

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

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FORM 8-K

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Current Report  
Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934  
Date of report (Date of earliest event reported): May 18, 2012

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Mandalay Digital Group, Inc.  
(Exact Name of Registrant as Specified in Charter)

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Delaware  
(State or Other Jurisdiction  
of Incorporation)

000-10039  
Commission File Number

22-2267658  
(IRS Employer  
Identification No.)

4751 Wilshire Boulevard, Third Floor  
Los Angeles, CA  
(Address of Principal Executive Offices)

90010  
(Zip Code)

Registrant's telephone number, including area code: (310) 601-2500

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

(e)

On May 18, 2012 Mandalay Digital Group, Inc. (the "Company"), entered into amendments to the restricted stock agreements governing grants of shares of restricted common stock made to Mr. Peter Adderton, chief executive officer, and Mr. Robert Ellin, executive chairman, as previously disclosed on the Company's Current Report on Form 8-K filed on January 4, 2012. These amendments clarified that the holders of such shares have all rights of a stockholder with respect to those shares (vested or unvested), including voting and dividend rights, subject to the restrictions and forfeiture provisions of the restricted stock agreements. The restricted stock agreements with Mr. Adderton and Mr. Ellin are filed herewith as Exhibits 10.1 through 10.4, respectively, and the amendments Mr. Adderton's and Mr. Ellin's agreements are filed herewith as Exhibit 10.5 and 10.6, respectively, and are incorporated into this Item 5.02(e) by reference.

**Item 5.07 Submission of Matters to a Vote of Security Holders**

On May 23, 2012, the Company received the written consent from stockholders holding a majority of its outstanding common stock to permit (but not require) the Board of Directors of the Company to amend its Amended and Restated Certificate of Incorporation to (i) effect a reverse stock split of the Company's common stock at any time prior to April 26, 2013, by a ratio of not less than one-for-two and not more than one-for-ten, with the exact ratio to be set at a whole number within this range as determined by the Board of Directors in its sole discretion (the "Reverse Stock Split") and (ii) to increase the number of authorized shares of the Company's capital stock to 202,000,000 shares of stock, of which 200,000,000 shares would be common stock and 2,000,000 shares would be preferred stock (the "Authorized Stock Increase"). In addition, such stockholders, pursuant to the written consent, also approved the Company's Amended and Restated 2011 Equity Incentive Plan of the Company, and related forms of Equity Incentive Plan Notice of Grant Restricted Stock Agreement, and Notice of Grant and Stock Option Agreement (the "Plan Approval").

As of May 23, 2012, 45,843,434 shares of common stock (54.65% of the 83,891,232 shares entitled to vote) have voted to consent to the Reverse Stock Split, the Authorized Stock Increase and the Plan Approval. There were no abstentions or consents withheld.

Notwithstanding receipt of stockholder approval of the Reverse Stock Split and the Authorized Stock Increase, the Board of Directors reserves the right, without further action by the stockholders, to elect not to proceed with the Reverse Stock Split and/or the Authorized Stock Increase if, at any time prior to the filing of a Certificate of Amendment for the Reverse Stock Split and/or Authorized Stock Increase, the Board of Directors, in its sole discretion, determines that it is no longer in the Company's best interest and the best interests of the Company's stockholders to proceed with the Reverse Stock Split and/or Authorized Stock Increase.

The Company intends to file with the Securities and Exchange Commission and mail to its stockholders, as promptly as practicable, an information statement describing the Reverse Stock Split, the Authorized Stock Increase and the Plan Adoption.

The Amended and Restated 2011 Equity Incentive Plan of the Company, the Company's Amended and Restated 2011 Equity Incentive Plan Notice of Grant and Restricted Stock Agreement, and the Company's Amended and Restated 2011 Equity Incentive Plan Notice of Grant and Stock Option Agreement are filed herewith as Exhibits 10.7, 10.8 and 10.9, respectively.

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**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

<b>Exhibit Number</b>	<b>Exhibit Title</b>
10.1	Restricted Stock Agreement, dated December 28, 2011, between Mandalay Digital Group, Inc. and Peter Adderton, for 9,037,500 shares of common stock.
10.2	Restricted Stock Agreement, dated December 28, 2011, between Mandalay Digital Group, Inc. and Robert Ellin, for 3,600,000 shares of common stock.
10.3	Restricted Stock Agreement, dated December 28, 2011 between Mandalay Digital Group, Inc. and Robert Ellin, for 3,400,000 shares of common stock.
10.4	Restricted Stock Agreement, dated December 28, 2011, between Mandalay Digital Group, Inc. and Robert Ellin, for 1,000,000 shares of common stock.
10.5	Amendment to Restricted Stock Agreement, dated May 18, 2012, between Mandalay Digital Group, Inc. and Peter Adderton.
10.6	Amendment to Restricted Stock Agreements, dated May 18, 2012, between Mandalay Digital Group, Inc. and Robert Ellin.
10.7	Amended and Restated 2011 Equity Incentive Plan of Mandalay Digital Group, Inc.
10.8	Amended and Restated 2011 Equity Incentive Plan Notice of Grant and Restricted Stock Agreement of Mandalay Digital Group, Inc.
10.9	Amended and Restated 2011 Equity Incentive Plan Notice of Grant and Stock Option Agreement of Mandalay Digital Group, Inc.

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## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**Mandalay Digital Group, Inc.**

Dated: May 30, 2012

By: /s/ Peter Adderton  
Peter Adderton  
Chief Executive Officer

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## RESTRICTED STOCK AGREEMENT

### NEUMEDIA, INC.

RESTRICTED STOCK AGREEMENT (the "Agreement") made as of December 28, 2011 (the "Grant Date"), between NeuMedia, Inc., a Delaware corporation (the "Company"), and Peter Adderton (the "Holder").

WHEREAS, the Company has purchased substantially all of the assets of Digital Turbine Group, LLC, and in connection therewith, has entered into an employment or consulting agreement with the Holder (the "Services Agreement");

WHEREAS, in connection with the Holder's employment or consulting services, the Company desires to offer to the Holder shares of the Company's common stock, \$.0001 par value per share ("Common Stock"), all on the terms and conditions hereinafter set forth; and

WHEREAS, the Holder wishes to accept said offer.

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

1. Terms of Grant. The Holder hereby accepts the offer of the Company to issue to the Holder, in accordance with the terms of this Agreement, 9,037,500 Shares of Common Stock (such shares subject to adjustment pursuant to Subsection 2.1(g) hereof, the "Granted Shares").

2. Vesting and Other Restrictions.

(a) Vesting Schedule. The Granted Shares shall vest as follows: (i) one third (1/3) shall vest immediately upon the completion of one or more debt or equity financings during the Measurement Period (as defined in the Services Agreement) in favor of the Company of gross proceeds of at least \$5 million; (ii) one third (1/3) shall vest immediately if on any date during the Measurement Period the Company's total enterprise value (computed by multiplying the number of outstanding shares of Common Stock on a fully diluted (taking into account only those stock options that are in-the-money on such date), as-converted basis by the average daily trading price for Common Stock for the thirty (30) trading day period immediately preceding the date of determination) equals or exceeds \$100 million; and (iii) one third (1/3) shall vest immediately if on any date during the Measurement Period the Company's total enterprise value (calculated as set forth in clause (ii) above) equals or exceeds \$200 million; provided, however, that all unvested shares of restricted common stock shall vest immediately upon the sale of all or substantially all of the assets of the Company, upon the merger or reorganization of the Company following which the equityholders of the Company immediately prior to the consummation of such merger or reorganization collectively own less than 50% of the voting power of the resulting entity, or upon the sale of equity securities of the Company representing 50% or more of the voting power of the Company or 50% or more of the economic interest in the Company in a single transaction or in a series of related transactions.

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(b) Prohibition on Transfer. The Holder recognizes and agrees that all Granted Shares, even if fully vested in accordance with Section 2(a), may not be sold, transferred, assigned, hypothecated, pledged, encumbered or otherwise disposed of, whether voluntarily or by operation of law, other than to the Company (or its designee) for a period of one (1) year from the date such shares vest in accordance with Section 2.1(a) (the "Holding Period"). The Company shall not be required to transfer any Granted Shares on its books which shall have been sold, assigned or otherwise transferred in violation of this Subsection 2.1(b), or to treat as the owner of such Granted Shares, or to accord the right to vote as such owner or to pay dividends to, any person or organization to which any such Granted Shares shall have been so sold, assigned or otherwise transferred, in violation of this Subsection 2.1(b).

(c) Escrow. The certificates representing all Granted Shares issued to the Holder hereunder shall be delivered to the Company and the Company shall hold such Granted Shares in escrow as provided in this Subsection 2.1(c). The Company shall release from escrow and deliver to the Holder within thirty (30) days of the Holding Period (with respect to any vested shares) a certificate for the whole number of Granted Shares which have vested and for which the Holding Period has expired. In the event that the vesting conditions set forth above have not been satisfied prior to the expiration of the Measurement Period, the Company shall release from escrow as of the last date of the Measurement Period and cancel a certificate for the number of Granted Shares so forfeited. Any securities distributed in respect of the Granted Shares held in escrow, including, without limitation, shares issued as a result of stock splits, stock dividends or other recapitalizations, shall also be held in escrow in the same manner as the Granted Shares.

(d) Failure to Deliver Granted Shares. In the event that the Granted Shares to be cancelled by the Company under this Agreement or subject to the Holding Period are not in the Company's possession pursuant to Subsection 2.1(c) above or otherwise and the Holder or the Holder's successor or permitted assignee fails to deliver such Granted Shares to the Company (or its designee), the Company may immediately take such action as is appropriate to transfer record title of such Granted Shares from the Holder to the Company (or its designee) and treat the Holder and such Granted Shares in all respects as if delivery of such Granted Shares had been made as required by this Agreement. The Holder hereby irrevocably grants the Company a power of attorney which shall be coupled with an interest for the purpose of effectuating the preceding sentence.

(e) Adjustments. The Company's 2011 Equity Incentive Plan (the "Plan") contains provisions covering the treatment of the Granted Shares in a number of contingencies such as stock splits and mergers. Provisions in the Plan for adjustment with respect to the Granted Shares and the related provisions with respect to successors to the business of the Company are hereby made applicable hereunder and are incorporated herein by reference.

3. General Restrictions on Transfer of Granted Shares.

(a) The Holder agrees that in the event the Company proposes to offer for sale to the public any of its equity securities and such Holder is requested by the Company and any underwriter engaged by the Company in connection with such offering to sign an agreement restricting the sale or other transfer of Granted Shares, then it will promptly sign such agreement and will not transfer, whether in privately negotiated transactions or to the public in open market transactions or otherwise, any Granted Shares or other securities of the Company held by him or her during such period as is determined by the Company and the underwriters, not to exceed ninety (90) days following the closing of the offering, plus such additional period of time as may be required to comply with NASD Rule 2711 or similar rules thereto (such period, the "Lock-Up Period"). Such agreement shall be in writing and in form and substance reasonably satisfactory to the Company and such underwriter and pursuant to customary and prevailing terms and conditions. Notwithstanding whether the Holder has signed such an agreement, the Company may impose stop-transfer instructions with respect to the Granted Shares or other securities of the Company subject to the foregoing restrictions until the end of the Lock-Up Period.

(b) The Holder acknowledges and agrees that neither the Company nor its shareholders nor its directors and officers, has any duty or obligation to disclose to the Holder any material information regarding the business of the Company or affecting the value of the Granted Shares at any time, including, without limitation, any information concerning plans for the Company to make a public offering of its securities or to be acquired by or merged with or into another firm or entity.

4. Purchase for Investment; Securities Law Compliance. The offering and sale of the Granted Shares have not been effectively registered under the Securities Act of 1933, as amended (the "1933 Act"). The Holder hereby represents and warrants that he or she is acquiring the Granted Shares for his or her own account, for investment, and not with a view to, or for sale in connection with, the distribution of any such Granted Shares. The Holder understands that because the Granted Shares have not been registered under the 1933 Act, the Holder must continue to bear the economic risk of the investment for an indefinite period of time. The Holder represents and warrants that the Holder (a) has been furnished with all information which it deems necessary to evaluate the merits and risks of the receipt of the Granted Shares, (b) has had the opportunity to ask questions concerning the Granted Shares and the Company and all questions posed have been answered to his or her satisfaction, (c) has been given the opportunity to obtain any additional information he or she deems necessary to verify the accuracy of any information obtained concerning the Granted Shares and the Company and (d) has such knowledge and experience in financial and business matters that the Holder is able to evaluate the merits and risks of investing in the Granted Shares and to make an informed investment decision relating thereto. The Holder specifically acknowledges and agrees that any sales of Granted Shares shall be made in accordance with the requirements of the 1933 Act, in a transaction as to which the Company shall have received an opinion of counsel satisfactory to it confirming such compliance. The Holder shall be bound by the provisions of the following legend which shall be endorsed upon the certificate(s) evidencing the Granted Shares issued:

"The shares represented by this certificate have been taken for investment and they may not be sold or otherwise transferred by any person, including a pledgee, unless (1) either (a) a Registration Statement with respect to such shares shall be effective under the Securities Act of 1933, as amended, or (b) the Company shall have received an opinion of counsel satisfactory to it that an exemption from registration under such Act is then available, and (2) there shall have been compliance with all applicable state securities laws."

5. No Rights as a Stockholder. The Holder shall not have any rights as a stockholder with respect to the Granted Shares, including voting and dividend rights, unless and until such Granted Shares shall have vested in accordance with the terms hereof, and in all cases subject to the restrictions set forth herein.

6. Legend. All certificates representing the Granted Shares to be issued to the Holder pursuant to this Agreement shall have endorsed thereon a legend substantially as follows:

“The shares represented by this certificate are subject to restrictions set forth in a Restricted Stock Agreement dated as of December 28, 2011 with this Company, a copy of which Agreement is available for inspection at the offices of the Company or will be made available upon request.”

7. Tax Liability of the Holder and Payment of Taxes. The Holder acknowledges and agrees that any income or other taxes due from the Holder with respect to the Granted Shares issued pursuant to this Agreement, shall be the Holder’s responsibility. Without limiting the foregoing, the Holder agrees that, to the extent that the lapsing of restrictions on disposition of any of the Granted Shares or the declaration of dividends on any such shares before the lapse of such restrictions on disposition results in the Holder’s being deemed to be in receipt of earned income, the Company shall be entitled to immediate payment from the Holder of the amount of any tax required to be withheld by the Company under applicable tax law. The Holder has been given the opportunity to obtain the advice of his or her tax advisors with respect to the tax consequences of the purchase of the Granted Shares and the provisions of this Agreement.

Upon execution of this Agreement, if the Holder is a United States tax payer, the Holder may file an election under Section 83 of the Internal Revenue Code of 1986, as amended, in substantially the form attached as Exhibit B. The Holder acknowledges that if he or she does not file such an election, as the Granted Shares become vested in accordance with Section 2.1, the Holder will have income for tax purposes equal to the fair market value of the Granted Shares at such date, less the price paid for the Granted Shares by the Holder.

Any taxes due from the Holder that are required to be withheld by the Company under any applicable tax law shall be paid by the Holder by depositing with the Company an amount of cash equal to the amount determined by the Company to be required with respect to the statutory minimum of the Holder’s estimated total federal, state and local tax obligations associated with the vesting of such shares with respect to the Granted Shares or otherwise withholding from the Holder’s paycheck an amount equal to the withholding tax due and payable.

8. Equitable Relief. The Holder specifically acknowledges and agrees that in the event of a breach or threatened breach of the provisions of this Agreement, including the attempted transfer of the Granted Shares by the Holder in violation of this Agreement, monetary damages may not be adequate to compensate the Company, and, therefore, in the event of such a breach or threatened breach, in addition to any right to damages, the Company shall be entitled to equitable relief in any court having competent jurisdiction. Nothing herein shall be construed as prohibiting the Company from pursuing any other remedies available to it for any such breach or threatened breach.



9. No Obligation to Maintain Relationship. The Company is not by this Agreement obligated to continue the Holder as an employee, director or consultant of the Company or any affiliate thereof. The Holder acknowledges: (a) that the grant of the shares is a one-time benefit which does not create any contractual or other right to receive future grants of shares, or benefits in lieu of shares; (b) that all determinations with respect to any such future grants, including, but not limited to, the times when shares shall be granted, the number of shares to be granted, the purchase price, and the time or times when each share shall vest, will be at the sole discretion of the Company; (c) that the value of the Granted Shares is an extraordinary item of compensation which is outside the scope of the Holder's employment contract, if any; and (d) that the Granted Shares are not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.

10. Notices. Any notices required or permitted by the terms of this Agreement shall be given by recognized courier service, facsimile, registered or certified mail, return receipt requested, addressed as follows:

If to the Company:

NeuMedia, Inc.  
4751 Wilshire Blvd., 3rd Floor  
Los Angeles, CA 90010

If to the Holder:

12 Sail Vista  
Newport Coast, CA 92657

or to such other address or addresses of which notice in the same manner has previously been given. Any such notice shall be deemed to have been given on the earliest of receipt, one business day following delivery by the sender to a recognized courier service, or three business days following mailing by registered or certified mail.

