If Common Shares issued upon the exercise of Options are forfeited, then such Common Shares shall again become available for Awards under the Plan. If Restricted Shares are forfeited, then such Common Shares shall again become available for Awards under the Plan. If Options or SARs are forfeited or terminate for any other reason before being exercised, then the corresponding Common Shares shall again become available for Awards under the Plan. Subject to Article 12, if Stock Units are forfeited or terminate for any other reason before being settled, then the corresponding Common Shares shall again become available for Awards under the Plan. Subject to Article 12, if Stock Units are settled, then only the number of Common Shares (if any) actually issued in settlement of such Stock Units shall reduce the number of Common Shares available under Section 3.1 and the balance shall again become available for Awards under the Plan. If SARs are exercised, then only the number of Common Shares (if any) actually issued in settlement of such SARs shall reduce the number of Common Shares available under Section 3.1 and the balance shall again become available for Awards under the Plan. The provisions of this Section 3.3 shall be subject to adjustment pursuant to Article 10.

ARTICLE 4 ELIGIBILITY.

4.1 Incentive Stock Options. Only Employees who are common-law employees of the Company, a Parent or a Subsidiary shall be eligible for the grant of ISOs.

4.2 Other Grants. Employees, Outside Directors and Consultants, including prospective Employees, Directors and Consultants conditioned on the beginning of their Service, shall be eligible for the grant of Restricted Shares, Stock Units, NSOs or SARs.

4.3 Section 162(m) Limitation.

(a) **Options And SARs.** For so long as the Company is a "publicly held corporation" within the meaning of Section 162(m) of the Code and with respect to grants of Options or SARs that are intended to qualify as performance-based compensation under Code Section 162(m), no Employee may be granted one or more SARs and Options within any Fiscal Year under the Plan to purchase more than 1,300,000

Common Shares under Options or to receive compensation calculated with reference to more than that number of Common Shares under SARs, with such limit subject to adjustment pursuant to Article 10. If an Option or SAR is cancelled without being exercised, that cancelled Option or SAR shall continue to be counted against the limit on Options and SARs that may be granted to any individual under this Section 4.3(a).

(b) **Cash Awards And Stock Awards.** Any Award intended as “qualified performance-based compensation” within the meaning of section 162(m) of the Code must vest or become exercisable contingent on the achievement of one or more Objectively Determinable Performance Conditions. The Committee shall have the discretion to determine the time and manner of compliance with section 162(m) of the Code.

ARTICLE 5 OPTIONS.

5.1 Stock Option Agreement. Each grant of an Option under the Plan shall be evidenced by a Stock Option Agreement between the Optionee and the Company. Such Option shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The Stock Option Agreement shall specify whether the Option is an ISO or an NSO. The provisions of the various Stock Option Agreements entered into under the Plan need not be identical. Options may be granted in consideration of a reduction in the Optionee’s other compensation.

5.2 Number of Shares. Each Stock Option Agreement shall specify the number of Common Shares subject to the Option and shall provide for the adjustment of such number in accordance with Article 10.

5.3 Exercise Price. Each Stock Option Agreement shall specify the Exercise Price; provided that the Exercise Price under an Option shall in no event be less than 100% of the Fair Market Value of a Common Share on the date of grant (and shall not be less than 110% of the Fair Market Value for an ISO granted to a Ten Percent Shareholder).

5.4 Exercisability and Term. Each Stock Option Agreement shall specify the date or event when all or any installment of the Option is to become exercisable. The Stock Option Agreement shall also specify the term of the Option; provided that the term of an Option shall in no event exceed 10 years from the date of grant (and shall not exceed 5 years from the date of an ISO grant for a Ten Percent Shareholder). If an Optionee changes status from an Employee to a Consultant or Outside Director, that Optionee’s ISOs will become NSOs if not exercised within the three-month period beginning with the Optionee’s termination of Service as an Employee for any reason other than the Optionee’s death or Disability. An ISO shall be treated as an NSO if it remains exercisable after, and is not exercised within, the three-month period described above. If an Optionee’s Service terminates due to Disability, any ISO held by such Optionee shall be treated as an NSO if it remains exercisable after, and is not exercised within, one year after termination of the Optionee’s Service. A Stock Option Agreement may provide for accelerated exercisability in the event of the Optionee’s death, Disability or retirement or other events and may provide for expiration prior to the end of its term in the event of the termination of the Optionee’s Service. Options may be awarded in combination with SARs, and such an Award may provide that the Options will not be exercisable unless the related SARs are forfeited. No Option granted to an individual who is subject to the overtime pay provisions of the Fair Labor Standards Act may be exercised before the expiration of six months after the Grant Date.

5.5 Effect of Change in Control. The Committee may determine, at the time of granting an Option or thereafter, that such Option shall become exercisable as to all or part of the Common Shares subject to such Option in the event that a Change in Control occurs with respect to the Company or in the event that the Optionee is subject to an Involuntary Termination after a Change in Control. In addition, acceleration of exercisability may be required under Section 10.3.

5.6 Nonassignability of Options. Except as determined by the Committee, no Option shall be assignable or otherwise transferable by the Participant except by will or by the laws of descent and distribution. However, Options may be transferred and exercised in accordance with a Domestic Relations Order and may be exercised by a guardian or conservator appointed to act for the Participant. No rights under an ISO may be transferred by the Participant, other than to a trust where under section 671 of the Code and other Applicable Law

the Participant is considered the sole beneficial owner of the Option while it is held in trust, or by will or the laws of descent and distribution. The Company's compliance with a Domestic Relations Order, or the exercise of an ISO by a guardian or conservator appointed to act for the Participant, shall not violate this Section 5.6.

5.7 Substitute Options. The Board may cause the Company to grant Substitute Options in connection with the acquisition by the Company or a Parent, Subsidiary or Affiliate of equity securities of any entity (including by merger, tender offer, or other similar transaction) or of all or a portion of the assets of any entity. Any such substitution shall be effective on the effective date of the acquisition. Substitute Options may be NSOs or ISOs. Unless and to the extent specified otherwise by the Board, Substitute Options shall have the same terms and conditions as the options they replace, except that (subject to the provisions of Article 10) Substitute Options shall be Options to purchase Common Shares rather than equity securities of the granting entity and shall have an Exercise Price adjusted appropriately, as determined by the Board.

5.8 Limitation on ISOs. Options intended to be ISOs that are granted to any single Optionee under all incentive stock option plans of the Company and its Parents or Subsidiaries, including ISOs granted under the Plan, may not first become exercisable for more than \$100,000 in Fair Market Value of stock (measured on the grant dates of the Options) during any calendar year.

ARTICLE 6 PAYMENT FOR OPTION SHARES.

6.1 General Rule. The entire Exercise Price of Common Shares issued upon exercise of Options shall be payable in cash or cash equivalents denominated in U.S. dollars (except as specified by the Committee for non-U.S. Employees or non-U.S. sub-plans) at the time when such Common Shares are purchased, except as follows:

(a) In the case of an ISO granted under the Plan, payment shall be made only pursuant to the express provisions of the applicable Stock Option Agreement. The Stock Option Agreement may specify that payment may be made in any form(s) described in this Article 6.

(b) In the case of an NSO granted under the Plan, the Committee may at any time permit payment to be made in any form(s) described in this Article 6.

6.2 Exercise/Sale. To the extent that this Section 6.2 is made applicable to an Option by the Committee, all or any part of the Exercise Price and any withholding taxes may be paid by delivering (on a form prescribed by the Company) an irrevocable direction to a securities broker approved by the Company to sell all or part of the Common Shares being purchased under the Plan and to deliver all or part of the sales proceeds to the Company; provided that to the extent the Company would be deemed to extend or arrange for the extension of credit in the form of a personal loan to an Optionee under the foregoing procedure, no Officer or Director may use the foregoing procedure to pay the Exercise Price.

6.3 Other Forms of Payment. To the extent that this Section 6.3 is made applicable to an Option by the Committee, all or any part of the Exercise Price and any withholding taxes may be paid in any other form that is consistent with Applicable Law, regulations and rules.

ARTICLE 7 STOCK APPRECIATION RIGHTS.

7.1 SAR Agreement. Each grant of a SAR under the Plan shall be evidenced by a SAR Agreement between the Optionee and the Company. Such SAR shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The provisions of the various SAR Agreements entered into under the Plan need not be identical. SARs may be granted in consideration of a reduction in the Optionee's other compensation.

7.2 Number of Shares. Each SAR Agreement shall specify the number of Common Shares to which the SAR pertains and shall provide for the adjustment of such number in accordance with Article 10.

7.3 Exercise Price. Each SAR Agreement shall specify the Exercise Price provided that the Exercise Price under a SAR shall in no event be less than 100% of the Fair Market Value of a Common Share on the date of grant. A SAR Agreement may specify an Exercise Price that varies in accordance with a predetermined formula while the SAR is outstanding.

7.4 Exercisability and Term. Each SAR Agreement shall specify the date when all or any installment of the SAR is to become exercisable. The SAR Agreement shall also specify the term of the SAR provided that the term of a SAR shall in no event exceed 10 years from the date of grant. The grant or vesting of a SAR may be made contingent on the achievement of performance conditions. A SAR Agreement may provide for accelerated exercisability in the event of the Optionee's death, Disability or retirement or other events and may provide for expiration prior to the end of its term in the event of the termination of the Optionee's Service. SARs may be awarded in combination with Options, and such an Award may provide that the SARs will not be exercisable unless the related Options are forfeited. A SAR may be included in an ISO only at the time of grant but may be included in an NSO at the time of grant or thereafter. A SAR granted under the Plan may provide that it will be exercisable only in the event of a Change in Control.

7.5 Effect of Change in Control. The Committee may determine, at the time of granting a SAR or thereafter, that such SAR shall become fully exercisable as to all Common Shares subject to such SAR in the event that the Company is subject to a Change in Control or in the event that the Optionee is subject to an Involuntary Termination after a Change in Control. In addition, acceleration of exercisability may be required under Section 10.3.

7.6 Exercise of SARs. Upon exercise of a SAR, the Optionee (or any person having the right to exercise the SAR after his or her death) shall receive from the Company (a) Common Shares, (b) cash or (c) a combination of Common Shares and cash, as the Committee shall determine, over the period or periods set forth in the SAR Agreement. A SAR Agreement may place limits on the amount that may be paid over any specified period or periods upon the exercise of a SAR, on an aggregate basis or as to any Participant. The amount of cash and/or the Fair Market Value of Common Shares received upon exercise of SARs shall, in the aggregate, be equal to the amount by which the Fair Market Value (on the date of surrender) of the Common Shares subject to the SARs exceeds the Exercise Price. If, on the date when a SAR expires, the Exercise Price under such SAR is less than the Fair Market Value on such date but any portion of such SAR has not been exercised or surrendered, then such SAR shall automatically be deemed to be exercised as of such date with respect to such portion.

7.7 Nonassignability of SARs. Except as determined by the Committee, no SAR shall be assignable or otherwise transferable by the Participant except by will or by the laws of descent and distribution. However, SARs may be transferred and exercised in accordance with a Domestic Relations Order and may be exercised by a guardian or conservator appointed to act for the Participant.

7.8 Substitute SARs. The Board may cause the Company to grant Substitute SARs in connection with the acquisition by the Company or a Parent, Subsidiary or Affiliate of equity securities of any entity (including by merger, tender offer, or other similar transaction) or of all or a portion of the assets of any entity. Any such substitution shall be effective on the effective date of the acquisition. Unless and to the extent specified otherwise by the Board, Substitute SARs shall have the same terms and conditions as the SARs they replace, except that (subject to the provisions of Article 10) Substitute SARs shall be exercisable with respect to the Fair Market Value of Common Shares rather than equity securities of the granting entity and shall be on terms that, as determined by the Board in its sole and absolute discretion, properly reflect that substitution.

ARTICLE 8 RESTRICTED SHARES.

8.1 Restricted Stock Agreement. Each grant of Restricted Shares under the Plan shall be evidenced by a Restricted Stock Agreement between the recipient and the Company. Such Restricted Shares shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The provisions of the various Restricted Stock Agreements entered into under the Plan need not be identical.

8.2 Payment for Awards. Subject to the following sentence, Restricted Shares may be sold or awarded under the Plan for such consideration as the Committee may determine, including (without limitation)

cash, cash equivalents, labor done, services actually rendered to the Company or for its benefit or in its reorganization, debts or securities cancelled, tangible or intangible property actually received either by the Company or a wholly-owned subsidiary, and promissory notes (provided the recipient is an Employee who is not a Director or Officer at the time of grant). All cash and cash equivalents shall be dominated in U.S. dollars except as specified by the Committee for non-U.S. Employees or non-U.S. sub-plans.

8.3 Vesting Conditions. Each Award of Restricted Shares may or may not be subject to vesting. Vesting shall occur, in full or in installments, upon satisfaction of the conditions specified in the Restricted Stock Agreement. The Committee may include among such conditions the achievement of Objectively Determinable Performance Conditions. A Restricted Stock Agreement may provide for accelerated vesting in the event of the Participant's death, Disability or retirement or other events. The Committee may determine, at the time of granting Restricted Shares or thereafter, that all or part of such Restricted Shares shall become vested in the event that a Change in Control occurs with respect to the Company or in the event that the Participant is subject to an Involuntary Termination after a Change in Control.

8.4 Voting and Dividend Rights. The holders of Restricted Shares awarded under the Plan shall have the same voting, dividend and other rights as the Company's other shareholders. A Restricted Stock Agreement, however, may require that the holders of Restricted Shares invest any cash dividends received in additional Restricted Shares. Such additional Restricted Shares shall be subject to the same conditions and restrictions as the Award with respect to which the dividends were paid. Notwithstanding the foregoing, dividends awarded with respect to Restricted Shares subject to unsatisfied performance-based conditions shall accumulate until all applicable performance-based conditions have been satisfied and will be paid, if at all, as soon as reasonably practicable following the satisfaction of the applicable performance-based conditions.

8.5 Nonassignability of Restricted Shares. Except as determined by the Committee, no Restricted Shares shall be assignable or otherwise transferable by the Participant except by will or by the laws of descent and distribution until such time as the Restricted Shares have vested. Notwithstanding anything to the contrary herein, Restricted Shares may be transferred and exercised in accordance with a Domestic Relations Order.

8.6 Substitute Restricted Shares. The Board may cause the Company to grant Substitute Restricted Shares in connection with the acquisition by the Company or a Parent, Subsidiary or Affiliate of equity securities of any entity (including by merger) or all or a portion of the assets of any entity. Unless and to the extent specified otherwise by the Board, Substitute Restricted Shares shall have the same terms and conditions as the restricted shares they replace, except that (subject to the provisions of Article 10) Substitute Restricted Shares shall be Common Shares rather than equity securities of the granting entity and shall be on terms that, as determined by the Board in its sole and absolute discretion, properly reflect the substitution. Any such Substituted Restricted Shares shall be granted effective on the effective date of the acquisition.

8.7 Section 162(m) Limitation. For so long as the Company is a "publicly held corporation" within the meaning of Section 162(m) of the Code and with respect to grants of Restricted Shares that are intended to qualify as performance-based compensation under Code Section 162(m), no Employee may be granted within any Fiscal Year under the Plan more than 33,333 Restricted Shares which are subject to the achievement of Objectively Determinable Performance Conditions, with such limit subject to adjustment pursuant to Article 10.

ARTICLE 9 STOCK UNITS.

9.1 Stock Unit Agreement. Each grant of Stock Units under the Plan shall be evidenced by a Stock Unit Agreement between the recipient and the Company. Such Stock Units shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The provisions of the various Stock Unit Agreements entered into under the Plan need not be identical. Stock Units may be granted in consideration of a reduction in the recipient's other compensation.

9.2 Payment for Awards. To the extent that an Award is granted in the form of Stock Units, no cash consideration shall be required of the Award recipients.

9.3 Vesting Conditions. Each Award of Stock Units may or may not be subject to vesting. Vesting shall occur, in full or in installments, upon satisfaction of the conditions specified in the Stock Unit Agreement. The Committee may include among such conditions the achievement of Objectively Determinable Performance Conditions. A Stock Unit Agreement may provide for accelerated vesting in the event of the Participant's death, Disability or retirement or other events. The Committee may determine, at the time of granting Stock Units or thereafter, that all or part of such Stock Units shall become vested in the event that the Company is subject to a Change in Control or in the event that the Participant is subject to an Involuntary Termination after a Change in Control. In addition, acceleration of vesting may be required under Section 10.3.

9.4 Voting and Dividend Rights. The holders of Stock Units shall have no voting rights. Prior to settlement or forfeiture, any Stock Unit awarded under the Plan may, at the Committee's discretion, carry with it a right to dividend equivalents. Such right entitles the holder to be credited with an amount equal to all cash dividends paid on one Common Share while the Stock Unit is outstanding. Dividend equivalents may be converted into additional Stock Units. Settlement of dividend equivalents may be made in the form of cash, in the form of Common Shares, or in a combination of both, as determined by the Committee. Prior to distribution, any dividend equivalents that are not paid shall be subject to the same conditions and restrictions as the Stock Units to which they attach. Notwithstanding the foregoing, dividend equivalents awarded with respect to Stock Units subject to unsatisfied performance-based conditions shall accumulate until all applicable performance-based conditions have been satisfied and will be paid, if at all, as soon as reasonably practicable following the satisfaction of the applicable performance-based conditions.

9.5 Form and Time of Settlement of Stock Units. Settlement of vested Stock Units may be made in the form of (a) cash, (b) Common Shares or (c) any combination of both, as determined by the Committee, over the period or periods established by the Committee. A Stock Units Award may place limits on the amount that may be paid over any specified period or periods, on an aggregate basis or as to any Participant. The actual number of Stock Units eligible for settlement may be larger or smaller than the number included in the original Award, based on performance criteria. Methods of converting Stock Units into cash may include (without limitation) a method based on the average Fair Market Value of Common Shares over a series of trading days. Distribution on settlement may occur or commence when all vesting conditions applicable to the Stock Units have been satisfied or have lapsed, or it may be deferred to any later date. The amount of a deferred distribution may be increased by an interest factor or by dividend equivalents. Until an Award of Stock Units is settled, the number of such Stock Units shall be subject to adjustment pursuant to Article 10.

9.6 Death of Recipient. Any Stock Units Award that becomes payable after the recipient's death shall be distributed to the recipient's beneficiary or beneficiaries. Each recipient of a Stock Units Award under the Plan shall designate one or more beneficiaries for this purpose by filing the prescribed form with the Company. A beneficiary designation may be changed by filing the prescribed form with the Company at any time before the Award recipient's death. If no beneficiary was designated or if no designated beneficiary survives the Award recipient, then any Stock Units Award that becomes payable after the recipient's death shall be distributed to the recipient's estate.

9.7 Creditors' Rights. A holder of Stock Units shall have no rights other than those of a general creditor of the Company. Stock Units represent an unfunded and unsecured obligation of the Company, subject to the terms and conditions of the applicable Stock Unit Agreement.

9.8 Nonassignability of Stock Units. Except as determined by the Committee, no Stock Units Award shall be assignable or otherwise transferable by the Participant except by will or by the laws of descent and distribution. Notwithstanding anything to the contrary herein, Stock Units Awards may be transferred and exercised in accordance with a Domestic Relations Order.

9.9 Substitute Stock Units. The Board may cause the Company to grant Substitute Stock Units in connection with the acquisition by the Company or a Parent, Subsidiary or Affiliate of equity securities of any entity (including by merger) or all or a portion of the assets of any entity. Unless and to the extent specified otherwise by the Board, Substitute Stock Units shall have the same terms and conditions as the stock units they replace, except that (subject to the provisions of Article 10) Substitute Stock Units shall be settled with respect to the

Fair Market Value of the Common Shares rather than equity securities of the granting entity and shall be on terms that, as determined by the Board in its sole and absolute discretion, properly reflect the substitution.

9.10 Section 162(m) Limitation. For so long as the Company is a “publicly held corporation” within the meaning of Section 162(m) of the Code and with respect to grants of Stock Units that are intended to qualify as performance-based compensation under Code Section 162(m), no Employee may be granted within any Fiscal Year under the Plan more than 33,333 Stock Units which are subject to the achievement of Objectively Determinable Performance Condition, with such limit subject to adjustment pursuant to Article 10.

ARTICLE 10 PROTECTION AGAINST DILUTION.

10.1 Adjustments. In the event of a subdivision of the outstanding Common Shares, a declaration of a dividend payable in Common Shares, a declaration of a dividend payable in a form other than Common Shares in an amount that has a material effect on the price of Common Shares, a combination or consolidation of the outstanding Common Shares (by reclassification or otherwise) into a lesser number of Shares, a stock split, a reverse stock split, a reclassification or other distribution of the Common Shares without the receipt of consideration by the Company, of or on the Common Stock, a recapitalization, a combination, a spin-off or a similar occurrence, the Committee shall make equitable and proportionate adjustments to:

(a) the maximum aggregate number of Common Shares reserved for issuance under the Plan as specified in Section 3.1 and to be issued as ISOs as set forth under Section 3.1 and the number of Common Shares under the Prior Plans that may become available for award under this Plan pursuant to Section 3.1(ii);

(b) the number and kind of securities available for Awards (and which can be issued as ISOs) under Section 3.1;

(c) the limitations set forth in Sections 4.3(a), 8.7 and 9.10;

(d) the number and kind of securities covered by each outstanding Award;

(e) the Exercise Price under each outstanding Option and SAR; or

(f) the number and kind of outstanding securities issued under the Plan.

In the event of a declaration of an extraordinary dividend payable in a form other than Common Shares in an amount that has a material effect on the price of Common Shares, a recapitalization, a spin-off or a similar occurrence, the Committee shall make such proportionate adjustments as it, in its sole discretion, deems appropriate in one or more of the foregoing. Except as provided in this Article 10, a Participant shall have no rights by reason of any issuance by the Company of stock of any class or securities convertible into stock of any class, any subdivision or consolidation of shares of stock of any class, the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class. Any adjustment of Common Shares pursuant to this Section 10.1 shall be rounded down to the nearest whole number of Common Shares. Under no circumstances shall the Company be required to authorize or issue fractional shares and no consideration shall be provided as a result of any fractional shares not being issued or authorized.

10.2 Dissolution or Liquidation. To the extent not previously exercised or settled, Options, SARs, unvested Restricted Shares and Stock Units shall terminate immediately prior to the dissolution or liquidation of the Company and be forfeited to the Company.

10.3 Reorganizations. In the event that the Company is a party to a merger or other reorganization, outstanding Awards shall be subject to the agreement of merger or reorganization. Such agreement may provide, without limitation, for (a) the continuation of the outstanding Awards by the Company, if the Company is a surviving corporation, (b) the assumption of the outstanding Awards by the surviving entity or its parent or subsidiary, (c) the substitution by the surviving entity or its parent or subsidiary of its own awards for the

outstanding Awards, (d) full exercisability or vesting and accelerated expiration of the outstanding Awards, (e) settlement of the full value of the outstanding Awards in cash or cash equivalents followed by cancellation of such Awards (with the "full value" of Options and SARs to be determined based on the spread of the Award at the time of the transaction), and in all cases without needing consent of any Participant. In the event of a Divestiture, the Board may, but need not, direct that one or more of the foregoing actions be taken with respect to Awards held by, for example, Employees, Outside Directors or Consultants for whom the transaction or event resulted in a termination of Service. The Board need not adopt the same rules for each Award or Participant.

ARTICLE 11 DEFERRAL OF AWARDS.

The Committee (in its sole discretion) may permit or require a Participant to:

- (a) Have cash that otherwise would be paid to such Participant as a result of the exercise of a SAR or the settlement of Stock Units credited to a deferred compensation account established for such Participant by the Committee as an entry on the Company's books;
- (b) Have Common Shares that otherwise would be delivered to such Participant as a result of the exercise of an Option or SAR converted into an equal number of Stock Units; or
- (c) Have Common Shares that otherwise would be delivered to such Participant as a result of the exercise of an Option or SAR or the settlement of Stock Units converted into amounts credited to a deferred compensation account established for such Participant by the Committee as an entry on the Company's books. Such amounts shall be determined by reference to the Fair Market Value of such Common Shares as of the date when they otherwise would have been delivered to such Participant.

A deferred compensation account established under this Article 11 may be credited with interest or other forms of investment return, as determined by the Committee. A Participant for whom such an account is established shall have no rights other than those of a general creditor of the Company. Such an account shall represent an unfunded and unsecured obligation of the Company and shall be subject to the terms and conditions of the applicable agreement between such Participant and the Company. If the deferral or conversion of Awards is permitted or required, the Committee (in its sole discretion) may establish rules, procedures and forms pertaining to such Awards, including (without limitation) the settlement of deferred compensation accounts established under this Article 11.

