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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) February 6, 2008

AVALONBAY COMMUNITIES, INC.
(Exact Name of Registrant as Specified in Its Charter)

Maryland
(State or Other Jurisdiction of Incorporation)

1-12672
(Commission File Number)

77-0404318
(I.R.S. Employer Identification No.)

2900 Eisenhower Avenue, Suite 300, Alexandria, Virginia
(Address of Principal Executive Offices)

22314
(Zip Code)

Registrant's telephone number, including area code (703) 329-6300

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:

- ☐ 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))

ITEM 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(e) At a meeting on February 6, 2008, the independent directors of the Board of Directors of AvalonBay Communities, Inc. who are qualified to serve on the Compensation Committee (the "Independent Directors") approved and ratified, as follows, determinations and recommendations of the Board's Compensation Committee related to compensation arrangements for the executive officers who were named in the Summary Compensation Table of the Company's proxy statement for its 2007 Annual Meeting of Shareholders (the "Named Executive Officers"):

The following awards of cash bonus, stock options and restricted shares for the Named Executive Officers were awarded in respect of 2007 performance:

	<u>Cash Bonus</u>	<u>Stock Options</u>	<u>Restricted Shares</u>
Bryce Blair	\$ 803,722	82,322	20,081
Timothy J. Naughton	782,027	50,604	12,344
Thomas J. Sargeant	401,107	33,254	8,112
Leo S. Horey	303,106	18,796	4,585
Lili F. Dunn	265,913	9,565	2,333

These cash bonuses and long-term incentive awards were determined in accordance with the original methodology and goals that had previously been established and described in our April 5, 2007 proxy statement for the 2007 Annual Meeting of Stockholders with two modifications. In its review and recommendation, the Compensation Committee adjusted the FFO measurement used in evaluating the achievement of goals so that bonuses and long-term incentive compensation were not impacted by a change by the Company during 2007 in its application of ground lease accounting. The Committee determined that it would not be consistent with the intent and design of the bonus and long-term incentive programs to measure achievement of these goals without adjusting for the change in ground lease accounting. The second modification was that, after review and discussion, including a review of Mr. Naughton's performance, his role in the Company, and market-based information regarding the compensation of the second most senior position at comparable REITs, Mr. Naughton's cash bonus and long-term incentive awards in respect of 2007 performance were adjusted upward, resulting in an increase of \$250,000 cash, 9,036 options and 2,204 restricted shares above what his awards would otherwise have been.

All stock options awarded were options to purchase common stock at the closing price of the Company's common stock on February 11, 2008, the third business day after the release by the Company of its 2007 earnings and 2008 outlook press release. In accordance with a determination made by the Compensation Committee, unlike in

previous years, all stock options awarded to an employee in 2008 and thereafter will vest automatically upon the employee's departure from the Company due to death or upon termination without Cause or due to Disability (as such terms are defined in the Company's 1994 Stock Incentive Plan, as amended). These vesting provisions are not a new benefit for Messrs. Blair, Naughton, Sargeant and Horey, as their employment agreements currently provide that options granted to them will contain these vesting provisions. Therefore, of the Company's Named Executive Officers, only Ms. Dunn will be affected by this general change in vesting provisions. The revised option agreements provide that after such accelerated vesting the employee or his estate will have 12 months to exercise the vested options (or until the expiration date, if earlier).

For 2008, the following base salaries (effective March 8, 2008), cash bonus incentives, and long-term incentives were established for the Named Executive Officers:

	Base Salary	Cash Bonus			Long-Term Incentive Dollar Value		
		Threshold	Target	Maximum	Threshold	Target	Maximum
B. Blair	\$ 823,368	\$ 514,605	\$ 1,029,210	\$ 2,058,420	\$ 2,000,100	\$ 3,000,000	\$ 3,999,900
T. Naughton	750,000	375,000	750,000	1,500,000	1,000,050	1,500,000	1,999,950
T. Sargeant	460,000	207,000	414,000	828,000	650,033	975,000	1,299,968
L. Horey	380,000	152,000	304,000	608,000	400,020	600,000	799,980
L. Dunn	330,000	115,500	231,000	462,000	206,677	310,000	413,323

The types of goals that will be used to determine the extent to which threshold, target or maximum performance are achieved during 2008 are not materially different from those used for determining 2007 performance.

ITEM 9.01 Financial Statements and Exhibits

(d) Exhibits.

Exhibit No.	Description
10.1	Form of AvalonBay Communities, Inc. Non-Qualified Stock Option Agreement.
10.2	Form of AvalonBay Communities, Inc. Incentive Stock Option Agreement

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 hereunto duly authorized.

AVALONBAY COMMUNITIES, INC.