11. Benefit of Agreement. Subject to the other provisions hereof, this Agreement shall be for the benefit of and shall be binding upon the heirs, executors, administrators, successors and assigns of the parties hereto.

12. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Delaware, without giving effect to the conflict of law principles thereof. For the purpose of litigating any dispute that arises under this Agreement, whether at law or in equity, the parties hereby consent to exclusive jurisdiction in the State of California and agree that such litigation shall be conducted in the state courts of State of California or the federal courts of the United States for the District of Los Angeles, California.

13. Severability. If any provision of this Agreement is held to be invalid or unenforceable by a court of competent jurisdiction, then such provision or provisions shall be modified to the extent necessary to make such provision valid and enforceable, and to the extent that this is impossible, then such provision shall be deemed to be excised from this Agreement, and the validity, legality and enforceability of the rest of this Agreement shall not be affected thereby.

14. Entire Agreement. This Agreement, together with the Services Agreement, constitutes the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior oral or written agreements and understandings relating to the subject matter hereof. No statement, representation, warranty, covenant or agreement not expressly set forth in this Agreement shall affect or be used to interpret, change or restrict the express terms and provisions of this Agreement.

15. Modifications and Amendments; Waivers and Consents. The terms and provisions of this Agreement may be waived, or consent for the departure therefrom granted, only by written document executed by the party entitled to the benefits of such terms or provisions. No such waiver or consent shall be deemed to be or shall constitute a waiver or consent with respect to any other terms or provisions of this Agreement, whether or not similar. Each such waiver or consent shall be effective only in the specific instance and for the purpose for which it was given, and shall not constitute a continuing waiver or consent.

16. Consent of Spouse/Domestic Partner. If the Holder has a spouse or domestic partner as of the date of this Agreement, the Holder's spouse or domestic partner shall execute a Consent of Spouse/Domestic Partner in the form of Exhibit A hereto, effective as of the date hereof. Such consent shall not be deemed to confer or convey to the spouse or domestic partner any rights in the Granted Shares that do not otherwise exist by operation of law or the agreement of the parties. If the Holder subsequent to the date hereof, marries, remarries or applies to the Company for domestic partner benefits, the Holder shall, not later than sixty (60) days thereafter, obtain his or her new spouse/domestic partner's acknowledgement of and consent to the existence and binding effect of all restrictions contained in this Agreement by having such spouse/domestic partner execute and deliver a Consent of Spouse/Domestic Partner in the form of Exhibit A.

17. Counterparts. This Agreement may be executed in one or more counterparts, and by different parties hereto on separate counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

18. Data Privacy. By entering into this Agreement, the Holder: (a) authorizes the Company and each affiliate thereof to disclose to the Company or any of its affiliates such information and data as the Company or any such affiliate shall request in order to facilitate the grant of Granted Shares; (b) waives any data privacy rights he or she may have with respect to such information; and (c) authorizes the Company and such affiliate to store and transmit such information in electronic form.

[THE NEXT PAGE IS THE SIGNATURE PAGE]



**EXHIBIT A**

**CONSENT OF SPOUSE/DOMESTIC PARTNER**

I, \_\_\_\_\_, spouse or domestic partner of \_\_\_\_\_, acknowledge that I have read the RESTRICTED STOCK AGREEMENT dated as of \_\_\_\_\_, 2011 (the "Agreement") to which this Consent is attached as Exhibit A and that I know its contents. Capitalized terms used and not defined herein shall have the meanings assigned to such terms in the Agreement. I am aware that by its provisions the Granted Shares granted to my spouse/domestic partner pursuant to the Agreement are subject to vesting conditions and that, accordingly, I may be required to forfeit to NeuMedia, Inc. any or all of the unvested Granted Shares of which I may become possessed as a result of a gift from my spouse/domestic partner or a court decree and/or any property settlement in any domestic litigation.

I hereby agree that my interest, if any, in the Granted Shares subject to the Agreement shall be irrevocably bound by the Agreement and further understand and agree that any community property interest I may have in the Granted Shares shall be similarly bound by the Agreement.

I agree to the vesting conditions described in the Agreement and I hereby consent to the cancellation of the Granted Shares to the Company by my spouse/domestic partner or my spouse/domestic partner's legal representative in accordance with the provisions of the Agreement. Further, as part of the consideration for the Agreement, I agree that at my death, if I have not disposed of any interest of mine in the Granted Shares by an outright bequest of the Granted Shares to my spouse or domestic partner, then the Company shall have the same rights against my legal representative to exercise its rights to the Granted Shares with respect to any interest of mine in the Granted Shares as it would have had pursuant to the Agreement if I had acquired the Granted Shares pursuant to a court decree in domestic litigation.

**I AM AWARE THAT THE LEGAL, FINANCIAL AND RELATED MATTERS CONTAINED IN THE AGREEMENT ARE COMPLEX AND THAT I AM FREE TO SEEK INDEPENDENT PROFESSIONAL GUIDANCE OR COUNSEL WITH RESPECT TO THIS CONSENT. I HAVE EITHER SOUGHT SUCH GUIDANCE OR COUNSEL OR DETERMINED AFTER REVIEWING THE AGREEMENT CAREFULLY THAT I WILL WAIVE SUCH RIGHT.**

Dated as of the \_\_\_\_\_ day of \_\_\_\_\_, 2011.

\_\_\_\_\_  
Print name:

**EXHIBIT B**

**Election to Include Gross Income in Year  
of Transfer Pursuant To Section 83(b)  
of the Internal Revenue Code of 1986, As Amended**

In accordance with Section 83(b) of the Internal Revenue Code of 1986, as amended (the "Code"), the undersigned hereby elects to include in his or her gross income as compensation for services the excess, if any, of the fair market value of the property (described below) at the time of transfer over the amount paid for such property.

The following sets for the information required in accordance with the Code and the regulations promulgated hereunder:

1. The name, address and social security number of the undersigned are:

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Social Security No.: \_\_\_\_\_

2. The description of the property with respect to which the election is being made is as follows:

\_\_\_\_\_ (\_\_\_\_) shares (the "Shares") of Common Stock, \$0.0001 par value per share, of NeuMedia, Inc., a Delaware corporation (the "Company").

3. This election is made for the calendar year [\_\_\_\_], with respect to the transfer of the property to the taxpayer on [ ], 2011.

4. Description of restrictions: The property is subject to certain vesting conditions, which may never occur or may only occur in part, as more fully described in that certain Restricted Stock Agreement, dated as of [\_\_\_\_], 2011, by the taxpayer and the Company.

5. The fair market value at time of transfer (determined without regard to any restrictions other than restrictions which by their terms will never lapse) of the property with respect to which this election is being made was not more than \$[\_\_\_] per Share.

6. The amount paid by taxpayer for said property was \$0.00 per Share.

7. A copy of this statement has been furnished to the Company.

Signed this \_\_\_ day of \_\_\_\_\_, 2011.

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

## RESTRICTED STOCK AGREEMENT

### NEUMEDIA, INC.

RESTRICTED STOCK AGREEMENT (the "Agreement") made as of December 28, 2011 (the "Grant Date"), between NeuMedia, Inc., a Delaware corporation (the "Company"), and Robert Ellin (the "Holder").

WHEREAS, in exchange for his valuable prior services to the Company, the Company desires to offer to the Holder shares of the Company's common stock, \$.0001 par value per share ("Common Stock"), all on the terms and conditions hereinafter set forth; and

WHEREAS, the Holder wishes to accept said offer.

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

1. Terms of Grant. The Holder hereby accepts the offer of the Company to issue to the Holder, in accordance with the terms of this Agreement, three million six hundred thousand (3,600,000) shares of Common Stock (such shares subject to adjustment pursuant to Subsection 2.1(g) hereof, the "Granted Shares").

2. Vesting and Other Restrictions.

(a) Vesting Schedule. The Granted Shares are fully vested on the date of this Agreement.

(b) Prohibition on Transfer. The Holder recognizes and agrees that all Granted Shares, even if fully vested in accordance with Section 2(a), may not be sold, transferred, assigned, hypothecated, pledged, encumbered or otherwise disposed of, whether voluntarily or by operation of law, other than to the Company (or its designee) for a period of two (2) years from the date such shares vest in accordance with Section 2.1(a) (the "Holding Period"). The Company shall not be required to transfer any Granted Shares on its books which shall have been sold, assigned or otherwise transferred in violation of this Subsection 2.1(b), or to treat as the owner of such Granted Shares, or to accord the right to vote as such owner or to pay dividends to, any person or organization to which any such Granted Shares shall have been so sold, assigned or otherwise transferred, in violation of this Subsection 2.1(b).

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(c) Escrow. The certificates representing all Granted Shares issued to the Holder hereunder shall be delivered to the Company and the Company shall hold such Granted Shares in escrow as provided in this Subsection 2.1(c). The Company shall release from escrow and deliver to the Holder within thirty (30) days of the Holding Period (with respect to any vested shares) a certificate for the whole number of Granted Shares which have vested and for which the Holding Period has expired. In the event that the vesting conditions set forth above have not been satisfied prior to the expiration of the Measurement Period, the Company shall release from escrow as of the last date of the Measurement Period and cancel a certificate for the number of Granted Shares so forfeited. Any securities distributed in respect of the Granted Shares held in escrow, including, without limitation, shares issued as a result of stock splits, stock dividends or other recapitalizations, shall also be held in escrow in the same manner as the Granted Shares.

(d) Failure to Deliver Granted Shares. In the event that the Granted Shares to be cancelled by the Company under this Agreement or subject to the Holding Period are not in the Company's possession pursuant to Subsection 2.1(c) above or otherwise and the Holder or the Holder's successor or permitted assignee fails to deliver such Granted Shares to the Company (or its designee), the Company may immediately take such action as is appropriate to transfer record title of such Granted Shares from the Holder to the Company (or its designee) and treat the Holder and such Granted Shares in all respects as if delivery of such Granted Shares had been made as required by this Agreement. The Holder hereby irrevocably grants the Company a power of attorney which shall be coupled with an interest for the purpose of effectuating the preceding sentence.

(e) Adjustments. The Company's 2011 Equity Incentive Plan (the "Plan") contains provisions covering the treatment of the Granted Shares in a number of contingencies such as stock splits and mergers. Provisions in the Plan for adjustment with respect to the Granted Shares and the related provisions with respect to successors to the business of the Company are hereby made applicable hereunder and are incorporated herein by reference.

3. General Restrictions on Transfer of Granted Shares.

(a) The Holder agrees that in the event the Company proposes to offer for sale to the public any of its equity securities and such Holder is requested by the Company and any underwriter engaged by the Company in connection with such offering to sign an agreement restricting the sale or other transfer of Granted Shares, then it will promptly sign such agreement and will not transfer, whether in privately negotiated transactions or to the public in open market transactions or otherwise, any Granted Shares or other securities of the Company held by him or her during such period as is determined by the Company and the underwriters, not to exceed ninety (90) days following the closing of the offering, plus such additional period of time as may be required to comply with NASD Rule 2711 or similar rules thereto (such period, the "Lock-Up Period").

Such agreement shall be in writing and in form and substance reasonably satisfactory to the Company and such underwriter and pursuant to customary and prevailing terms and conditions. Notwithstanding whether the Holder has signed such an agreement, the Company may impose stop-transfer instructions with respect to the Granted Shares or other securities of the Company subject to the foregoing restrictions until the end of the Lock-Up Period.

(b) The Holder acknowledges and agrees that neither the Company nor its shareholders nor its directors and officers, has any duty or obligation to disclose to the Holder any material information regarding the business of the Company or affecting the value of the Granted Shares at any time, including, without limitation, any information concerning plans for the Company to make a public offering of its securities or to be acquired by or merged with or into another firm or entity.

4. Purchase for Investment; Securities Law Compliance. The offering and sale of the Granted Shares have not been effectively registered under the Securities Act of 1933, as amended (the "1933 Act"). The Holder hereby represents and warrants that he or she is acquiring the Granted Shares for his or her own account, for investment, and not with a view to, or for sale in connection with, the distribution of any such Granted Shares. The Holder understands that because the Granted Shares have not been registered under the 1933 Act, the Holder must continue to bear the economic risk of the investment for an indefinite period of time. The Holder represents and warrants that the Holder (a) has been furnished with all information which it deems necessary to evaluate the merits and risks of the receipt of the Granted Shares, (b) has had the opportunity to ask questions concerning the Granted Shares and the Company and all questions posed have been answered to his or her satisfaction, (c) has been given the opportunity to obtain any additional information he or she deems necessary to verify the accuracy of any information obtained concerning the Granted Shares and the Company and (d) has such knowledge and experience in financial and business matters that the Holder is able to evaluate the merits and risks of investing in the Granted Shares and to make an informed investment decision relating thereto. The Holder specifically acknowledges and agrees that any sales of Granted Shares shall be made in accordance with the requirements of the 1933 Act, in a transaction as to which the Company shall have received an opinion of counsel satisfactory to it confirming such compliance. The Holder shall be bound by the provisions of the following legend which shall be endorsed upon the certificate(s) evidencing the Granted Shares issued:

"The shares represented by this certificate have been taken for investment and they may not be sold or otherwise transferred by any person, including a pledgee, unless (1) either (a) a Registration Statement with respect to such shares shall be effective under the Securities Act of 1933, as amended, or (b) the Company shall have received an opinion of counsel satisfactory to it that an exemption from registration under such Act is then available, and (2) there shall have been compliance with all applicable state securities laws."



5. No Rights as a Stockholder. The Holder shall not have any rights as a stockholder with respect to the Granted Shares, including voting and dividend rights, unless and until such Granted Shares shall have vested in accordance with the terms hereof, and in all cases subject to the restrictions set forth herein.

6. Legend. All certificates representing the Granted Shares to be issued to the Holder pursuant to this Agreement shall have endorsed thereon a legend substantially as follows:

“The shares represented by this certificate are subject to restrictions set forth in a Restricted Stock Agreement dated as of December 28, 2011 with this Company, a copy of which Agreement is available for inspection at the offices of the Company or will be made available upon request.”

7. Tax Liability of the Holder and Payment of Taxes. The Holder acknowledges and agrees that any income or other taxes due from the Holder with respect to the Granted Shares issued pursuant to this Agreement, shall be the Holder’s responsibility. Without limiting the foregoing, the Holder agrees that, to the extent that the lapsing of restrictions on disposition of any of the Granted Shares or the declaration of dividends on any such shares before the lapse of such restrictions on disposition results in the Holder’s being deemed to be in receipt of earned income, the Company shall be entitled to immediate payment from the Holder of the amount of any tax required to be withheld by the Company under applicable tax law. The Holder has been given the opportunity to obtain the advice of his or her tax advisors with respect to the tax consequences of the purchase of the Granted Shares and the provisions of this Agreement.

Upon execution of this Agreement, if the Holder is a United States tax payer, the Holder may file an election under Section 83 of the Internal Revenue Code of 1986, as amended, in substantially the form attached as Exhibit B. The Holder acknowledges that if he or she does not file such an election, as the Granted Shares become vested in accordance with Section 2.1, the Holder will have income for tax purposes equal to the fair market value of the Granted Shares at such date, less the price paid for the Granted Shares by the Holder.

Any taxes due from the Holder that are required to be withheld by the Company under any applicable tax law shall be paid by the Holder by depositing with the Company an amount of cash equal to the amount determined by the Company to be required with respect to the statutory minimum of the Holder’s estimated total federal, state and local tax obligations associated with the vesting of such shares with respect to the Granted Shares or otherwise withholding from the Holder’s paycheck an amount equal to the withholding tax due and payable.

8. Equitable Relief. The Holder specifically acknowledges and agrees that in the event of a breach or threatened breach of the provisions of this Agreement, including the attempted transfer of the Granted Shares by the Holder in violation of this Agreement, monetary damages may not be adequate to compensate the Company, and, therefore, in the event of such a breach or threatened breach, in addition to any right to damages, the Company shall be entitled to equitable relief in any court having competent jurisdiction. Nothing herein shall be construed as prohibiting the Company from pursuing any other remedies available to it for any such breach or threatened breach.

9. No Obligation to Maintain Relationship. The Company is not by this Agreement obligated to continue the Holder as an employee, director or consultant of the Company or any affiliate thereof. The Holder acknowledges: (a) that the grant of the shares is a one-time benefit which does not create any contractual or other right to receive future grants of shares, or benefits in lieu of shares; (b) that all determinations with respect to any such future grants, including, but not limited to, the times when shares shall be granted, the number of shares to be granted, the purchase price, and the time or times when each share shall vest, will be at the sole discretion of the Company; (c) that the value of the Granted Shares is an extraordinary item of compensation which is outside the scope of the Holder's employment contract, if any; and (d) that the Granted Shares are not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.

10. Notices. Any notices required or permitted by the terms of this Agreement shall be given by recognized courier service, facsimile, registered or certified mail, return receipt requested, addressed as follows:

If to the Company:

NeuMedia, Inc.  
4751 Wilshire Blvd., 3rd Floor  
Los Angeles, CA 90010

If to the Holder:

4751 Wilshire Blvd., 3rd Floor  
Los Angeles, CA 90010

or to such other address or addresses of which notice in the same manner has previously been given. Any such notice shall be deemed to have been given on the earliest of receipt, one business day following delivery by the sender to a recognized courier service, or three business days following mailing by registered or certified mail.