Any and all arrangements under this Article 11 must comply with the rules and requirements of Section 409A of the Code including, without limitation, the requirements for the timing of deferral elections and the Delay In Payments to Specified Employees.

ARTICLE 12 AWARDS UNDER OTHER PLANS.

The Company may grant awards under other plans or programs. Such awards may be settled in the form of Common Shares issued under the Plan. Such Common Shares shall be treated for all purposes under the Plan like Common Shares issued in settlement of Stock Units and shall, when issued, reduce the number of Common Shares available under Article 3. Notwithstanding the foregoing, each Common Share issued pursuant to this Article 12 shall be counted against the Plan reserve in Section 3.1 as one (1) Common Share to the extent such shares are issued in respect of awards under other plans or programs that have substantially similar terms and conditions to Options or SARs granted under the Plan, including, with respect to stock options or equivalent securities, an exercise price at least equal to the fair market value of the securities for which the stock option or equivalent security is exercisable, measured at the date of grant.

ARTICLE 13 PAYMENT OF DIRECTORS' FEES IN SECURITIES.

13.1 Effective Date. No provision of this Article 13 shall be effective unless and until the Board has determined to implement such provision.

13.2 Elections to Receive NSOs, Restricted Shares or Stock Units. An Outside Director may elect to receive his or her annual retainer payments and/or meeting fees from the Company in the form of cash, NSOs, Restricted Shares or Stock Units, or a combination thereof, as determined by the Board. Such NSOs, Restricted Shares and Stock Units shall be issued under the Plan. An election under this Article 13 must be timely filed with the Company on the prescribed form.

13.3 Number and Terms of NSOs, Restricted Shares or Stock Units. The number of NSOs, Restricted Shares or Stock Units to be granted to Outside Directors in lieu of annual retainers and meeting fees that would otherwise be paid in cash shall be calculated in a manner determined by the Board. The Board shall also determine the terms of such NSOs, Restricted Shares or Stock Units.

ARTICLE 14 LIMITATION ON RIGHTS.

14.1 Retention Rights. Neither the Plan nor any Award granted under the Plan shall be deemed to give any individual a right to remain an Employee, Outside Director or Consultant. The Company and its Parents, Subsidiaries and Affiliates reserve the right to terminate the Service of any Employee, Outside Director or Consultant at any time, with or without cause, subject to Applicable Law, the Company's articles of incorporation and by-laws and a written employment agreement (if any).

14.2 Shareholders' Rights. A Participant shall have no dividend rights, voting rights or other rights as a shareholder with respect to any Common Shares covered by his or her Award prior to the time when a stock certificate for such Common Shares is issued or, if applicable, the time when he or she becomes entitled to receive such Common Shares by satisfying all requirements for exercise at a time when the Company is obligated to deliver such Common Shares under the terms of the Award agreement and this Plan. No adjustment shall be made for cash dividends or other rights for which the record date is prior to such time, except as expressly provided in the Plan.

14.3 Regulatory Requirements. Any other provision of the Plan notwithstanding, the obligation of the Company to issue Common Shares under the Plan shall be subject to all Applicable Law. The Company reserves the right to restrict, in whole or in part, the delivery of Common Shares pursuant to any Award prior to the satisfaction of all Applicable Law relating to the issuance of such Common Shares, to their registration, qualification or listing or to an exemption from registration, qualification or listing.

14.4 Code Section 409A. Notwithstanding anything in the Plan to the contrary, the Plan and Awards granted hereunder are intended to comply with the requirements of Code Section 409A and shall be interpreted in a manner consistent with such intention.

ARTICLE 15 WITHHOLDING TAXES.

15.1 General. To the extent required by Applicable Law, a Participant or his or her successor shall make arrangements satisfactory to the Company for the satisfaction of any withholding tax obligations that arise in connection with the Plan. The Company shall not be required to issue any Common Shares or make any cash payment under the Plan until such obligations are satisfied.

15.2 Share Withholding. To the extent that Applicable Law subjects a Participant to tax withholding obligations, the Committee may establish procedures that may permit such Participant to satisfy all or part of such obligations by having the Company withhold all or a portion of any Common Shares that otherwise would be issued to him or her or by surrendering all or a portion of any Common Shares that he or she previously acquired. Such Common Shares shall be valued at their Fair Market Value on the date when they are withheld or surrendered.

ARTICLE 16 FUTURE OF THE PLAN.

16.1 Term of the Plan. The Plan was effective on the Effective Date. The Plan, as may be amended or restated from time to time, shall remain in effect until the tenth anniversary of the Effective Date or until

such earlier date as provided under Section 16.2. Except as provided in Section 3.1, this Plan will not in any way affect outstanding awards that were issued under the Prior Plans or other Company equity compensation plans. No further awards may be granted under the Prior Plans as of the date of approval of this Plan by the Company's shareholders.

16.2 Amendment or Termination. The Board may, at any time and for any reason, amend or terminate the Plan. An amendment of the Plan shall be subject to the approval of the Company's shareholders only to the extent required by Applicable Law. No Awards shall be granted under the Plan after the termination thereof. The termination of the Plan, or any amendment thereof, shall not impair the rights of any Participant under any Award previously granted under the Plan unless the Participant consents to such amendment. The Board or the Committee may amend the terms of any existing Award, prospectively or retroactively, but no such amendment shall impair the rights of any Participant unless the Participant consents to such amendment. The Board or the Committee may not amend the terms of any Option or SAR to reduce the Exercise Price (except pursuant to Article 10), or cancel any Option or SAR and grant a new Option or SAR with a lower Exercise Price such that the effect would be the same as reducing the Exercise Price, without the approval of the Company's shareholders. Notwithstanding anything herein to the contrary, no consent of a Participant shall be required if the Board determines, in its sole and absolute discretion, that the amendment, suspension, termination, or modification: (a) is required or advisable in order for the Company, the Plan or the Award to satisfy Applicable Law, to meet the requirements of any accounting standard or to avoid any adverse accounting treatment, or (b) in connection with any transaction or event described in Article 10, is in the best interests of the Company or its shareholders. The Board may, but need not, take the tax or accounting consequences to affected Participants into consideration in acting under the preceding sentence. Those decisions shall be final, binding and conclusive. Termination of the Plan shall not affect the Committee's ability to exercise the powers granted to it under the Plan with respect to Awards granted before the termination notwithstanding that Awards become exercisable or are to be settled after the termination.

ARTICLE 17 DEFINITIONS.

17.1 "Affiliate" means any entity other than a Subsidiary, if the Company and/or one or more Subsidiaries own not less than 50% of such entity.

17.2 "Applicable Law" means any and all laws of whatever jurisdiction, within or without the United States, and the rules of any stock exchange or quotation system on which Common Shares are listed or quoted, applicable to the taking or refraining from taking of any action under the Plan, including the administration of the Plan and the issuance or transfer of Awards.

17.3 "Award" means any award of an Option, a SAR, a Restricted Share or a Stock Unit under the Plan.

17.4 "Board" means the Company's Board of Directors, as constituted from time to time.

17.5 "Cause" means, except as may otherwise be provided in an applicable Award agreement, (a) acts or omissions constituting gross negligence, recklessness or willful misconduct with respect to the Participant's obligations or otherwise relating to the business of the Company; (b) the Participant's material breach of a written agreement between the Participant and the Company (or a Parent, Subsidiary or Affiliate); (c) conviction or entry of a plea of nolo contendere for fraud, misappropriation or embezzlement, or any felony or crime of moral turpitude; (d) dishonesty or involvement in any conduct that adversely affects the Company's name or public image or is otherwise detrimental to the Company's business interests; (e) willful neglect of duties; or (f) unauthorized use or disclosure of the confidential information or trade secrets of the Company, which use or disclosure causes material harm to the Company. The foregoing, however, shall not be deemed an exclusive list of all acts or omissions that the Company (or the Parent, Subsidiary or Affiliate employing the Participant) may consider as grounds for the discharge of the Participant without Cause. The Committee shall be entitled to determine "Cause" based on the Committee's good faith belief.

17.6 "Change in Control" means, except as may otherwise be provided in an applicable Award agreement:

(a) The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if persons who were not shareholders of the Company immediately prior to such merger, consolidation or other reorganization own immediately after such merger, consolidation or other reorganization 50% or more of the voting power of the outstanding securities of each of (i) the continuing or surviving entity and (ii) any direct or indirect parent corporation of such continuing or surviving entity;

(b) The sale, transfer or other disposition of all or substantially all of the Company's assets;

(c) A change in the composition of the Board over a period of thirty-six (36) months or less such that a majority of the Board members (rounded up to the next whole number) ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who are Continuing Directors;

(d) Any transaction as a result of which the direct or indirect acquisition by any person or related group of persons (other than an acquisition from or by the Company or by a Company-sponsored employee benefit plan or by a person that directly or indirectly controls, is controlled by, or is under common control with, the Company) of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities pursuant to a tender or exchange offer made directly to the Company's shareholders which a majority of the Continuing Directors who are not affiliated with the offeror do not recommend such shareholders accept; or

(e) A Divestiture; provided that a Divestiture shall be a Change in Control only to the extent that the Board determines that such Divestiture constitutes a Change in Control, and then only for those Participants for whom the Board has expressly resolved that such Divestiture constitutes a Change in Control for such Participants. In making such determination, the Board need not adopt the same rules for each Award or Participant.

A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction. The Committee shall determine whether an event shall be treated as a Change in Control.

17.7 "Code" means the Internal Revenue Code of 1986, as amended.

17.8 "Committee" means a committee of the Board, as described in Article 2.

17.9 "Common Share" means one share of the common stock of the Company.

17.10 "Company" means Overland Storage, Inc., a California corporation.

17.11 "Consultant" means a consultant or adviser who provides bona fide services to the Company, a Parent, a Subsidiary or an Affiliate as an independent contractor.

17.12 "Continuing Directors" means members of the Board who either (i) have been Board members continuously for a period of at least thirty-six (36) months or (ii) have been Board members for less than thirty-six (36) months and were elected or nominated for election as Board members by at least a majority of the Board members described in clause (i) who were still in office at the time such election or nomination was approved by the Board.

17.13 "Delay In Payments to Specified Employees" means if a Participant is a "specified employee" (as defined under Code Section 409A) on separation from Service, to the extent any Award or arrangement needs to comply with Code Section 409A, then certain payments may be delayed and not be paid during the first six months following the separation from Service but will instead be paid on the earlier of the first

business day of the 7th month following the separation from Service, or ten (10) days after the Company receives written confirmation of the Participant's death. Any such delayed payments shall be made without interest.

17.14 "Director" means a member of the Board of Directors of the Company.

17.15 "Disability" means that the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months. The Disability of a Participant shall be determined solely by the Committee on the basis of such medical evidence as the Committee deems warranted under the circumstances.

17.16 "Divestiture" means a transaction or event where the Company or a Parent, Subsidiary or Affiliate sells or otherwise transfers its equity securities to a person or entity other than the Company or a Parent, Subsidiary or Affiliate, or leases, exchanges or transfers all or any portion of its assets to such a person or entity, where the Board specifies that such transaction or event constitutes a "Divestiture."

17.17 "Domestic Relations Order" means a "domestic relations order" as defined in, and otherwise meeting the requirements of, section 414(p) of the Code, except that reference to a "plan" in that definition shall be to the Plan.

17.18 "Effective Date" means November 14, 2009 which was the date on which the Plan was adopted by the Board.

17.19 "Employee" means a common law employee of the Company, a Parent, a Subsidiary or an Affiliate. Notwithstanding the foregoing, individuals who are classified by the Company or a Parent, Subsidiary or Affiliate as (i) leased from or otherwise employed by a third party, (ii) independent contractors, or (iii) intermittent or temporary workers, shall not be deemed Employees. The Company's or a Parent's, Subsidiary's or Affiliate's classification of an individual as an "Employee" (or as not an "Employee") for purposes of the Plan shall not be altered retroactively even if that classification is changed retroactively for another purpose as a result of an audit, litigation or otherwise. A Participant shall not cease to be an Employee due to transfers between locations of the Company, or among the Company and a Parent, Subsidiary or Affiliate, or to any successor to the Company or a Parent, Subsidiary or Affiliate that assumes an Optionee's Options under Section 10.3. Neither service as a Director nor receipt of a director's fee shall be sufficient to make a Director an "Employee."

17.20 "Exchange Act" means the Securities Exchange Act of 1934, as amended.

17.21 "Exercise Price," in the case of an Option, means the amount for which one Common Share may be purchased upon exercise of such Option, as specified in the applicable Stock Option Agreement. "Exercise Price," in the case of a SAR, means an amount, as specified in the applicable SAR Agreement, which is subtracted from the Fair Market Value of one Common Share in determining the amount payable upon exercise of such SAR.

17.22 "Fair Market Value" means the market price of a Common Share determined by the Committee as follows:

(i) If the Common Shares were traded on a stock exchange (such as the New York Stock Exchange, NYSE Amex, the NASDAQ Global Market or NASDAQ Capital Market) at the time of determination, then the Fair Market Value shall be equal to the regular session closing price for such stock as reported by such exchange (or the exchange or market with the greatest volume of trading in the Common Shares) on the date of determination, or if there were no sales on such date, on the last date preceding such date on which a closing price was reported;

(ii) If the Common Shares were traded on the OTC Bulletin Board at the time of determination, then the Fair Market Value shall be equal to the last-sale price reported by the OTC Bulletin Board for such date

of determination, or if there were no sales on such date, on the last date preceding such date on which a sale was reported; and

(iii) If neither of the foregoing provisions is applicable, then the Fair Market Value shall be determined by the Committee in good faith using a reasonable application of a reasonable valuation method as the Committee deems appropriate.

Whenever possible, the determination of Fair Market Value by the Committee shall be based on the prices reported by the applicable exchange or the OTC Bulletin Board, as applicable, or a nationally recognized publisher of stock prices or quotations (including an electronic on-line publication). Such determination shall be conclusive and binding on all persons.

17.23 “Fiscal Year” means the Company’s fiscal year.

17.24 “Involuntary Termination” means the termination of the Participant’s Service by reason of:

(a) The involuntary discharge of the Participant by the Company (or the Parent, Subsidiary or Affiliate employing him or her) for reasons other than Cause; or

(b) The voluntary resignation of the Participant following (i) a material adverse change in his or her title, stature, authority or responsibilities with the Company (or the Parent, Subsidiary or Affiliate employing him or her), (ii) a material reduction in his or her base salary or (iii) receipt of notice that his or her principal workplace will be relocated by more than 90 miles.

17.25 “ISO” means an incentive stock option described in section 422(b) of the Code.

17.26 “NSO” means a stock option not described in sections 422 or 423 of the Code.

17.27 “Objectively Determinable Performance Condition” shall mean a performance condition (i) that is established (A) at the time an Award is granted or (B) no later than the earlier of (1) 90 days after the beginning of the period of Service to which it relates, or (2) before 25% of the period of Service to which it relates has elapsed, (ii) that is substantially uncertain of achievement at the time it is established, and (iii) the achievement of which would be determinable by a third party with knowledge of the relevant facts. Examples of measures that may be used in Objectively Determinable Performance Conditions include net order dollars, net profit dollars, net profit growth, net revenue dollars, profit/loss or profit margin, operating profit, net operating profit, operating margin, working capital, sales or revenue, revenue growth, gross margin, cost of goods sold, individual performance, cash, accounts receivables, writeoffs, cash flow, liquidity, income, net income, operating income, net operating income, earnings, earnings before interest, taxes, depreciation and/or amortization, earnings per share, growth in earnings per share, price/earnings ratio, debt or debt-to-equity, economic value added, assets, return on assets, return on equity, stock price, shareholders’ equity, total shareholder return, including stand-alone or relative to a stock market or peer group index, return on capital, return on assets or net assets, return on investment, return on operating revenue, any other financial objectives, objective customer satisfaction indicators and efficiency measures, operations, research or related milestones, intellectual property (e.g., patents), product development, site, plant or building development, internal controls, policies and procedures, information technology, human resources, corporate governance, business development, market share, strategic alliances, licensing and partnering, contract awards or backlog, expenses, overhead or other expense reduction, compliance programs, legal matters, accounting and reporting, credit rating, strategic plan development and implementation, mergers and acquisitions and divestitures, financings, management, improvement in workforce diversity, or any similar criteria, each with respect to the Company and/or a Parent, Subsidiary or Affiliate, and/or an individual business unit.

17.28 “Officer” means an officer of the Company as defined in Rule 16a-1 adopted under the Exchange Act.

17.29 “Option” means an ISO or NSO granted under the Plan and entitling the holder to purchase Common Shares.

17.30 “Optionee” means an individual or estate who holds an Option or SAR.

17.31 “Outside Director” means a member of the Board who is not an Employee.

17.32 “Parent” means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Parent on a date after the adoption of the Plan shall be considered a Parent commencing as of such date.

17.33 “Participant” means (i) a person to whom an Award has been granted, including a holder of a Substitute Award; or (ii) a person to whom an Award has been transferred in accordance with the applicable requirements of Sections 5.6, 7.7, 8.5, or 9.8

17.34 “Plan” means this Overland Storage, Inc. 2009 Equity Incentive Plan, as amended from time to time.

17.35 “Prior Plans” means the Company’s 1995 Stock Option Plan, 1997 Executive Stock Option Plan, 2000 Stock Option Plan, 2001 Supplemental Stock Option Plan, and 2003 Equity Incentive Plan, each as in effect on the Effective Date.

17.36 “Restricted Share” means a Common Share awarded pursuant to Article 8 of the Plan.

17.37 “Restricted Stock Agreement” means the agreement between the Company and the recipient of a Restricted Share that contains the terms, conditions and restrictions pertaining to such Restricted Share.

17.38 “SAR” means a stock appreciation right granted under the Plan.

17.39 “SAR Agreement” means the agreement between the Company and an Optionee that contains the terms, conditions and restrictions pertaining to his or her SAR.

17.40 “Service” means service as an Employee, Outside Director or Consultant. Unless otherwise determined by the Committee or otherwise provided in the Plan or Award agreement, Service shall continue notwithstanding a change in status from an Employee, Consultant or Outside Director to another such status. An event that causes a Parent, Subsidiary or Affiliate to cease having status as a Parent, Subsidiary or Affiliate shall be deemed to discontinue the Service of that entity’s Employees, Outside Directors and Consultants unless such persons retain the status of Employee, Outside Director or Consultant of the Company or a remaining Parent, Subsidiary or Affiliate.

17.41 “Shareholder Approval Date” means January 5, 2010 which was the date on which the adoption of the Plan was approved by the Company’s shareholders.

17.42 “Stock Option Agreement” means the agreement between the Company and an Optionee that contains the terms, conditions and restrictions pertaining to his or her Option.

17.43 “Stock Unit” means a bookkeeping entry representing the equivalent of one Common Share, as awarded under the Plan.

17.44 “Stock Unit Agreement” means the agreement between the Company and the recipient of Stock Units that contains the terms, conditions and restrictions pertaining to such Stock Units.

17.45 “Subsidiary” means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Subsidiary on a date after the adoption of the Plan shall be considered a Subsidiary commencing as of such date.

17.46 “Substitute Award” means a Substitute Option, Substitute SAR, Substitute Restricted Share or Substitute Stock Unit granted in accordance with the terms of the Plan.

17.47 “Substitute Option” means an Option granted in substitution for, or upon the conversion of, an option granted by another entity to purchase equity securities in the granting entity.

17.48 “Substitute SAR” means a SAR granted in substitution for, or upon the conversion of, a stock appreciation right granted by another entity with respect to equity securities in the granting entity.

17.49 “Substitute Restricted Share” means a Restricted Share granted in substitution for a restricted share granted by another entity with respect to equity securities in the granting entity.

17.50 “Substitute Stock Unit” means a Stock Unit granted in substitution for, or upon the conversion of, a stock unit granted by another entity with respect to equity securities in the granting entity.

17.51 “Ten Percent Shareholder” means any person who, directly or by attribution under Section 424(d) of the Code, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any Parent or Subsidiary on the date of Option grant.

**OVERLAND STORAGE, INC.
2009 EQUITY INCENTIVE PLAN**

STOCK OPTION AGREEMENT

Tax Treatment	This option is intended to be an incentive stock option under section 422 of the Internal Revenue Code or a nonstatutory stock option, as provided in the Notice of Stock Option Grant.
Vesting	<p>This option becomes exercisable in installments, as shown in the Notice of Stock Option Grant. In addition, this option becomes exercisable in full if your Service terminates because of total and permanent disability, or death.</p> <p>This option will in no event become exercisable for additional shares after your Service has terminated for any reason.</p>
Term	This option expires in any event at the close of business at Company headquarters on the 6 th anniversary of the Date of Grant, as shown in the Notice of Stock Option Grant, or if such anniversary date would fall on a day when Company headquarters are not open for business, at the close of business at Company headquarters on the last business day before such anniversary date. (It will expire earlier if your Service terminates, as described below.)
Regular Termination	If your Service terminates for any reason except death or total and permanent disability, then this option will expire at the close of business at Company headquarters on the date three months after your termination date, or if such expiration date would fall on a day when Company headquarters are not open for business, at the close of business at Company headquarters on the last business day before such expiration date. The Company determines when your Service terminates for this purpose.
Death	If you die before your Service terminates, then this option will expire at the close of business at Company headquarters on the date 12 months after the date of death, or if such expiration date would fall on a day when Company headquarters are not open for business, at the close of business at Company headquarters on the last business day before such expiration date.
Disability	If your Service terminates because of your "Disability" (as defined in the Plan), then this option will expire at the close of business at Company headquarters on the date 12 months after your termination date, or if such expiration date would fall on a day when Company headquarters are not open for business, at the close of business at Company headquarters

on the last business day before such expiration date.

Leaves of Absence and Part- Time Work

For purposes of this option, your Service does not terminate when you go on a military leave, a sick leave or another bona fide leave of absence, if the leave was approved by the Company in writing and if continued crediting of Service is required by the terms of the leave or by applicable law. But your Service terminates when the approved leave ends, unless you immediately return to active work. If this option is designated as an Incentive Stock Option, and if such leave exceeds ninety (90) days, and reemployment upon expiration of such leave is not guaranteed by statute or contract, then this option shall be treated as a Non-Qualified Stock Option on the day three (3) months and one (1) day following the expiration of such ninety (90) day period.

If you go on a leave of absence, then the vesting schedule specified in the Notice of Stock Option Grant may be adjusted in accordance with the Company's leave of absence policy or the terms of your leave. If you commence working on a part-time basis, then the vesting schedule specified in the Notice of Stock Option Grant may be adjusted in accordance with the Company's part-time work policy or the terms of an agreement between you and the Company pertaining to your part-time schedule.

Restrictions on Exercise

The Company will not permit you to exercise this option if the issuance of shares at that time would violate any "Applicable Law" (as defined in the Plan).

Notice of Exercise

When you wish to exercise this option, you may select one of the following:

- If you have established an account with E*Trade (www.etrade.com, (800) 838-0908), or such other or substitute employee stock option plan administrative service as the Company may elect to engage (such stock option administrative service being the "Plan Agency"), you may elect to exercise this option by utilizing the procedures established by the Plan Agency for exercise of this option. Such procedures may include provisions for execution of an electronic or a written notice stating the number of shares to be purchased pursuant to this option and accompanied by delivery of an executed exercise agreement as implemented by the Plan Agency, and payment made in accordance with this Agreement and the Plan for the full purchase price of the shares to be purchased. The "Committee" (as defined in the Plan) may from time to time establish further limitations and rules or procedures for exercise through the Plan Agency.

The Company may also discontinue use of the Plan Agency at any time, in which case you will be required to use the exercise procedure described below.

- Notify the Company by filing the proper “Exercise Notice” form at the address given on the form. Your notice must specify how many shares you wish to purchase. Your notice must also specify how your shares should be registered.

Exercise through the Plan Agency will be effective in accordance with the policies and procedures of the Plan Agency. An “Exercise Notice” filed with the Company will be effective when the Company receives it together with payment made in accordance with this Agreement and the Plan for the full purchase price of the shares to be purchased.

If another person wants to exercise this option after it has been transferred to him or her (a “Transferee”), that person must prove to the Company’s satisfaction that he or she is entitled to exercise this option, and must then select one of the exercise alternatives specified above; provided that exercise by a Transferee may not be available through the Plan Agency, and if it is available, such exercise may require additional procedures or documentation established by the Company or the Plan Agency.