By: /s/ Thomas J. Sargeant
Name: Thomas J. Sargeant
Title: Chief Financial Officer

Date: February 12, 2008

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
10.1	Form of AvalonBay Communities, Inc. Non-Qualified Stock Option Agreement.
10.2	Form of AvalonBay Communities, Inc. Incentive Stock Option Agreement.

**AVALONBAY COMMUNITIES, INC.
NON-QUALIFIED STOCK OPTION AGREEMENT
(1994 STOCK INCENTIVE PLAN, AS AMENDED AND RESTATED)**

Pursuant to the AvalonBay Communities, Inc. 1994 Stock Incentive Plan, as amended and restated (the "Plan"), AvalonBay Communities, Inc. (the "Company") hereby grants to the Optionee named below an Option to purchase up to the number of shares of the Company's Common Stock, par value \$.01 per share ("Common Stock") set forth below. This option is subject to all of the terms and conditions as set forth herein, in the Non-Qualified Stock Option Agreement Terms (the "Terms") which are attached hereto and incorporated herein in their entirety, and in the Plan. Capitalized terms used but not defined herein or in the Terms shall have the respective meanings ascribed thereto in the Plan.

Non-Qualified Stock

Option: This Option does not qualify as an incentive stock option under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), and consequently shall be treated as a non-qualified stock option for tax purposes.

Vesting Schedule:

Subject to the provisions of Section 4 and 6 of the Terms and the discretion of the Company to accelerate the vesting schedule, one third of this option shall become vested and exercisable on each of the first three anniversary dates of this award.

In any event this Option shall become fully vested and exercisable with respect to all of the Option Shares three years after the date hereof.

Additional Terms/Acknowledgements: The undersigned Optionee acknowledges receipt of, and understands and agrees to, this Non-Qualified Stock Option Agreement, including, without limitation, the Terms. Optionee further acknowledges receipt of a copy of the Plan. Optionee further acknowledges that as of the Date of Grant, this Non-Qualified Stock Option Agreement, including, without limitation, the Terms, and the Plan set forth the entire understanding between Optionee and the Company regarding the Options described herein and supersede all prior oral and written agreements on that subject.

ATTACHMENT: Non-qualified Stock Option Agreement Terms

**AVALONBAY COMMUNITIES, INC.
1994 STOCK INCENTIVE PLAN, AS AMENDED AND RESTATED**

NON-QUALIFIED STOCK OPTION AGREEMENT TERMS

1. **Vested Option Shares.** Subject to Section 4, when this Option is vested with respect to any of the Option Shares, this Option shall continue to be exercisable with respect to such Option Shares ("Vested Option Shares") at any time or times prior to the Expiration Date.

2. **Manner of Exercise.** The Optionee may exercise this Option only in the following manner: from time to time on or prior to the Expiration Date, the Optionee may give written notice to the Company of his election to purchase some or all of the Vested Option Shares purchasable at the time of such notice, which this notice shall specify the number of Option Shares to be purchased.

Payment of the purchase price for the Option Shares to be purchased may be made by one or more of the following methods: (a) in cash, by certified bank check or other instrument acceptable to the Company; (b) through the delivery (or attestation to the ownership) of shares of Common Stock that have been beneficially owned by the Optionee for at least six (6) months and are not then subject to restrictions under any Company plan and were not used in a "stock swap" within the six (6) months preceding the option exercise, such surrendered shares to be valued at the closing price of the Common Stock on the principal exchange on which the Common Stock is listed on the date the Company receives the exercise notice; (c) by the Optionee delivering to the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company to pay the purchase price; provided that in the event the Optionee chooses to pay the purchase price as provided in this subsection (c), the Optionee and the broker shall comply with such procedures and enter into such agreements of indemnity and other

agreements as the Company shall prescribe as a condition of such payment procedure; or (d) with the consent of the Company, a combination of (a), (b) and (c) above. Payment instruments will be received subject to collection.

The delivery of certificates representing the Option Shares will be contingent upon (i) the Company's receipt from the Optionee of full payment for the Option Shares, (ii) the satisfaction of section 10 hereof, and (iii) any agreement, statement or other evidence that the Company may require to satisfy itself that the issuance of Option Shares to be purchased pursuant to the exercise of Options under the Plan and any subsequent resale of the shares will be in compliance with applicable laws and regulations.

If requested upon the exercise of this Option, certificates for Option Shares may be issued in the name of the Optionee jointly with another person or in the name of the executor or administrator of the Optionee's estate. The Optionee shall not have the rights of a stockholder with respect to any Option Shares prior to his acquisition of such Option Shares upon the exercise of this Option.

Notwithstanding any other provision hereof or of the Plan, no portion of this Option shall be exercisable after the Expiration Date hereof.

3. Non-transferability of Option. This Option shall not be transferable by the Optionee otherwise than by will or by the laws of descent and distribution and this Option shall be exercisable, during the Optionee's lifetime, only by the Optionee.