11. Benefit of Agreement. Subject to the other provisions hereof, this Agreement shall be for the benefit of and shall be binding upon the heirs, executors, administrators, successors and assigns of the parties hereto.

12. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Delaware, without giving effect to the conflict of law principles thereof. For the purpose of litigating any dispute that arises under this Agreement, whether at law or in equity, the parties hereby consent to exclusive jurisdiction in the State of California and agree that such litigation shall be conducted in the state courts of State of California or the federal courts of the United States for the District of Los Angeles, California.

13. Severability. If any provision of this Agreement is held to be invalid or unenforceable by a court of competent jurisdiction, then such provision or provisions shall be modified to the extent necessary to make such provision valid and enforceable, and to the extent that this is impossible, then such provision shall be deemed to be excised from this Agreement, and the validity, legality and enforceability of the rest of this Agreement shall not be affected thereby.

14. Entire Agreement. This Agreement, together with the Services Agreement, constitutes the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior oral or written agreements and understandings relating to the subject matter hereof. No statement, representation, warranty, covenant or agreement not expressly set forth in this Agreement shall affect or be used to interpret, change or restrict the express terms and provisions of this Agreement.

15. Modifications and Amendments; Waivers and Consents. The terms and provisions of this Agreement may be waived, or consent for the departure therefrom granted, only by written document executed by the party entitled to the benefits of such terms or provisions. No such waiver or consent shall be deemed to be or shall constitute a waiver or consent with respect to any other terms or provisions of this Agreement, whether or not similar. Each such waiver or consent shall be effective only in the specific instance and for the purpose for which it was given, and shall not constitute a continuing waiver or consent.

16. Consent of Spouse/Domestic Partner. If the Holder has a spouse or domestic partner as of the date of this Agreement, the Holder's spouse or domestic partner shall execute a Consent of Spouse/Domestic Partner in the form of Exhibit A hereto, effective as of the date hereof. Such consent shall not be deemed to confer or convey to the spouse or domestic partner any rights in the Granted Shares that do not otherwise exist by operation of law or the agreement of the parties. If the Holder subsequent to the date hereof, marries, remarries or applies to the Company for domestic partner benefits, the Holder shall, not later than sixty (60) days thereafter, obtain his or her new spouse/domestic partner's acknowledgement of and consent to the existence and binding effect of all restrictions contained in this Agreement by having such spouse/domestic partner execute and deliver a Consent of Spouse/Domestic Partner in the form of Exhibit A.

17. Counterparts. This Agreement may be executed in one or more counterparts, and by different parties hereto on separate counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

18. Data Privacy. By entering into this Agreement, the Holder: (a) authorizes the Company and each affiliate thereof to disclose to the Company or any of its affiliates such information and data as the Company or any such affiliate shall request in order to facilitate the grant of Granted Shares; (b) waives any data privacy rights he or she may have with respect to such information; and (c) authorizes the Company and such affiliate to store and transmit such information in electronic form.

[THE NEXT PAGE IS THE SIGNATURE PAGE]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

**NeuMedia, Inc.**

By: /s/ David Mandell  
Name: David Mandell  
Title: Corporate Secretary

Holder:

By: /s/ Robert Ellin  
Name: Robert Ellin

**EXHIBIT A**

**CONSENT OF SPOUSE/DOMESTIC PARTNER**

I, \_\_\_\_\_, spouse or domestic partner of Robert Ellin, acknowledge that I have read the RESTRICTED STOCK AGREEMENT dated as of [\_\_\_\_], [\_\_\_\_] (the "Agreement") to which this Consent is attached as Exhibit A and that I know its contents. Capitalized terms used and not defined herein shall have the meanings assigned to such terms in the Agreement. I am aware that by its provisions the Granted Shares granted to my spouse/domestic partner pursuant to the Agreement are subject to vesting conditions and that, accordingly, I may be required to forfeit to NeuMedia, Inc. any or all of the unvested Granted Shares of which I may become possessed as a result of a gift from my spouse/domestic partner or a court decree and/or any property settlement in any domestic litigation.

I hereby agree that my interest, if any, in the Granted Shares subject to the Agreement shall be irrevocably bound by the Agreement and further understand and agree that any community property interest I may have in the Granted Shares shall be similarly bound by the Agreement.

I agree to the vesting conditions described in the Agreement and I hereby consent to the cancellation of the Granted Shares to the Company by my spouse/domestic partner or my spouse/domestic partner's legal representative in accordance with the provisions of the Agreement. Further, as part of the consideration for the Agreement, I agree that at my death, if I have not disposed of any interest of mine in the Granted Shares by an outright bequest of the Granted Shares to my spouse or domestic partner, then the Company shall have the same rights against my legal representative to exercise its rights to the Granted Shares with respect to any interest of mine in the Granted Shares as it would have had pursuant to the Agreement if I had acquired the Granted Shares pursuant to a court decree in domestic litigation.

**I AM AWARE THAT THE LEGAL, FINANCIAL AND RELATED MATTERS CONTAINED IN THE AGREEMENT ARE COMPLEX AND THAT I AM FREE TO SEEK INDEPENDENT PROFESSIONAL GUIDANCE OR COUNSEL WITH RESPECT TO THIS CONSENT. I HAVE EITHER SOUGHT SUCH GUIDANCE OR COUNSEL OR DETERMINED AFTER REVIEWING THE AGREEMENT CAREFULLY THAT I WILL WAIVE SUCH RIGHT.**

Dated as of the \_\_\_\_\_ day of [\_\_\_\_], [\_\_\_\_].

\_\_\_\_\_  
Print name:

**EXHIBIT B**

**Election to Include Gross Income in Year  
of Transfer Pursuant To Section 83(b)  
of the Internal Revenue Code of 1986, As Amended**

In accordance with Section 83(b) of the Internal Revenue Code of 1986, as amended (the "Code"), the undersigned hereby elects to include in his or her gross income as compensation for services the excess, if any, of the fair market value of the property (described below) at the time of transfer over the amount paid for such property.

The following sets for the information required in accordance with the Code and the regulations promulgated hereunder:

1. The name, address and social security number of the undersigned are:

Name: Robert Ellin

Address: \_\_\_\_\_

Social Security No.: \_\_\_\_\_

2. The description of the property with respect to which the election is being made is as follows:

\_\_\_\_\_ (\_\_\_\_) shares (the "Shares") of Common Stock, \$0.0001 par value per share, of NeuMedia, Inc., a Delaware corporation (the "Company").

3. This election is made for the calendar year [\_\_\_\_], with respect to the transfer of the property to the taxpayer on [\_\_\_\_], [\_\_\_\_].

4. Description of restrictions: None.

5. The fair market value at time of transfer (determined without regard to any restrictions other than restrictions which by their terms will never lapse) of the property with respect to which this election is being made was not more than \$[\_\_\_\_] per Share.

6. The amount paid by taxpayer for said property was \$0.00 per Share.

7. A copy of this statement has been furnished to the Company.

Signed this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

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

## RESTRICTED STOCK AGREEMENT

### NEUMEDIA, INC.

RESTRICTED STOCK AGREEMENT (the "Agreement") made as of December 28, 2011 (the "Grant Date"), between NeuMedia, Inc., a Delaware corporation (the "Company"), and Robert Ellin (the "Holder").

WHEREAS, the Company has entered into an Executive Chairman Agreement with the Holder (the "Services Agreement");

WHEREAS, in connection with the Holder's services under the Services Agreement, the Company desires to offer to the Holder shares of the Company's common stock, \$.0001 par value per share ("Common Stock"), all on the terms and conditions hereinafter set forth; and

WHEREAS, the Holder wishes to accept said offer.

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

1. Terms of Grant. The Holder hereby accepts the offer of the Company to issue to the Holder, in accordance with the terms of this Agreement, three million four hundred thousand (3,400,000) shares of Common Stock (such shares subject to adjustment pursuant to Subsection 2.1(g) hereof, the "Granted Shares").

2. Vesting and Other Restrictions.

(a) Vesting Schedule. The Granted Shares shall vest as follows: (i) one third (1/3) shall vest immediately upon the completion of one or more debt or equity financings during the Measurement Period (as defined in the Services Agreement) in favor of the Company of gross proceeds of at least \$5 million; (ii) one third (1/3) shall vest immediately if on any date during the Measurement Period the Company's total enterprise value (computed by multiplying the number of outstanding shares of Common Stock on a fully diluted (taking into account only those stock options that are in-the-money on such date), as-converted basis by the average daily trading price for Common Stock for the thirty (30) trading day period immediately preceding the date of determination) equals or exceeds \$100 million; and (iii) one third (1/3) shall vest immediately if on any date during the Measurement Period the Company's total enterprise value (calculated as set forth in clause (ii) above) equals or exceeds \$200 million; provided, however, that all unvested shares of restricted common stock shall vest immediately upon the sale of all or substantially all of the assets of the Company, upon the merger or reorganization of the Company following which the equityholders of the Company immediately prior to the consummation of such merger or reorganization collectively own less than fifty percent (50%) of the voting power of the resulting entity, upon the sale of equity securities of the Company representing fifty percent (50%) or more of the voting power of the Company or fifty percent (50%) or more of the economic interest in the Company in a single transaction or in a series of related transactions, or at such time, if any, during the Term at which (A) the composition of a majority of the members of the Board of Directors of the Company is different from the composition of the Board on the Grant Date and (B) the Holder has reasonably objected in writing to such number of new or replacement members joining the Board of Directors after the Grant Date such that he has reasonably objected to a majority of the members of the Board of Directors (a "Change of Control"). For the avoidance of doubt, if the vesting conditions set forth in this Section 2(a) or a Change of Control do not occur prior to the end of the Measurement Period, all unvested shares shall be forfeited and immediately cancelled without further action on the part of the Holder or the Company.

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(b) Prohibition on Transfer. The Holder recognizes and agrees that all Granted Shares, even if fully vested in accordance with Section 2(a), may not be sold, transferred, assigned, hypothecated, pledged, encumbered or otherwise disposed of, whether voluntarily or by operation of law, other than to the Company (or its designee) for a period of one (1) years from the date such shares vest in accordance with Section 2.1(a) (the “Holding Period”). The Company shall not be required to transfer any Granted Shares on its books which shall have been sold, assigned or otherwise transferred in violation of this Subsection 2.1(b), or to treat as the owner of such Granted Shares, or to accord the right to vote as such owner or to pay dividends to, any person or organization to which any such Granted Shares shall have been so sold, assigned or otherwise transferred, in violation of this Subsection 2.1(b).

(c) Escrow. The certificates representing all Granted Shares issued to the Holder hereunder shall be delivered to the Company and the Company shall hold such Granted Shares in escrow as provided in this Subsection 2.1(c). The Company shall release from escrow and deliver to the Holder within thirty (30) days of the Holding Period (with respect to any vested shares) a certificate for the whole number of Granted Shares which have vested and for which the Holding Period has expired. In the event that the vesting conditions set forth above have not been satisfied prior to the expiration of the Measurement Period, the Company shall release from escrow as of the last date of the Measurement Period and cancel a certificate for the number of Granted Shares so forfeited. Any securities distributed in respect of the Granted Shares held in escrow, including, without limitation, shares issued as a result of stock splits, stock dividends or other recapitalizations, shall also be held in escrow in the same manner as the Granted Shares.

(d) Failure to Deliver Granted Shares. In the event that the Granted Shares to be cancelled by the Company under this Agreement or subject to the Holding Period are not in the Company's possession pursuant to Subsection 2.1(c) above or otherwise and the Holder or the Holder's successor or permitted assignee fails to deliver such Granted Shares to the Company (or its designee), the Company may immediately take such action as is appropriate to transfer record title of such Granted Shares from the Holder to the Company (or its designee) and treat the Holder and such Granted Shares in all respects as if delivery of such Granted Shares had been made as required by this Agreement. The Holder hereby irrevocably grants the Company a power of attorney which shall be coupled with an interest for the purpose of effectuating the preceding sentence.

(e) Adjustments. The Company's 2011 Equity Incentive Plan (the "Plan") contains provisions covering the treatment of the Granted Shares in a number of contingencies such as stock splits and mergers. Provisions in the Plan for adjustment with respect to the Granted Shares and the related provisions with respect to successors to the business of the Company are hereby made applicable hereunder and are incorporated herein by reference. Notwithstanding any provisions of the Plan, the Granted Shares shall vest in accordance with Subsection 2.1(a) hereof.

3. General Restrictions on Transfer of Granted Shares.

(a) The Holder agrees that in the event the Company proposes to offer for sale to the public any of its equity securities and such Holder is requested by the Company and any underwriter engaged by the Company in connection with such offering to sign an agreement restricting the sale or other transfer of Granted Shares, then it will promptly sign such agreement and will not transfer, whether in privately negotiated transactions or to the public in open market transactions or otherwise, any Granted Shares or other securities of the Company held by him or her during such period as is determined by the Company and the underwriters, not to exceed ninety (90) days following the closing of the offering, plus such additional period of time as may be required to comply with NASD Rule 2711 or similar rules thereto (such period, the "Lock-Up Period"). Such agreement shall be in writing and in form and substance reasonably satisfactory to the Company and such underwriter and pursuant to customary and prevailing terms and conditions. Notwithstanding whether the Holder has signed such an agreement, the Company may impose stop-transfer instructions with respect to the Granted Shares or other securities of the Company subject to the foregoing restrictions until the end of the Lock-Up Period.

(b) The Holder acknowledges and agrees that neither the Company nor its shareholders nor its directors and officers, has any duty or obligation to disclose to the Holder any material information regarding the business of the Company or affecting the value of the Granted Shares at any time, including, without limitation, any information concerning plans for the Company to make a public offering of its securities or to be acquired by or merged with or into another firm or entity.

4. Purchase for Investment; Securities Law Compliance. The offering and sale of the Granted Shares have not been effectively registered under the Securities Act of 1933, as amended (the "1933 Act"). The Holder hereby represents and warrants that he or she is acquiring the Granted Shares for his or her own account, for investment, and not with a view to, or for sale in connection with, the distribution of any such Granted Shares. The Holder understands that because the Granted Shares have not been registered under the 1933 Act, the Holder must continue to bear the economic risk of the investment for an indefinite period of time. The Holder represents and warrants that the Holder (a) has been furnished with all information which it deems necessary to evaluate the merits and risks of the receipt of the Granted Shares, (b) has had the opportunity to ask questions concerning the Granted Shares and the Company and all questions posed have been answered to his or her satisfaction, (c) has been given the opportunity to obtain any additional information he or she deems necessary to verify the accuracy of any information obtained concerning the Granted Shares and the Company and (d) has such knowledge and experience in financial and business matters that the Holder is able to evaluate the merits and risks of investing in the Granted Shares and to make an informed investment decision relating thereto. The Holder specifically acknowledges and agrees that any sales of Granted Shares shall be made in accordance with the requirements of the 1933 Act, in a transaction as to which the Company shall have received an opinion of counsel satisfactory to it confirming such compliance. The Holder shall be bound by the provisions of the following legend which shall be endorsed upon the certificate(s) evidencing the Granted Shares issued:

"The shares represented by this certificate have been taken for investment and they may not be sold or otherwise transferred by any person, including a pledgee, unless (1) either (a) a Registration Statement with respect to such shares shall be effective under the Securities Act of 1933, as amended, or (b) the Company shall have received an opinion of counsel satisfactory to it that an exemption from registration under such Act is then available, and (2) there shall have been compliance with all applicable state securities laws."

5. No Rights as a Stockholder. The Holder shall not have any rights as a stockholder with respect to the Granted Shares, including voting and dividend rights, unless and until such Granted Shares shall have vested in accordance with the terms hereof, and in all cases subject to the restrictions set forth herein.

6. Legend. All certificates representing the Granted Shares to be issued to the Holder pursuant to this Agreement shall have endorsed thereon a legend substantially as follows:

“The shares represented by this certificate are subject to restrictions set forth in a Restricted Stock Agreement dated as of December 28, 2011 with this Company, a copy of which Agreement is available for inspection at the offices of the Company or will be made available upon request.”

7. Tax Liability of the Holder and Payment of Taxes. The Holder acknowledges and agrees that any income or other taxes due from the Holder with respect to the Granted Shares issued pursuant to this Agreement, shall be the Holder’s responsibility. Without limiting the foregoing, the Holder agrees that, to the extent that the lapsing of restrictions on disposition of any of the Granted Shares or the declaration of dividends on any such shares before the lapse of such restrictions on disposition results in the Holder’s being deemed to be in receipt of earned income, the Company shall be entitled to immediate payment from the Holder of the amount of any tax required to be withheld by the Company under applicable tax law. The Holder has been given the opportunity to obtain the advice of his or her tax advisors with respect to the tax consequences of the purchase of the Granted Shares and the provisions of this Agreement.

Upon execution of this Agreement, if the Holder is a United States tax payer, the Holder may file an election under Section 83 of the Internal Revenue Code of 1986, as amended, in substantially the form attached as Exhibit B. The Holder acknowledges that if he or she does not file such an election, as the Granted Shares become vested in accordance with Section 2.1, the Holder will have income for tax purposes equal to the fair market value of the Granted Shares at such date, less the price paid for the Granted Shares by the Holder.