Form of Payment

When you exercise your option, you must pay the option exercise price for the shares that you are purchasing. Payment may be made in one or a combination of the following forms:

- Your personal check, a cashier’s check or a money order.
- Irrevocable directions to a securities broker (such as the Plan Agency) approved by the Company to sell all or part of your option shares and to deliver to the Company from the sale proceeds an amount sufficient to pay the option exercise price and any withholding taxes. (The balance of the sale proceeds, if any, will be delivered to you.) This procedure will be permitted only if you utilize the services of the Plan Agency, or another securities broker pre-approved by the Company in its sole discretion. You will not be permitted to use this procedure if you are an “Officer” or “Director” (each as defined in the Plan) and this procedure would be deemed an extension of credit or the arranging of an extension of credit in the form of

a personal loan by the Company.

**Withholding Taxes and Stock
Withholding**

You will not be allowed to exercise this option unless you make arrangements acceptable to the Company to pay any withholding taxes that may be due as a result of the option exercise. With the Company's consent, these arrangements may include (a) withholding shares of Company stock that otherwise would be issued to you when the units are settled or (b) surrendering shares that you previously acquired. The value of these shares, determined as of the effective date of the option exercise, will be applied to the withholding taxes.

Restrictions on Resale

You agree not to sell any option shares at a time when Applicable Law, Company policies or an agreement between the Company and its underwriters prohibit a sale. This restriction will apply as long as your Service continues and for such period of time after the termination of your Service as the Company may specify.

Transfer of Option

In general, only you may exercise this option prior to your death. You may not transfer or assign this option, unless one of the provisions below applies. For instance, you may not sell this option or use it as security for a loan. If you attempt to do any of these things, this option will immediately become invalid. You may, however, dispose of this option in your will or in a beneficiary designation.

If this option is designated as a nonstatutory stock option in the Notice of Stock Option Grant, then the Committee may, in its sole discretion, allow you to transfer this option as a gift to one or more family members. For purposes of this Agreement, "family member" means a child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law (including adoptive relationships), any individual sharing your household (other than a tenant or employee), a trust in which one or more of these individuals have more than 50% of the beneficial interest, a foundation in which you or one or more of these persons control the management of assets, and any entity in which you or one or more of these persons own more than 50% of the voting interest.

If this option is designated as an incentive stock option, the Committee may, in its sole discretion, allow you to transfer this option to a trust, where under Section 671 of the Code and other Applicable Law you are considered the sole beneficial owner of this option while it is held in trust.

Regardless of any marital property settlement agreement, the Company is not obligated to honor a notice of exercise from your former spouse, nor is the Company obligated to

recognize your former spouse's interest in your option in any other way, except pursuant to a Domestic Relations Order.

The Committee will allow you to transfer this option only if both you and the transferee(s) execute the forms prescribed by the Committee, which include the consent of the transferee(s) to be bound by this Agreement.

Retention Rights

Your option or this Agreement does not give you the right to be retained by the Company or a subsidiary of the Company in any capacity. The Company and its subsidiaries reserve the right to terminate your Service at any time, with or without cause.

Shareholder Rights

You, or your estate or heirs, have no rights as a shareholder of the Company until you have exercised this option by giving the required notice to the Company and paying the exercise price. No adjustments are made for dividends or other rights if the applicable record date occurs before you exercise this option, except as described in the Plan.

Adjustments

In the event of a stock split, a stock dividend or a similar change in Company stock, the number of shares covered by this option and the exercise price per share may be adjusted pursuant to the Plan.

Governing Law

This Agreement will be interpreted and enforced under the laws of the State of California (without regard to its choice-of-law provisions).

The Plan and Other Agreements

The text of the Plan is incorporated in this Agreement by reference.

This Agreement and the Plan constitute the entire understanding between you and the Company regarding this option. Any prior agreements, commitments or negotiations concerning this option are superseded. This Agreement may be amended only by another written agreement between the parties.

By signing the cover sheet of this Agreement, you agree to all of the terms and conditions described above and in the Plan.

**Overland Storage, Inc.
2009 Equity Incentive Plan**

Notice of Stock Unit Award

You have been granted units representing shares of Common Stock of Overland Storage, Inc. (the "Company") on the following terms:

Name of Recipient:

Total Number of Units Granted:

Date of Grant:

Vesting Commencement Date:

Vesting Schedule: The shares subject to this award shall vest in the following installments:

You and the Company agree that these units are granted under and governed by the terms and conditions of the Overland Storage, Inc. 2009 Equity Incentive Plan (the "Plan") and the Stock Unit Agreement, both of which are attached to and made a part of this document.

You further agree that the Company may deliver by email all documents relating to the Plan or this award (including, without limitation, prospectuses required by the Securities and Exchange Commission) and all other documents that the Company is required to deliver to its security holders (including, without limitation, annual reports and proxy statements). You also agree that the Company may deliver these documents by posting them on a web site maintained by the Company or by a third party under contract with the Company. If the Company posts these documents on a web site, it will notify you by email.

Participant:

Overland Storage, Inc.

By: _____

Quality Review
Initials _____

**Overland Storage, Inc.
2009 Equity Incentive Plan**

Stock Unit Agreement

Payment for Units

No payment is required for the units that you are receiving.

Vesting

The units vest in installments, as shown in the Notice of Stock Unit Award. In addition, the units vest in full if your Service terminates because of your "Disability" (as defined in the Plan), or death. The units are also subject to any rights to accelerated vesting you may have under any employment, severance, retention or similar agreement with the Company in effect on the Date of Grant.

Except as described above, if your Service terminates for any reason, then your units will be forfeited to the extent that they have not vested before the termination date and do not vest as a result of the termination. This means that the units will immediately be cancelled. You receive no payment for units that are forfeited.

The Company determines when your Service terminates for this purpose.

Leaves of Absence and Part-Time Work

For purposes of this award, your Service does not terminate when you go on a military leave, a sick leave or another *bona fide* leave of absence, if the leave was approved by the Company in writing and if continued crediting of Service is required by applicable law, the Company's leave of absence policy or the terms of your leave. But your Service terminates when the approved leave ends, unless you immediately return to active work.

If you go on a leave of absence, then the vesting schedule specified in the Notice of Stock Unit Award may be adjusted in accordance with the Company's leave of absence policy or the terms of your leave. If you commence working on a part-time basis, then the vesting schedule specified in the Notice of Stock Unit Award may be adjusted in accordance with the Company's part-time work policy or the terms of an agreement between you and the Company pertaining to your part-time schedule.

Nature of Units

Your units are mere bookkeeping entries. They represent only the Company's unfunded and unsecured promise to issue shares of Common Stock on a future date. As a holder of units, you have no rights other than the rights of a general

creditor of the Company.

No Voting Rights or Dividends

Your units carry neither voting rights nor rights to cash dividends. You have no rights as a shareholder of the Company unless and until your units are settled by issuing shares of the Company's Common Stock.

Units Nontransferable

You may not sell, transfer, assign, pledge or otherwise dispose of any units, except pursuant to a Domestic Relations Order. For instance, you may not use your units as security for a loan.

Settlement of Units

Each of your units will be settled when it vests (and in all events not later than two and one-half months after the vesting date).

At the time of settlement, you will receive one share of the Company's Common Stock for each vested unit. But the Company, at its sole discretion, may substitute an equivalent amount of cash. The amount of cash will be determined on the basis of the market value of the Company's Common Stock at the time of settlement.

Withholding Taxes

No stock certificates will be distributed to you unless you have made acceptable arrangements to pay any withholding taxes that may be due as a result of the settlement of this award. Subject to Applicable Law, upon any distribution of shares of Common Stock in respect of the units, the Company will automatically reduce the number of shares to be delivered by (or otherwise reacquire) the appropriate number of whole shares, valued at their then Fair Market Value, to satisfy any withholding obligations of the Company or its Subsidiaries with respect to such distribution of shares at the minimum applicable withholding rates. In the event that the Company cannot legally satisfy such withholding obligations by such reduction of shares, or any other withholding event in respect of the units, the Company (or a Subsidiary) shall be entitled to require a cash payment by you or on your behalf and/or to deduct from other compensation payable to you any sums required by federal, state or local tax law to be withheld with respect to such distribution or payment.

Restrictions on Resale

You agree not to sell any shares at a time when Applicable Law, Company policies or an agreement between the Company and its underwriters prohibit a sale. This restriction will apply as long as your Service continues and

for such period of time after the termination of your Service as the Company may specify.

No Retention Rights

Your award or this Agreement does not give you the right to be retained by the Company or a subsidiary of the Company in any capacity. The Company and its subsidiaries reserve the right to terminate your Service at any time, with or without cause.

Adjustments

In the event of a stock split, a stock dividend or a similar change in Company stock, the number of your units will be adjusted accordingly, pursuant to the Plan.

Beneficiary Designation

You may dispose of your units in a written beneficiary designation. A beneficiary designation must be filed with the Company on the proper form. It will be recognized only if it has been received at the Company's headquarters before your death. If you file no beneficiary designation or if none of your designated beneficiaries survives you, then your estate will receive any vested units that you hold at the time of your death.

Governing Law

This Agreement will be interpreted and enforced under the laws of the State of California (without regard to its choice-of-law provisions).

The Plan and Other Agreements

The text of the Plan is incorporated in this Agreement by reference. Capitalized terms not otherwise defined herein have the meanings given to them in the Plan document.

This Agreement and the Plan constitute the entire understanding between you and the Company regarding this award. Any prior agreements, commitments or negotiations concerning this award are superseded. This Agreement may be amended only by another written agreement between the parties.

By signing the cover sheet of this Agreement, you agree to all of the terms and conditions described above and in the Plan

**Overland Storage, Inc.
2009 Equity Incentive Plan**

Notice of Stock Unit Award

You have been granted units representing shares of Common Stock of Overland Storage, Inc. (the "Company") on the following terms:

Name of Recipient:

Total Number of Units Granted:

Date of Grant:

Vesting Schedule:

The shares subject to this award shall vest in the following installments:

You and the Company agree that these units are granted under and governed by the terms and conditions of the Overland Storage, Inc. 2009 Equity Incentive Plan (the "Plan") and the Stock Unit Agreement, both of which are attached to and made a part of this document.

You further agree that the Company may deliver by email all documents relating to the Plan or this award (including, without limitation, prospectuses required by the Securities and Exchange Commission) and all other documents that the Company is required to deliver to its security holders (including, without limitation, annual reports and proxy statements). You also agree that the Company may deliver these documents by posting them on a web site maintained by the Company or by a third party under contract with the Company. If the Company posts these documents on a web site, it will notify you by email.

Participant:

Overland Storage, Inc.

By: _____

Quality Review
Initials _____

Overland Storage, Inc.
2009 Equity Incentive Plan

Stock Unit Agreement

Payment for Units

No payment is required for the units that you are receiving.

Vesting

The units vest in installments, as shown in the Notice of Stock Unit Award. In addition, to the extent then outstanding and unvested, the units will vest in full (i) if your Service terminates because of your Disability or death, or (ii) if a Change in Control occurs and, at any time during the two (2) years after the Change in Control, your Service is terminated by the Company without Cause or by you for Good Reason (subject to you signing and not revoking a general release). The terms "cause," "good reason" and "change of control" shall be as defined in the offer between the Company and you or in the Plan, as applicable.

The units are also subject to any rights to accelerated vesting you may have under any employment, severance, retention or similar agreement with the Company in effect on the Date of Grant.

Except as described above, if your Service terminates for any reason, then your units will be forfeited to the extent that they have not vested before the termination date and do not vest as a result of the termination. This means that the units will immediately be cancelled. You receive no payment for units that are forfeited.

The Company determines when your Service terminates for this purpose.

Leaves of Absence and Part-Time Work

For purposes of this award, your Service does not terminate when you go on a military leave, a sick leave or another bona fide leave of absence, if the leave was approved by the Company in writing and if continued crediting of Service is required by applicable law, the Company's leave of absence policy or the terms of your leave. But your Service terminates when the approved leave ends, unless you immediately return to active work.

If you go on a leave of absence, then the vesting schedule specified in the Notice of Stock Unit Award may be adjusted in accordance with the Company's leave of absence policy or the terms of your leave. If you commence working on a part-time basis, then the vesting schedule specified in the

Notice of Stock Unit Award may be adjusted in accordance with the Company's part-time work policy or the terms of an agreement between you and the Company pertaining to your part-time schedule.

Nature of Units

Your units are mere bookkeeping entries. They represent only the Company's unfunded and unsecured promise to issue shares of Common Stock on a future date. As a holder of units, you have no rights other than the rights of a general creditor of the Company.

No Voting Rights or Dividends

Your units carry neither voting rights nor rights to cash dividends. You have no rights as a shareholder of the Company unless and until your units are settled by issuing shares of the Company's Common Stock.

Units Nontransferable

You may not sell, transfer, assign, pledge or otherwise dispose of any units, except pursuant to a Domestic Relations Order. For instance, you may not use your units as security for a loan.

Settlement of Units

Each of your units will be settled when it vests (and in all events not later than two and one-half months after the vesting date).

At the time of settlement, you will receive one share of the Company's Common Stock for each vested unit. But the Company, at its sole discretion, may substitute an equivalent amount of cash. The amount of cash will be determined on the basis of the market value of the Company's Common Stock at the time of settlement.

Withholding Taxes

No stock certificates will be distributed to you unless you have made acceptable arrangements to pay any withholding taxes that may be due as a result of the settlement of this award. Subject to Applicable Law, upon any distribution of shares of Common Stock in respect of the units, the Company will automatically reduce the number of shares to be delivered by (or otherwise reacquire) the appropriate number of whole shares, valued at their then Fair Market Value, to satisfy any withholding obligations of the Company or its Subsidiaries with respect to such distribution of shares at the minimum applicable withholding rates. In the event that the Company cannot legally satisfy such withholding obligations by such reduction of shares, or any other withholding event in respect of the units, the Company (or a Subsidiary) shall be entitled to require a cash payment

by you or on your behalf and/or to deduct from other compensation payable to you any sums required by federal, state or local tax law to be withheld with respect to such distribution or payment.

Restrictions on Resale

You agree not to sell any shares at a time when Applicable Law, Company policies or an agreement between the Company and its underwriters prohibit a sale. This restriction will apply as long as your Service continues and for such period of time after the termination of your Service as the Company may specify.

No Retention Rights

Your award or this Agreement does not give you the right to be retained by the Company or a subsidiary of the Company in any capacity. The Company and its subsidiaries reserve the right to terminate your Service at any time, with or without cause.

Adjustments

In the event of a stock split, a stock dividend or a similar change in Company stock, the number of your units will be adjusted accordingly, pursuant to the Plan.

Beneficiary Designation

You may dispose of your units in a written beneficiary designation. A beneficiary designation must be filed with the Company on the proper form. It will be recognized only if it has been received at the Company's headquarters before your death. If you file no beneficiary designation or if none of your designated beneficiaries survives you, then your estate will receive any vested units that you hold at the time of your death.

Governing Law

This Agreement will be interpreted and enforced under the laws of the State of California (without regard to its choice-of-law provisions).

The Plan and Other Agreements

The text of the Plan is incorporated in this Agreement by reference. Capitalized terms not otherwise defined herein have the meanings given to them in the Plan document.

This Agreement and the Plan constitute the entire understanding between you and the Company regarding this award. Any prior agreements, commitments or negotiations concerning this award are superseded. This Agreement may be amended only by another written agreement between the parties.

By signing the cover sheet of this Agreement, you agree to all of the terms and conditions described above and in the Plan

OVERLAND STORAGE, INC.

2003 EQUITY INCENTIVE PLAN

**(AS ORIGINALLY ADOPTED EFFECTIVE NOVEMBER 17, 2003
AND AMENDED AND RESTATED EFFECTIVE NOVEMBER 13, 2007)**

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2003 Equity Incentive Plan

ARTICLE 1 INTRODUCTION.

The Board originally adopted the Plan effective as of the Effective Date. The purpose of the Plan is to promote the long-term success of the Company and the creation of shareholder value by (a) encouraging Employees, Outside Directors and Consultants to focus on critical long-range objectives, (b) encouraging the attraction and retention of Employees, Outside Directors and Consultants with exceptional qualifications and (c) linking Employees, Outside Directors and Consultants directly to shareholder interests through increased stock ownership. The Plan seeks to achieve this purpose by providing for Awards in the form of Restricted Shares, Stock Units, Options (which may constitute incentive stock options or nonstatutory stock options) or stock appreciation rights.

The Plan was previously amended effective as of November 15, 2004. The Board adopted this amended and restated Plan on September 22, 2007 conditioned on and subject to shareholder approval, and it was approved by the Company's shareholders on November 13, 2007 (the "2007 Restatement Date").

The Plan shall be governed by, and construed in accordance with, the laws of the State of California (except its choice-of-law provisions).

ARTICLE 2 ADMINISTRATION.

2.1 Committee Composition. The Committee shall administer the Plan. The Committee shall consist exclusively of two or more Directors of the Company, who shall be appointed by the Board. In addition, the composition of the Committee shall satisfy:

(a) Such requirements as the Securities and Exchange Commission may establish for administrators acting under plans intended to qualify for exemption under Rule 16b-3 (or its successor) under the Exchange Act; and

(b) Such requirements as the Internal Revenue Service may establish for outside directors acting under plans intended to qualify for exemption under section 162(m)(4)(C) of the Code.

2.2 Committee Authority. Subject to the specific provisions and limitations of the Plan, and Applicable Law, the Committee shall have the authority and power to (a) select the Employees, Outside Directors and Consultants who are to receive Awards under the Plan, (b) determine the type, number, vesting requirements, performance conditions (if any) and their degree of satisfaction, and other features and conditions of such Awards, (c) correct any defect, supply any omission, and reconcile any inconsistency in the Plan or any Award agreement, (d) accelerate the vesting, or extend the post-termination exercise term, or waive restrictions, of Awards at any time and under such terms and conditions as it deems appropriate, (e) interpret the Plan and any Award agreements, and (f) make all other decisions relating to the operation of the Plan. The Committee may adopt such rules or guidelines as it deems appropriate to implement the Plan.

2.3 Committee for Non-Officer Grants. The Board may also appoint a secondary committee of the Board, which shall be composed of two or more Directors of the Company who need not satisfy the requirements of Section 2.1. Such secondary committee may administer the Plan with respect to Employees and Consultants who are not Officers or Directors of the Company, may grant Awards under the Plan to such Employees and Consultants and may determine all features and conditions of such Awards. Within the limitations of this Section 2.3, any reference in the Plan to the Committee shall include such secondary committee.

2.4 Scope of Discretion. On all matters for which the Plan confers the authority, right or power on the Board, the Committee, or a secondary committee to make decisions, that body may make those decisions in its sole and absolute discretion. Those decisions will be final, binding and conclusive. In making its decisions, the Board, Committee or secondary committee need not treat all persons eligible to receive Awards, all Participants, or all Awards the same way. Notwithstanding anything herein to the contrary, and except as provided in Section 17.2, the discretion of the Board, Committee or secondary committee is subject to the specific provisions and specific limitations of the Plan, as well as all rights conferred on specific Participants by Award agreements and other agreements entered into pursuant to the Plan.

2.5 Rules of Interpretation. Any reference to a "Section" or "Article," without more, is to a Section or Article of the Plan. Captions and titles are used for convenience in the Plan and shall not, by themselves, determine the meaning of the Plan. Except when otherwise indicated by the context, the singular includes the plural and vice versa. Any reference to a statute is also a reference to the applicable rules and regulations adopted under that statute. Any reference to a statute, rule or regulation, or to a section of a statute, rule or regulation, is a reference to that statute, rule, regulation, or section as amended from time to time, both before and after the Effective Date and including any successor provisions.

2.6 Unfunded Plan. The Plan shall be unfunded. Although bookkeeping accounts may be established with respect to Participants, any such accounts will be used merely as a convenience. The Company shall not be required to segregate any assets on account of the Plan, the grant of Awards, or the issuance of Common Shares. The Company and the Committee shall not be deemed to be a trustee of stock or cash to be awarded under the Plan. Any obligations of the Company to any Participant shall be based solely upon contracts entered into under the Plan. No such obligations shall be deemed to be secured by any pledge or other encumbrance on any assets of the Company. Neither the Company nor the Committee shall be required to give any security or bond for the performance of any such obligations.

2.7 Limitation of Liability. The Company (or members of the Board, Committee or secondary committee) shall not be liable to a Participant or other persons as to: (i) the non-issuance or sale of Common Shares as to which the Company has been unable to obtain from any regulatory body having jurisdiction the authority deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Common Shares hereunder; and (ii) any unexpected or adverse tax consequence realized by any Participant or other person due to the grant, receipt, exercise or settlement of any Award granted hereunder.

2.8 Electronic Communications. Subject to compliance with Applicable Law and/or regulations, an Award agreement or other documentation or notices relating to the Plan and/or Awards may be communicated to Participants by electronic media.

ARTICLE 3 SHARES AVAILABLE FOR GRANTS.

3.1 Basic Limitation. Common Shares issued pursuant to the Plan shall be authorized but unissued shares. The number of Common Shares reserved for issuance over the term of the Plan shall not exceed 5,559,527 Common Shares. Such reserve shall consist of (i) the number of Common Shares available for issuance, as of the Effective Date, under the Prior Plans, plus (ii) those Common Shares issued under the Prior Plans that are forfeited or repurchased at original cost by the Company after the Effective Date, or that are issuable upon exercise of options granted pursuant to the Prior Plans that expire or become unexercisable for any reason without having been exercised in full after the Effective Date other than Prior Plan options cancelled pursuant to Section 3.4, plus (iii) an additional increase of 400,000 Common Shares approved by the Company's shareholders on the Effective Date plus (iv) an additional increase of 1,000,000 Common Shares approved by the Company's shareholders on November 15, 2004, plus (v) an additional increase of 1,300,000 Common Shares approved by the Company's shareholders on or about November 13, 2007, minus the number of Common Shares corresponding to those Options cancelled pursuant to Section 3.4 that were originally issued under the Plan. Subject to Section 3.3, any Common Shares to which Options or SARs pertain shall be counted against the reserve as one (1) Common Share for every one (1) Common Share subject to such Awards. Subject to Section 3.3 and Article 13, any Common Shares to which Restricted Shares or Stock Units pertain shall be counted against the reserve as two (2) Common Shares for every one (1) Common Share subject to such Awards. The maximum aggregate number of Common Shares that may be issued under the Plan through ISOs is 5,559,527. The limitations of this Section 3.1 shall be subject to

adjustment pursuant to Article 11. The number of Common Shares that are subject to Awards outstanding at any time under the Plan shall not exceed the number of Common Shares which then remain available for issuance under the Plan. The Company, during the term of the Plan, shall at all times reserve and keep available sufficient shares to satisfy the requirements of the Plan.

3.2 Dividend Equivalents. Any dividend equivalents paid or credited under the Plan shall not be applied against the number of Common Shares available for Awards.

3.3 Additional Shares. If Common Shares issued upon the exercise of Options are forfeited, then such Common Shares shall again become available for Awards under the Plan. If Restricted Shares are forfeited, then such Common Shares (multiplied by 2) shall again become available for Awards under the Plan. Except as otherwise set forth in Section 3.4, if Options or SARs are forfeited or terminate for any other reason before being exercised, then the corresponding Common Shares shall again become available for Awards under the Plan. Subject to Article 13, if Stock Units are forfeited or terminate for any other reason before being exercised, then the corresponding Common Shares (multiplied by 2 to the extent the reserve under Section 3.1 was depleted on a 2-for-1 basis with respect to such Stock Units) shall again become available for Awards under the Plan. Subject to Article 13, if Stock Units are settled, then only the number of Common Shares (if any) actually issued in settlement of such Stock Units (multiplied by 2 to the extent the reserve under Section 3.1 was depleted on a 2-for-1 basis with respect to such Stock Units) shall reduce the number available under Section 3.1 and the balance shall again become available for Awards under the Plan. If SARs are exercised, then only the number of Common Shares (if any) actually issued in settlement of such SARs shall reduce the number available under Section 3.1 and the balance shall again become available for Awards under the Plan. The foregoing notwithstanding, the aggregate number of Common Shares that may be issued under the Plan upon the exercise of ISOs shall not be increased when Restricted Shares or other Common Shares are forfeited. The provisions of this Section 3.3 shall be subject to adjustment pursuant to Article 11.

3.4 Cancellation of Certain Options. If the Company's shareholders' approve this amended and restated Plan, then such approval shall also constitute the requisite Company shareholder approval required under Section 17.2 and the rules of the NASDAQ Stock Market for purposes of cancelling the Options described on Exhibit A. Any and all Common Shares underlying the Options cancelled under this Section 3.4 shall not again become available for Awards under the Plan.

ARTICLE 4 ELIGIBILITY.

4.1 Incentive Stock Options. Only Employees who are common-law employees of the Company, a Parent or a Subsidiary shall be eligible for the grant of ISOs.