Any taxes due from the Holder that are required to be withheld by the Company under any applicable tax law shall be paid by the Holder by depositing with the Company an amount of cash equal to the amount determined by the Company to be required with respect to the statutory minimum of the Holder’s estimated total federal, state and local tax obligations associated with the vesting of such shares with respect to the Granted Shares or otherwise withholding from the Holder’s paycheck an amount equal to the withholding tax due and payable.

8. Equitable Relief. The Holder specifically acknowledges and agrees that in the event of a breach or threatened breach of the provisions of this Agreement, including the attempted transfer of the Granted Shares by the Holder in violation of this Agreement, monetary damages may not be adequate to compensate the Company, and, therefore, in the event of such a breach or threatened breach, in addition to any right to damages, the Company shall be entitled to equitable relief in any court having competent jurisdiction. Nothing herein shall be construed as prohibiting the Company from pursuing any other remedies available to it for any such breach or threatened breach.

9. No Obligation to Maintain Relationship. The Company is not by this Agreement obligated to continue the Holder as an employee, director or consultant of the Company or any affiliate thereof. The Holder acknowledges: (a) that the grant of the shares is a one-time benefit which does not create any contractual or other right to receive future grants of shares, or benefits in lieu of shares; (b) that all determinations with respect to any such future grants, including, but not limited to, the times when shares shall be granted, the number of shares to be granted, the purchase price, and the time or times when each share shall vest, will be at the sole discretion of the Company; (c) that the value of the Granted Shares is an extraordinary item of compensation which is outside the scope of the Holder's employment contract, if any; and (d) that the Granted Shares are not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.

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If to the Company:

NeuMedia, Inc.  
4751 Wilshire Blvd., 3rd Floor  
Los Angeles, CA 90010

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13. Severability. If any provision of this Agreement is held to be invalid or unenforceable by a court of competent jurisdiction, then such provision or provisions shall be modified to the extent necessary to make such provision valid and enforceable, and to the extent that this is impossible, then such provision shall be deemed to be excised from this Agreement, and the validity, legality and enforceability of the rest of this Agreement shall not be affected thereby.

14. Entire Agreement. This Agreement, together with the Services Agreement, constitutes the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior oral or written agreements and understandings relating to the subject matter hereof. No statement, representation, warranty, covenant or agreement not expressly set forth in this Agreement shall affect or be used to interpret, change or restrict the express terms and provisions of this Agreement.

15. Modifications and Amendments; Waivers and Consents. The terms and provisions of this Agreement may be waived, or consent for the departure therefrom granted, only by written document executed by the party entitled to the benefits of such terms or provisions. No such waiver or consent shall be deemed to be or shall constitute a waiver or consent with respect to any other terms or provisions of this Agreement, whether or not similar. Each such waiver or consent shall be effective only in the specific instance and for the purpose for which it was given, and shall not constitute a continuing waiver or consent.

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[THE NEXT PAGE IS THE SIGNATURE PAGE]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

**NeuMedia, Inc.**

By: /s/ David Mandell  
Name: David Mandell  
Title: Corporate Secretary

Holder:

By: /s/ Robert Ellin  
Name: Robert Ellin



**EXHIBIT A**

**CONSENT OF SPOUSE/DOMESTIC PARTNER**

I, \_\_\_\_\_, spouse or domestic partner of Robert Ellin, acknowledge that I have read the RESTRICTED STOCK AGREEMENT dated as of [\_\_\_\_], [\_\_\_\_] (the "Agreement") to which this Consent is attached as Exhibit A and that I know its contents. Capitalized terms used and not defined herein shall have the meanings assigned to such terms in the Agreement. I am aware that by its provisions the Granted Shares granted to my spouse/domestic partner pursuant to the Agreement are subject to vesting conditions and that, accordingly, I may be required to forfeit to NeuMedia, Inc. any or all of the unvested Granted Shares of which I may become possessed as a result of a gift from my spouse/domestic partner or a court decree and/or any property settlement in any domestic litigation.

I hereby agree that my interest, if any, in the Granted Shares subject to the Agreement shall be irrevocably bound by the Agreement and further understand and agree that any community property interest I may have in the Granted Shares shall be similarly bound by the Agreement.

I agree to the vesting conditions described in the Agreement and I hereby consent to the cancellation of the Granted Shares to the Company by my spouse/domestic partner or my spouse/domestic partner's legal representative in accordance with the provisions of the Agreement. Further, as part of the consideration for the Agreement, I agree that at my death, if I have not disposed of any interest of mine in the Granted Shares by an outright bequest of the Granted Shares to my spouse or domestic partner, then the Company shall have the same rights against my legal representative to exercise its rights to the Granted Shares with respect to any interest of mine in the Granted Shares as it would have had pursuant to the Agreement if I had acquired the Granted Shares pursuant to a court decree in domestic litigation.

**I AM AWARE THAT THE LEGAL, FINANCIAL AND RELATED MATTERS CONTAINED IN THE AGREEMENT ARE COMPLEX AND THAT I AM FREE TO SEEK INDEPENDENT PROFESSIONAL GUIDANCE OR COUNSEL WITH RESPECT TO THIS CONSENT. I HAVE EITHER SOUGHT SUCH GUIDANCE OR COUNSEL OR DETERMINED AFTER REVIEWING THE AGREEMENT CAREFULLY THAT I WILL WAIVE SUCH RIGHT.**

Dated as of the \_\_\_\_\_ day of [\_\_\_\_], [\_\_\_\_].

\_\_\_\_\_  
Print name:

**EXHIBIT B**

**Election to Include Gross Income in Year  
of Transfer Pursuant To Section 83(b)  
of the Internal Revenue Code of 1986, As Amended**

In accordance with Section 83(b) of the Internal Revenue Code of 1986, as amended (the "Code"), the undersigned hereby elects to include in his or her gross income as compensation for services the excess, if any, of the fair market value of the property (described below) at the time of transfer over the amount paid for such property.

The following sets for the information required in accordance with the Code and the regulations promulgated hereunder:

1. The name, address and social security number of the undersigned are:

Name: Robert Ellin

Address: \_\_\_\_\_

Social Security No.: \_\_\_\_\_

2. The description of the property with respect to which the election is being made is as follows:

\_\_\_\_\_ (\_\_\_\_) shares (the "Shares") of Common Stock, \$0.0001 par value per share, of NeuMedia, Inc., a Delaware corporation (the "Company").

3. This election is made for the calendar year [\_\_\_\_], with respect to the transfer of the property to the taxpayer on [\_\_\_\_], [\_\_\_\_].

4. Description of restrictions: The property is subject to certain vesting conditions, which may never occur or may only occur in part, as more fully described in that certain Restricted Stock Agreement, dated as of [\_\_\_\_], [\_\_\_\_], by the taxpayer and the Company.

5. The fair market value at time of transfer (determined without regard to any restrictions other than restrictions which by their terms will never lapse) of the property with respect to which this election is being made was not more than \$[\_\_\_\_] per Share.

6. The amount paid by taxpayer for said property was \$0.00 per Share.

7. A copy of this statement has been furnished to the Company.

Signed this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
Print Name: Robert Ellin

## RESTRICTED STOCK AGREEMENT

### NEUMEDIA, INC.

RESTRICTED STOCK AGREEMENT (the "Agreement") made as of December 28, 2011 (the "Grant Date"), between NeuMedia, Inc., a Delaware corporation (the "Company"), and Robert Ellin (the "Holder").

WHEREAS, in exchange for his valuable services to the Company, the Company desires to offer to the Holder shares of the Company's common stock, \$.0001 par value per share ("Common Stock"), all on the terms and conditions hereinafter set forth; and

WHEREAS, the Holder wishes to accept said offer.

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

1. Terms of Grant. The Holder hereby accepts the offer of the Company to issue to the Holder, in accordance with the terms of this Agreement, one million (1,000,000) shares of Common Stock (such shares subject to adjustment pursuant to Subsection 2.1(g) hereof, the "Granted Shares").

2. Vesting and Other Restrictions.

(a) Vesting Schedule. The Granted Shares shall vest on the first anniversary of the date of this Agreement; provided, however, that all unvested shares of restricted common stock shall vest immediately upon the sale of all or substantially all of the assets of the Company, upon the merger or reorganization of the Company following which the equityholders of the Company immediately prior to the consummation of such merger or reorganization collectively own less than fifty percent (50%) of the voting power of the resulting entity, or upon the sale of equity securities of the Company representing fifty percent (50%) or more of the voting power of the Company or fifty percent (50%) or more of the economic interest in the Company in a single transaction or in a series of related transactions.

(b) Prohibition on Transfer. The Holder recognizes and agrees that all Granted Shares, even if fully vested in accordance with Section 2(a), may not be sold, transferred, assigned, hypothecated, pledged, encumbered or otherwise disposed of, whether voluntarily or by operation of law, other than to the Company (or its designee) for a period of one (1) year from the date such shares vest in accordance with Section 2.1(a) (the "Holding Period"). The Company shall not be required to transfer any Granted Shares on its books which shall have been sold, assigned or otherwise transferred in violation of this Subsection 2.1(b), or to treat as the owner of such Granted Shares, or to accord the right to vote as such owner or to pay dividends to, any person or organization to which any such Granted Shares shall have been so sold, assigned or otherwise transferred, in violation of this Subsection 2.1(b).

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(c) Escrow. The certificates representing all Granted Shares issued to the Holder hereunder shall be delivered to the Company and the Company shall hold such Granted Shares in escrow as provided in this Subsection 2.1(c). The Company shall release from escrow and deliver to the Holder within thirty (30) days of the Holding Period (with respect to any vested shares) a certificate for the whole number of Granted Shares which have vested and for which the Holding Period has expired. Any securities distributed in respect of the Granted Shares held in escrow, including, without limitation, shares issued as a result of stock splits, stock dividends or other recapitalizations, shall also be held in escrow in the same manner as the Granted Shares.

(d) Failure to Deliver Granted Shares. In the event that the Granted Shares to be cancelled by the Company under this Agreement or subject to the Holding Period are not in the Company's possession pursuant to Subsection 2.1(c) above or otherwise and the Holder or the Holder's successor or permitted assignee fails to deliver such Granted Shares to the Company (or its designee), the Company may immediately take such action as is appropriate to transfer record title of such Granted Shares from the Holder to the Company (or its designee) and treat the Holder and such Granted Shares in all respects as if delivery of such Granted Shares had been made as required by this Agreement. The Holder hereby irrevocably grants the Company a power of attorney which shall be coupled with an interest for the purpose of effectuating the preceding sentence.

(e) Adjustments. The Company's 2011 Equity Incentive Plan (the "Plan") contains provisions covering the treatment of shares of common stock in a number of contingencies such as stock splits and mergers. Provisions in the Plan for adjustment with respect to shares of common stock and the related provisions with respect to successors to the business of the Company are hereby made applicable to the Granted Shares hereunder and are incorporated herein by reference.

3. General Restrictions on Transfer of Granted Shares.

(a) The Holder agrees that in the event the Company proposes to offer for sale to the public any of its equity securities and such Holder is requested by the Company and any underwriter engaged by the Company in connection with such offering to sign an agreement restricting the sale or other transfer of Granted Shares, then it will promptly sign such agreement and will not transfer, whether in privately negotiated transactions or to the public in open market transactions or otherwise, any Granted Shares or other securities of the Company held by him or her during such period as is determined by the Company and the underwriters, not to exceed ninety (90) days following the closing of the offering, plus such additional period of time as may be required to comply with NASD Rule 2711 or similar rules thereto (such period, the "Lock-Up Period"). Such agreement shall be in writing and in form and substance reasonably satisfactory to the Company and such underwriter and pursuant to customary and prevailing terms and conditions. Notwithstanding whether the Holder has signed such an agreement, the Company may impose stop-transfer instructions with respect to the Granted Shares or other securities of the Company subject to the foregoing restrictions until the end of the Lock-Up Period.

(b) The Holder acknowledges and agrees that neither the Company nor its shareholders nor its directors and officers has any duty or obligation to disclose to the Holder any material information regarding the business of the Company or affecting the value of the Granted Shares at any time, including, without limitation, any information concerning plans for the Company to make a public offering of its securities or to be acquired by or merged with or into another firm or entity.

4. Purchase for Investment; Securities Law Compliance. The offering and sale of the Granted Shares have not been effectively registered under the Securities Act of 1933, as amended (the "1933 Act"). The Holder hereby represents and warrants that he or she is acquiring the Granted Shares for his or her own account, for investment, and not with a view to, or for sale in connection with, the distribution of any such Granted Shares. The Holder understands that because the Granted Shares have not been registered under the 1933 Act, the Holder must continue to bear the economic risk of the investment for an indefinite period of time. The Holder represents and warrants that the Holder (a) has been furnished with all information which it deems necessary to evaluate the merits and risks of the receipt of the Granted Shares, (b) has had the opportunity to ask questions concerning the Granted Shares and the Company and all questions posed have been answered to his or her satisfaction, (c) has been given the opportunity to obtain any additional information he or she deems necessary to verify the accuracy of any information obtained concerning the Granted Shares and the Company and (d) has such knowledge and experience in financial and business matters that the Holder is able to evaluate the merits and risks of investing in the Granted Shares and to make an informed investment decision relating thereto. The Holder specifically acknowledges and agrees that any sales of Granted Shares shall be made in accordance with the requirements of the 1933 Act, in a transaction as to which the Company shall have received an opinion of counsel satisfactory to it confirming such compliance. The Holder shall be bound by the provisions of the following legend which shall be endorsed upon the certificate(s) evidencing the Granted Shares issued:

"The shares represented by this certificate have been taken for investment and they may not be sold or otherwise transferred by any person, including a pledgee, unless (1) either (a) a Registration Statement with respect to such shares shall be effective under the Securities Act of 1933, as amended, or (b) the Company shall have received an opinion of counsel satisfactory to it that an exemption from registration under such Act is then available, and (2) there shall have been compliance with all applicable state securities laws."

5. No Rights as a Stockholder. The Holder shall not have any rights as a stockholder with respect to the Granted Shares, including voting and dividend rights, unless and until such Granted Shares shall have vested in accordance with the terms hereof, and in all cases subject to the restrictions set forth herein.

6. Legend. All certificates representing the Granted Shares to be issued to the Holder pursuant to this Agreement shall have endorsed thereon a legend substantially as follows:

"The shares represented by this certificate are subject to restrictions set forth in a Restricted Stock Agreement dated as of December 28, 2011 with this Company, a copy of which Agreement is available for inspection at the offices of the Company or will be made available upon request."

7. Tax Liability of the Holder and Payment of Taxes. The Holder acknowledges and agrees that any income or other taxes due from the Holder with respect to the Granted Shares issued pursuant to this Agreement, shall be the Holder's responsibility. Without limiting the foregoing, the Holder agrees that, to the extent that the lapsing of restrictions on disposition of any of the Granted Shares or the declaration of dividends on any such shares before the lapse of such restrictions on disposition results in the Holder's being deemed to be in receipt of earned income, the Company shall be entitled to immediate payment from the Holder of the amount of any tax required to be withheld by the Company under applicable tax law. The Holder has been given the opportunity to obtain the advice of his or her tax advisors with respect to the tax consequences of the purchase of the Granted Shares and the provisions of this Agreement.

Upon execution of this Agreement, if the Holder is a United States tax payer, the Holder may file an election under Section 83 of the Internal Revenue Code of 1986, as amended, in substantially the form attached as Exhibit B. The Holder acknowledges that if he or she does not file such an election, as the Granted Shares become vested in accordance with Section 2.1, the Holder will have income for tax purposes equal to the fair market value of the Granted Shares at such date, less the price paid for the Granted Shares by the Holder.

Any taxes due from the Holder that are required to be withheld by the Company under any applicable tax law shall be paid by the Holder by depositing with the Company an amount of cash equal to the amount determined by the Company to be required with respect to the statutory minimum of the Holder's estimated total federal, state and local tax obligations associated with the vesting of such shares with respect to the Granted Shares or otherwise withholding from the Holder's paycheck an amount equal to the withholding tax due and payable.

8. Equitable Relief. The Holder specifically acknowledges and agrees that in the event of a breach or threatened breach of the provisions of this Agreement, including the attempted transfer of the Granted Shares by the Holder in violation of this Agreement, monetary damages may not be adequate to compensate the Company, and, therefore, in the event of such a breach or threatened breach, in addition to any right to damages, the Company shall be entitled to equitable relief in any court having competent jurisdiction. Nothing herein shall be construed as prohibiting the Company from pursuing any other remedies available to it for any such breach or threatened breach.

9. No Obligation to Maintain Relationship. The Company is not by this Agreement obligated to continue the Holder as an employee, director or consultant of the Company or any affiliate thereof. The Holder acknowledges: (a) that the grant of the shares is a one-time benefit which does not create any contractual or other right to receive future grants of shares, or benefits in lieu of shares; (b) that all determinations with respect to any such future grants, including, but not limited to, the times when shares shall be granted, the number of shares to be granted, the purchase price, and the time or times when each share shall vest, will be at the sole discretion of the Company; (c) that the value of the Granted Shares is an extraordinary item of compensation which is outside the scope of the Holder's employment contract, if any; and (d) that the Granted Shares are not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.

10. Notices. Any notices required or permitted by the terms of this Agreement shall be given by recognized courier service, facsimile, registered or certified mail, return receipt requested, addressed as follows:

If to the Company:

NeuMedia, Inc.  
4751 Wilshire Blvd., 3rd Floor  
Los Angeles, CA 90010

If to the Holder:

4751 Wilshire Blvd., 3rd Floor  
Los Angeles, CA 90010

or to such other address or addresses of which notice in the same manner has previously been given. Any such notice shall be deemed to have been given on the earliest of receipt, one business day following delivery by the sender to a recognized courier service, or three business days following mailing by registered or certified mail.

11. Benefit of Agreement. Subject to the other provisions hereof, this Agreement shall be for the benefit of and shall be binding upon the heirs, executors, administrators, successors and assigns of the parties hereto.

12. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Delaware, without giving effect to the conflict of law principles thereof. For the purpose of litigating any dispute that arises under this Agreement, whether at law or in equity, the parties hereby consent to exclusive jurisdiction in the State of California and agree that such litigation shall be conducted in the state courts of State of California or the federal courts of the United States for the District of Los Angeles, California.

13. Severability. If any provision of this Agreement is held to be invalid or unenforceable by a court of competent jurisdiction, then such provision or provisions shall be modified to the extent necessary to make such provision valid and enforceable, and to the extent that this is impossible, then such provision shall be deemed to be excised from this Agreement, and the validity, legality and enforceability of the rest of this Agreement shall not be affected thereby.

14. Entire Agreement. This Agreement, together with the Services Agreement, constitutes the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior oral or written agreements and understandings relating to the subject matter hereof. No statement, representation, warranty, covenant or agreement not expressly set forth in this Agreement shall affect or be used to interpret, change or restrict the express terms and provisions of this Agreement.

15. Modifications and Amendments; Waivers and Consents. The terms and provisions of this Agreement may be waived, or consent for the departure therefrom granted, only by written document executed by the party entitled to the benefits of such terms or provisions. No such waiver or consent shall be deemed to be or shall constitute a waiver or consent with respect to any other terms or provisions of this Agreement, whether or not similar. Each such waiver or consent shall be effective only in the specific instance and for the purpose for which it was given, and shall not constitute a continuing waiver or consent.

16. Consent of Spouse/Domestic Partner. If the Holder has a spouse or domestic partner as of the date of this Agreement, the Holder's spouse or domestic partner shall execute a Consent of Spouse/Domestic Partner in the form of Exhibit A hereto, effective as of the date hereof. Such consent shall not be deemed to confer or convey to the spouse or domestic partner any rights in the Granted Shares that do not otherwise exist by operation of law or the agreement of the parties. If the Holder subsequent to the date hereof, marries, remarries or applies to the Company for domestic partner benefits, the Holder shall, not later than sixty (60) days thereafter, obtain his or her new spouse/domestic partner's acknowledgement of and consent to the existence and binding effect of all restrictions contained in this Agreement by having such spouse/domestic partner execute and deliver a Consent of Spouse/Domestic Partner in the form of Exhibit A.

17. Counterparts. This Agreement may be executed in one or more counterparts, and by different parties hereto on separate counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

18. Data Privacy. By entering into this Agreement, the Holder: (a) authorizes the Company and each affiliate thereof to disclose to the Company or any of its affiliates such information and data as the Company or any such affiliate shall request in order to facilitate the grant of Granted Shares; (b) waives any data privacy rights he or she may have with respect to such information; and (c) authorizes the Company and such affiliate to store and transmit such information in electronic form.

[THE NEXT PAGE IS THE SIGNATURE PAGE]



IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

**NeuMedia, Inc.**

By: /s/ David Mandell

Name: David Mandell

Title: Corporate Secretary

Holder:

By: /s/ Robert Ellin

Name: Robert Ellin

**EXHIBIT A**

**CONSENT OF SPOUSE/DOMESTIC PARTNER**

I, \_\_\_\_\_, spouse or domestic partner of Robert Ellin, acknowledge that I have read the RESTRICTED STOCK AGREEMENT dated as of [\_\_\_\_], [\_\_\_\_] (the "Agreement") to which this Consent is attached as Exhibit A and that I know its contents. Capitalized terms used and not defined herein shall have the meanings assigned to such terms in the Agreement. I am aware that by its provisions the Granted Shares granted to my spouse/domestic partner pursuant to the Agreement are subject to vesting conditions and that, accordingly, I may be required to forfeit to NeuMedia, Inc. any or all of the unvested Granted Shares of which I may become possessed as a result of a gift from my spouse/domestic partner or a court decree and/or any property settlement in any domestic litigation.

I hereby agree that my interest, if any, in the Granted Shares subject to the Agreement shall be irrevocably bound by the Agreement and further understand and agree that any community property interest I may have in the Granted Shares shall be similarly bound by the Agreement.

I agree to the vesting conditions described in the Agreement and I hereby consent to the cancellation of the Granted Shares to the Company by my spouse/domestic partner or my spouse/domestic partner's legal representative in accordance with the provisions of the Agreement. Further, as part of the consideration for the Agreement, I agree that at my death, if I have not disposed of any interest of mine in the Granted Shares by an outright bequest of the Granted Shares to my spouse or domestic partner, then the Company shall have the same rights against my legal representative to exercise its rights to the Granted Shares with respect to any interest of mine in the Granted Shares as it would have had pursuant to the Agreement if I had acquired the Granted Shares pursuant to a court decree in domestic litigation.

**I AM AWARE THAT THE LEGAL, FINANCIAL AND RELATED MATTERS CONTAINED IN THE AGREEMENT ARE COMPLEX AND THAT I AM FREE TO SEEK INDEPENDENT PROFESSIONAL GUIDANCE OR COUNSEL WITH RESPECT TO THIS CONSENT. I HAVE EITHER SOUGHT SUCH GUIDANCE OR COUNSEL OR DETERMINED AFTER REVIEWING THE AGREEMENT CAREFULLY THAT I WILL WAIVE SUCH RIGHT.**

Dated as of the \_\_\_\_\_ day of [\_\_\_\_], [\_\_\_\_].

\_\_\_\_\_  
Print name:

**EXHIBIT B**

**Election to Include Gross Income in Year  
of Transfer Pursuant To Section 83(b)  
of the Internal Revenue Code of 1986, As Amended**

In accordance with Section 83(b) of the Internal Revenue Code of 1986, as amended (the "Code"), the undersigned hereby elects to include in his or her gross income as compensation for services the excess, if any, of the fair market value of the property (described below) at the time of transfer over the amount paid for such property.

The following sets for the information required in accordance with the Code and the regulations promulgated hereunder:

1. The name, address and social security number of the undersigned are:

Name: Robert Ellin

Address: \_\_\_\_\_

Social Security No.: \_\_\_\_\_

2. The description of the property with respect to which the election is being made is as follows:

One million (1,000,000) shares (the "Shares") of Common Stock, \$0.0001 par value per share, of NeuMedia, Inc., a Delaware corporation (the "Company").

3. This election is made for the calendar year [     ], with respect to the transfer of the property to the taxpayer on [     ], [     ].

4. Description of restrictions: None.

5. The fair market value at time of transfer (determined without regard to any restrictions other than restrictions which by their terms will never lapse) of the property with respect to which this election is being made was not more than \$0.043875 per Share.

6. The amount paid by taxpayer for said property was \$0.00 per Share.

7. A copy of this statement has been furnished to the Company.

Signed this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
Print Name: Robert Ellin

**FIRST AMENDMENT**

**TO**

**RESTRICTED STOCK AGREEMENTS**

This First Amendment to Restricted Stock Agreement (the "Agreement") is entered into as of May 18, 2012 by and between Mandalay Digital Group, Inc. a Delaware corporation (formerly known as NeuMedia, Inc.) (the "Company"), and Peter Adderton (the "Holder").

**WHEREAS**, the Company and the Holder entered into those certain Restricted Stock Agreement listed on Exhibit A hereto (each, an "Original Agreement" and collectively, the "Original Agreements") under which the Company issued to Holder the number of Shares of Common Stock under each Original Agreement set forth opposite the listing of such agreement on Exhibit A hereto (all such shares collectively, the "Granted Shares"); and

**WHEREAS**, the Company and the Holder desire to amend the Original Agreements in certain respects as set forth in this Agreement to clarify and/or correct certain ministerial and/or scrivener's errors in relation to the voting rights of the Granted Shares.

**NOW, THEREFORE**, in consideration of the mutual covenants and other agreements contained in this Agreement, the Company and the Holder hereby agree as follows:

1. Amendments.

(a) For added clarity of the original intention under the Original Agreements, Section 2(e) of each of the Original Agreements is hereby amended by adding as a last sentence thereof the following new sentence:

"For added clarity, this Agreement and the Granted Shares are not made under or subject to the Plan, except solely the convenience of incorporating the adjustment features thereof as set forth in this paragraph, and utilizing herein any defined terms of the Plan where this Agreement expressly defines such terms by direct reference to the defined terms of the Plan."

(b) Section 5 of each of the Original Agreements is hereby amended and restated in its entirety as follows:

"5. Stockholder Rights. Subject to the terms and other restrictions hereof (including the forfeiture provisions hereof), the Holder shall have all the rights of a stockholder with respect to the Granted Shares while they are unvested, including without limitation, the right to vote the Granted Shares and to receive any cash dividends declared thereon."

2. Miscellaneous.

(a) Original Agreement Affirmed. Except as provided in this Agreement, the Original Agreements remain in full force and effect without modification.

(b) Governing Law. This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of California, without giving effect to principles of conflicts of law.

(c) Entire Agreement; Enforcement of Rights. This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter herein and merges all prior discussions between them. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing signed by the parties to this Agreement. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of any rights of such party.

(d) Construction. This Agreement is the result of negotiations between and has been reviewed by each of the parties hereto and their respective counsel, if any; accordingly, this Agreement shall be deemed to be the product of all of the parties hereto, and no ambiguity shall be construed in favor of or against any one of the parties hereto.

(e) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

IN WITNESS WHEREOF, the Company and the Holder have executed this as of the date set forth above.

/s/ Peter Adderton  
Peter Adderton

**MANDALAY DIGITAL GROUP, INC.:**

By: /s/ Peter Adderton

Its: CEO

EXHIBIT A

One Restricted Stock Agreement between Company and Holder as follows:

<u>Date of Restricted Stock Agreement</u>	<u>Granted Shares</u>
December 28, 2011	9,037,500 shares of common stock

[end]

**FIRST AMENDMENT**

**TO**

**RESTRICTED STOCK AGREEMENTS**

This First Amendment to Restricted Stock Agreement (the "Agreement") is entered into as of May 18 2012 by and between Mandalay Digital Group, Inc. a Delaware corporation (formerly known as NeuMedia, Inc.) (the "Company"), and Rob Ellin (the "Holder").

**WHEREAS**, the Company and the Holder entered into those certain Restricted Stock Agreement listed on Exhibit A hereto (each, an "Original Agreement" and collectively, the "Original Agreements") under which the Company issued to Holder the number of Shares of Common Stock under each Original Agreement set forth opposite the listing of such agreement on Exhibit A hereto (all such shares collectively, the "Granted Shares"); and

**WHEREAS**, the Company and the Holder desire to amend the Original Agreements in certain respects as set forth in this Agreement to clarify and/or correct certain ministerial and/or scrivener's errors in relation to the voting rights of the Granted Shares.

**NOW, THEREFORE**, in consideration of the mutual covenants and other agreements contained in this Agreement, the Company and the Holder hereby agree as follows:

1. Amendments.

(a) For added clarity of the original intention under the Original Agreements, Section 2(e) of each of the Original Agreements is hereby amended by adding as a last sentence thereof the following new sentence:

"For added clarity, this Agreement and the Granted Shares are not made under or subject to the Plan, except solely the convenience of incorporating the adjustment features thereof as set forth in this paragraph, and utilizing herein any defined terms of the Plan where this Agreement expressly defines such terms by direct reference to the defined terms of the Plan."

(b) Section 5 of each of the Original Agreements is hereby amended and restated in its entirety as follows:

"5. Stockholder Rights. Subject to the terms and other restrictions hereof (including the forfeiture provisions hereof), the Holder shall have all the rights of a stockholder with respect to the Granted Shares while they are unvested, including without limitation, the right to vote the Granted Shares and to receive any cash dividends declared thereon."

2. Miscellaneous.

(a) Original Agreement Affirmed. Except as provided in this Agreement, the Original Agreements remain in full force and effect without modification.

(b) Governing Law. This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of California, without giving effect to principles of conflicts of law.

(c) Entire Agreement; Enforcement of Rights. This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter herein and merges all prior discussions between them. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing signed by the parties to this Agreement. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of any rights of such party.

(d) Construction. This Agreement is the result of negotiations between and has been reviewed by each of the parties hereto and their respective counsel, if any; accordingly, this Agreement shall be deemed to be the product of all of the parties hereto, and no ambiguity shall be construed in favor of or against any one of the parties hereto.

(e) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

IN WITNESS WHEREOF, the Company and the Holder have executed this as of the date set forth above.

/s/ Rob Ellin  
Rob Ellin

**MANDALAY DIGITAL GROUP, INC.:**

By: /s/ Peter Adderton

Its: CEO



EXHIBIT A

Three separate Restricted Stock Agreements between Company and Holder as follows:

<u>Date of Restricted Stock Agreement</u>	<u>Granted Shares</u>
December 28, 2011	3,600,000 shares of common stock
December 28, 2011	1,000,000 shares of common stock
December 28, 2011	3,400,000 shares of common stock
[end]	

**AMENDED AND RESTATED**  
**2011 EQUITY INCENTIVE PLAN OF**  
**MANDALAY DIGITAL GROUP, INC.**  
**(Effective May 26, 2011)**

Mandalay Digital Group, Inc. (formerly known as NeuMedia, Inc.) hereby adopts in its entirety the Amended and Restated Mandalay Digital Group, Inc. 2011 Equity Incentive (“Plan”), on \_\_\_\_\_ 2011, which amends and restates the NeuMedia, Inc. 2011 Equity Incentive Plan originally adopted on May 26, 2011 (“Plan Adoption Date”). The Plan remains effective as of May 26, 2011 (“Plan Effective Date”). Unless otherwise defined, terms with initial capital letters are defined in Section 2 below.

**SECTION 1**  
**BACKGROUND AND PURPOSE**

1.1 **Background** The Plan permits the grant of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights (SARs), Restricted Stock, and Restricted Stock Units.

1.2 **Purpose of the Plan** The Plan is intended to attract, motivate and retain the following individuals: (a) employees of the Company or its Affiliates; (b) directors of the Company or any of its Affiliates who are employees of neither the Company nor any Affiliate and (c) consultants who provide significant services to the Company or its Affiliates. The Plan is also designed to encourage stock ownership by such individuals, thereby aligning their interests with those of the Company’s shareholders.

**SECTION 2**  
**DEFINITIONS**

The following words and phrases shall have the following meanings unless a different meaning is plainly required by the context:

2.1 “**1934 Act**” means the Securities Exchange Act of 1934, as amended. Reference to a specific section of the Act shall include such section, any valid rules or regulations promulgated under such section, and any comparable provisions of any future legislation, rules or regulations amending, supplementing or superseding any such section, rule or regulation.

2.2 “**Administrator**” means, collectively the Board, and/or one or more Committees, and/or one or more executive officers of the Company designated by the Board to administer the Plan or specific portions thereof.

2.3 “**Affiliate**” means any corporation or any other entity (including, but not limited to, Subsidiaries, partnerships and joint ventures) controlling, controlled by, or under common control with the Company.

2.4 “**Applicable Law**” means the legal requirements relating to the administration of Options, SARs, Restricted Stock, Restricted Stock Units and similar incentive plans under any applicable laws, including but not limited to federal and state employment, labor, privacy and securities laws, the Code, and applicable rules and regulations promulgated by the NASDAQ, New York Stock Exchange, American Stock Exchange or the requirements of any other stock exchange or quotation system upon which the Shares may then be listed or quoted.

2.5 “Award” means, individually or collectively, a grant under the Plan of Nonqualified Stock Options, Incentive Stock Options, SARs, Restricted Stock, and Restricted Stock Units.

2.6 “Award Agreement” means the written agreement setting forth the terms and provisions applicable to each Award granted under the Plan, including the Grant Date.

2.7 “Board” or “Board of Directors” means the Board of Directors of the Company.

2.8 “Change in Control” means the occurrence of any of the following:

(a) Any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than SB Acquisition Company LLC or its affiliates, becomes the “beneficial owner” (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company’s then outstanding voting securities; or

(b) The sale, lease, transfer, conveyance or other disposition, in one or a series of related transactions, of all or substantially all of the assets of the Company to any “person” or “group” (as such terms are used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act).

2.9 “Code” means the Internal Revenue Code of 1986, as amended. Reference to a specific section of the Code or regulation thereunder shall include such section or regulation, any valid regulation promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.