4.2 Other Grants. Employees, Outside Directors and Consultants, including prospective Employees, Directors and Consultants conditioned on the beginning of their Service, shall be eligible for the grant of Restricted Shares, Stock Units, NSOs or SARs.

4.3 Section 162(m) Limitation.

(a) **Options And SARs.** Subject to the provisions of this section 4.3, for so long as the Company is a "publicly held corporation" within the meaning of Section 162(m) of the Code: (i) no Employee may be granted one or more SARs and Options within any fiscal year of the Company under the Plan to purchase more than 400,000 Common Shares under Options or to receive compensation calculated with reference to more than that number of Common Shares under SARs, subject to adjustment pursuant to Article 11. If an Option or SAR is cancelled without being exercised, that cancelled Option or SAR shall continue to be counted against the limit on Awards that may be granted to any individual under this Section 4.3.

(b) **Cash Awards And Stock Awards.** Any Award intended as "qualified performance-based compensation" within the meaning of section 162(m) of the Code must vest or become exercisable contingent on the achievement of one or more Objectively Determinable Performance Conditions. The

Committee shall have the discretion to determine the time and manner of compliance with section 162(m) of the Code.

ARTICLE 5 OPTIONS.

5.1 **Stock Option Agreement.** Each grant of an Option under the Plan shall be evidenced by a Stock Option Agreement between the Optionee and the Company. Such Option shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The Stock Option Agreement shall specify whether the Option is an ISO or an NSO. The provisions of the various Stock Option Agreements entered into under the Plan need not be identical. Options may be granted in consideration of a reduction in the Optionee's other compensation.

5.2 **Number of Shares.** Each Stock Option Agreement shall specify the number of Common Shares subject to the Option and shall provide for the adjustment of such number in accordance with Article 11.

5.3 **Exercise Price.** Each Stock Option Agreement shall specify the Exercise Price; provided that the Exercise Price under an Option shall in no event be less than 100% of the Fair Market Value of a Common Share on the date of grant (and shall not be less than 110% of the Fair Market Value for an ISO granted to a Ten Percent Shareholder).

5.4 **Exercisability and Term.** Each Stock Option Agreement shall specify the date or event when all or any installment of the Option is to become exercisable. The Stock Option Agreement shall also specify the term of the Option; provided that the term of an ISO shall in no event exceed 10 years from the date of grant (and shall not exceed 5 years from the date of grant for a Ten Percent Shareholder). Notwithstanding any provision in the Plan or any Award agreement to the contrary, the maximum term of an Option (including ISOs and those Options awarded under Article 7) granted on or after the 2007 Restatement Date shall not exceed 6 years from the date of grant. If an Optionee changes status from an Employee to a Consultant or Outside Director, that Optionee's ISOs become NSOs if not exercised within the three-month period beginning with the Optionee's termination of Service as an Employee for any reason other than the Optionee's death or disability (as defined in Section 22(e) of the Code). An ISO shall be treated as an NSO if it remains exercisable after, and is not exercised within, the three-month period described above. If an Optionee's Service terminates due to disability, any ISO held by such Optionee shall be treated as an NSO if it remains exercisable after, and is not exercised within, one year after termination of the Optionee's Service. A Stock Option Agreement may provide for accelerated exercisability in the event of the Optionee's death, disability or retirement or other events and may provide for expiration prior to the end of its term in the event of the termination of the Optionee's Service. Options may be awarded in combination with SARs, and such an Award may provide that the Options will not be exercisable unless the related SARs are forfeited. No Option granted to an individual who is subject to the overtime pay provisions of the Fair Labor Standards Act may be exercised before the expiration of six months after the Grant Date.

5.5 **Effect of Change in Control.** The Committee may determine, at the time of granting an Option or thereafter, that such Option shall become exercisable as to all or part of the Common Shares subject to such Option in the event that a Change in Control occurs with respect to the Company or in the event that the Optionee is subject to an Involuntary Termination after a Change in Control. In addition, acceleration of exercisability may be required under Section 11.3.

5.6 **Nonassignability of Options.** Except as determined by the Committee, no Option shall be assignable or otherwise transferable by the Participant except by will or by the laws of descent and distribution. However, Options may be transferred and exercised in accordance with a Domestic Relations Order and may be exercised by a guardian or conservator appointed to act for the Participant. No rights under an ISO may be transferred by the Participant, other than to a trust where under section 671 of the Code and other Applicable Law the Participant is considered the sole beneficial owner of the Option while it is held in trust, or by will or the laws of descent and distribution. The Company's compliance with a Domestic Relations Order, or the exercise of an ISO by a guardian or conservator appointed to act for the Participant, shall not violate this Section 5.6.

5.7 **Substitute Options.** The Board may cause the Company to grant Substitute Options in connection with the acquisition by the Company or a Parent, Subsidiary or Affiliate of equity securities of any entity

(including by merger, tender offer, or other similar transaction) or of all or a portion of the assets of any entity. Any such substitution shall be effective on the effective date of the acquisition. Substitute Options may be NSOs or ISOs. Unless and to the extent specified otherwise by the Board, Substitute Options shall have the same terms and conditions as the options they replace, except that (subject to the provisions of Article 11) Substitute Options shall be Options to purchase Common Shares rather than equity securities of the granting entity and shall have an Exercise Price adjusted appropriately, as determined by the Board.

5.8 Limitation on ISOs. Options intended to be ISOs that are granted to any single Optionee under all incentive stock option plans of the Company and its Parents or Subsidiaries, including ISOs granted under the Plan, may not vest at a rate of more than \$100,000 in Fair Market Value of stock (measured on the grant dates of the options) during any calendar year. For this purpose, an Option vests with respect to a given Common Share the first time its holder may purchase that Common Share, notwithstanding any right of the Company to repurchase that Common Share. Unless the administrator of that option plan specifies otherwise in the related agreement governing the option, this vesting limitation shall be applied by, to the extent necessary to satisfy this \$100,000 rule, treating certain stock options that were intended to be ISOs as NSOs. The stock options or portions of stock options to be reclassified as NSOs are those with the highest option prices, whether granted under the Plan or any other equity compensation plan of the Company or any Parent, Subsidiary or Affiliate that permits that treatment. This Section 5.8 shall not cause an ISO to vest before its original vesting date or cause an ISO that has already vested to cease to be vested.

ARTICLE 6 PAYMENT FOR OPTION SHARES.

6.1 General Rule. The entire Exercise Price of Common Shares issued upon exercise of Options shall be payable in cash or cash equivalents denominated in U.S. dollars (except as specified by the Committee for non-U.S. Employees or non-U.S. sub-plans) at the time when such Common Shares are purchased, except as follows:

(a) In the case of an ISO granted under the Plan, payment shall be made only pursuant to the express provisions of the applicable Stock Option Agreement. The Stock Option Agreement may specify that payment may be made in any form(s) described in this Article 6.

(b) In the case of an NSO, the Committee may at any time accept payment in any form(s) described in this Article 6.

6.2 Exercise/Sale. To the extent that this Section 6.2 is applicable, all or any part of the Exercise Price and any withholding taxes may be paid by delivering (on a form prescribed by the Company) an irrevocable direction to a securities broker approved by the Company to sell all or part of the Common Shares being purchased under the Plan and to deliver all or part of the sales proceeds to the Company; provided that to the extent the Company would be deemed to extend or arrange for the extension of credit in the form of a personal loan to an Optionee under the foregoing procedure, no Officer or Director may use the foregoing procedure to pay the Exercise Price.

6.3 Other Forms of Payment. To the extent that this Section 6.3 is applicable, all or any part of the Exercise Price and any withholding taxes may be paid in any other form that is consistent with Applicable Law, regulations and rules.

ARTICLE 7 AUTOMATIC OPTION GRANTS TO OUTSIDE DIRECTORS.

7.1 Annual Grants. Upon the conclusion of each regular annual meeting of the Company's shareholders held in the year 2003 or thereafter, each Outside Director who will continue serving as a member of the Board thereafter shall receive an NSO covering 18,000 Common Shares, except that such NSO shall not be granted in a calendar year in which the same Outside Director holds a nonqualified stock option issued with respect to Board Service under a Prior Plan which is not fully vested upon the date of such annual meeting. NSOs granted under this Section 7.1 shall become exercisable in twelve (12) equal monthly installments over the twelve-month period commencing on the first monthly anniversary of the date of grant, with the last vesting date being the first annual

anniversary of the date of grant, subject to continuing Service. An Outside Director who previously was an Employee shall be eligible to receive grants under this Section 7.1.

7.2 Initial Grants. Each Outside Director who first becomes a member of the Board after the Effective Date shall receive a one-time grant of an NSO covering the number of Common Shares determined by multiplying 1,500 by the whole number of months remaining until the next regular annual meeting of the Company's shareholders, giving credit for any partial month. Such NSO shall be granted on the date when such Outside Director first joins the Board and shall become exercisable in equal monthly installments commencing on the first monthly anniversary of the date of grant and ending on the date of such next annual meeting, with the last vesting date being the date of such next annual meeting, subject to continuing Service. An Outside Director who previously was an Employee shall be eligible to receive a grant under this Section 7.2.

7.3 Replenishment Grants. Each Outside Director who currently holds any nonqualified stock option issued with respect to Board Service under a Prior Plan which was not fully vested upon the date of a regular annual meeting of the Company's shareholders held in the year 2003 or thereafter, shall upon the date that all such nonqualified options become fully vested, receive a one-time grant of an NSO covering the number of Common Shares determined by multiplying 1,500 by the whole number of months remaining until the next regular annual meeting of the Company's shareholders, giving credit for any partial month. Such NSO shall become exercisable in equal monthly installments commencing on the first monthly anniversary of the date of grant and ending on the date of such next annual meeting, with the last vesting date being the date of such next annual meeting, subject to continuing Service. An Outside Director who previously was an Employee shall be eligible to receive a grant under this Section 7.3.

7.4 Accelerated Exercisability. All NSOs granted to an Outside Director under this Article 7 shall also become exercisable in full in the event that:

- (a) Such Outside Director's Service terminates because of death or total and permanent disability; or
- (b) The Company is subject to a Change in Control before such Outside Director's Service terminates.

Acceleration of exercisability may also be required by Section 11.3.

7.5 Exercise Price. The Exercise Price under all NSOs granted to an Outside Director under this Article 7 shall be equal to 100% of the Fair Market Value of a Common Share on the date of grant, payable in one of the forms described in Sections 6.1, 6.2 and 6.3.

7.6 Term. All NSOs granted to an Outside Director under this Article 7 shall terminate on the earliest of (a) the 10th anniversary of the date of grant for NSOs granted prior to the 2007 Restatement Date, and the 6th anniversary for NSOs granted on or after the 2007 Restatement Date, (b) the date three (3) months after the termination of such Outside Director's Service for any reason other than death or total and permanent disability or (c) the date twelve (12) months after the termination of such Outside Director's Service because of death or total and permanent disability.

ARTICLE 8 STOCK APPRECIATION RIGHTS.

8.1 SAR Agreement. Each grant of an SAR under the Plan shall be evidenced by an SAR Agreement between the Optionee and the Company. Such SAR shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The provisions of the various SAR Agreements entered into under the Plan need not be identical. SARs may be granted in consideration of a reduction in the Optionee's other compensation.

8.2 Number of Shares. Each SAR Agreement shall specify the number of Common Shares to which the SAR pertains and shall provide for the adjustment of such number in accordance with Article 11.

8.3 Exercise Price. Each SAR Agreement shall specify the Exercise Price. An SAR Agreement may specify an Exercise Price that varies in accordance with a predetermined formula while the SAR is outstanding.

8.4 Exercisability and Term. Each SAR Agreement shall specify the date when all or any installment of the SAR is to become exercisable. The SAR Agreement shall also specify the term of the SAR. Notwithstanding any provision in the Plan or any Award agreement to the contrary, the maximum term of a SAR granted on or after the 2007 Restatement Date shall not exceed 6 years from the date of grant. The grant or vesting of an SAR may be made contingent on the achievement of performance conditions. An SAR Agreement may provide for accelerated exercisability in the event of the Optionee's death, disability or retirement or other events and may provide for expiration prior to the end of its term in the event of the termination of the Optionee's Service. SARs may be awarded in combination with Options, and such an Award may provide that the SARs will not be exercisable unless the related Options are forfeited. An SAR may be included in an ISO only at the time of grant but may be included in an NSO at the time of grant or thereafter. An SAR granted under the Plan may provide that it will be exercisable only in the event of a Change in Control.

8.5 Effect of Change in Control. The Committee may determine, at the time of granting an SAR or thereafter, that such SAR shall become fully exercisable as to all Common Shares subject to such SAR in the event that the Company is subject to a Change in Control or in the event that the Optionee is subject to an Involuntary Termination after a Change in Control. In addition, acceleration of exercisability may be required under Section 11.3.

8.6 Exercise of SARs. Upon exercise of an SAR, the Optionee (or any person having the right to exercise the SAR after his or her death) shall receive from the Company (a) Common Shares, (b) cash or (c) a combination of Common Shares and cash, as the Committee shall determine, over the period or periods set forth in the SAR Agreement. An SAR Agreement may place limits on the amount that may be paid over any specified period or periods upon the exercise of an SAR, on an aggregate basis or as to any Participant. The amount of cash and/or the Fair Market Value of Common Shares received upon exercise of SARs shall, in the aggregate, be equal to the amount by which the Fair Market Value (on the date of surrender) of the Common Shares subject to the SARs exceeds the Exercise Price. If, on the date when an SAR expires, the Exercise Price under such SAR is less than the Fair Market Value on such date but any portion of such SAR has not been exercised or surrendered, then such SAR shall automatically be deemed to be exercised as of such date with respect to such portion.

8.7 Nonassignability of SARs. Except as determined by the Committee, no SAR shall be assignable or otherwise transferable by the Participant except by will or by the laws of descent and distribution. However, SARs may be transferred and exercised in accordance with a Domestic Relations Order and may be exercised by a guardian or conservator appointed to act for the Participant.

8.8 Substitute SARs. The Board may cause the Company to grant Substitute SARs in connection with the acquisition by the Company or a Parent, Subsidiary or Affiliate of equity securities of any entity (including by merger, tender offer, or other similar transaction) or of all or a portion of the assets of any entity. Any such substitution shall be effective on the effective date of the acquisition. Unless and to the extent specified otherwise by the Board, Substitute SARs shall have the same terms and conditions as the SARs they replace, except that (subject to the provisions of Article 11) Substitute SARs shall be exercisable with respect to the Fair Market Value of Common Shares rather than equity securities of the granting entity and shall be on terms that, as determined by the Board in its sole and absolute discretion, properly reflect that substitution.

ARTICLE 9 RESTRICTED SHARES.

9.1 Restricted Stock Agreement. Each grant of Restricted Shares under the Plan shall be evidenced by a Restricted Stock Agreement between the recipient and the Company. Such Restricted Shares shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The provisions of the various Restricted Stock Agreements entered into under the Plan need not be identical.

9.2 Payment for Awards. Subject to the following sentence, Restricted Shares may be sold or awarded under the Plan for such consideration as the Committee may determine, including (without limitation)

cash, cash equivalents, labor done, services actually rendered to the Company or for its benefit or in its reorganization, debts or securities cancelled, tangible or intangible property actually received either by the Company or a wholly-owned subsidiary, and promissory notes (provided the recipient is an Employee who is not a Director or Officer at the time of grant). All cash and cash equivalents shall be dominated in U.S. dollars except as specified by the Committee for non-U.S. Employees or non-U.S. sub-plans.

9.3 Vesting Conditions. Each Award of Restricted Shares may or may not be subject to vesting. Vesting shall occur, in full or in installments, upon satisfaction of the conditions specified in the Restricted Stock Agreement. The Committee may include among such conditions the achievement of Objectively Determinable Performance Conditions. In no event shall the number of Restricted Shares which are subject to performance-based vesting conditions and which are granted to any one Participant in any single fiscal year of the Company exceed 100,000, subject to adjustment in accordance with Article 11. A Restricted Stock Agreement may provide for accelerated vesting in the event of the Participant's death, disability or retirement or other events. The Committee may determine, at the time of granting Restricted Shares or thereafter, that all or part of such Restricted Shares shall become vested in the event that a Change in Control occurs with respect to the Company or in the event that the Participant is subject to an Involuntary Termination after a Change in Control.

9.4 Voting and Dividend Rights. The holders of Restricted Shares awarded under the Plan shall have the same voting, dividend and other rights as the Company's other shareholders. A Restricted Stock Agreement, however, may require that the holders of Restricted Shares invest any cash dividends received in additional Restricted Shares. Such additional Restricted Shares shall be subject to the same conditions and restrictions as the Award with respect to which the dividends were paid.

9.5 Nonassignability of Restricted Shares. Except as determined by the Committee, no Restricted Shares shall be assignable or otherwise transferable by the Participant except by will or by the laws of descent and distribution until such time as the Restricted Shares have vested. Notwithstanding anything to the contrary herein, Restricted Shares may be transferred and exercised in accordance with a Domestic Relations Order.

9.6 Substitute Restricted Shares. The Board may cause the Company to grant Substitute Restricted Shares in connection with the acquisition by the Company or a Parent, Subsidiary or Affiliate of equity securities of any entity (including by merger) or all or a portion of the assets of any entity. Unless and to the extent specified otherwise by the Board, Substitute Restricted Shares shall have the same terms and conditions as the restricted shares they replace, except that (subject to the provisions of Article 11) Substitute Restricted Shares shall be Common Shares rather than equity securities of the granting entity and shall be on terms that, as determined by the Board in its sole and absolute discretion, properly reflect the substitution. Any such Substituted Restricted Shares shall be granted effective on the effective date of the acquisition.

ARTICLE 10 STOCK UNITS.

10.1 Stock Unit Agreement. Each grant of Stock Units under the Plan shall be evidenced by a Stock Unit Agreement between the recipient and the Company. Such Stock Units shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The provisions of the various Stock Unit Agreements entered into under the Plan need not be identical. Stock Units may be granted in consideration of a reduction in the recipient's other compensation.

10.2 Payment for Awards. To the extent that an Award is granted in the form of Stock Units, no cash consideration shall be required of the Award recipients.

10.3 Vesting Conditions. Each Award of Stock Units may or may not be subject to vesting. Vesting shall occur, in full or in installments, upon satisfaction of the conditions specified in the Stock Unit Agreement. The Committee may include among such conditions the achievement of Objectively Determinable Performance Conditions. In no event shall the number of Stock Units which are subject to performance-based vesting conditions and which are granted to any one Participant in any single fiscal year of the Company exceed 100,000, subject to adjustment in accordance with Article 11. A Stock Unit Agreement may provide for accelerated vesting in the event of the Participant's death, disability or retirement or other events. The Committee may determine, at the time of granting Stock Units or thereafter, that all or part of such Stock Units shall become vested

in the event that the Company is subject to a Change in Control or in the event that the Participant is subject to an Involuntary Termination after a Change in Control. In addition, acceleration of vesting may be required under Section 11.3.

10.4 Voting and Dividend Rights. The holders of Stock Units shall have no voting rights. Prior to settlement or forfeiture, any Stock Unit awarded under the Plan may, at the Committee's discretion, carry with it a right to dividend equivalents. Such right entitles the holder to be credited with an amount equal to all cash dividends paid on one Common Share while the Stock Unit is outstanding. Dividend equivalents may be converted into additional Stock Units. Settlement of dividend equivalents may be made in the form of cash, in the form of Common Shares, or in a combination of both, as determined by the Committee. Prior to distribution, any dividend equivalents that are not paid shall be subject to the same conditions and restrictions as the Stock Units to which they attach.

10.5 Form and Time of Settlement of Stock Units. Settlement of vested Stock Units may be made in the form of (a) cash, (b) Common Shares or (c) any combination of both, as determined by the Committee, over the period or periods established by the Committee. A Stock Units Award may place limits on the amount that may be paid over any specified period or periods, on an aggregate basis or as to any Participant. The actual number of Stock Units eligible for settlement may be larger or smaller than the number included in the original Award, based on performance criteria. Methods of converting Stock Units into cash may include (without limitation) a method based on the average Fair Market Value of Common Shares over a series of trading days. Distribution on settlement may occur or commence when all vesting conditions applicable to the Stock Units have been satisfied or have lapsed, or it may be deferred to any later date. The amount of a deferred distribution may be increased by an interest factor or by dividend equivalents. Until an Award of Stock Units is settled, the number of such Stock Units shall be subject to adjustment pursuant to Article 11.

10.6 Death of Recipient. Any Stock Units Award that becomes payable after the recipient's death shall be distributed to the recipient's beneficiary or beneficiaries. Each recipient of a Stock Units Award under the Plan shall designate one or more beneficiaries for this purpose by filing the prescribed form with the Company. A beneficiary designation may be changed by filing the prescribed form with the Company at any time before the Award recipient's death. If no beneficiary was designated or if no designated beneficiary survives the Award recipient, then any Stock Units Award that becomes payable after the recipient's death shall be distributed to the recipient's estate.

10.7 Creditors' Rights. A holder of Stock Units shall have no rights other than those of a general creditor of the Company. Stock Units represent an unfunded and unsecured obligation of the Company, subject to the terms and conditions of the applicable Stock Unit Agreement.

10.8 Nonassignability of Stock Units. Except as determined by the Committee, no Stock Units Award shall be assignable or otherwise transferable by the Participant except by will or by the laws of descent and distribution. Notwithstanding anything to the contrary herein, Stock Units Awards may be transferred and exercised in accordance with a Domestic Relations Order.

10.9 Substitute Stock Units. The Board may cause the Company to grant Substitute Stock Units in connection with the acquisition by the Company or a Parent, Subsidiary or Affiliate of equity securities of any entity (including by merger) or all or a portion of the assets of any entity. Unless and to the extent specified otherwise by the Board, Substitute Stock Units shall have the same terms and conditions as the stock units they replace, except that (subject to the provisions of Article 11) Substitute Stock Units shall be settled with respect to the Fair Market Value of the Common Shares rather than equity securities of the granting entity and shall be on terms that, as determined by the Board in its sole and absolute discretion, properly reflect the substitution.

ARTICLE 11 PROTECTION AGAINST DILUTION.

11.1 Adjustments. In the event of a subdivision of the outstanding Common Shares, a declaration of a dividend payable in Common Shares or a combination or consolidation of the outstanding Common Shares (by reclassification or otherwise) into a lesser number of Common Shares, corresponding proportionate adjustments shall automatically be made in each of the following:

- (a) The number of Common Shares reserved for issuance over the term of the Plan as set forth under Section 3.1, and the number of Common Shares underlying the Stock Options cancelled pursuant to Section 3.4 and not returning to the Plan;
- (b) The number of Options, SARs, Restricted Shares and Stock Units available for future Awards under Article 3;
- (c) The number of Common Shares covered by automatic grants pursuant to Sections 7.1, 7.2 and 7.3;
- (d) The limitations set forth in Sections 4.3(a), 9.3 and 10.3;
- (e) The number of Common Shares covered by each outstanding Option and SAR;
- (f) The Exercise Price under each outstanding Option and SAR; or
- (g) The number of Stock Units included in any prior Award that has not yet been settled.

In the event of a declaration of an extraordinary dividend payable in a form other than Common Shares in an amount that has a material effect on the price of Common Shares, a recapitalization, a spin-off or a similar occurrence, the Committee shall make such proportionate adjustments as it, in its sole discretion, deems appropriate in one or more of the foregoing. Except as provided in this Article 11, a Participant shall have no rights by reason of any issuance by the Company of stock of any class or securities convertible into stock of any class, any subdivision or consolidation of shares of stock of any class, the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class. Any adjustment of Common Shares pursuant to this Section 11.1 shall be rounded down to the nearest whole number of Common Shares. Under no circumstances shall the Company be required to authorize or issue fractional shares and no consideration shall be provided as a result of any fractional shares not being issued or authorized.

11.2 Dissolution or Liquidation. To the extent not previously exercised or settled, Options, SARs, and Stock Units shall terminate immediately prior to the dissolution or liquidation of the Company.

11.3 Reorganizations. In the event that the Company is a party to a merger or other reorganization, outstanding Awards shall be subject to the agreement of merger or reorganization. Such agreement may provide for (a) the continuation of the outstanding Awards by the Company, if the Company is a surviving corporation, (b) the assumption of the outstanding Awards by the surviving corporation or its parent or subsidiary, (c) the substitution by the surviving corporation or its parent or subsidiary of its own awards for the outstanding Awards, (d) full exercisability or vesting and accelerated expiration of the outstanding Awards, or (e) settlement of the full value of the outstanding Awards in cash or cash equivalents followed by cancellation of such Awards. In the event of a Divestiture, the Board may, but need not, direct that one or more of the foregoing actions be taken with respect to Awards held by, for example, Employees, Outside Directors or Consultants for whom the transaction or event resulted in a termination of Service. The Board need not adopt the same rules for each Award or Participant.