2.10 “Committee” means any committee appointed by the Board of Directors to administer the Plan.

2.11 “Company” means Mandalay Digital Group, Inc., formerly known as NeuMedia, Inc., or any successor thereto.

2.12 “Consultant” means any consultant, independent contractor or other person who provides significant services to the Company or its Affiliates or any employee or affiliate of any of the foregoing, but who is neither an Employee nor a Director.

2.13 “Continuous Status” as an Employee, Consultant or Director means that a Participant’s employment or service relationship with the Company or any Affiliate is not interrupted or terminated. “Continuous Status” shall not be considered interrupted in the following cases: (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company and any Subsidiary or successor. A leave of absence approved by the Company shall include sick leave, military leave or any other personal leave approved by an authorized representative of the Company. For purposes of Incentive Stock Options, no leave of absence may exceed ninety (90) days, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If such reemployment is approved by the Company but not guaranteed by statute or contract, then such employment will be considered terminated on the ninety-first (91st) day of such leave and on such date any Incentive Stock Option held by the Participant shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonqualified Stock Option. In the event a Participant’s status changes among the positions of Employee, Director and Consultant, the Participant’s Continuous Status as an Employee, Director or Consultant shall not be considered terminated solely as a result of any such changes in status.

- 2.14 “Director” means any individual who is a member of the Board of Directors of the Company or an Affiliate of the Company.
- 2.15 “Disability” means a permanent and total disability within the meaning of Section 22(e)(3) of the Code, provided that in the case of Awards other than Incentive Stock Options, the Administrator in its discretion may determine whether a permanent and total disability exists in accordance with uniform and non-discriminatory standards adopted by the Administrator from time to time.
- 2.16 “Employee” means any individual who is a common-law employee of the Company or of an Affiliate.
- 2.17 “Exercise Price” means the price at which a Share may be purchased by a Participant pursuant to the exercise of an Option, and the price used to determine the number of Shares payable to a Participant upon the exercise of a SAR.
- 2.18 “Fair Market Value” means, as of any date, provided the Common Stock is listed on an established stock exchange or a national market system, including without limitation the Nasdaq National Market of the National Association of Securities Dealers, Inc. Automated Quotation (“NASDAQ”) System, the Fair Market Value of a share of Common Stock shall be the closing sales price for such stock on the Grant Date of the Award. If no sales were reported on such Grant Date of the Award, the Fair Market Value of a share of Common Stock shall be the closing price for such stock as quoted on the NASDAQ (or the exchange with the greatest volume of trading in the Common Stock) on the last market trading day with reported sales prior to the date of determination. In the case where the Company is not listed on an established stock exchange or national market system, Fair Market Value shall be determined by the Board in good faith in accordance with Code Section 409A and the applicable Treasury regulations.
- 2.19 “Fiscal Year” means a fiscal year of the Company.
- 2.20 “Grant Date” means the date the Administrator approves the Award.
- 2.21 “Incentive Stock Option” means an Option to purchase Shares, which is designated as an Incentive Stock Option and is intended to meet the requirements of Section 422 of the Code.
- 2.22 “Independent Director” means a Nonemployee Director who is (i) a “nonemployee director” within the meaning of Section 16b-3 of the 1934 Act, (ii) “independent” as determined under the applicable rules of the NASDAQ, and (iii) an “outside director” under Treasury Regulation Section 1.162-27(e)(3), as any of these definitions may be modified or supplemented from time to time.

2.23 “Misconduct” shall include commission of any act contrary or harmful to the interests of the Company (or any Affiliate) and shall include, without limitation: (a) conviction of a felony or crime involving moral turpitude or dishonesty, (b) violation of Company (or any Affiliate) policies, with or acting against the interests of the Company (or any Affiliate), including employing or recruiting any present, former or future employee of the Company (or any Affiliate), (c) misuse of any confidential, secret, privileged or non-public information relating to the Company’s (or any Affiliate’s) business, or (e) participating in a hostile takeover attempt of the Company or an Affiliate. The foregoing definition shall not be deemed to be inclusive of all acts or omissions that the Company (or any Affiliate) may consider as Misconduct for purposes of the Plan.

2.24 “NASDAQ” means The NASDAQ Stock Market, Inc.

2.25 “Nonemployee Director” means a Director who is not employed by the Company or an Affiliate.

2.26 “Nonqualified Stock Option” means an option to purchase Shares that is not intended to be an Incentive Stock Option.

2.27 “Option” means an Incentive Stock Option or a Nonqualified Stock Option.

2.28 “Participant” means an Employee, Nonemployee Director or Consultant who has an outstanding Award.

2.29 “Period of Restriction” means the period during which the transfer of Shares of Restricted Stock are subject to restrictions that subject the Shares to a substantial risk of forfeiture. As provided in Section 7, such restrictions may be based on the passage of time, the achievement of Performance Goals, or the occurrence of other events as determined by the Administrator, in its discretion.

2.30 “Plan” means this Amended and Restated Mandalay Digital Group, Inc. Amended and Restated 2011 Equity Incentive Plan, as set forth in this instrument and as hereafter amended from time to time.

2.31 “Restricted Stock” means an Award granted to a Participant pursuant to Section 7. An Award of Restricted Stock constitutes a transfer of ownership of Shares to a Participant from the Company subject to restrictions against transferability, assignment, and hypothecation. Under the terms of the Award, the restrictions against transferability are removed when the Participant has met the specified vesting requirement. Vesting can be based on continued employment or service over a stated service period, or on the attainment of specified Performance Goals. If employment or service is terminated prior to vesting, the unvested restricted stock revert back to the Company.

2.32 “Restricted Stock Units” means an Award granted to a Participant pursuant to Section 8. An Award of Restricted Stock Units constitutes a promise to deliver to a Participant a specified number of Shares, or the equivalent value in cash, upon satisfaction of the vesting requirements set forth in the Award Agreement. Each Restricted Stock Unit represents the right to receive one Share or the equivalent value in cash.

2.33 “Rule 16b-3” means a person promulgated under the 1934 Act, and any future regulation amending, supplementing or superseding such regulation.

2.34 “SEC” means the U.S. Securities and Exchange Commission.

2.35 “Section 16 Person” means a person who, with respect to the Shares, is subject to Section 16 of the 1934 Act.

2.36 “Shares” means shares of common stock of the Company.

2.37 “Stock Appreciation Right” or “SAR” means an Award granted to a Participant pursuant to Section 6. Upon exercise, a SAR gives a Participant a right to receive a payment in cash, or the equivalent value in Shares, equal to the difference between the Fair Market Value of the Shares on the exercise date and the Exercise Price. Both the number of SARs and the Exercise Price are determined on the Grant Date. For example, assume a Participant is granted 100 SARs at an Exercise Price of \$10 and the award agreement specifies that the net gain will be settled in Shares. Also assume that the SARs are exercised when the underlying Shares have a Fair Market Value of \$20 per Share. Upon exercise of the SAR, the Participant is entitled to receive 50 Shares  $(((\$20-\$10)*100)/\$20)$ .

2.38 “Subsidiary” means any corporation in an unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in the unbroken chain then owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

### SECTION 3 ADMINISTRATION

3.1 The Administrator. The Administrator shall be appointed by the Board of Directors from time to time.

3.2 Authority of the Administrator. It shall be the duty of the Administrator to administer the Plan in accordance with the Plan’s provisions and in accordance with Applicable Law. The Administrator shall have all powers and discretion necessary or appropriate to administer the Plan and to control its operation, including, but not limited to, the power to determine the following: (a) which Employees, Nonemployee Directors and Consultants shall be granted Awards; (b) the terms, conditions and the amendment of Awards, including the express power to amend an Award to include a provision to reduce the Exercise Price of any outstanding Option or other Award after the Grant Date, or to cancel an outstanding Option or other Award in exchange for the grant of a new Option or other Award with an exercise price equal to the Fair Market Value on the Grant Date, (c) interpretation of the Plan, (d) adoption of rules for the administration, interpretation and application of the Plan as are consistent therewith and (e) interpretation, amendment or revocation of any such rules.

3.3 Delegation by the Administrator. The Administrator, in its discretion and on such terms and conditions as it may provide, may delegate all or any part of its authority and powers under the Plan to one or more Directors; provided, however, in the case where the Company is listed on an established stock exchange or quotation system, the Administrator may not delegate its authority and powers (a) with respect to Section 16 Persons, or (b) in any way which would jeopardize the Plan's qualification under Section 162(m) of the Code or Rule 16b-3.

3.4 Decisions Binding. All determinations and decisions made by the Administrator, the Board and any delegate of the Administrator pursuant to the provisions of the Plan shall be final, conclusive and binding on all persons, and shall be given the maximum deference permitted by Applicable Law.

#### SECTION 4 SHARES SUBJECT TO THE PLAN

4.1 Number of Shares. Subject to adjustment, as provided in Section 4.3, the total number of Shares initially available for grant under the Plan shall be 4,000,000. Shares granted under the Plan may be authorized but unissued Shares or reacquired Shares bought on the market or otherwise.

4.2 Lapsed Awards. If any Award made under the Plan expires, or is forfeited or cancelled, the Shares underlying such Awards shall become available for future Awards under the Plan. In addition, any Shares underlying an Award that are not issued upon the exercise of such Award shall become available for future Awards under the Plan (e.g., the exercise of a Stock Appreciation Right with the net gain settled in Shares and the "net-Share issuance" of an Option).

4.3 Adjustments in Awards and Authorized Shares. The number of Shares covered by each outstanding Award, and the per Share exercise price of each such Award, shall be proportionately adjusted for any increase or decrease in the number of issued shares of common stock resulting from a stock split, reverse stock split, recapitalization, combination, reclassification, the payment of a stock dividend on the common stock or any other increase or decrease in the number of such Shares of common stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issue by the Company of Shares of stock of any class, or securities convertible into Shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of common stock subject to an Option.

4.4 Legal Compliance. Shares shall not be issued pursuant to the making or exercise of an Award unless the exercise of Options and rights and the issuance and delivery of Shares shall comply with the Securities Act of 1933, as amended, the 1934 Act and other Applicable Law, and shall be further subject to the approval of counsel for the Company with respect to such compliance. Any Award made in violation hereof shall be null and void.

4.5 Investment Representations. As a condition to the exercise of an Option or other right, the Company may require the person exercising such Option or right to represent and warrant at the time of exercise that the Shares are being acquired only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

## SECTION 5 STOCK OPTIONS

The provisions of this Section 5 are applicable to Options granted to Employees, Nonemployee Directors and Consultants. Such Participants shall also be eligible to receive other types of Awards as set forth in the Plan.

5.1 Grant of Options. Subject to the terms and provisions of the Plan, Options may be granted at any time and from time to time as determined by the Administrator in its discretion. The Administrator may grant Incentive Stock Options, Nonqualified Stock Options, or a combination thereof, and the Administrator, in its discretion and subject to Sections 4.1, shall determine the number of Shares subject to each Option.

5.2 Award Agreement. Each Option shall be evidenced by an Award Agreement that shall specify the Exercise Price, the expiration date of the Option, the number of Shares to which the Option pertains, any conditions to exercise the Option, and such other terms and conditions as the Administrator, in its discretion, shall determine. The Award Agreement shall also specify whether the Option is intended to be an Incentive Stock Option or a Nonqualified Stock Option.

5.3 Exercise Price. The Administrator shall determine the Exercise Price for each Option subject to the provisions of this Section 5.3.

5.3.1 Nonqualified Stock Options. Unless otherwise specified in the Award Agreement, in the case of a Nonqualified Stock Option, the per Share exercise price shall not be less than one hundred percent (100%) of the Fair Market Value of a Share on the Grant Date, as determined by the Administrator.

5.3.2 Incentive Stock Options. The grant of Incentive Stock Options shall be subject to the following limitations:

(a) The Exercise Price of an Incentive Stock Option shall be not less than one hundred percent (100%) of the Fair Market Value of a Share on the Grant Date; provided, however, that if on the Grant Date, the Employee (together with persons whose stock ownership is attributed to the Employee pursuant to Section 424(d) of the Code) owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any of its Subsidiaries, the Exercise Price shall be not less than one hundred and ten percent (110%) of the Fair Market Value of a Share on the Grant Date;

(b) Incentive Stock Options may be granted only to persons who are, as of the Grant Date, Employees of the Company or a Subsidiary, and may not be granted to Consultants or Nonemployee Directors. In the event the Company fails to obtain shareholder approval of the Plan within twelve (12) months from the Plan Adoption Date, all Options granted under this Plan designated as Incentive Stock Options shall become Nonqualified Stock Options and shall be subject to the provisions of this Section 5 applicable to Nonqualified Stock Options.



(c) To the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and any parent or Subsidiary) exceeds \$100,000, such Options shall be treated as Nonqualified Stock Options. For purposes of this Section 5.3.2(c), Incentive Stock Options shall be taken into account in the order in which they were granted. The Fair Market Value of the Shares shall be determined as of the time the Option with respect to such Shares is granted; and

(d) In the event of a Participant's change of status from Employee to Consultant or Director, an Incentive Stock Option held by the Participant shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonqualified Stock Option three (3) months and one (1) day following such change of status.

5.3.3 Substitute Options. Notwithstanding the provisions of Sections 5.3.1 and 5.3.2, in the event that the Company or an Affiliate consummates a transaction described in Section 424(a) of the Code (e.g., the acquisition of property or stock from an unrelated corporation), persons who become Employees, Nonemployee Directors or Consultants on account of such transaction may be granted Options in substitution for options granted by their former employer, and such Options may be granted with an Exercise Price less than the Fair Market Value of a Share on the Grant Date; provided, however, the grant of such substitute Option shall not constitute a "modification" as defined in Code Section 424(h)(3) and the applicable Treasury regulations.

#### 5.4 Expiration of Options

5.4.1 Expiration Dates. Unless otherwise specified in an Award Agreement, each Option shall immediately terminate on the date a Participant ceases his/her/its Continuous Status as an Employee, Director or Consultant with respect to the Shares that have not "vested." With respect to the "vested" Shares underlying a Participant's Option, unless otherwise specified in the Award Agreement, each Option shall terminate no later than the first to occur of the following events:

(a) Date in Award Agreement. The date for termination of the Option set forth in the written Award Agreement;

(b) Termination of Continuous Status as Employee, Nonemployee Director or Consultant. The last day of the three (3)-month period following the date the Participant ceases his/her/its Continuous Status as an Employee, Nonemployee Director or Consultant (other than termination for a reason described in subsections (c), (d), (e), or (f) below);

(c) Misconduct. In the event a Participant's Continuous Status as an Employee, Director or Consultant terminates because the Participant has performed an act of Misconduct as determined by the Administrator, all unexercised Options held by such Participant shall expire five (5) business days following written notice from the Company to the Participant; provided, however, that the Administrator may, in its sole discretion, prior to the expiration of such five (5) business day period, reinstate the Options by giving written notice of such reinstatement to Participant. In the event of such reinstatement, the Participant may exercise the Option only to such extent, for such time, and upon such terms and conditions as if the Participant had ceased to be employed by or affiliated with the Company or a Subsidiary upon the date of such termination for a reason other than Misconduct, disability or death;

(d) Disability. In the event that a Participant's Continuous Status as an Employee, Director or Consultant terminates as a result of the Participant's Disability, the Participant may exercise his or her Option at any time within twelve (12) months from the date of such termination, but only to the extent that the Participant was entitled to exercise it at the date of such termination (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). If, at the date of termination, the Participant is not entitled to exercise his or her entire Option, the Shares covered by the unexercisable portion of the Option shall revert to the Plan. If, after termination, the Participant does not exercise his or her Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan;

(e) Death. In the event of the death of a Participant, the Participant's Option may be exercised at any time within twelve (12) months following the date of death (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement), by the Participant's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent that the Participant was entitled to exercise the Option at the date of death. If, at the time of death, the Participant was not entitled to exercise his or her entire Option, the Shares covered by the unexercisable portion of the Option shall immediately revert to the Plan. If, after death, the Participant's estate or a person who acquired the right to exercise the Option by bequest or inheritance does not exercise the Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan; or

(f) 10 Years from Grant. An Option shall expire no more than ten (10) years from the Grant Date; provided, however, that if an Incentive Stock Option is granted to an Employee who, together with persons whose stock ownership is attributed to the Employee pursuant to Section 424(d) of the Code, owns stock possessing more than 10% of the total combined voting power of all classes of the stock of the Company or any of its Subsidiaries, such Incentive Stock Option may not be exercised after the expiration of five (5) years from the Grant Date.

5.4.2 Administrator Discretion. Notwithstanding the foregoing the Administrator may, after an Option is granted, extend the exercise period that an Option is exercisable following a Participant's termination of employment (subject to limitations applicable to Incentive Stock Options); provided, however that such extension does not exceed the maximum term of the Option.

5.5 Exercisability of Options. Options granted under the Plan shall be exercisable at such times and be subject to such restrictions as set forth in the Award Agreement and conditions as the Administrator shall determine in its discretion. After an Option is granted, the Administrator, in its discretion, may accelerate the exercisability of the Option.