ARTICLE 12 DEFERRAL OF AWARDS.

The Committee (in its sole discretion) may permit or require a Participant to:

- (a) Have cash that otherwise would be paid to such Participant as a result of the exercise of an SAR or the settlement of Stock Units credited to a deferred compensation account established for such Participant by the Committee as an entry on the Company's books;
- (b) Have Common Shares that otherwise would be delivered to such Participant as a result of the exercise of an Option or SAR converted into an equal number of Stock Units; or

(c) Have Common Shares that otherwise would be delivered to such Participant as a result of the exercise of an Option or SAR or the settlement of Stock Units converted into amounts credited to a deferred compensation account established for such Participant by the Committee as an entry on the Company's books. Such amounts shall be determined by reference to the Fair Market Value of such Common Shares as of the date when they otherwise would have been delivered to such Participant.

A deferred compensation account established under this Article 12 may be credited with interest or other forms of investment return, as determined by the Committee. A Participant for whom such an account is established shall have no rights other than those of a general creditor of the Company. Such an account shall represent an unfunded and unsecured obligation of the Company and shall be subject to the terms and conditions of the applicable agreement between such Participant and the Company. If the deferral or conversion of Awards is permitted or required, the Committee (in its sole discretion) may establish rules, procedures and forms pertaining to such Awards, including (without limitation) the settlement of deferred compensation accounts established under this Article 12.

Any and all arrangements under this Article 12 must comply with the rules and requirements of Section 409A of the Code including, without limitation, the requirements for the timing of deferral elections and the Delay In Payments to Specified Employees.

ARTICLE 13 AWARDS UNDER OTHER PLANS.

The Company may grant awards under other plans or programs. Such awards may be settled in the form of Common Shares issued under the Plan. Such Common Shares shall be treated for all purposes under the Plan like Common Shares issued in settlement of Stock Units and shall, when issued, reduce the number of Common Shares available under Article 3. Notwithstanding the foregoing, Common Shares issued pursuant to this Article 13 shall be counted against the Plan reserve as one (1) Common Share to the extent such shares are issued in respect of awards under other plans or programs that have substantially similar terms and conditions to Options or SARs granted under the Plan, including, with respect to stock options or equivalent securities, an exercise price at least equal to the fair market value of the securities for which the stock option or equivalent security is exercisable, measured at the date of grant.

ARTICLE 14 PAYMENT OF DIRECTORS' FEES IN SECURITIES.

14.1 Effective Date. No provision of this Article 14 shall be effective unless and until the Board has determined to implement such provision.

14.2 Elections to Receive NSOs, Restricted Shares or Stock Units. An Outside Director may elect to receive his or her annual retainer payments and/or meeting fees from the Company in the form of cash, NSOs, Restricted Shares or Stock Units, or a combination thereof, as determined by the Board. Such NSOs, Restricted Shares and Stock Units shall be issued under the Plan. An election under this Article 14 shall be filed with the Company on the prescribed form.

14.3 Number and Terms of NSOs, Restricted Shares or Stock Units. The number of NSOs, Restricted Shares or Stock Units to be granted to Outside Directors in lieu of annual retainers and meeting fees that would otherwise be paid in cash shall be calculated in a manner determined by the Board. The Board shall also determine the terms of such NSOs, Restricted Shares or Stock Units.

ARTICLE 15 LIMITATION ON RIGHTS.

15.1 Retention Rights. Neither the Plan nor any Award granted under the Plan shall be deemed to give any individual a right to remain an Employee, Outside Director or Consultant. The Company and its Parents, Subsidiaries and Affiliates reserve the right to terminate the Service of any Employee, Outside Director or Consultant at any time, with or without cause, subject to Applicable Law, the Company's articles of incorporation and by-laws and a written employment agreement (if any).

15.2 Shareholders' Rights. A Participant shall have no dividend rights, voting rights or other rights as a shareholder with respect to any Common Shares covered by his or her Award prior to the time when a stock certificate for such Common Shares is issued or, if applicable, the time when he or she becomes entitled to receive such Common Shares by satisfying all requirements for exercise at a time when the Company is obligated to deliver such Common Shares under the terms of the Award agreement and this Plan. No adjustment shall be made for cash dividends or other rights for which the record date is prior to such time, except as expressly provided in the Plan.

15.3 Regulatory Requirements. Any other provision of the Plan notwithstanding, the obligation of the Company to issue Common Shares under the Plan shall be subject to all Applicable Law. The Company reserves the right to restrict, in whole or in part, the delivery of Common Shares pursuant to any Award prior to the satisfaction of all Applicable Law relating to the issuance of such Common Shares, to their registration, qualification or listing or to an exemption from registration, qualification or listing.

15.4 Code Section 409A. Notwithstanding anything in the Plan to the contrary, the Plan and Awards granted hereunder are intended to comply with the requirements of Code Section 409A and shall be interpreted in a manner consistent with such intention.

ARTICLE 16 WITHHOLDING TAXES.

16.1 General. To the extent required by Applicable Law, a Participant or his or her successor shall make arrangements satisfactory to the Company for the satisfaction of any withholding tax obligations that arise in connection with the Plan. The Company shall not be required to issue any Common Shares or make any cash payment under the Plan until such obligations are satisfied.

16.2 Share Withholding. To the extent that Applicable Law subjects a Participant to tax withholding obligations, the Committee may establish procedures that may permit such Participant to satisfy all or part of such obligations by having the Company withhold all or a portion of any Common Shares that otherwise would be issued to him or her or by surrendering all or a portion of any Common Shares that he or she previously acquired. Such Common Shares shall be valued at their Fair Market Value on the date when they are withheld or surrendered.

ARTICLE 17 FUTURE OF THE PLAN.

17.1 Term of the Plan. The Plan became effective on the Effective Date. The Plan, as amended or restated from time to time, shall remain in effect until it is terminated under Section 17.2, except that no ISOs shall be granted on or after the 10th anniversary of the later of (a) the date when the Board originally adopted the Plan or (b) the date when the Board adopted the most recent increase in the number of Common Shares available under Article 3 that was approved by the Company's shareholders.

17.2 Amendment or Termination. The Board may, at any time and for any reason, amend or terminate the Plan. An amendment of the Plan shall be subject to the approval of the Company's shareholders only to the extent required by Applicable Law. No Awards shall be granted under the Plan after the termination thereof. The termination of the Plan, or any amendment thereof, shall not impair the rights of any Participant under any Award previously granted under the Plan unless the Participant consents to such amendment. The Board or the Committee may amend the terms of any existing Award, prospectively or retroactively, but no such amendment shall impair the rights of any Participant unless the Participant consents to such amendment. The Board or the Committee may not amend the terms of any Option or SAR to reduce the Exercise Price (except pursuant to Article 11), or cancel any Option or SAR and grant a new Option or SAR with a lower Exercise Price such that the effect would be the same as reducing the Exercise Price, without the approval of the Company's shareholders. Notwithstanding anything herein to the contrary, no consent of a Participant shall be required if the Board determines, in its sole and absolute discretion, that the amendment, suspension, termination, or modification: (a) is required or advisable in order for the Company, the Plan or the Award to satisfy Applicable Law, to meet the requirements of any accounting standard or to avoid any adverse accounting treatment, or (b) in connection with any transaction or event described in Article 11, is in the best interests of the Company or its shareholders. The Board may, but need not, take the tax or accounting consequences to affected Participants into consideration in acting

under the preceding sentence. Those decisions shall be final, binding and conclusive. Termination of the Plan shall not affect the Committee's ability to exercise the powers granted to it under the Plan with respect to Awards granted before the termination notwithstanding that Awards become exercisable or are to be settled after the termination.

ARTICLE 18 LIMITATION ON PAYMENTS.

18.1 **Scope of Limitation.** This Article 18 shall apply to an Award only if:

(a) The after-tax value of such Award to the Participant, taking into account the effect of all federal, state and local income taxes, employment taxes and excise taxes applicable to the Participant (including the excise tax under section 4999 of the Code), will be greater after the application of this Article 18 than it was before the application of this Article 18; or

(b) The Committee, at the time of making an Award under the Plan or at any time thereafter, specifies in writing that such Award shall be subject to this Article 18 (regardless of the after-tax value of such Award to the Participant).

If this Article 18 applies to an Award, it shall supersede any contrary provision of the Plan or of any Award granted under the Plan.

18.2 **Basic Rule.** In the event that any payment or transfer by the Company under the Plan to or for the benefit of a Participant (a "Payment") would be nondeductible by the Company for federal income tax purposes because of the provisions concerning "excess parachute payments" in section 280G of the Code, after taking into account all other "excess parachute payments," including any reductions of such payments to avoid excise taxes under section 4999 of the Code, then the aggregate present value of all Payments shall be reduced (but not below zero) to the Reduced Amount. For purposes of this Article 18, the "Reduced Amount" shall be the amount, expressed as a present value, which maximizes the aggregate present value of the Payments without causing any Payment to be nondeductible by the Company because of section 280G of the Code.

18.3 **Reduction of Payments.** If any Payment would be nondeductible by the Company because of section 280G of the Code, then the Company shall promptly give the Participant notice to that effect and a copy of the detailed calculation thereof and of the Reduced Amount, and the Participant may then elect, in his or her sole discretion, which and how much of the Payments shall be eliminated or reduced (as long as after such election the aggregate present value of the Payments equals the Reduced Amount) and shall advise the Company in writing of his or her election within 10 days of receipt of notice. If no such election is made by the Participant within such 10-day period, then the Company may elect which and how much of the Payments shall be eliminated or reduced (as long as after such election the aggregate present value of the Payments equals the Reduced Amount) and shall notify the Participant promptly of such election. For purposes of this Article 18, present value shall be determined in accordance with section 280G(d)(4) of the Code. All determinations made by the Company under this Article 18 shall be made within 60 days of the date when a Payment becomes payable or transferable and would otherwise be nondeductible to the Company. As promptly as practicable following such determination and the elections hereunder, the Company shall pay or transfer to or for the benefit of the Participant such amounts as are then due to him or her under the Plan and shall promptly pay or transfer to or for the benefit of the Participant in the future such amounts as become due to him or her under the Plan.

18.4 **Related Corporations.** For purposes of this Article 18, the term "Company" shall include affiliated corporations in accordance with section 280G(d)(5) of the Code.

ARTICLE 19 DEFINITIONS.

19.1 "**Affiliate**" means any entity other than a Subsidiary, if the Company and/or one or more Subsidiaries own not less than 50% of such entity.

19.2 "**Applicable Law**" means any and all laws of whatever jurisdiction, within or without the United States, and the rules of any stock exchange or quotation system on which Common Shares are listed or

quoted, applicable to the taking or refraining from taking of any action under the Plan, including the administration of the Plan and the issuance or transfer of Awards.

19.3 “**Award**” means any award of an Option, an SAR, a Restricted Share or a Stock Unit under the Plan.

19.4 “**Board**” means the Company’s Board of Directors, as constituted from time to time.

19.5 “**Cause**” means (a) acts or omissions constituting gross negligence, recklessness or willful misconduct with respect to the Participant’s obligations or otherwise relating to the business of the Company; (b) the Participant’s material breach of a written agreement between the Participant and the Company (or a Parent, Subsidiary or Affiliate); (c) conviction or entry of a plea of nolo contendere for fraud, misappropriation or embezzlement, or any felony or crime of moral turpitude; (d) dishonesty or involvement in any conduct that adversely affects the Company’s name or public image or is otherwise detrimental to the Company’s business interests; (e) willful neglect of duties; or (f) unauthorized use or disclosure of the confidential information or trade secrets of the Company, which use or disclosure causes material harm to the Company. The foregoing, however, shall not be deemed an exclusive list of all acts or omissions that the Company (or the Parent, Subsidiary or Affiliate employing the Participant) may consider as grounds for the discharge of the Participant without Cause. The Committee shall be entitled to determine “Cause” based on the Committee’s good faith belief.

19.6 “**Change in Control**” means:

(a) The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if persons who were not shareholders of the Company immediately prior to such merger, consolidation or other reorganization own immediately after such merger, consolidation or other reorganization 50% or more of the voting power of the outstanding securities of each of (i) the continuing or surviving entity and (ii) any direct or indirect parent corporation of such continuing or surviving entity;

(b) The sale, transfer or other disposition of all or substantially all of the Company’s assets;

(c) A change in the composition of the Board over a period of thirty-six (36) months or less such that a majority of the Board members (rounded up to the next whole number) ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who are Continuing Directors;

(d) Any transaction as a result of which the direct or indirect acquisition by any person or related group of persons (other than an acquisition from or by the Company or by a Company-sponsored employee benefit plan or by a person that directly or indirectly controls, is controlled by, or is under common control with, the Company) of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company’s outstanding securities pursuant to a tender or exchange offer made directly to the Company’s shareholders which a majority of the Continuing Directors who are not affiliated with the offeror do not recommend such shareholders accept; or

(e) A Divestiture; provided that a Divestiture shall be a Change in Control only to the extent that the Board determines that such Divestiture constitutes a Change in Control, and then only for those Participants for whom the Board has expressly resolved that such Divestiture constitutes a Change in Control for such Participants. In making such determination, the Board need not adopt the same rules for each Award or Participant.

A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company’s incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company’s securities immediately before such transaction. The Committee shall determine whether an event shall be treated as a Change of Control.

19.7 “**Code**” means the Internal Revenue Code of 1986, as amended.

19.8 “**Committee**” means a committee of the Board, as described in Article 2.

19.9 “**Common Share**” means one share of the common stock of the Company.

19.10 “**Company**” means Overland Storage, Inc., a California corporation.

19.11 “**Consultant**” means a consultant or adviser who provides bona fide services to the Company, a Parent, a Subsidiary or an Affiliate as an independent contractor.

19.12 “**Continuing Directors**” means members of the Board who either (i) have been Board members continuously for a period of at least thirty-six (36) months or (ii) have been Board members for less than thirty-six (36) months and were elected or nominated for election as Board members by at least a majority of the Board members described in clause (i) who were still in office at the time such election or nomination was approved by the Board.

19.13 “**Delay In Payments to Specified Employees**” means if a Participant is a “specified employee” (as defined under Code Section 409A) on separation from service, to the extent any Award or arrangement needs to comply with Code Section 409A, then certain payments may be delayed and not be paid during the first six months following the separation from service but will instead be paid on the earlier of the first business day of the 7th month following the separation from service, or the Participant’s death.

19.14 “**Divestiture**” means a transaction or event where the Company or a Parent, Subsidiary or Affiliate sells or otherwise transfers its equity securities to a person or entity other than the Company or a Parent, Subsidiary or Affiliate, or leases, exchanges or transfers all or any portion of its assets to such a person or entity, where the Board specifies that such transaction or event constitutes a “Divestiture.”

19.15 “**Domestic Relations Order**” means a “domestic relations order” as defined in, and otherwise meeting the requirements of, section 414(p) of the Code, except that reference to a “plan” in that definition shall be to the Plan.

19.16 “**Director**” means a member of the Board of Directors of the Company.

19.17 “**Effective Date**” means the earliest date on which the Plan has been adopted by the Board and approved by the Company’s shareholders.

19.18 “**Employee**” means a common law employee of the Company, a Parent, a Subsidiary or an Affiliate. Notwithstanding the foregoing, individuals who are classified by the Company or a Parent, Subsidiary or Affiliate as (i) leased from or otherwise employed by a third party, (ii) independent contractors, or (iii) intermittent or temporary workers, shall not be deemed Employees. The Company’s or a Parent’s, Subsidiary’s or Affiliate’s classification of an individual as an “Employee” (or as not an “Employee”) for purposes of the Plan shall not be altered retroactively even if that classification is changed retroactively for another purpose as a result of an audit, litigation or otherwise. A Participant shall not cease to be an Employee due to transfers between locations of the Company, or among the Company and a Parent, Subsidiary or Affiliate, or to any successor to the Company or a Parent, Subsidiary or Affiliate that assumes an Optionee’s Options under Section 11.3. Neither service as a Director nor receipt of a director’s fee shall be sufficient to make a Director an “Employee.”

19.19 “**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

19.20 “**Exercise Price**,” in the case of an Option, means the amount for which one Common Share may be purchased upon exercise of such Option, as specified in the applicable Stock Option Agreement. “Exercise Price,” in the case of an SAR, means an amount, as specified in the applicable SAR Agreement, which is subtracted from the Fair Market Value of one Common Share in determining the amount payable upon exercise of such SAR.

19.21 “**Fair Market Value**” means the market price of Common Shares, determined by the Committee in good faith on such basis as it deems appropriate. Whenever possible, the determination of Fair Market Value by the Committee shall be based on the prices reported in The Wall Street Journal. Such determination shall be conclusive and binding on all persons.

19.22 “**Involuntary Termination**” means the termination of the Participant’s Service by reason of:

(a) The involuntary discharge of the Participant by the Company (or the Parent, Subsidiary or Affiliate employing him or her) for reasons other than Cause; or

(b) The voluntary resignation of the Participant following (i) a material adverse change in his or her title, stature, authority or responsibilities with the Company (or the Parent, Subsidiary or Affiliate employing him or her), (ii) a material reduction in his or her base salary or (iii) receipt of notice that his or her principal workplace will be relocated by more than 90 miles.

19.23 “**ISO**” means an incentive stock option described in section 422(b) of the Code.

19.24 “**NSO**” means a stock option not described in sections 422 or 423 of the Code.

19.25 “**Objectively Determinable Performance Condition**” shall mean a performance condition (i) that is established (A) at the time an Award is granted or (B) no later than the earlier of (1) 90 days after the beginning of the period of Service to which it relates, or (2) before the elapse of 25% of the period of Service to which it relates, (ii) that is uncertain of achievement at the time it is established, and (iii) the achievement of which is determinable by a third party with knowledge of the relevant facts. Examples of measures that may be used in Objectively Determinable Performance Conditions include net order dollars, net profit dollars, net profit growth, net revenue dollars, profit/loss or profit margin, operating profit, net operating profit, operating margin, working capital, sales or revenue, revenue growth, gross margin, cost of goods sold, individual performance, cash, accounts receivables, write-offs, cash flow, liquidity, income, net income, operating income, net operating income, earnings, earnings before interest, taxes, depreciation and/or amortization, earnings per share, growth in earnings per share, price/earnings ratio, debt or debt-to-equity, economic value added, assets, return on assets, return on equity, stock price, shareholders’ equity, total shareholder return, including stand-alone or relative to a stock market or peer group index, return on capital, return on assets or net assets, return on investment, return on operating revenue, any other financial objectives, objective customer satisfaction indicators and efficiency measures, operations, research or related milestones, intellectual property (e.g., patents), product development, site, plant or building development, internal controls, policies and procedures, information technology, human resources, corporate governance, business development, market share, strategic alliances, licensing and partnering, contract awards or backlog, expenses, overhead or other expense reduction, compliance programs, legal matters, accounting and reporting, credit rating, strategic plan development and implementation, mergers and acquisitions and divestitures, financings, management, improvement in workforce diversity, or any similar criteria, each with respect to the Company and/or a Parent, Subsidiary or Affiliate, and/or an individual business unit.

19.26 “**Officer**” means an officer of the Company as defined in Rule 16a-1 adopted under the Exchange Act.

19.27 “**Option**” means an ISO or NSO granted under the Plan and entitling the holder to purchase Common Shares.

19.28 “**Optionee**” means an individual or estate who holds an Option or SAR.

19.29 “**Outside Director**” means a member of the Board who is not an Employee.

19.30 “**Parent**” means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such

chain. A corporation that attains the status of a Parent on a date after the adoption of the Plan shall be considered a Parent commencing as of such date.

19.31 “**Participant**” means (i) a person to whom an Award has been granted, including a holder of a Substitute Award; or (ii) a person to whom an Award has been transferred in accordance with the applicable requirements of Sections 5.6, 8.7, 9.5, or 10.8

19.32 “**Plan**” means this Overland Storage, Inc. 2003 Equity Incentive Plan, as amended from time to time.

19.33 “**Prior Plans**” means the Company’s 1995 Stock Option Plan, 1997 Executive Stock Option Plan, 2000 Stock Option Plan, and 2001 Supplemental Stock Option Plan, each as in effect on the Effective Date.

19.34 “**Restricted Share**” means a Common Share awarded pursuant to Article 9 of the Plan.

19.35 “**Restricted Stock Agreement**” means the agreement between the Company and the recipient of a Restricted Share that contains the terms, conditions and restrictions pertaining to such Restricted Share.

19.36 “**SAR**” means a stock appreciation right granted under the Plan.

19.37 “**SAR Agreement**” means the agreement between the Company and an Optionee that contains the terms, conditions and restrictions pertaining to his or her SAR.

19.38 “**Service**” means service as an Employee, Outside Director or Consultant. Unless otherwise determined by the Committee or otherwise provided in the Plan or Award agreement, Service shall continue notwithstanding a change in status from an Employee, Consultant or Outside Director to another such status. An event that causes a Parent, Subsidiary or Affiliate to cease having status as a Parent, Subsidiary or Affiliate shall be deemed to discontinue the Service of that entity’s Employees, Outside Directors and Consultants unless such persons retain the status of Employee, Outside Director or Consultant of the Company or a remaining Parent, Subsidiary or Affiliate.

19.39 “**Stock Option Agreement**” means the agreement between the Company and an Optionee that contains the terms, conditions and restrictions pertaining to his or her Option.

19.40 “**Stock Unit**” means a bookkeeping entry representing the equivalent of one Common Share, as awarded under the Plan.

19.41 “**Stock Unit Agreement**” means the agreement between the Company and the recipient of Stock Units that contains the terms, conditions and restrictions pertaining to such Stock Units.

19.42 “**Subsidiary**” means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Subsidiary on a date after the adoption of the Plan shall be considered a Subsidiary commencing as of such date.

19.43 “**Substitute Award**” means a Substitute Option, Substitute SAR, Substitute Restricted Share or Substitute Stock Unit granted in accordance with the terms of the Plan.

19.44 “**Substitute Option**” means an Option granted in substitution for, or upon the conversion of, an option granted by another entity to purchase equity securities in the granting entity.

19.45 “**Substitute SAR**” means a SAR granted in substitution for, or upon the conversion of, a stock appreciation right granted by another entity with respect to equity securities in the granting entity.

19.46 “**Substitute Restricted Share**” means a Restricted Share granted in substitution for a restricted share granted by another entity with respect to equity securities in the granting entity.

19.47 “**Substitute Stock Unit**” means a Stock Unit granted in substitution for, or upon the conversion of, a stock unit granted by another entity with respect to equity securities in the granting entity.

19.48 “**Ten Percent Shareholder**” means any person who, directly or by attribution under Section 424(d) of the Code, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any Parent or Subsidiary on the date of Option grant.

ARTICLE 20 EXECUTION.

To record the adoption of the Plan by the Board, approval by the Company’s shareholders of the Plan effective on November 17, 2003, approval of the amendment adopted by the Company’s shareholders effective on November 15, 2004, and approval by the Board of this amendment and restatement of the Plan on September 22, 2007 and approval by the Company’s shareholders of such amendment and restatement on November 13, 2007, the Company has caused its duly authorized officer to execute this document in the name of the Company.

OVERLAND STORAGE, INC.

By: /s/ Vernon A. LoForti

Name: Vernon A. LoForti

Title: President and Chief Executive Officer

Overland Storage, Inc.

2003 Equity Incentive Plan

PLAN HISTORY

<u>Date</u>	<u>Action</u>
September 6, 2003	Adopted by Board of Directors, subject to shareholder approval.
November 17, 2003	Approved by Shareholders. Effective Date of Plan.
September 29, 2004	Amendments approved by Board of Directors, subject to shareholder approval: (i) increase in Common Shares reserved for issuance over the term of the Plan by 1,000,000 shares; (ii) addition of a requirement that any Common Shares to which Restricted Shares or Stock Units pertain shall be counted against the reserve as two (2) Common Shares for every one (1) Common Share subject to such Awards; and (iii) deletion of the limitation formerly set forth in Section 3.3 limiting the number of Restricted Shares and Stock Units.
November 15, 2004	Amendments approved by shareholders. Effective date of amendments.
September 22, 2007	Amended and Restated Plan approved by Board of Directors, subject to shareholder approval. Amendments: (i) increase in Common Shares reserved for issuance over the term of the Plan by 1, 300,000 shares; (ii) shorten maximum Option and SAR term life to 6 years from date of grant; (iii) cancel certain Options with the Common Shares underlying such Options not returning to the Plan for purposes of future Awards; (iv) include additional examples of qualifying performance criteria; and (v) make certain other administrative amendments and clarifications.
November 13, 2007	Amended and Restated Plan approved by shareholders.