5.6 Exercise and Payment. Options shall be exercised by the Participant's delivery of a written notice of exercise to the Secretary of the Company (or its designee), setting forth the number of Shares with respect to which the Option is to be exercised, accompanied by full payment for the Shares.

5.6.1 Form of Consideration. Upon the exercise of any Option, the Exercise Price shall be payable to the Company in full in cash or its equivalent. The Administrator, in its discretion, also may permit the exercise of Options and same-day sale of related Shares, or exercise by tendering previously acquired Shares having an aggregate Fair Market Value at the time of exercise equal to the total Exercise Price, or by any other means which the Administrator, in its discretion, determines to provide legal consideration for the Shares, and to be consistent with the purposes of the Plan.

5.6.2 Delivery of Shares. As soon as practicable after receipt of a written notification of exercise and full payment for the Shares purchased, the Company shall deliver to the Participant (or the Participant's designated broker), Share certificates (which may be in book entry form) representing such Shares.

## SECTION 6 STOCK APPRECIATION RIGHTS

6.1 Grant of SARs. Subject to the terms of the Plan, a SAR may be granted to Employees, Nonemployee Directors and Consultants at any time and from time to time as shall be determined by the Administrator.

6.1.1 Number of Shares. The Administrator shall have complete discretion to determine the number of SARs granted to any Participant.

6.1.2 Exercise Price and Other Terms. The Administrator, subject to the provisions of the Plan, shall have discretion to determine the terms and conditions of SARs granted under the Plan, including whether upon exercise the SARs will be settled in Shares or cash. However, the Exercise Price of a SAR shall be not less than one hundred percent (100%) of the Fair Market Value of a Share on the Grant Date.

6.2 Exercise of SARs. SARs granted under the Plan shall be exercisable at such times and be subject to such restrictions as set forth in the Award Agreement and conditions as the Administrator shall determine in its discretion. After an SAR is granted, the Administrator, in its discretion, may accelerate the exercisability of the SAR.

6.3 SAR Agreement. Each SAR grant shall be evidenced by an Award Agreement that shall specify the Exercise Price, the term of the SAR, the conditions of exercise and such other terms and conditions as the Administrator shall determine.

6.4 Expiration of SARs. A SAR granted under the Plan shall expire upon the date determined by the Administrator in its discretion as set forth in the Award Agreement, or otherwise pursuant to the provisions relating to the expiration of Options as set forth in Section 5.4.

6.5 Payment of SAR Amount. Upon exercise of a SAR, a Participant shall be entitled to receive (whichever is specified in the Award Agreement) from the Company either (a) a cash payment in an amount equal to (x) the difference between the Fair Market Value of a Share on the date of exercise and the SAR Exercise Price, multiplied by (y) the number of Shares with respect to which the SAR is exercised, or (b) a number of Shares by dividing such cash amount by the Fair Market Value of a Share on the exercise date. If the Administrator designates in the Award Agreement that the SAR will be settled in cash, upon Participant's exercise of the SAR the Company shall make a cash payment to Participant as soon as reasonably practical.

## SECTION 7 RESTRICTED STOCK

7.1 Grant of Restricted Stock. Subject to the terms and provisions of the Plan, the Administrator, at any time and from time to time, may grant Shares of Restricted Stock to Employees, Nonemployee Directors and Consultants in such amounts as the Administrator, in its discretion, shall determine. The Administrator shall determine the number of Shares to be granted to each Participant and the purchase price, if any, to be paid by the Participant for such Shares. At the discretion of the Administrator, such purchase price may be paid by Participant with cash or through services rendered.

7.2 Restricted Stock Agreement. Each Award of Restricted Stock shall be evidenced by an Award Agreement that shall specify the Period of Restriction, the number of Shares granted, and such other terms and conditions as the Administrator, in its discretion, shall determine. Unless the Administrator determines otherwise, Shares of Restricted Stock shall be held by the Company as escrow agent until the restrictions on such Shares have lapsed.

7.3 Transferability. Except as provided in this Section 7, Shares of Restricted Stock may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until expiration of the applicable Period of Restriction.

7.4 Other Restrictions. The Administrator, in its discretion, may impose such other restrictions on Shares of Restricted Stock as it may deem advisable or appropriate, in accordance with this Section 7.4.

7.4.1 General Restrictions. The Administrator may set restrictions based upon the achievement of specific Performance Goals (Company-wide, business unit, or individual), or any other basis determined by the Administrator in its discretion.

7.4.2 Section 162(m) Performance Restrictions. For purposes of qualifying grants of Restricted Stock as "performance-based compensation" under Section 162(m) of the Code, the Administrator, in its discretion, may set restrictions based upon the achievement of Performance Goals. The Performance Goals shall be set by the Administrator on or before the latest date permissible to enable the Restricted Stock to qualify as "performance-based compensation" under Section 162(m) of the Code. In granting Restricted Stock which is intended to qualify under Section 162(m) of the Code, the Administrator shall follow any procedures determined by it from time to time to be necessary or appropriate to ensure qualification of the Restricted Stock under Section 162(m) of the Code (e.g., in determining the Performance Goals).

7.4.3 Legend on Certificates. The Administrator, in its discretion, may place a legend or legends on the certificates representing Restricted Stock to give appropriate notice of such restrictions.

7.5 Removal of Restrictions. Except as otherwise provided in this Section 7, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan shall be released from escrow as soon as practicable after expiration of the Period of Restriction. After the restrictions have lapsed, the Participant shall be entitled to have any legend or legends under Section 7.4.3 removed from his or her Share certificate, and the Shares shall be freely transferable by the Participant, subject to Applicable Law.

7.6 Voting Rights. During the Period of Restriction, Participants holding Shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those Shares, unless otherwise provided in the Award Agreement.

7.7 Dividends and Other Distributions. During the Period of Restriction, Participants holding Shares of Restricted Stock shall be entitled to receive all dividends and other distributions paid with respect to such Shares unless otherwise provided in the Award Agreement. If any such dividends or distributions are paid in Shares, the Shares shall be subject to the same restrictions on transferability and forfeitability as the Shares of Restricted Stock with respect to which they were paid.

7.8 Return of Restricted Stock to Company. On the date that any forfeiture event set forth in the Award Agreement occurs, the Restricted Stock for which restrictions have not lapsed shall revert to the Company and again shall become available for grant under the Plan.

## SECTION 8 RESTRICTED STOCK UNITS

8.1 Grant of Restricted Stock Units. Subject to the terms and conditions of the Plan, Restricted Stock Units may be granted to Employees, Nonemployee Directors and Consultants at any time and from time to time, as shall be determined by the Administrator in its sole and absolute discretion.

8.1.1 Number of Restricted Stock Units. The Administrator will have complete discretion in determining the number of Restricted Stock Units granted to any Participant under an Award Agreement, subject to the limitations in Sections 4.1.

8.1.2 Value of a Restricted Stock Unit. Each Restricted Stock Unit granted under an Award Agreement represents the right to receive one Share, or the equivalent value in cash, upon satisfaction of the vesting conditions specified in the Award Agreement.

8.2 Vesting Conditions. In its sole and absolute discretion, the Administrator will set the vesting provisions, which may include any combination of time-based or performance-based vesting conditions. The Administrator, in its discretion, may at any time accelerate the vesting of a Participant's Restricted Stock Units and provide for immediate payment in accordance with Section 8.3.

8.3 Form and Timing of Payment. The Administrator shall specify in the Award Agreement whether the Restricted Stock Units shall be settled in Shares or cash. In either case, upon vesting payment will be made as soon as reasonably practical upon satisfaction of the vesting conditions.

8.4 Cancellation of Restricted Stock Units. On the earlier of the cancellation date set forth in the Award Agreement or upon the termination of Participant's Continuous Status as an Employee, Nonemployee Director or Consultant, all unvested Restricted Stock Units will be forfeited to the Company, and again will be available for grant under the Plan.

SECTION 9  
MISCELLANEOUS

9.1 Change In Control. Unless otherwise provided in the Award Agreement, in the event of a Change in Control, unless an Award is assumed or substituted by the successor corporation, then (i) such Awards shall become fully exercisable as of the date of the Change in Control, whether or not otherwise then exercisable and (ii) all restrictions and conditions on any Award then outstanding shall lapse as of the date of the Change in Control.

9.2 Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator shall notify each Participant as soon as practicable prior to the effective date of such proposed transaction. Notwithstanding anything to the contrary contained in this Plan or in any Award Agreement, the Participant shall have the right to exercise his or her Award for a period not less than ten (10) days immediately prior to such dissolution or transaction as to all of the Shares covered thereby, including Shares as to which the Award would not otherwise be exercisable.

9.3 No Effect on Employment or Service. Nothing in the Plan shall interfere with or limit in any way the right of the Company or an Affiliate to terminate any Participant's employment or service at any time, with or without cause. Unless otherwise provided by written contract, employment or service with the Company or any of its Affiliates is on an at-will basis only. Additionally, the Plan shall not confer upon any Director any right with respect to continuation of service as a Director or nomination to serve as a Director, nor shall it interfere in any way with any rights which such Director or the Company may have to terminate his or her directorship at any time.

9.4 Participation. No Employee, Consultant or Nonemployee Director shall have the right to be selected to receive an Award under this Plan, or, having been so selected, to be selected to receive a future Award.

9.5 Limitations on Awards. No Participant shall be granted an Award or Awards in any Fiscal Year in which the combined number of Shares underlying such Award(s) exceeds 500,000 Shares; provided, however, that such limitation shall be adjusted proportionately in connection with any change in the Company's capitalization as described in Section 4.3.

9.6 Successors. All obligations of the Company under the Plan, with respect to Awards granted hereunder, shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation or, otherwise, sale or disposition of all or substantially all of the business or assets of the Company.

9.7 Beneficiary Designations. If permitted by the Administrator, a Participant under the Plan may name a beneficiary or beneficiaries to whom any vested but unpaid Award shall be paid in the event of the Participant's death. Each such designation shall revoke all prior designations by the Participant and shall be effective only if given in a form and manner acceptable to the Administrator. In the absence of any such designation, any vested benefits remaining unpaid at the Participant's death shall be paid to the Participant's estate and, subject to the terms of the Plan and of the applicable Award Agreement, any unexercised vested Award may be exercised by the administrator or executor of the Participant's estate.

9.8 Limited Transferability of Awards. No Award granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. All rights with respect to an Award granted to a Participant shall be available during his or her lifetime only to the Participant. Notwithstanding the foregoing, the Participant may, in a manner specified by the Administrator, (a) transfer a Nonqualified Stock Option to a Participant's spouse, former spouse or dependent pursuant to a court-approved domestic relations order which relates to the provision of child support, alimony payments or marital property rights and (b) transfer a Nonqualified Stock Option by bona fide gift and not for any consideration to (i) a member or members of the Participant's immediate family, (ii) a trust established for the exclusive benefit of the Participant and/or member(s) of the Participant's immediate family, (iii) a partnership, limited liability company or other entity whose only partners or members are the Participant and/or member(s) of the Participant's immediate family or (iv) a foundation in which the Participant and/or member(s) of the Participant's immediate family control the management of the foundation's assets.

9.9 Restrictions on Share Transferability. The Administrator may impose such restrictions on any Shares acquired pursuant to the exercise of an Award as it may deem advisable, including, but not limited to, restrictions related to applicable federal securities laws, the requirements of any national securities exchange or system upon which Shares are then listed or traded or any blue sky or state securities laws.

9.10 Transfers Upon a Change in Control. In the sole and absolute discretion of the Administrator, an Award Agreement may provide that in the event of certain Change in Control events, which may include any or all of the Change in Control events described in Section 2.8, Shares obtained pursuant to this Plan shall be subject to certain rights and obligations, which include but are not limited to the following: (i) the obligation to vote all such Shares in favor of such Change in Control transaction, whether by vote at a meeting of the Company's shareholders or by written consent of such shareholders; (ii) the obligation to sell or exchange all such Shares and all rights to acquire Shares, under this Plan pursuant to the terms and conditions of such Change in Control transaction; (iii) the right to transfer less than all but not all of such Shares pursuant to the terms and conditions of such Change in Control transaction, and (iv) the obligation to execute all documents and take any other action reasonably requested by the Company to facilitate the consummation of such Change in Control transaction.

9.11 Performance-Based Awards. Each agreement for the grant of performance-based awards shall specify the number of Shares underlying the Award, the Performance Period and the Performance Goals (each as defined below). As used herein, "Performance Goals" means performance goals specified in the agreement for any Award which the Administrators determine to make subject to Performance Goals, upon which the vesting or settlement of such award is conditioned and "Performance Period" means the period of time specified in an agreement over which the Award which the Administrators determine to make subject to a Performance Goal, are to be earned. Each agreement for a performance-based Award shall specify in respect of a Performance Goal the minimum level of performance below which no payment will be made, shall describe the method of determining the amount of any payment to be made if performance is at or above the minimum acceptable level, but falls short of full achievement of the Performance Goal, and shall specify the maximum percentage payout under the agreement.

9.11.1 Performance Goals for Covered Employees. The Performance Goals for any performance-based Award granted to a Covered Employee, if deemed appropriate by the Administrators, shall be objective and shall otherwise meet the requirements of Section 162(m)(4)(C) of the Code, and shall be based upon one or more of the following performance-based business criteria, either on a Company, subsidiary, division, business unit or line of business basis or in comparison with peer group performance or to an index: net sales; gross sales; net revenue; gross revenue; growth in number of customers, households or assets; cash generation; cash flow; unit volume; market share; cost reduction; costs and expenses (including expense efficiency ratios and other expense measures); strategic plan development and implementation; return on net assets; return on actual or proforma assets; return on equity; return on capital; return on investment; return on working capital; return on net capital employed; working capital; asset turnover; economic value added; total stockholder return; stock price; net income; net income before tax; operating income; operating profit margin; net income margin; net interest margin; sales margin; market share; inventory turnover; days sales outstanding; sales growth; capacity utilization; increase in customer base; cash flow; book value; earnings per share; stock price earnings ratio; earnings before interest; taxes; depreciation and amortization expenses ("EBITDA"); earnings before interest and taxes ("EBIT"); earnings before interest ("EBI"); or EBITDA, EBIT, EBI or earnings before taxes and unusual or nonrecurring items as measured either against the annual budget or as a ratio to revenue. Achievement of any such Performance Goal shall be measured over a period of years not to exceed ten (10) as specified by the Administrators in the agreement for the performance-based Award. No business criterion other than those named above in this Section 9.11.1 may be used in establishing the Performance Goal for an award to a Covered Employee under this Section 9.11. For each such award relating to a Covered Employee, the Administrators shall establish the targeted level or levels of performance for each such business criterion. The Administrators may, in their discretion, reduce the amount of a payout otherwise to be made in connection with an award under this Section 9.11, but may not exercise discretion to increase such amount, and the Administrators may consider other performance criteria in exercising such discretion. All determinations by the Administrators as to the achievement of Performance Goals under this Section 9.11 shall be made in writing. The Administrators may not delegate any responsibility under this Section 9.11. As used herein, "Covered Employee" shall mean, with respect to any grant of an award, an executive of the Company or any subsidiary who is a member of the executive compensation group under the Company's compensation practices (not necessarily an executive officer) whom the Administrators deem may be or become a covered employee as defined in Section 162(m)(3) of the Code for any year that such award may result in remuneration over \$1 million which would not be deductible under Section 162(m) of the Code but for the provisions of the Plan and any other "qualified performance-based compensation" plan (as defined under Section 162(m) of the Code) of the Company; provided, however, that the Administrators may determine that a Plan Participant has ceased to be a Covered Employee prior to the settlement of any award.



9.11.2 Mandatory Deferral of Income. The Administrators, in their sole discretion, may require that one or more award agreements contain provisions which provide that, in the event Section 162(m) of the Code, or any successor provision relating to excessive employee remuneration, would operate to disallow a deduction by the Company with respect to all or part of any award under the Plan, a Plan Participant's receipt of the benefit relating to such award that would not be deductible by the Company shall be deferred until the next succeeding year or years in which the Plan Participant's remuneration does not exceed the limit set forth in such provisions of the Code; provided, however, that such deferral does not violate Code Section 409A.

## SECTION 10 AMENDMENT, SUSPENSION, AND TERMINATION

10.1 Amendment, Suspension, or Termination. Except as provided in Section 10.2, the Board, in its sole discretion, may amend, suspend or terminate the Plan, or any part thereof, at any time and for any reason. The amendment, suspension or termination of the Plan shall not, without the consent of the Participant, alter or impair any rights or obligations under any Award theretofore granted to such Participant. No Award may be granted during any period of suspension or after termination of the Plan.

10.2 No Amendment without Shareholder Approval. The Company shall obtain shareholder approval of any material Plan amendment to the extent necessary or desirable to comply with the rules of the NASDAQ, the Exchange Act, Section 422 of the Code, or other Applicable Law.

10.3 Plan Effective Date and Duration of Awards. The Plan shall be effective as of the Plan Effective Date subject to the shareholders of the Company approving the Plan by the required vote), subject to Sections 10.1 and 10.2 (regarding the Board's right to amend or terminate the Plan), and shall remain in effect thereafter. However, without further shareholder approval, no Award may be granted under the Plan more than ten (10) years after the Plan Adoption Date.