**EXHIBIT A
CANCELLED OPTIONS**

<u>Optionee Name</u>	<u>Option Grant Date</u>	<u>Number of Shares</u>	<u>Per Share Exercise Price</u>	<u>Plan Name</u>
Robert Degan	1/20/2003	22,000	\$ 14.75	2000 Stock Option Plan
	3/3/2005	12,000	\$ 14.67	2003 Equity Incentive Plan
Robert Farkaly	6/25/2003	5,000	\$ 20.25	2000 Stock Option Plan
	11/18/2004	5,000	\$ 13.98	2003 Equity Incentive Plan
Mike Gawarecki	4/21/2000	20,000	\$ 10.00	1997 Stock Option Plan
	7/10/2002	52,500	\$ 13.50	2000 Stock Option Plan
	11/17/2003	10,000	\$ 19.33	2003 Equity Incentive Plan
	11/15/2004	31,400	\$ 14.29	2003 Equity Incentive Plan
Kurt Kalbfleisch	4/21/2000	8,000	\$ 10.00	1995 Stock Option Plan
	7/2/2003	10,000	\$ 20.13	1995 Stock Option Plan
	11/18/2004	3,500	\$ 13.98	2003 Equity Incentive Plan
Vernon LoForti	4/21/2000	20,000	\$ 10.00	1997 Stock Option Plan
	7/10/2002	60,000	\$ 13.50	2000 Stock Option Plan
	11/17/2003	10,000	\$ 19.33	2003 Equity Incentive Plan
	11/15/2004	29,700	\$ 14.29	2003 Equity Incentive Plan
Scott McClendon	1/20/2003	11,000	\$ 14.75	2000 Stock Option Plan
	11/17/2003	18,000	\$ 19.33	2003 Equity Incentive Plan
	11/15/2004	18,000	\$ 14.29	2003 Equity Incentive Plan
Michael Norkus	8/11/2004	4,500	\$ 11.05	2003 Equity Incentive Plan
	11/15/2004	18,000	\$ 14.29	2003 Equity Incentive Plan
Robert Scroop	7/10/2002	60,000	\$ 13.50	2000 Stock Option Plan
	11/17/2003	10,000	\$ 19.33	2003 Equity Incentive Plan
	11/15/2004	29,700	\$ 14.29	2003 Equity Incentive Plan
Total Shares Cancelled		468,300		

**OVERLAND STORAGE, INC.
2003 EQUITY INCENTIVE PLAN**

**NOTICE OF STOCK OPTION GRANT
(STANDARD, LIMITED TRANSFERABILITY)**

You have been granted the following option to purchase shares of the Common Stock of Overland Storage, Inc. (the "Company"):

Name of Optionee:

Total Number of Shares:

Type of Option:

Incentive Stock Option

Nonstatutory Stock Option

Exercise Price Per Share:

\$

Date of Grant:

Vesting Commencement Date:

Vesting Schedule:

This option becomes exercisable with respect to the first []% of the Shares subject to this option when you complete [] months of continuous "Service" (as defined in the Plan) from the Vesting Commencement Date. Thereafter, this option becomes exercisable with respect to an additional []% of the Shares subject to this option when you complete each month of Service.

Expiration Date:

[] [], 20[], or if such date falls on a day when Company headquarters are not open for business, at the close of business at Company headquarters on the last business day before such date. This option expires earlier if your Service terminates earlier, as described in the Stock Option Agreement.

You and the Company agree that this option is granted under and governed by the terms and conditions of the 2003 Equity Incentive Plan (the "Plan") and the Stock Option Agreement, both of which are attached to and made a part of this document.

You further agree that the Company may deliver by email all documents relating to the Plan or this option (including, without limitation, prospectuses required by the Securities and Exchange Commission) and all other documents that the Company is required to deliver to its security holders (including, without limitation, annual reports and proxy statements). You also agree that the Company may deliver these documents by posting them on a web site maintained by the Company or by a third party under contract with the Company. If the Company posts these documents on a web site, it will notify you by email.

Optionee:

Overland Storage, Inc.

By: _____

Title: _____

**OVERLAND STORAGE, INC.
2003 EQUITY INCENTIVE PLAN**

STOCK OPTION AGREEMENT

Tax Treatment	This option is intended to be an incentive stock option under section 422 of the Internal Revenue Code or a nonstatutory stock option, as provided in the Notice of Stock Option Grant.
Vesting	<p>This option becomes exercisable in installments, as shown in the Notice of Stock Option Grant. In addition, this option becomes exercisable in full if your Service terminates because of total and permanent disability, or death.</p> <p>This option will in no event become exercisable for additional shares after your Service has terminated for any reason.</p>
Term	This option expires in any event at the close of business at Company headquarters on the 10th anniversary of the Date of Grant, as shown in the Notice of Stock Option Grant, or if such anniversary date would fall on a day when Company headquarters are not open for business, at the close of business at Company headquarters on the last business day before such anniversary date. (It will expire earlier if your Service terminates, as described below.)
Regular Termination	If your Service terminates for any reason except death or total and permanent disability, then this option will expire at the close of business at Company headquarters on the date three months after your termination date, or if such expiration date would fall on a day when Company headquarters are not open for business, at the close of business at Company headquarters on the last business day before such expiration date. The Company determines when your Service terminates for this purpose.
Death	If you die before your Service terminates, then this option will expire at the close of business at Company headquarters on the date 12 months after the date of death, or if such expiration date would fall on a day when Company headquarters are not open for business, at the close of business at Company headquarters on the last business day before such expiration date.
Disability	If your Service terminates because of your total and permanent disability, then this option will expire at the close of business at Company headquarters on the date 12 months after your termination date, or if such expiration date would fall on a day when Company headquarters are not open for business, at the close of business at Company headquarters on the last business day before such expiration date.

For all purposes under this Agreement, “total and permanent disability” means that you are unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted, or can be expected to last, for a continuous period of not less than one year.

Leaves of Absence and Part- Time Work

For purposes of this option, your Service does not terminate when you go on a military leave, a sick leave or another bona fide leave of absence, if the leave was approved by the Company in writing and if continued crediting of Service is required by the terms of the leave or by applicable law. But your Service terminates when the approved leave ends, unless you immediately return to active work. If this option is designated as an Incentive Stock Option, and if such leave exceeds ninety (90) days, and reemployment upon expiration of such leave is not guaranteed by statute or contract, then this option shall be treated as a Non-Qualified Stock Option on the day three (3) months and one (1) day following the expiration of such ninety (90) day period.

If you go on a leave of absence, then the vesting schedule specified in the Notice of Stock Option Grant may be adjusted in accordance with the Company’s leave of absence policy or the terms of your leave. If you commence working on a part-time basis, then the vesting schedule specified in the Notice of Stock Option Grant may be adjusted in accordance with the Company’s part-time work policy or the terms of an agreement between you and the Company pertaining to your part-time schedule.

Restrictions on Exercise

The Company will not permit anyone to exercise this option if the issuance of shares at that time would violate any “Applicable Law” (as defined in the Plan).

Notice of Exercise

When you wish to exercise this option, you may select one of the following:

- If you have established an account with E*Trade OptionsLink (www.optionslink.com, (800) 838-0908), or such other or substitute employee stock option plan administrative service as the Company may elect to engage (such stock option administrative service being the “Plan Agency”), you may elect to exercise this option by utilizing the procedures established by the Plan Agency for exercise of this option. Such procedures may include provisions for execution of an electronic or a written notice stating the number of shares to be purchased pursuant to this option and accompanied by delivery of an executed exercise agreement as implemented by the Plan Agency, and payment made in accordance with this

Agreement and the Plan for the full purchase price of the shares to be purchased. The “Committee” (as defined in the Plan) may from time to time establish further limitations and rules or procedures for exercise through the Plan Agency. The Company may also discontinue use of the Plan Agency at any time, in which case you will be required to use the exercise procedure described below.

- Notify the Company by filing the proper “Exercise Notice” form at the address given on the form. Your notice must specify how many shares you wish to purchase. Your notice must also specify how your shares should be registered.

Exercise through the Plan Agency will be effective in accordance with the policies and procedures of the Plan Agency. An “Exercise Notice” filed with the Company will be effective when the Company receives it together with payment made in accordance with this Agreement and the Plan for the full purchase price of the shares to be purchased.

If another person wants to exercise this option after it has been transferred to him or her (a “Transferee”), that person must prove to the Company’s satisfaction that he or she is entitled to exercise this option, and must then select one of the exercise alternatives specified above; provided that exercise by a Transferee may not be available through the Plan Agency, and if it is available, such exercise may require additional procedures or documentation established by the Company or the Plan Agency.

Form of Payment

When you exercise your option, you must pay the option exercise price for the shares that you are purchasing. Payment may be made in one or a combination of the following forms:

- Your personal check, a cashier’s check or a money order.
- Irrevocable directions to a securities broker (such as the Plan Agency) approved by the Company to sell all or part of your option shares and to deliver to the Company from the sale proceeds an amount sufficient to pay the option exercise price and any withholding taxes. (The balance of the sale proceeds, if any, will be delivered to you.) This procedure will be permitted only if you utilize the services of the Plan Agency, or another securities broker pre-approved by the Company in its sole discretion. You will not be permitted to use this procedure if you are an “Officer” or “Director” (each as defined in the Plan) and this procedure would be deemed an extension of credit or

the arranging of an extension of credit in the form of a personal loan by the Company.

Withholding Taxes and Stock Withholding

You will not be allowed to exercise this option unless you make arrangements acceptable to the Company to pay any withholding taxes that may be due as a result of the option exercise. With the Company's consent, these arrangements may include withholding shares of Company stock that otherwise would be issued to you when you exercise this option. The value of these shares, determined as of the effective date of the option exercise, will be applied to the withholding taxes.

Restrictions on Resale

You agree not to sell any option shares at a time when Applicable Law, Company policies or an agreement between the Company and its underwriters prohibit a sale. This restriction will apply as long as your Service continues and for such period of time after the termination of your Service as the Company may specify.

Transfer of Option

In general, only you may exercise this option prior to your death. You may not transfer or assign this option, unless one of the provisions below applies. For instance, you may not sell this option or use it as security for a loan. If you attempt to do any of these things, this option will immediately become invalid. You may, however, dispose of this option in your will or in a beneficiary designation.

If this option is designated as a nonstatutory stock option in the Notice of Stock Option Grant, then the Committee may, in its sole discretion, allow you to transfer this option as a gift to one or more family members. For purposes of this Agreement, "family member" means a child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law (including adoptive relationships), any individual sharing your household (other than a tenant or employee), a trust in which one or more of these individuals have more than 50% of the beneficial interest, a foundation in which you or one or more of these persons control the management of assets, and any entity in which you or one or more of these persons own more than 50% of the voting interest.

If this option is designated as an incentive stock option, the Committee may, in its sole discretion, allow you to transfer this option to a trust, where under Section 671 of the Code and other Applicable Law you are considered the sole beneficial owner of this option while it is held in trust.

Regardless of any marital property settlement agreement, the Company is not obligated to honor a notice of exercise from your former spouse, nor is the Company obligated to recognize your former spouse's interest in your option in any other way, except pursuant to a Domestic Relations Order.

The Committee will allow you to transfer this option only if both you and the transferee(s) execute the forms prescribed by the Committee, which include the consent of the transferee(s) to be bound by this Agreement.

Retention Rights

Your option or this Agreement does not give you the right to be retained by the Company or a subsidiary of the Company in any capacity. The Company and its subsidiaries reserve the right to terminate your Service at any time, with or without cause.

Shareholder Rights

You (or your estate, heirs or transferee) have no rights as a shareholder of the Company until you (or your estate, heirs or transferee) have exercised this option by giving the required notice to the Company and paying the exercise price. No adjustments are made for dividends or other rights if the applicable record date occurs before this option is exercised, except as described in the Plan.

Adjustments

In the event of a stock split, a stock dividend or a similar change in Company stock, the number of shares covered by this option and the exercise price per share may be adjusted pursuant to the Plan.

Governing Law

This Agreement will be interpreted and enforced under the laws of the State of California (without regard to its choice-of-law provisions).

The Plan and Other Agreements

The text of the Plan is incorporated in this Agreement by reference.

This Agreement and the Plan constitute the entire understanding between you and the Company regarding this option. Any prior agreements, commitments or negotiations concerning this option are superseded. This Agreement may be amended only by another written agreement between the parties.

By signing your Notice of Stock Option Grant form which precedes this Agreement, you agree to all of the terms and conditions described above and in the Plan.

OVERLAND STORAGE, INC.

NOTICE OF INDUCEMENT STOCK OPTION GRANT

As an inducement material to the hiring of the Optionee named below, Overland Storage, Inc., a California corporation (the "Company"), hereby grants to the Optionee a nonstatutory stock option to purchase up to the number of Common Shares of the Company's Common Stock set forth below (the "Option"). This Option is subject to all of the terms and conditions set forth herein and in the Nonstatutory Stock Option Agreement (attached hereto) which is incorporated herein in its entirety. This Option is not issued pursuant to the Company's 2009 Equity Incentive Plan or any other equity incentive plan of the Company.

Name of Optionee:

Total Number of Common Shares:

Type of Option: Nonstatutory Stock Option

Exercise Price Per Common Share:

Common Share Fair Market Value on Date of Grant:

Date of Grant:

Vesting Commencement Date:

Vesting Schedule:

This Option becomes exercisable with respect to the first 2.78% of the Common Shares subject to this Option when you complete 1 month of continuous Service from the Vesting Commencement Date. Thereafter, this Option becomes exercisable with respect to an additional 2.78% of the Common Shares subject to this Option when you complete each month of Service.

In addition, this Option will become exercisable in full upon termination without "cause" or resignation with "good reason" during the two year period following a "change of control", subject to and as such terms are defined in, the offer letter between Optionee and the Company dated (the "Offer Letter"). In addition, pursuant to the Offer Letter, if the unvested portion of the option is not assumed by the acquirer in connection with a change of control or otherwise settled in cash or other property in connection with such change of control, then the unvested portion of the option shall vest in full immediately prior to the closing of such change of control.

Expiration Date:

, or if such date falls on a day when Company headquarters are not open for business, at the close of business at Company headquarters on the last business day before such

date. This Option expires earlier if your Service terminates earlier, as described in the Nonstatutory Stock Option Agreement.

The Optionee acknowledges receipt of, and represents that the Optionee has read, understands, accepts and agrees to the terms of this Notice of Nonstatutory Stock Option Grant ("Grant Notice") and the Nonstatutory Stock Option Agreement. The Optionee hereby accepts the Option subject to all of its terms and conditions and further acknowledges that as of the Date of Grant, this Grant Notice and the Nonstatutory Stock Option Agreement set forth the entire understanding between the Optionee and the Company regarding the acquisition of stock in the Company and supersede all prior oral and written agreements pertaining to this particular Option. All capitalized terms used but not defined herein have the meaning ascribed in the Notice of Nonstatutory Stock Option Grant.

The Optionee further agrees that the Company may deliver by email all documents relating to this Option (including, without limitation, prospectuses required by the Securities and Exchange Commission) and all other documents that the Company is required to deliver to its security holders (including, without limitation, annual reports and proxy statements). The Optionee also agrees that the Company may deliver these documents by posting them on a web site maintained by the Company or by a third party under contract with the Company. If the Company posts these documents on a web site, it will notify the Optionee by email.

NOTE: THE OPTIONEE IS SOLELY RESPONSIBLE FOR ANY ELECTION TO EXERCISE THE OPTION, AND THE COMPANY SHALL HAVE NO OBLIGATION WHATSOEVER TO PROVIDE NOTICE TO THE OPTIONEE OF ANY MATTER, INCLUDING, BUT NOT LIMITED TO, THE DATE THE OPTION TERMINATES.

Optionee:

Overland Storage, Inc.

By: _____

Quality Review
Initials _____

OVERLAND STORAGE, INC.
NONSTATUTORY STOCK OPTION AGREEMENT

Pursuant to the Grant Notice and this Nonstatutory Stock Option Agreement (the “**Agreement**”), Overland Storage, Inc., a California corporation (the “**Company**”) has granted to the Optionee named in the Grant Notice (“**you**” or the “**Optionee**”) an Option to purchase the number of Common Shares of the Company’s common stock (the “**Stock**”) indicated in the Grant Notice at the Exercise Price indicated in the Grant Notice.

The details of this Option are as follows:

1. Definitions And Construction.

1.1 **Definitions.** Whenever used herein, the following terms shall have their respective meanings set forth below:

(a) “**2009 Plan**” means the Company’s 2009 Equity Incentive Plan, as amended and restated from time to time. This Option is not granted pursuant to the 2009 Plan.

(b) “**Affiliate**” means any entity other than a Subsidiary, if the Company and/or one or more Subsidiaries own not less than 50% of such entity.

(c) “**Applicable Law**” means any and all laws of whatever jurisdiction, within or without the United States, and the rules of any stock exchange or quotation system on which Common Shares are listed or quoted, applicable to the taking or refraining from taking of any action under the Agreement, including the administration of the Agreement and the issuance or transfer of the Agreement.

(d) “**Board**” means the Company’s Board of Directors, as constituted from time to time.

(e) “**Cause**” means (a) acts or omissions constituting gross negligence, recklessness or willful misconduct with respect to the Optionee’s obligations or otherwise relating to the business of the Company; (b) the Optionee’s material breach of a written agreement between the Optionee and the Company (or a Parent, Subsidiary or Affiliate); (c) conviction or entry of a plea of nolo contendere for fraud, misappropriation or embezzlement, or any felony or crime of moral turpitude; (d) dishonesty or involvement in any conduct that adversely affects the Company’s name or public image or is otherwise detrimental to the Company’s business interests; (e) willful neglect of duties; or (f) unauthorized use or disclosure of the confidential information or trade secrets of the Company, which use or disclosure causes material harm to the Company. The foregoing, however, shall not be deemed an exclusive list of all acts or omissions that the Company (or the Parent, Subsidiary or Affiliate employing the Optionee) may consider as grounds for the discharge of the Optionee without Cause. The Committee shall be entitled to determine “Cause” based on the Committee’s good faith belief.

(f) “**Change in Control**” means:

(1) The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if persons who were not shareholders of the Company immediately prior to such merger, consolidation or other reorganization own immediately after such merger, consolidation or other reorganization 50% or more of the voting power of the outstanding securities of each of (i) the

continuing or surviving entity and (ii) any direct or indirect parent corporation of such continuing or surviving entity;

(2) The sale, transfer or other disposition of all or substantially all of the Company's assets;

(3) A change in the composition of the Board over a period of thirty-six (36) months or less such that a majority of the Board members (rounded up to the next whole number) ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who are Continuing Directors;

(4) Any transaction as a result of which the direct or indirect acquisition by any person or related group of persons (other than an acquisition from or by the Company or by a Company-sponsored employee benefit plan or by a person that directly or indirectly controls, is controlled by, or is under common control with, the Company) of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities pursuant to a tender or exchange offer made directly to the Company's shareholders which a majority of the Continuing Directors who are not affiliated with the offeror do not recommend such shareholders accept; or

(5) A Divestiture; provided that a Divestiture shall be a Change in Control only to the extent that the Board determines that such Divestiture constitutes a Change in Control, and then only for the Optionee if the Board has expressly resolved that such Divestiture constitutes a Change in Control for the Optionee or generally under the 2009 Plan. In making such determination, the Board need not adopt the same rules for each holder of a Company equity compensation award.

A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction. The Committee shall determine whether an event shall be treated as a Change in Control.

(g) "**Code**" means the Internal Revenue Code of 1986, as amended.

(h) "**Committee**" means a committee of the Board, as described in Section 2.

(i) "**Common Share**" means one share of the common stock of the Company.

(j) "**Company**" means Overland Storage, Inc., a California corporation.

(k) "**Consultant**" means a consultant or adviser who provides bona fide services to the Company, a Parent, a Subsidiary or an Affiliate as an independent contractor.

(l) "**Continuing Directors**" means members of the Board who either (i) have been Board members continuously for a period of at least thirty-six (36) months or (ii) have been Board members for less than thirty-six (36) months and were elected or nominated for election as Board members by at least a majority of the Board members described in clause (i) who were still in office at the time such election or nomination was approved by the Board.

(m) “**Delay In Payments to Specified Employees**” means if the Optionee is a “specified employee” (as defined under Code Section 409A) on “separation from Service” (as defined under Code Section 409A), to the extent any Award or arrangement needs to comply with Code Section 409A, then certain payments may be delayed and not be paid during the first six months following the “separation from Service” but will instead be paid on the earlier of the first business day of the 7th month following the “separation from Service,” or the Optionee’s death.

(n) “**Divestiture**” means a transaction or event where the Company or a Parent, Subsidiary or Affiliate sells or otherwise transfers its equity securities to a person or entity other than the Company or a Parent, Subsidiary or Affiliate, or leases, exchanges or transfers all or any portion of its assets to such a person or entity, where the Board specifies that such transaction or event constitutes a “Divestiture.”

(o) “**Domestic Relations Order**” means a “domestic relations order” as defined in, and otherwise meeting the requirements of, section 414(p) of the Code, except that reference to a “plan” in that definition shall be to the Agreement.

(p) “**Director**” means a member of the Board of Directors of the Company.

(q) “**Employee**” means a common law employee of the Company, a Parent, a Subsidiary or an Affiliate. Notwithstanding the foregoing, if you are classified by the Company or a Parent, Subsidiary or Affiliate as (i) leased from or otherwise employed by a third party, (ii) an independent contractor, or (iii) an intermittent or temporary worker, you shall not be deemed an Employee. The Company’s or a Parent’s, Subsidiary’s or Affiliate’s classification of you as an “Employee” (or as not an “Employee”) for purposes of this Agreement shall not be altered retroactively even if that classification is changed retroactively for another purpose as a result of an audit, litigation or otherwise. The Optionee shall not cease to be an Employee due to transfers between locations of the Company, or among the Company and a Parent, Subsidiary or Affiliate, or to any successor to the Company or a Parent, Subsidiary or Affiliate that assumes the Optionee’s Options under Section 11.3. Neither service as a Director nor receipt of a director’s fee shall be sufficient to make a Director an “Employee.”

(r) “**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

(s) “**Exercise Price**” means the amount for which one Common Share may be purchased upon exercise of the Option, as specified in this Agreement.

(t) “**Fair Market Value**” means the market price of Common Shares, determined by the Committee in good faith on such basis as it deems appropriate. Whenever possible, the determination of Fair Market Value by the Committee shall be based on the prices reported in The Wall Street Journal. Such determination shall be conclusive and binding on all persons.

(u) “**Involuntary Termination**” means the termination of the Optionee’s Service by reason of:

(1) The involuntary discharge of the Optionee by the Company (or the Parent, Subsidiary or Affiliate employing him or her) for reasons other than Cause; or

(2) The voluntary resignation of the Optionee following (i) a material adverse change in his or her title, stature, authority or responsibilities with the Company (or the Parent, Subsidiary or Affiliate employing him or her), (ii) a material

reduction in his or her base salary or (iii) receipt of notice that his or her principal workplace will be relocated by more than 90 miles.

(v) “**ISO**” means an incentive stock option described in section 422(b) of the Code.

(w) “**NSO**” means a stock option not described in sections 422 or 423 of the Code.

(x) “**Officer**” means an officer of the Company as defined in Rule 16a-1 adopted under the Exchange Act.

(y) “**Outside Director**” means a member of the Board who is not an Employee.

(z) “**Parent**” means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Parent on a date after the Date of Grant indicated in the Grant Notice shall be considered a Parent commencing as of such date.

(aa) “**Securities Act**” means the Securities Act of 1933, as amended.

(bb) “**Service**” means your service as an Employee, Outside Director or Consultant. Unless otherwise determined by the Committee or otherwise provided in the Agreement, Service shall continue notwithstanding a change in status from an Employee, Consultant or Outside Director to another such status. An event that causes a Parent, Subsidiary or Affiliate to cease having status as a Parent, Subsidiary or Affiliate shall be deemed to discontinue your Service unless you retain the status of Employee, Outside Director or Consultant of the Company or a remaining Parent, Subsidiary or Affiliate.

(cc) “**Subsidiary**” means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Subsidiary on a date after the Date of Grant indicated in the Grant Notice shall be considered a Subsidiary commencing as of such date.

(dd) “**Substitute Option**” means an option granted in substitution for, or upon the conversion of, an option granted by another entity to purchase equity securities in the granting entity.

(ee) “**Total and Permanent Disability**” means that the Optionee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted, or can be expected to last, for a continuous period of not less than one year.

1.2 Construction. Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise.

2. Administration.

2.1 Committee Composition. The Committee shall administer this Option. The Committee shall consist exclusively of two or more Directors of the Company, who shall be appointed by the Board. In addition, the composition of the Committee shall satisfy such requirements as the Securities and Exchange Commission may establish for administrators acting under plans intended to qualify for exemption under Rule 16b-3 (or its successor) under the Exchange Act.

2.2 Committee Authority. Subject to the specific provisions and limitations of this Agreement, and Applicable Law, the Committee shall have the authority and power to (a) determine the type, number, vesting requirements, performance conditions (if any) and their degree of satisfaction, and other features and conditions of this Option, (b) correct any defect, supply any omission, and reconcile any inconsistency in the Agreement, (c) accelerate the vesting, or extend the post-termination exercise term, or waive restrictions, of the Agreement at any time and under such terms and conditions as it deems appropriate, (d) interpret the Agreement, and (e) make all other decisions relating to the operation of the Agreement. The Committee may adopt such rules or guidelines as it deems appropriate to implement the Agreement.

2.3 Scope of Discretion. On all matters for which the Agreement confers the authority, right or power on the Board, the Committee, or a secondary committee to make decisions, that body may make those decisions in its sole and absolute discretion. Those decisions will be final, binding and conclusive. Notwithstanding anything herein to the contrary, and except as provided in Section 17.3, the discretion of the Board, Committee or secondary committee is subject to the specific provisions and specific limitations of the Agreement, as well as all rights conferred by other agreements entered into pursuant to the Agreement.

2.4 Rules of Interpretation. Any reference to a "Section" without more, is to a Section of the Agreement. Captions and titles are used for convenience in the Agreement and shall not, by themselves, determine the meaning of the Agreement. Except when otherwise indicated by the context, the singular includes the plural and vice versa. Any reference to a statute is also a reference to the applicable rules and regulations adopted under that statute. Any reference to a statute, rule or regulation, or to a section of a statute, rule or regulation, is a reference to that statute, rule, regulation or section as amended from time to time, both before and after the Date of Grant and including any successor provisions.

2.5 Unfunded Agreement. The Agreement shall be unfunded. Although bookkeeping accounts may be established with respect to the Optionee, any such accounts will be used merely as a convenience. The Company shall not be required to segregate any assets on account of the grant of the Option or the issuance of Common Shares. The Company and the Committee shall not be deemed to be a trustee of stock or cash to be awarded under the Agreement. Any obligations of the Company to the Optionee shall be based solely upon this Agreement. No such obligations shall be deemed to be secured by any pledge or other encumbrance on any assets of the Company. Neither the Company nor the Committee shall be required to give any security or bond for the performance of any such obligations.

2.6 Limitation of Liability. The Company (or members of the Board, Committee or secondary committee) shall not be liable to the Optionee or other persons as to: (i) the non-issuance or sale of Common Shares as to which the Company has been unable to obtain from any regulatory body having jurisdiction the authority deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Common Shares hereunder; and (ii) any unexpected or adverse tax consequence realized by the Optionee or other person due to the grant, receipt, exercise or settlement of the Agreement.

2.7 **Electronic Communications.** Subject to compliance with Applicable Law and/or regulations, the Agreement or other documentation or notices relating to the Agreement may be communicated to the Optionee by electronic media.

3. **Vesting.**

3.1 This Option becomes exercisable in installments, as shown in the Grant Notice. In addition, this Option becomes exercisable in full if your Service terminates because of Total and Permanent Disability, or death.

3.2 This Option will in no event become exercisable for additional Common Shares after your Service has terminated for any reason.

4. **Term.** This Option expires in any event at the close of business at Company headquarters on the Expiration Date, as shown in the Grant Notice. (This Option will expire earlier if your Service terminates, as described below.)

5. **Effect of Termination of Service.**

5.1 **Regular Termination.** If your Service terminates for any reason except death or Total and Permanent Disability, then this Option will expire at the close of business at Company headquarters on the date three months after your termination date, or if such expiration date would fall on a day when Company headquarters are not open for business, at the close of business at Company headquarters on the last business day before such expiration date. The Company determines when your Service terminates for this purpose.

5.2 **Death.** If you die before your Service terminates, then this Option will expire at the close of business at Company headquarters on the date 12 months after the date of death, or if such expiration date would fall on a day when Company headquarters are not open for business, at the close of business at Company headquarters on the last business day before such expiration date.

5.3 **Disability.** If your Service terminates because of your Total and Permanent Disability, then this Option will expire at the close of business at Company headquarters on the date 12 months after your termination date, or if such expiration date would fall on a day when Company headquarters are not open for business, at the close of business at Company headquarters on the last business day before such expiration date.

5.4 **Leaves of Absence and Part-Time Work.**

(a) For purposes of this Option, your Service does not terminate when you go on a military leave, a sick leave or another bona fide leave of absence, if the leave was approved by the Company in writing and if continued crediting of Service is required by the terms of the leave or by applicable law. But your Service terminates when the approved leave ends, unless you immediately return to active work.

(b) If you go on a leave of absence, then the vesting schedule specified in the Grant Notice may be adjusted in accordance with the Company's leave of absence policy or the terms of your leave. If you commence working on a part-time basis, then the vesting schedule specified in the Grant Notice may be adjusted in accordance with the Company's part-time work policy or the terms of an agreement between you and the Company pertaining to your part-time schedule.

6. **[Intentionally Omitted].**

7. Notice of Exercise.

7.1 When you wish to exercise this Option, you may select one of the following:

(a) If you have established a Company sponsored account with E*Trade, or such other or substitute employee stock option plan administrative service as the Company may elect to engage (such stock option administrative service being the “Plan Agency”), you may elect to exercise this Option by utilizing the procedures established by the Plan Agency for exercise of this Option. Such procedures may include provisions for execution of an electronic or a written notice stating the number of Common Shares to be purchased pursuant to this Option and accompanied by delivery of an executed exercise agreement as implemented by the Plan Agency, and payment made in accordance with this Agreement for the full purchase price of the Common Shares to be purchased. The Committee may from time to time establish further limitations and rules or procedures for exercise through the Plan Agency. The Company may also discontinue use of the Plan Agency at any time, in which case you will be required to use the exercise procedure described below.

(b) Notify the Company by filing the proper “Exercise Notice” form at the address given on the form. Your notice must specify how many Common Shares you wish to purchase. Your notice must also specify how your Common Shares should be registered.

7.2 Exercise through the Plan Agency will be effective in accordance with the policies and procedures of the Plan Agency. An “Exercise Notice” filed with the Company will be effective when the Company receives it together with payment made in accordance with this Agreement for the full purchase price of the Common Shares to be purchased.

7.3 If another person wants to exercise this Option after it has been transferred to him or her (a “Transferee”), that person must prove to the Company’s satisfaction that he or she is entitled to exercise this Option, and must then select one of the exercise alternatives specified above; provided that exercise by a Transferee may not be available through the Plan Agency, and if it is available, such exercise may require additional procedures or documentation established by the Company or the Plan Agency.

8. Form of Payment. When you exercise your Option, you must pay the entire Option exercise price for the Common Shares that you are purchasing. Payment may be made in one or a combination of the following forms:

8.1 Your personal check, a cashier’s check or a money order.

8.2 Irrevocable directions to a securities broker (such as the Plan Agency) approved by the Company to sell all or part of your Option Common Shares and to deliver to the Company from the sale proceeds an amount sufficient to pay the Option exercise price and any withholding taxes. (The balance of the sale proceeds, if any, will be delivered to you.) This procedure will be permitted only if you utilize the services of the Plan Agency, or another securities broker pre-approved by the Company in its sole discretion. You will not be permitted to use this procedure if you are an Officer or Director and this procedure would be deemed an extension of credit or the arranging of an extension of credit in the form of a personal loan by the Company.

9. Restrictions on Exercise. The Company will not permit you or anyone else to exercise this Option if the issuance of Common Shares at that time would violate any “Applicable Law.” The Company shall have the right to designate one or more periods of time, each of which shall not exceed one hundred eighty (180) days in length, during which this Option shall not be exercisable if the Company determines (in its sole discretion) that such limitation on exercise could in any way facilitate a lessening of any restriction on transfer pursuant to the Securities Act or any state securities laws with

respect to any issuance of securities by the Company, facilitate the registration or qualification of any securities by the Company under the Securities Act or any state securities laws, or facilitate the perfection of any exemption from the registration or qualification requirements of the Securities Act or any applicable state securities laws for the issuance or transfer of any securities. Such limitation on exercise shall not alter the Vesting Schedule set forth in this Grant Notice other than to limit the periods during which this Option shall be exercisable.

If the sale of Common Shares under the Agreement is not registered under the Securities Act, but an exemption is available which requires an investment or other representation, you shall represent and agree at the time of exercise that the Common Shares being acquired upon exercise of this Option are being acquired for investment, and not with a view to the sale or distribution thereof, and shall make such other representations as are deemed necessary or appropriate by the Company and its counsel.

10. **Withholding Taxes and Stock Withholding.** You will not be allowed to exercise this Option unless you make arrangements acceptable to the Company to pay any withholding taxes that may be due as a result of the Option exercise. With the Company's consent, these arrangements may include withholding Common Shares of Company stock that otherwise would be issued to you when you exercise this Option. The value of these Common Shares shall be at their Fair Market Value on the date when they are withheld or surrendered and will be applied to the withholding taxes.

11. **Protection Against Dilution.**

11.1 **Adjustments.** In the event of a stock split, a stock dividend or a similar change in Company stock, corresponding proportionate adjustment shall automatically be made to the number of Common Shares covered by this Option and the Exercise Price.

In the event of a declaration of an extraordinary dividend payable in a form other than Common Shares in an amount that has a material effect on the price of Common Shares, a recapitalization, a spin-off or a similar occurrence, the Committee shall make such proportionate adjustments as it, in its sole discretion, deems appropriate. Except as provided in this Section 11, the Optionee shall have no rights by reason of any issuance by the Company of stock of any class or securities convertible into stock of any class, any subdivision or consolidation of shares of stock of any class, the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class. Any adjustment of Common Shares pursuant to this Section 11.1 shall be rounded down to the nearest whole number of Common Shares. Under no circumstances shall the Company be required to authorize or issue fractional shares and no consideration shall be provided as a result of any fractional shares not being issued or authorized.

11.2 **Dissolution or Liquidation.** To the extent not previously exercised or settled, this Option shall terminate immediately prior to the dissolution or liquidation of the Company.

11.3 **Reorganizations.** In the event that the Company is a party to a merger or other reorganization, the outstanding portion of this Option shall be subject to the agreement of merger or reorganization. Such agreement may provide for (a) the continuation of the outstanding portion of this Option by the Company, if the Company is a surviving corporation, (b) the assumption of the outstanding portion of this Option by the surviving corporation or its parent or subsidiary, (c) the substitution by the surviving corporation or its parent or subsidiary of its own awards for the outstanding portion of this Option, (d) full exercisability or vesting and accelerated expiration of the outstanding portion of this Option, or (e) settlement of the full value of the outstanding portion of this Option in cash or cash equivalents followed by cancellation of this Option. In the event of a Divestiture, the Board may, but need not, direct that one or more of the foregoing actions be taken with respect to the Optionee.

12. **Deferral of Option.** The Committee (in its sole discretion) may permit or require the Optionee to have Common Shares that otherwise would be delivered to the Optionee as a result of the

exercise of this Option converted into amounts credited to a deferred compensation account established for the Optionee by the Committee as an entry on the Company's books. Such amounts shall be determined by reference to the Fair Market Value of such Common Shares as of the date when they otherwise would have been delivered to the Optionee.

A deferred compensation account established under this Section 12 may be credited with interest or other forms of investment return, as determined by the Committee. If such an account is established for the Optionee, the Optionee shall have no rights other than those of an unsecured general creditor of the Company. Such an account shall represent an unfunded and unsecured obligation of the Company and shall be subject to the terms and conditions of the applicable agreement between the Optionee and the Company. If the deferral or conversion of the Option is permitted or required, the Committee (in its sole discretion) may establish rules, procedures and forms pertaining to this Option, including (without limitation) the settlement of deferred compensation accounts established under this Section 12.

Any and all arrangements under this Section 12 must comply with the rules and requirements of Section 409A of the Code including, without limitation, the requirements for the timing of deferral elections and the Delay In Payments to Specified Employees.

13. **Restrictions on Resale.** You agree not to sell any Option Common Shares at a time when Applicable Law, Company policies or an agreement between the Company and its underwriters prohibit a sale. This restriction will apply as long as your Service continues and for such period of time after the termination of your Service as the Company may specify.

14. **Transfer of Option.**

14.1 In general, only you may exercise this Option prior to your death. You may not transfer or assign this Option, unless one of the provisions below applies. For instance, you may not sell this Option or use it as security for a loan. If you attempt to do any of these things, this Option will immediately become invalid. You may, however, dispose of this Option in your will or in a beneficiary designation.

14.2 The Committee may, in its sole discretion, allow you to transfer this Option as a gift to one or more family members. For purposes of this Agreement, "family member" means a child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law (including adoptive relationships), any individual sharing your household (other than a tenant or employee), a trust in which one or more of these individuals have more than 50% of the beneficial interest, a foundation in which you or one or more of these persons control the management of assets, and any entity in which you or one or more of these persons own more than 50% of the voting interest.

14.3 Regardless of any marital property settlement agreement, the Company is not obligated to honor a notice of exercise from your former spouse, nor is the Company obligated to recognize your former spouse's interest in your Option in any other way, except pursuant to a Domestic Relations Order.

14.4 The Committee will allow you to transfer this Option only if both you and the transferee(s) execute the forms prescribed by the Committee, which include the consent of the transferee(s) to be bound by this Agreement.

15. **Limitation on Rights.**

15.1 **Retention Rights.** This Agreement does not give you the right to be retained by the Company or any Parent or any Subsidiary or Affiliate in any capacity. The Company and its Parents

and Subsidiaries and Affiliates reserve the right to terminate your Service at any time, with or without Cause.

15.2 **Shareholder Rights.** You (or your estate, heirs or transferee) have no rights as a shareholder of the Company until you (or your estate, heirs or transferee) have exercised this Option by giving the required notice to the Company and paying the exercise price and satisfying the requirements of Section 10. No adjustments are made for dividends or other rights if the applicable record date occurs before this Option is exercised.

15.3 **Regulatory Requirements.** Any other provision of the Agreement notwithstanding, the obligation of the Company to issue Common Shares under the Agreement shall be subject to all Applicable Law. The Company reserves the right to restrict, in whole or in part, the delivery of Common Shares pursuant to this Agreement prior to the satisfaction of all Applicable Law relating to the issuance of such Common Shares, to their registration, qualification or listing or to an exemption from registration, qualification or listing.

15.4 **Code Section 409A.** Notwithstanding anything in the Agreement to the contrary, the Agreement is intended to comply with the requirements of Code Section 409A and shall be interpreted in a manner consistent with such intention.

16. **Limitation on Payments.**

16.1 **Scope of Limitation.** This Section 16 shall apply to an Award only if:

(a) The after-tax value of this Option to the Optionee, taking into account the effect of all federal, state and local income taxes, employment taxes and excise taxes applicable to the Optionee (including the excise tax under section 4999 of the Code), will be greater after the application of this Section 16 than it was before the application of this Section 16; or

(b) The Committee, at the time of making this Agreement or at any time thereafter, specifies in writing that this Option shall be subject to this Section 16 (regardless of the after-tax value of this Option to the Optionee).

If this Section 16 applies to this Option, it shall supersede any contrary provision of the Agreement.

16.2 **Basic Rule.** In the event that any payment or transfer by the Company under the Agreement to or for the benefit of the Optionee (a "Payment") would be nondeductible by the Company for federal income tax purposes because of the provisions concerning "excess parachute payments" in section 280G of the Code, after taking into account all other "excess parachute payments," including any reductions of such payments to avoid excise taxes under section 4999 of the Code, then the aggregate present value of all Payments shall be reduced (but not below zero) to the Reduced Amount. For purposes of this Section 16, the "Reduced Amount" shall be the amount, expressed as a present value, which maximizes the aggregate present value of the Payments without causing any Payment to be nondeductible by the Company because of section 280G of the Code.

16.3 **Reduction of Payments.** If any Payment would be nondeductible by the Company because of section 280G of the Code, then the Company shall promptly give the Optionee notice to that effect and a copy of the detailed calculation thereof and of the Reduced Amount, and the Optionee may then elect, in his or her sole discretion, which and how much of the Payments shall be eliminated or reduced (as long as after such election the aggregate present value of the Payments equals the Reduced Amount) and shall advise the Company in writing of his or her election within 10 days of receipt of notice. If no such election is made by the Optionee within such 10-day period, then the Company may elect which and how much of the Payments shall be eliminated or reduced (as long as after

such election the aggregate present value of the Payments equals the Reduced Amount) and shall notify the Optionee promptly of such election. For purposes of this Section 16, present value shall be determined in accordance with section 280G(d)(4) of the Code. All determinations made by the Company under this Section 16 shall be made within 60 days of the date when a Payment becomes payable or transferable and would otherwise be nondeductible to the Company. As promptly as practicable following such determination and the elections hereunder, and in no event more than 75 days from such determination, the Company shall pay or transfer to or for the benefit of the Optionee such amounts as are then due to him or her under the Agreement and shall promptly pay or transfer to or for the benefit of the Optionee in the future such amounts as become due to him or her under the Agreement.

16.4 Related Corporations. For purposes of this Section 16, the term “Company” shall include affiliated corporations in accordance with section 280G(d)(5) of the Code.

17. Miscellaneous.

17.1 Legend. All certificates representing the Common Shares issued upon exercise of this Option shall, where applicable, have endorsed thereon the following legend:

“THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED.”

17.2 Tax Treatment. This Option is intended to be a nonstatutory stock option, as provided in the Grant Notice.

17.3 Governing Law. This Agreement will be interpreted and enforced under the laws of the State of California (without regard to its choice-of-law provisions).

17.4 The Agreement and Grant Notice. This Agreement and the Grant Notice constitute the entire understanding between you and the Company regarding this Option. Any prior agreements, commitments or negotiations concerning this Option are superseded. This Agreement may be amended only by another written agreement between the parties. Notwithstanding anything herein to the contrary, no consent of the Optionee shall be required if the Board determines, in its sole and absolute discretion, that the amendment, suspension, termination or modification: (a) is required or advisable in order for the Company or the Agreement to satisfy Applicable Law, to meet the requirements of any accounting standard or to avoid any adverse accounting treatment, or (b) in connection with any transaction or event described in Section 11, is in the best interests of the Company or its shareholders. The Board may, but need not, take the tax or accounting consequences to the Optionee into consideration in acting under the preceding sentence. Those decisions shall be final, binding and conclusive.

By signing your Grant Notice form which precedes this Agreement, you agree to all of the terms and conditions described above and in the Grant Notice.

OVERLAND STORAGE, INC.

NOTICE OF INDUCEMENT RESTRICTED STOCK UNIT GRANT

As an inducement material to the hiring of the Grantee named below, Overland Storage, Inc., a California corporation (the “**Company**”), hereby grants to the Grantee an award (the “**Award**”) of the number of restricted stock units set forth below (the “**Stock Units**”). This Award is subject to all of the terms and conditions set forth herein and in the Inducement Restricted Stock Unit Agreement (attached hereto) which is incorporated herein in its entirety (the “**Inducement Agreement**”). This Award is not issued pursuant to the Company’s 2009 Equity Incentive Plan or any other equity incentive plan of the Company.

Name of Grantee:

**Total Number of Stock Units
Granted:**

Date of Grant:

Vesting Commencement Date:

Vesting Schedule:

The Stock Units subject to this Award will vest in six (6) equal installments, with the first installment vesting six (6) months after the Vesting Commencement Date and an additional installment vesting at the end of each six-month period thereafter, subject in each case to the Grantee’s continued “**Service**” (as defined in the Inducement Agreement) through the applicable vesting date.

In addition, this Award is subject to accelerated vesting as provided in Sections 3.1 and 6.3 of the Inducement Agreement.

The Grantee acknowledges receipt of, and represents that the Grantee has read, understands, accepts and agrees to the terms of this Notice of Inducement Restricted Stock Unit Grant (“**Grant Notice**”) and the Inducement Agreement. The Grantee hereby accepts the Award subject to all of its terms and conditions and further acknowledges that as of the Date of Grant, this Grant Notice and the Inducement Agreement set forth the entire understanding between the Grantee and the Company regarding the terms of the Award and supersede all prior oral and written agreements pertaining to the Award. All capitalized terms used but not defined herein have the meaning ascribed in the Inducement Agreement.

The Grantee further agrees that the Company may deliver by email all documents relating to this Award (including, without limitation, prospectuses required by the Securities and Exchange Commission) and all other documents that the Company is required to deliver to its security holders (including, without limitation, annual reports and proxy statements). The Grantee also agrees that the Company may deliver these documents by posting them on a web site maintained by the Company or by a third party under contract with the Company. If the Company posts these documents on a web site, it will notify the Grantee by email.

Grantee:

Overland Storage, Inc.

By: _____

INDUCEMENT RESTRICTED STOCK UNIT AGREEMENT

Pursuant to the Notice of Inducement Restricted Stock Unit Grant attached hereto (the “*Grant Notice*”) and this Inducement Restricted Stock Unit Agreement (the “*Agreement*”), Overland Storage, Inc., a California corporation (the “*Company*”), has granted to the Grantee named in the Grant Notice (“*you*” or the “*Grantee*”) an award (the “*Award*”) of the number of restricted stock units indicated in the Grant Notice, such number being subject to adjustment as provided in Section 6.1 below (the “*Stock Units*”).

The details of this Award are as follows:

1. Definitions And Construction.

1.1 Definitions. Whenever used herein, the following terms shall have their respective meanings set forth below:

“*Affiliate*” means any entity other than a Subsidiary, if the Company and/or one or more Subsidiaries own not less than 50% of such entity.

“*Applicable Law*” means any and all laws of whatever jurisdiction, within or without the United States, and the rules of any stock exchange or quotation system on which Common Shares are listed or quoted, applicable to the taking or refraining from taking of any action under the Agreement, including the administration of the Agreement and the issuance or transfer of the Agreement.

“*Board*” means the Company’s Board of Directors, as constituted from time to time.

“*Cause*” means any of the following: (i) your acts or omissions constituting reckless or willful misconduct with respect to your obligations or otherwise relating to the business of the Company that causes material harm to the Company or its reputation; (ii) your material breach of agreements with the Company, which breach you fail to cure within 30 days after receiving written notice from the Company that specifies the specific conduct giving rise to the alleged breach (if such breach is curable); (iii) your conviction or entry of a plea of nolo contendere for fraud, theft or embezzlement, or any felony or crime of moral turpitude; or (iv) your willful neglect of duties as determined in the sole and exclusive discretion of the Company, which you fail to cure within 30 days after receiving written notice from the Company that specifies the specific duties that you have failed to perform (if such conduct is curable).

“*Change in Control*” means:

(1) Any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity or person, or any syndicate or group deemed to be a person under Section 14(d)(2) of the Exchange Act is or becomes the “Beneficial Owner” (as defined in Rule 13d-3 of the General Rules and Regulations under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company’s then outstanding securities entitled to vote in the election of directors of the Company (other than as a result of a purchase of shares directly from the Company in a capital-raising transaction);

(2) There occurs a reorganization, merger, consolidation or other corporate transaction involving the Company ("**Transaction**"), in each case, with respect to which the shareholders of the Company immediately prior to such Transaction do not, immediately after the Transaction, own more than fifty percent (50%) of the combined voting power of the Company or other corporation resulting from such Transaction; or

(3) The sale, transfer or other disposition of all or substantially all of the Company's assets.

"**Code**" means the Internal Revenue Code of 1986, as amended.

"**Committee**" means a committee of the Board, as described in Section 2.

"**Common Share**" means one share of the common stock of the Company.

"**Company**" means Overland Storage, Inc., a California corporation.

"**Consultant**" means a consultant or adviser who provides bona fide services to the Company, a Parent, a Subsidiary or an Affiliate as an independent contractor.

"**Continuing Directors**" means members of the Board who either (i) have been Board members continuously for a period of at least thirty-six (36) months or (ii) have been Board members for less than thirty-six (36) months and were elected or nominated for election as Board members by at least a majority of the Board members described in clause (i) who were still in office at the time such election or nomination was approved by the Board.

"**Director**" means a member of the Board of Directors of the Company.