## SECTION 11 TAX WITHHOLDING

11.1 Withholding Requirements. Prior to the delivery of any Shares or cash pursuant to an Award (or exercise thereof), the Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, and local taxes (including the Participant's FICA obligation) required to be withheld with respect to such Award (or exercise thereof).

11.2 Withholding Arrangements. The Administrator, in its discretion and pursuant to such procedures as it may specify from time to time, may permit a Participant to satisfy such tax withholding obligation, in whole or in part by (a) electing to have the Company withhold otherwise deliverable Shares or (b) delivering to the Company already-owned Shares having a Fair Market Value equal to the minimum amount required to be withheld. The amount of the withholding requirement shall be deemed to include any amount which the Administrator agrees may be withheld at the time the election is made; provided, however, in the case Shares are withheld by the Company to satisfy the tax withholding that would otherwise be issued to the Participant, the amount of such tax withholding shall be determined by applying the statutory minimum federal, state or local income tax rates applicable to the Participant with respect to the Award on the date that the amount of tax to be withheld is to be determined. The Fair Market Value of the Shares to be withheld or delivered shall be determined as of the date taxes are required to be withheld.

SECTION 12  
LEGAL CONSTRUCTION

12.1 Liability of Company. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful grant or any Award or the issuance and sale of any Shares hereunder, shall relieve the Company, its officers, Directors and Employees of any liability in respect of the failure to grant such Award or to issue or sell such Shares as to which such requisite authority shall not have been obtained.

12.2 Grants Exceeding Allotted Shares. If the Shares covered by an Award exceed, as of the date of grant, the number of Shares, which may be issued under the Plan without additional shareholder approval, such Award shall be void with respect to such excess Shares, unless shareholder approval of an amendment sufficiently increasing the number of Shares subject to the Plan is timely obtained.

12.3 Gender and Number. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural.

12.4 Severability. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

12.5 Requirements of Law. The granting of Awards and the issuance of Shares under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

12.6 Governing Law. The Plan and all Award Agreements shall be construed in accordance with and governed by the laws of the State of Delaware.

12.7 Captions. Captions are provided herein for convenience only, and shall not serve as a basis for interpretation or construction of the Plan.

SECTION 13  
EXECUTION

IN WITNESS WHEREOF, the Company, by its duly authorized officer, has executed this Plan on the date indicated below.

Executed on \_\_\_\_\_, 2012;  
Effective May 26, 2011

MANDALAY DIGITAL GROUP, INC.

By: \_\_\_\_\_  
Its Secretary

**MANDALAY DIGITAL GROUP, INC.  
AMENDED AND RESTATED 2011 EQUITY INCENTIVE PLAN**

**NOTICE OF GRANT  
AND  
RESTRICTED STOCK AGREEMENT**

You have been granted the number of shares of Restricted Common Stock of Mandalay Digital Group, Inc. (the "Company"), as set forth below ("Common Shares"), subject to the terms and conditions of the Mandalay Digital Group, Inc. Amended and Restated 2011 Equity Incentive Plan ("Plan"), and this Notice of Grant and Restricted Stock Agreement including the attachments hereto (collectively, "Notice and Agreement"). Unless otherwise defined in the Notice and Agreement, terms with initial capital letters shall have the meanings set forth in the Plan.

Participant:

Home Address:

Soc. Sec. No:

Number of shares of Restricted Common  
Stock Granted:

Grant Date:

Period of Restriction and Release of Common [Insert vesting schedule]

Shares from Company's Return Right (see  
Sections 2 and 3 of attached Agreement)

By signing below, you accept this grant of Common Shares and you hereby represent that you: (i) agree to the terms and conditions of this Notice and Agreement and the Plan; (ii) have reviewed the Plan and the Notice and Agreement in their entirety, and have had an opportunity to obtain the advice of legal counsel and/or your tax advisor with respect thereto; (iii) fully understand and accept all provisions hereof; (iv) agree to accept as binding, conclusive, and final all of the Administrator's decisions regarding, and all interpretations of, the Plan and the Notice and Agreement; and (v) agree to notify the Company upon any change in your home address indicated above.

AGREED AND ACCEPTED:

Signature:

Print Name:

**MANDALAY DIGITAL GROUP, INC.**  
**AMENDED AND RESTATED 2011 EQUITY INCENTIVE PLAN**

RESTRICTED STOCK AGREEMENT

1. Grant of Restricted Stock. The Company has granted to you the number of shares of Restricted Common Stock specified in the Notice of Grant on the preceding page ("Notice of Grant"), subject to the following terms and conditions. In consideration of such grant, you agree to be bound by the terms and conditions hereof, and by the terms and conditions of the Plan.

2. Period of Restriction. During the Period of Restriction specified in the Notice of Grant, the Common Shares shall remain subject to the Company's Return Right (defined in Section 3). The Period of Restriction shall expire and the Company's Return Right shall lapse as to the Common Shares granted in the amount(s) and on the date(s) specified in the Notice of Grant (each, a "Release Date"); provided, however, that no Common Shares shall be released on any Release Date if the Participant has ceased Continuous Status as an Employee, Consultant or Director on or prior to such date. Any and all Common Shares subject to the Company's Return Right at any time shall be defined in this Notice and Agreement as "Unreleased Common Shares."

3. Return of Restricted Stock to Company. If Participant ceases Continuous Status as an Employee, Consultant or Director for any reason (a "Return Event"), the Company shall become the legal and beneficial owner of the Unreleased Common Shares and all rights and interests therein or relating thereto, and the Company shall have the right to retain and transfer such Unreleased Common Shares to its own name. The Participant shall continue to own any Common Shares subject to the terms of the Plan and this Notice and Agreement with respect to which the Participant has Continuous Status as an Employee, Consultant or Director through the Release Date(s) specified in the Notice of Grant for such Common Shares.

4. Restriction on Transfer. Except for the transfer of the Common Shares to the Company or its assignees contemplated by this Notice and Agreement, none of the Common Shares or any beneficial interest therein shall be transferred, encumbered or otherwise disposed of in any way until the Release Date for such Common Shares set forth in this Notice and Agreement. In addition, as a condition to any transfer of the Common Shares after such Release Date, the Company may, in its discretion, require: (i) that the Common Shares shall have been duly listed upon any national securities exchange or automated quotation system on which the Company's Common Stock may then be listed or quoted; (ii) that either (a) a registration statement under the Securities Act of 1933, as amended ("Securities Act") with respect to the Common Shares shall be effective, or (b) in the opinion of counsel for the Company, the proposed purchase shall be exempt from registration under the Securities Act and the Participant shall have entered into agreements with the Company as reasonably required; and (iii) fulfillment of any other requirements deemed necessary by counsel for the Company to comply with Applicable Law.

5. Retention of Common Shares. To ensure the availability for delivery of the Participant's Unreleased Common Shares upon their return to the Company pursuant to this Notice and Agreement, the Company shall retain possession of the share certificates representing the Unreleased Common Shares, together with a stock assignment duly endorsed in blank, attached hereto as Exhibit A. The Company shall hold the Unreleased Common Shares and related stock assignment until the Release Date for such Common Shares. In addition, the Company may require the spouse of Participant, if any, to execute and deliver to the Company the Consent of Spouse in the form attached hereto as Exhibit B. When a Return Event or Release Date occurs, the Company shall promptly deliver the certificate for the applicable Common Shares to the Company or to the Participant, as the case may be.

6. Stockholder Rights. Subject to the terms hereof, the Participant shall have all the rights of a stockholder with respect to the Common Shares while they are retained by the Company pursuant to Section 5, including without limitation, the right to vote the Common Shares and to receive any cash dividends declared thereon. If, from time to time prior to the Release Date, there is (i) any stock dividend, stock split or other change in the Common Shares, or (ii) any merger or sale of all or substantially all of the assets or other acquisition of the Company, any and all new, substituted or additional securities to which the Participant shall be entitled by reason of the Participant's ownership of the Common Shares shall be immediately subject to the terms of this Notice and Agreement and included thereafter as "Common Shares" for purposes of this Notice and Agreement.

7. Legends. The share certificate evidencing the Common Shares, if any, issued hereunder shall be endorsed with the following legend (in addition to any legend required under applicable state securities laws):

THE COMMON SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS UPON TRANSFER AND OBLIGATIONS TO RETURN TO THE COMPANY, AS SET FORTH IN AN AGREEMENT BETWEEN THE COMPANY AND THE HOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

8. U.S. Tax Consequences. The Participant has reviewed with the Participant's own tax advisors the federal, state, local and foreign tax consequences of this investment and the transactions contemplated by this Notice and Agreement. The Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its employees or agents. The Participant understands that the Participant (and not the Company) shall be responsible for the Participant's own tax liability that may arise as a result of the transactions contemplated by this Notice and Agreement. The Participant understands that for U.S. taxpayers, Section 83 of the Internal Revenue Code of 1986, as amended (the "Code"), taxes as ordinary income the difference between the purchase price for the Common Shares, if any, and the fair market value of the Common Shares as of the date any restrictions on the Common Shares lapse. In this context, "restriction" includes the right of the Company to the return of the Common Shares upon a Return Event. The Participant understands that if he/she is a U.S. taxpayer, the Participant may elect to be taxed at the time the Common Shares are awarded as Restricted Stock rather than when and as the Return Right expires by filing an election under Section 83(b) of the Code with the IRS within 30 days from the date of acquisition. The form for making this election is attached as Exhibit C hereto.

THE PARTICIPANT ACKNOWLEDGES THAT IT IS THE PARTICIPANT'S SOLE RESPONSIBILITY AND NOT THE COMPANY'S TO FILE TIMELY THE ELECTION UNDER SECTION 83(b), IF APPLICABLE, EVEN IF THE PARTICIPANT REQUESTS THE COMPANY OR ITS REPRESENTATIVES TO MAKE THIS FILING ON THE PARTICIPANT'S BEHALF.

9. General.

(a) This Notice and Agreement shall be governed by and construed under the laws of the State of Delaware. The Notice and Agreement and the Plan, which is incorporated herein by reference, represents the entire agreement between the parties with respect to the shares of Restricted Common Stock granted to the Participant. In the event of a conflict between the terms and conditions of the Plan and the terms and conditions of this Notice and Agreement, the terms and conditions of the Plan shall prevail.

(b) Any notice, demand or request required or permitted to be delivered by either the Company or the Participant pursuant to the terms of this Notice and Agreement shall be in writing and shall be deemed given when delivered personally, deposited with a reputable courier service, or deposited in the U.S. Mail, First Class with postage prepaid, and addressed to the parties at the addresses set forth in the Notice of Grant, or such other address as a party may request by notifying the other in writing.

(c) The rights of the Company under this Notice and Agreement and the Plan shall be transferable to any one or more persons or entities, and all covenants and agreements hereunder shall inure to the benefit of, and be enforceable by the Company's successors and assigns. The rights and obligations of the Participant under this Notice and Agreement may only be assigned with the prior written consent of the Company.

(d) The Participant agrees upon request to execute any further documents or instruments necessary or desirable to carry out the purposes or intent of this Notice and Agreement.

(e) PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE RELEASE OF COMMON SHARES PURSUANT TO THIS AGREEMENT SHALL BE EARNED ONLY BY CONTINUING SERVICE AS AN EMPLOYEE, CONSULTANT OR DIRECTOR, AND NOT THROUGH THE ACT OF BEING HIRED, APPOINTED OR OBTAINING COMMON SHARES HEREUNDER.

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**EXHIBIT A**

ASSIGNMENT SEPARATE FROM CERTIFICATE

FOR VALUE RECEIVED I, \_\_\_\_\_, hereby sell, assign and transfer unto \_\_\_\_\_ (\_\_\_\_\_) Common Shares of Mandalay Digital Group, Inc. standing in my name of the books of said corporation represented by Certificate No. \_\_\_\_\_ herewith and do hereby irrevocably constitute and appoint \_\_\_\_\_ to transfer the said stock on the books of the within named corporation with full power of substitution in the premises.

This Stock Assignment may be used only in accordance with the Notice of Grant and the Restricted Stock Agreement between Mandalay Digital Group, Inc. and the undersigned dated \_\_\_\_\_, 20\_\_.

Dated: \_\_\_\_\_, 20\_\_

Signature: \_\_\_\_\_

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

*INSTRUCTIONS:*

***Please DO NOT fill in any blanks other than the signature lines.***

*The purpose of this assignment is to enable the Company to receive the return of the Common Shares as set forth in the Notice and Agreement, without requiring additional signatures on the part of the Participant.*



**EXHIBIT B**

CONSENT OF SPOUSE

I, \_\_\_\_\_, spouse of \_\_\_\_\_, have read and approve the foregoing Notice of Grant and Restricted Stock Agreement (the "Notice and Agreement"). In consideration of the Company's grant to my spouse of the Common Shares of Mandalay Digital Group, Inc. as set forth in the Notice and Agreement, I hereby appoint my spouse as my attorney-in-fact in respect to the exercise of any rights under the Notice and Agreement and agree to be bound by the provisions of the Notice and Agreement insofar as I may have any rights in said Notice and Agreement or any Common Shares issued pursuant thereto under the community property laws or similar laws relating to marital property in effect in the state or country of our residence as of the date of the signing of the foregoing Notice and Agreement.

Dated: \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
Signature of Spouse

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

**EXHIBIT C**

ELECTION UNDER SECTION 83(b)  
OF THE U.S. INTERNAL REVENUE CODE OF 1986

The undersigned taxpayer hereby elects, pursuant to Section 83(b) of the Internal Revenue Code of 1986, as amended, to include in taxpayer's gross income for the current taxable year the amount of any compensation taxable to taxpayer in connection with his or her receipt of the property described below:

1. The name, address, taxpayer identification number and taxable year of the undersigned are as follows:

Name: \_\_\_\_\_  
Spouse: \_\_\_\_\_  
Taxpayer I.D. No.: \_\_\_\_\_  
Address: \_\_\_\_\_  
Tax Year: \_\_\_\_\_

2. The property with respect to which the election is made is described as follows: \_\_\_\_\_ (\_\_\_\_\_) shares of the common stock ("Common Shares") of Mandalay Digital Group, Inc. (the "Company").

3. The date on which the property was transferred is \_\_\_\_\_, 20\_\_.

4. The property is subject to the following restrictions:

The Common Shares are required to be returned to the Company in the event that the undersigned ceases to perform services for the Company through certain dates specified in the Notice of Grant and Restricted Stock Agreement between me and the Company dated as of \_\_\_\_\_, 20\_\_. This right lapses with regard to a portion of the Common Shares based on my Continued Status as an Employee, Consultant or Director over time.

5. The fair market value at the time of transfer, determined without regard to any restriction other than a restriction which by its terms will never lapse, of such property is: \$\_\_\_\_\_.

6. The amount (if any) paid for such property is: none.

The undersigned has submitted a copy of this statement to the person for whom the services were performed in connection with the undersigned's receipt of the above-described property. The transferee of such property is the person performing the services in connection with the transfer of said property. The undersigned understands that the foregoing election may not be revoked except with the consent of the Commissioner.

Dated: \_\_\_\_\_, 20\_\_  
\_\_\_\_\_  
Signature of Taxpayer

The undersigned spouse of taxpayer joins in this election.

Dated: \_\_\_\_\_, 20\_\_  
\_\_\_\_\_  
Signature of Taxpayer

**MANDALAY DIGITAL GROUP, INC.  
AMENDED AND RESTATED 2011 EQUITY INCENTIVE PLAN**

**NOTICE OF GRANT AND STOCK OPTION AGREEMENT**

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<b>Name:</b>	<b>Option Number:</b>
<b>Address:</b>	<b>Plan Name:</b> Amended and Restated 2011 Equity Incentive Plan
<b>Employee ID:</b>	

Effective \_\_\_\_\_, 20\_\_, (“Grant Date”), you have been granted [incentive/non-qualified] stock option to purchase \_\_\_\_\_( \_\_\_\_\_) shares of Mandalay Digital Group, Inc. common stock at an Exercise Price of \$ \_\_\_\_\_ per share pursuant to the Mandalay Digital Group, Inc. Amended and Restated 2011 Equity Incentive Plan (the “Plan”). Except as otherwise defined herein, terms with initial capital letters shall have the same meanings set forth in the Plan. A copy of the Plan is attached to this Notice and Agreement. The terms and conditions of the Plan are incorporated herein by this reference.

[Insert vesting schedule]

By accepting this grant and exercising any portion of the Option, you represent that you: (i) agree to the terms and conditions of this Notice and Agreement and the Plan; (ii) have reviewed the Plan and the Notice and Agreement in their entirety, and have had an opportunity to obtain the advice of legal counsel and/or your tax advisor with respect thereto; (iii) fully understand and accept all provisions hereof; (iv) agree to accept as binding, conclusive, and final all of the Administrator’s decisions regarding, and all interpretations of, the Plan and the Notice and Agreement; and (v) agree to notify the Company upon any change in your home address indicated above.

Please return a signed copy of this Notice of Grant and Stock Option Agreement to **[insert contact name and address]**, and retain a copy for your records.

**For Mandalay Digital Group, Inc.:**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**Participant:**

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

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