"**Disability**" means that the Grantee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted, or can be expected to last, for a continuous period of not less than twelve (12) months. The Disability of the Grantee shall be determined solely by the Committee on the basis of such medical evidence as the Committee deems warranted under the circumstances.

"**Domestic Relations Order**" means a "domestic relations order" as defined in, and otherwise meeting the requirements of, Section 414(p) of the Code, except that reference to a "plan" in that definition shall be to the Agreement.

"**Employee**" means a common law employee of the Company, a Parent, a Subsidiary or an Affiliate. Notwithstanding the foregoing, if you are classified by the Company or a Parent, Subsidiary or Affiliate as (i) leased from or otherwise employed by a third party, (ii) an independent contractor, or (iii) an intermittent or temporary worker, you shall not be deemed an Employee. The Company's or a Parent's, Subsidiary's or Affiliate's classification of you as an "Employee" (or as not an "Employee") for purposes of this Agreement shall not be altered retroactively even if that classification is changed retroactively for another purpose as a result of an audit, litigation or otherwise. The Grantee shall not cease to be an Employee due to transfers between locations of the Company, or among the Company and a Parent, Subsidiary or Affiliate, or to any successor to the Company or a Parent, Subsidiary or Affiliate that assumes the Grantee's Award under Section 6.3. Neither service as a Director nor receipt of a director's fee shall be sufficient to make a Director an "Employee."

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

“Fair Market Value” means the market price of a Common Share determined by the Committee as follows:

(1) If the Common Shares were traded on a stock exchange (such as the New York Stock Exchange, NYSE Amex, the NASDAQ Global Market or NASDAQ Capital Market) at the time of determination, then the Fair Market Value shall be equal to the regular session closing price for such stock as reported by such exchange (or the exchange or market with the greatest volume of trading in the Common Shares) on the date of determination, or if there were no sales on such date, on the last date preceding such date on which a closing price was reported;

(2) If the Common Shares were traded on the OTC Bulletin Board at the time of determination, then the Fair Market Value shall be equal to the last-sale price reported by the OTC Bulletin Board for such date of determination, or if there were no sales on such date, on the last date preceding such date on which a sale was reported; and

(3) If neither of the foregoing provisions is applicable, then the Fair Market Value shall be determined by the Committee in good faith using a reasonable application of a reasonable valuation method as the Committee deems appropriate.

Whenever possible, the determination of Fair Market Value by the Committee shall be based on the prices reported by the applicable exchange or the OTC Bulletin Board, as applicable, or a nationally recognized publisher of stock prices or quotations (including an electronic on-line publication). Such determination shall be conclusive and binding on all persons.

“Good Reason” means that you voluntarily terminate employment with the Company following: (i) a reduction by the Company in your base salary as in effect immediately prior to such reduction unless (A) such reduction is part of a salary reduction plan across the the Company’s entire senior management team, (B) such reduction does not have a materially disproportionate effect on you in comparison to other members of the senior management team and (C) such reduction is not in excess of 10% of your base salary, (ii) a material and adverse change in your duties, position, reporting relationship or responsibilities, or the removal of you from such duties, position or responsibilities, (iii) a material breach of the any agreement between you and the Company; or (iv) the relocation of you to a facility or a location more than fifty (50) miles from your then present employment location; provided that, in any such case, you first provide written notice to the Company of the existence of the one or more of the above conditions within ninety (90) days of its initial existence, the Company has failed to cure such condition within the thirty (30) day period thereafter and you terminate employment within thirty (30) days of the end of such cure period.

“Outside Director” means a member of the Board who is not an Employee.

“Parent” means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Parent on a date after the Date of Grant indicated in the Grant Notice shall be considered a Parent commencing as of such date.

“Securities Act” means the Securities Act of 1933, as amended.

“Service” means your service as an Employee, Outside Director or Consultant. Unless otherwise determined by the Committee or otherwise provided in the Agreement, Service shall continue

notwithstanding a change in status from an Employee, Consultant or Outside Director to another such status. An event that causes a Parent, Subsidiary or Affiliate to cease having status as a Parent, Subsidiary or Affiliate shall be deemed to discontinue your Service unless you retain the status of Employee, Outside Director or Consultant of the Company or a remaining Parent, Subsidiary or Affiliate.

“**Subsidiary**” means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Subsidiary on a date after the Date of Grant indicated in the Grant Notice shall be considered a Subsidiary commencing as of such date.

“**Vesting Date**” means a date on which an installment of the Award is scheduled to vest as provided in the Grant Notice.

1.2 Construction. Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise.

2. Administration.

2.1 Committee Composition. The Committee shall administer this Award. The Committee shall consist exclusively of two or more Directors of the Company, who shall be appointed by the Board. In addition, the composition of the Committee shall satisfy such requirements as the Securities and Exchange Commission may establish for administrators acting under plans intended to qualify for exemption under Rule 16b-3 (or its successor) under the Exchange Act.

2.2 Committee Authority. Subject to the specific provisions and limitations of this Agreement, and Applicable Law, the Committee shall have the authority and power to (a) correct any defect, supply any omission, and reconcile any inconsistency in the Agreement, (b) accelerate the vesting, or extend the post-termination exercise term, or waive restrictions, of the Agreement at any time and under such terms and conditions as it deems appropriate, (c) interpret the Agreement, and (d) make all other decisions relating to the operation of the Agreement. The Committee may adopt such rules or guidelines as it deems appropriate to implement the Agreement.

2.3 Scope of Discretion. On all matters for which the Agreement confers the authority, right or power on the Board, the Committee, or a secondary committee to make decisions, that body may make those decisions in its sole and absolute discretion. Those decisions will be final, binding and conclusive. Notwithstanding anything herein to the contrary, and except as provided in Section 9.2, the discretion of the Board, Committee or secondary committee is subject to the specific provisions and specific limitations of the Agreement, as well as all rights conferred by other agreements entered into pursuant to the Agreement.

2.4 Rules of Interpretation. Any reference to a “Section” without more, is to a Section of the Agreement. Captions and titles are used for convenience in the Agreement and shall not, by themselves, determine the meaning of the Agreement. Except when otherwise indicated by the context, the singular includes the plural and vice versa. Any reference to a statute is also a reference to the applicable rules and regulations adopted under that statute. Any reference to a statute, rule or regulation, or to a section of a statute, rule or regulation, is a reference to that statute, rule, regulation or section as

amended from time to time, both before and after the Date of Grant and including any successor provisions.

2.5 Unfunded Award. The Award and this Agreement shall be unfunded. Although bookkeeping accounts may be established with respect to the Grantee, any such accounts will be used merely as a convenience. The Company shall not be required to segregate any assets on account of the grant of the Award or the issuance of Common Shares. The Company and the Committee shall not be deemed to be a trustee of stock or other payment to be awarded under the Agreement. Any obligations of the Company to the Grantee shall be based solely upon this Agreement. No such obligations shall be deemed to be secured by any pledge or other encumbrance on any assets of the Company. Neither the Company nor the Committee shall be required to give any security or bond for the performance of any such obligations. As a holder of Stock Units, the Grantee has no rights other than the rights of a general creditor of the Company.

2.6 Limitation of Liability. The Company (or members of the Board, Committee or secondary committee) shall not be liable to the Grantee or other persons as to: (i) the non-issuance or sale of Common Shares as to which the Company has been unable to obtain from any regulatory body having jurisdiction the authority deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Common Shares hereunder; and (ii) any unexpected or adverse tax consequence realized by the Grantee or other person due to the grant, receipt or settlement of the Agreement.

2.7 Electronic Communications. Subject to compliance with Applicable Law and/or regulations, the Agreement or other documentation or notices relating to the Agreement may be communicated to the Grantee by electronic media.

3. Vesting; Termination of Service.

3.1 Vesting; Acceleration on Certain Terminations.

(a) The Stock Units vest in installments, as shown in the Grant Notice.

(b) In addition, the Stock Units, to the extent then outstanding and unvested, will vest in full if either (i) the Grantee's Service terminates because of the Grantee's Disability or death, or (ii) a Change in Control occurs and, at any time within sixty (60) days before or two (2) years after the Change in Control, the Grantee's Service is terminated by the Company without Cause or by the Grantee for Good Reason.

(c) In the event that the Grantee's Service is terminated by the Company without Cause or by the Grantee for Good Reason and the Grantee is not entitled to full vesting of the Award under clause (b) above, (i) the Award will vest on the date of termination of the Grantee's Service (the "**Termination Date**") with respect to a number of Stock Units determined by multiplying (x) the number of then-outstanding and unvested Stock Units that would have otherwise vested on the next Vesting Date (if any) following the Grantee's Termination Date (had the Grantee's Service not terminated), by (y) a fraction, the numerator of which will be the number of whole months that have elapsed between the Vesting Date that immediately preceded the Termination Date (or, in the case of a termination prior to the initial Vesting Date, the Vesting Commencement Date) and the Termination Date, and the denominator of which will be six (6); and (ii) any Stock Units subject to the Award that are not vested after giving effect to the foregoing clause (i) shall terminate.

(d) The Stock Units are also subject to any rights to accelerated vesting the Grantee may have under any employment, severance, retention or similar agreement with the Company in effect

on the Date of Grant specified in the Grant Notice (with any such acceleration rights to be applied, in the case of a termination of the Grantee's Service other than in connection with a Change in Control, after giving effect to the prorated vesting described above).

3.2 Termination of Service Generally. Except as described above in Section 3.1, if the Grantee's Service terminates for any reason, the Stock Units will be forfeited to the extent that they have not vested before the termination date and do not vest as a result of the termination. This means that the Stock Units will immediately be cancelled, and the Grantee will receive no payment for such cancelled Stock Units. The Company determines when the Grantee's Service terminates for purposes of the Award.

3.3 Leaves of Absence; Part-Time Work. For purposes of this Award, your Service does not terminate when you go on a military leave, a sick leave or another bona fide leave of absence, if the leave was approved by the Company in writing and if continued crediting of Service is required by the terms of the leave or by applicable law. However, your Service terminates when the approved leave ends, unless you immediately return to active work. If you go on a leave of absence, then the vesting schedule specified in the Grant Notice may be adjusted in accordance with the Company's leave of absence policy or the terms of your leave. If you commence working on a part-time basis, then the vesting schedule specified in the Grant Notice may be adjusted in accordance with the Company's part-time work policy or the terms of an agreement between you and the Company pertaining to your part-time schedule.

4. Stock Units; Payment of Award.

4.1 No Shareholder Rights. Your Stock Units carry neither voting rights nor rights to cash dividends. You have no rights as a shareholder of the Company unless and until your units are settled by issuing Common Shares in payment of the units as provided in Section 4.2.

4.2 Timing and Manner of Payment. Your units that become vested in accordance with the terms of this Agreement will be settled in the Company's Common Shares on a one-for-one basis. Each unit that becomes vested on a Vesting Date will be settled on the earlier to occur of (x) the date that is two (2) trading days after the Company's next earnings release that follows the applicable Vesting Date, and (y) the date that is seventy (70) days following the Vesting Date; provided, however, that in the event you have (prior to the applicable Vesting Date) entered into an irrevocable arrangement (on terms reasonably acceptable to the Company) with a third-party broker to use the proceeds of a sale of shares on the market to provide for tax withholding in connection with such vesting event and provided the terms of such arrangement to the Company (a "**Broker Arrangement**"), you and the Company agree that, unless and until otherwise provided by the Company, at the time of settlement of the vested units, the Company will (a) deliver to your designated broker a number of whole shares, valued at their then Fair Market Value, with a value equal to the withholding obligations of the Company or its Subsidiaries with respect to the portion of the award that vested on the related Vesting Date at the minimum applicable withholding rates (the "**Minimum Withholding Obligations**"), (b) retain a number of whole shares, valued at their then Fair Market Value, with a value equal to the Minimum Withholding Obligations (the "**Retained Shares**"), and (c) deliver to you the balance of the shares otherwise payable in respect of the vested units. In the case of a Broker Arrangement, the Company will deliver the Retained Shares to you promptly upon the Company's receipt of payment of the Minimum Withholding Obligations.

In the event that any of your units vest in connection with your death or Disability or a termination of your Service, in each case as provided under Section 3.1 above, such vested units will be settled upon or promptly following (and in all events not later than two and one-half months following) the date of such vesting event (or, in the event that you are entitled to additional vesting of your units as a

result of a Change in Control as provided above, the date of the Change in Control event as to any additional units vesting on that event).

5. Withholding Taxes. No Stock Units will be paid to you hereunder unless you have made arrangements acceptable to the Company to pay any withholding taxes that may be due as a result of the settlement of this Award. With the Company's consent and subject to all applicable laws and Company policies (including insider-trading policies), these arrangements may include (a) withholding shares of Company stock that otherwise would be issued to you when the units are settled, (b) surrendering shares that you previously acquired or (c) a Broker Arrangement (as defined above). In the case of clauses (a) and (b) above, the Fair Market Value of these shares, determined as of the date when taxes otherwise would have been withheld in cash, will be applied to the withholding taxes.

The award is intended as a "short-term deferral" under Section 409A of the Code and this Agreement shall be interpreted consistent with that intent. Except for the Company's withholding right set forth in the preceding paragraph, you will be responsible for any and all taxes that arise with respect to your award.

6. Protection Against Dilution.

6.1 Adjustments. In the event of a stock split, a stock dividend or a similar change in Company stock, a corresponding proportionate adjustment shall automatically be made to the number of Common Shares covered by this Award. In the event of a declaration of an extraordinary dividend payable in a form other than Common Shares in an amount that has a material effect on the price of Common Shares, a recapitalization, a spin-off or a similar occurrence, the Committee shall make such proportionate adjustments as it, in its sole discretion, deems appropriate. Except as provided in this Section 6, the Grantee shall have no rights by reason of any issuance by the Company of stock of any class or securities convertible into stock of any class, any subdivision or consolidation of shares of stock of any class, the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class. Any adjustment of Common Shares pursuant to this Section 6.1 shall be rounded down to the nearest whole number of Common Shares. Under no circumstances shall the Company be required to authorize or issue fractional shares and no consideration shall be provided as a result of any fractional shares not being issued or authorized.

6.2 Dissolution or Liquidation. To the extent not previously exercised or settled, this Award shall terminate immediately prior to the dissolution or liquidation of the Company.

6.3 Reorganizations. In the event that the Company is a party to a merger or other reorganization, the outstanding portion of this Award shall be subject to the agreement of merger or reorganization. Such agreement may provide for (a) the continuation of the outstanding portion of this Award by the Company, if the Company is a surviving corporation, (b) the assumption of the outstanding portion of this Award by the surviving corporation or its parent or subsidiary, or (c) the substitution by the surviving corporation or its parent or subsidiary of its own award for the outstanding portion of this Award. In the event that the Award will not be continued or assumed and a substitute award will not be provided for the Award, the Award shall accelerate and be fully vested immediately prior to the transaction (and may, in the discretion of the Committee and after giving effect to such accelerated vesting, be settled for the full value of the outstanding portion of this Award in cash or cash equivalents followed by cancellation of this Award).

7. Restrictions on Resale. You agree not to sell any Common Shares acquired pursuant to the Award at a time when Applicable Law, Company policies or an agreement between the Company and

its underwriters prohibit a sale. This restriction will apply as long as your Service continues and for such period of time after the termination of your Service as the Company may specify.

8. Transfer of Award.

8.1 In General. Except as expressly permitted by the Committee pursuant to Section 9.2, no Stock Units shall be assignable or otherwise transferable by the Participant except by will or by the laws of descent and distribution. Notwithstanding anything to the contrary herein, Stock Units may be transferred and exercised in accordance with a Domestic Relations Order.

8.2 Exception for Certain Transfers. The Committee may, in its sole discretion, allow you to transfer this Award as a gift to one or more family members. For purposes of this Agreement, “family member” means a child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law (including adoptive relationships), any individual sharing your household (other than a tenant or employee), a trust in which one or more of these individuals have more than 50% of the beneficial interest, a foundation in which you or one or more of these persons control the management of assets, and any entity in which you or one or more of these persons own more than 50% of the voting interest. The Committee will allow you to transfer this Award only if both you and the transferee(s) execute the forms prescribed by the Committee, which include the consent of the transferee(s) to be bound by this Agreement.

9. Limitation on Rights.

9.1 Retention Rights. This Agreement does not give you the right to be retained by the Company or any Parent or any Subsidiary or Affiliate in any capacity. The Company and its Parents and Subsidiaries and Affiliates reserve the right to terminate your Service at any time, with or without cause.

9.2 Regulatory Requirements. Any other provision of the Agreement notwithstanding, the obligation of the Company to issue Common Shares under the Agreement shall be subject to all Applicable Law. The Company reserves the right to restrict, in whole or in part, the delivery of Common Shares pursuant to this Agreement prior to the satisfaction of all Applicable Law relating to the issuance of such Common Shares, to their registration, qualification or listing or to an exemption from registration, qualification or listing. The Company’s obligation to deliver Common Shares or otherwise make payment with respect to vested Stock Units is subject to the condition precedent that the Grantee or other person entitled under this Agreement to receive any shares with respect to the vested Stock Units deliver to the Company such assurances and representations as the Committee may deem necessary or desirable to assure compliance with all applicable requirements.

9.3 Code Section 409A. Notwithstanding anything in the Agreement to the contrary, the Agreement is intended to comply with the requirements of Code Section 409A and shall be interpreted in a manner consistent with such intention.

10. Miscellaneous.

10.1 Governing Law. This Agreement will be interpreted and enforced under the laws of the State of California (without regard to its choice-of-law provisions).

10.2 The Agreement and Grant Notice. This Agreement and the Grant Notice constitute the entire understanding between you and the Company regarding this Award. Any prior

agreements, commitments or negotiations concerning this Award are superseded. This Agreement may be amended only by another written agreement between the parties. Notwithstanding anything herein to the contrary, no consent of the Grantee shall be required if the Board determines, in its sole and absolute discretion, that the amendment, suspension, termination or modification: (a) is required or advisable in order for the Company or the Agreement to satisfy Applicable Law, to meet the requirements of any accounting standard or to avoid any adverse accounting treatment, or (b) in connection with any transaction or event described in Section 6, is in the best interests of the Company or its shareholders. The Board may, but need not, take the tax or accounting consequences to the Grantee into consideration in acting under the preceding sentence. Those decisions shall be final, binding and conclusive.

10.3 Clawback Policy. The Company may (i) cause the cancellation of the Award, (ii) require reimbursement of the Award by the Grantee and (iii) effect any other right of recoupment of equity or other compensation provided under this Agreement or otherwise in accordance with Company policies and/or applicable law (each, a "**Clawback Policy**"). In addition, the Grantee may be required to repay to the Company certain previously paid compensation, whether provided under this Agreement or another equity incentive plan of the Company or otherwise, in accordance with the Clawback Policy.

By signing the Grant Notice form which precedes this Agreement, the Grantee agrees to

all of the terms and conditions described above and in the Grant Notice.

Reply to: Jason D. Meretsky
Telephone: (416) 943-0808 x.4
Email: Jason@Meretsky.com

March 31, 2015

Sphere 3D Corporation
240 Matheson Blvd. East
Mississauga, Ontario
L4Z 1X1

Re: Registration of Securities of Sphere 3D Corp.

Ladies and Gentlemen:

In connection with the registration of up to 357,725 common shares of Sphere 3D Corp. (the "Shares"), a company existing under the laws of the Province of Ontario, Canada (the "Company"), under the Securities Act of 1933, as amended, pursuant to a Registration Statement on Form S-8 (the "Registration Statement"), filed with the Securities and Exchange Commission on or about the date hereof, such Shares to be issued or delivered pursuant to the Overland Storage, Inc. 2009 Equity Incentive Plan, Overland Storage, Inc. 2003 Equity Incentive Plan, and the Overland Storage, Inc. Inducement Equity Awards (the "Plans"), you have requested our opinion set forth below.

In our capacity as Canadian counsel only, we have examined originals or copies of those corporate and other records of the Company we consider appropriate. We are qualified to practice law only in the Province of Ontario. We have made no investigation of the laws of any jurisdiction other than the Province of Ontario and the opinions hereinafter expressed are confined to the laws of the Province of Ontario and the federal laws of Canada applicable therein at the date hereof.

On the basis of such examination and our consideration of those questions of law we consider relevant, and subject to the limitations and qualifications in this opinion, we are of the opinion that the Shares have been duly authorized by all necessary corporate action on the part of the Company and, when issued in accordance with such authorization, the provisions of the Plans and relevant agreements duly authorized by and in accordance with the terms of the Plans, and upon payment for and delivery of the Shares as contemplated in accordance with the Plans, and either (a) the countersigning of the certificate or certificates representing the Shares by a duly authorized signatory of the registrar for the Company's common shares, or (b) the book-entry of the Shares by the transfer agent for the Company's common shares in the name of The Depository Trust Company or its nominee, the Shares will be validly issued, fully paid and non-assessable.

This opinion is intended solely for the use of the persons to whom it is addressed, and only in connection with the transaction described and should not be relied upon by any other person or for any other purpose nor quoted from or referred to in any other document without our prior written consent.

We hereby consent to your filing this opinion as an exhibit to the Registration Statement.

Respectfully submitted,

MERETSKY LAW FIRM

Per: /s/ Jason D. Meretsky
Jason D. Meretsky



Collins Barrow Toronto LLP
Collins Barrow Place
11 King Street West
Suite 700, PO Box 27
Toronto, Ontario
M5H 4C7 Canada

T. 416.480.0160
F. 416.480.2646

www.collinsbarrow.com

Consent of Independent Registered Public Accounting Firm

The Board of Directors of Sphere 3D Corp.

We consent to the inclusion in this registration statement on Form S-8 of Sphere 3D Corp., being filed with the United States Securities and Exchange Commission of:

- our Independent Auditors' Report dated October 14, 2014, on the consolidated financial statements of Sphere 3D Corp., which comprise the consolidated balance sheets as at December 31, 2013 and December 31, 2012 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years ended December 31, 2013 and 2012 and a summary of significant accounting policies and other explanatory information, prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board;
- our Independent Auditors' Report dated April 10, 2013, on the consolidated financial statements of Sphere 3D Corp., which comprise the consolidated balance sheets as at December 31, 2012 and December 31, 2011 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years ended December 31, 2012 and 2011 and a summary of significant accounting policies and other explanatory information, prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
March 31, 2015
Toronto, Canada



Collins Barrow Toronto LLP
Collins Barrow Place
11 King Street West
Suite 700, PO Box 27
Toronto, Ontario
M5H 4C7 Canada
T. 416.480.0160
F. 416.480.2646
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Consent of Independent Registered Public Accounting Firm

The Board of Directors of Sphere 3D Corp.

We consent to the inclusion in this annual report on Form 40-F and in registration statement on Form S-8 of Sphere 3D Corp., being filed with the United States Securities and Exchange Commission of:

- our Independent Auditors' Report dated March 31, 2015, on the consolidated financial statements of Sphere 3D Corp., which comprise the consolidated balance sheet as at December 31, 2013 and the consolidated statements of operations, comprehensive loss, changes in shareholders' equity and cash flows for the year ended December 31, 2013 and a summary of significant accounting policies and other explanatory information.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
March 31, 2015
Toronto, Canada

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in this Registration Statement on Form S-8 of Sphere 3D Corp. (the “Company”) of our report dated September 23, 2014 relating to the consolidated financial statements of Overland Storage Inc., which report appears in the Company’s Registration Statement on Form F-4/A (number 333-197569) (and expresses an unqualified opinion and includes an explanatory paragraph regarding Overland Storage Inc’s going concern uncertainty) filed with the Securities and Exchange Commission.

We also consent to the incorporation by reference in this Registration Statement on Form S-8 of Sphere 3D Corp. (the “Company”) of our report dated March 31, 2015 relating to the consolidated financial statements of Sphere 3D Corp., which report appears in the Company’s Form 40-F (and expresses an unqualified opinion and includes an explanatory paragraph regarding Sphere 3D Corp.’s going concern uncertainty) filed with the Securities and Exchange Commission.

/s/Moss Adams LLP

San Diego, California
March 31, 2015

Sphere 3D Corporation
240 Metheson Blvd. East,
Mississauga, Ontario, Canada
L4Z 1X1

Attention: Glenn M. Bowman, Chairman of
the Audit Committee

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in this Registration Statement on Form S-8 of Sphere 3D Corp. (the “Company”) of our report dated May 14, 2014, with respect to the consolidated financial statements of Tandberg Data Holdings S.à r.l., which report appears in the Company’s Registration Statement on Form F-4/A (number 333-197569) filed with the Securities and Exchange Commission.

/s/ RSM Deutschland GmbH Wirtschaftsprüfungsgesellschaft

Berlin, Germany

March 31, 2015