4. Termination of Employment. If the Optionee's employment (or other business relationship) by the Company or a Subsidiary (as defined in the Plan) is terminated, the period within which to exercise the Option may be subject to earlier termination as set forth below.

(a) Termination Due to Death. If the Optionee's employment (or other business relationship) terminates by reason of death, any Option held by the Optionee shall be automatically vested on the date of termination and shall be exercisable by the Optionee's legal representative or legatee for a period of twelve (12) months from the date of termination, or until the Expiration Date, if earlier.

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(b) Termination Due to Disability. If the Optionee's employment (or other business relationship) terminates by reason of Disability (as defined in the Plan), any Option held by the Optionee shall be automatically vested on the date of termination, and shall be exercisable for a period of twelve (12) months from the date of termination, or until the Expiration Date, if earlier. The death of the Optionee during the twelve (12) month period provided in this Section 4(b) shall extend such period for six (6) months from the date of death or until the Expiration Date, if earlier.

(c) Termination by Reason of Retirement. If the Optionee's employment terminates by reason of Retirement (as defined in the Plan), any Option held by the Optionee shall be automatically vested on the date of termination, and shall be exercisable for a period of twelve (12) months from the date of termination, or until the Expiration Date, if earlier. The death of the Optionee during the twelve (12) month period provided in this Section 4(c) shall extend such period for six (6) months from the date of death, or until the Expiration Date, if earlier.

(d) Termination for Cause. If the Optionee's employment (or other business relationship) terminates for Cause (as defined in the Plan), any Option held by the Optionee shall immediately terminate and be of no further force and effect.

(e) Termination Without Cause. If the Optionee's employment (or other business relationship) is terminated by the Company without Cause (as defined in the Plan), any option held by the Optionee shall be automatically vested on the date of termination, and shall be exercisable for a period of twelve (12) months from the date of termination, or until the Expiration Date, if earlier. The death of the Optionee during the twelve (12) month period provided in this Section 4(e) shall extend such period for six (6) months from the date of death, or until the Expiration Date, if earlier.

(f) Termination at the Election of the Optionee. If the Optionee's employment (or other business relationship) is voluntarily terminated at the election of the Optionee (i.e., is terminated other than for death, Disability, Retirement, or a termination at the Company's election whether for Cause or without Cause), any option held by the Optionee may be exercised, to the extent exercisable on the date of termination, for a period of three (3) months from the date of termination, or until the Expiration Date, if earlier. For clarification, it is noted that this means that the remaining unvested portion of the Option shall terminate immediately and be of no further force or effect.

For this purpose, neither a transfer of employment from the Company to a Subsidiary (or from a Subsidiary to the Company) nor an approved leave of absence shall be deemed a "termination of employment."

5. Option Shares. The Option Shares are shares of the Common Stock of the Company as constituted on the date of this Option, subject to adjustment as provided in the Plan.

6. Effect of Change of Control. Upon the occurrence of a Change of Control, as defined in the Plan, this Option shall automatically become fully exercisable.

7. No Special Employment Rights. This Option will not confer upon the Optionee any right with respect to continuance of employment by the Company or a Subsidiary, nor will it interfere in any way with any right of the Optionee's employer to terminate the Optionee's employment at any time.

8. Rights as a Shareholder. The Optionee shall have no rights as a shareholder with respect to any shares of Common Stock that may be purchased upon exercise of this Option unless and until a certificate or certificates representing such shares are duly issued and delivered to the Optionee. Except as otherwise expressly provided in the Plan, no adjustment shall be made for dividends or other rights for which the record date is prior to the date such stock certificate is issued.

9. The Plan. In the event of any discrepancy or inconsistency between this Agreement and the Plan, the terms and conditions of the Plan shall control.

10. Withholding Taxes. The Optionee shall, not later than the date as of which the exercise of this Option becomes a taxable event for federal income tax purposes, pay to the Company (or make arrangements satisfactory to the Company for payment of) any federal, state and local taxes required by law to be withheld on account of such taxable event. The Optionee acknowledges and agrees that the Company has the right to deduct from payments of any kind otherwise due to the Optionee, or from the Option Shares to be issued in respect of an exercise of this Option, any federal, state or local taxes of any kind required by law to be withheld with respect to the issuance of shares of Stock to the Optionee.

11. Non-Solicitation. Optionee hereby agrees that, for a period of at least 12 months following Optionee's termination of employment with the Company for any reason, Optionee shall not, without the prior written consent of the Company, solicit or attempt to solicit for employment with or on behalf of any other person, firm or entity any employee of the Company or any of its affiliates or any person who was formerly employed by the Company or any of its affiliates within the preceding six months, unless such person's employment was terminated by the Company or any of such affiliates.

12. Miscellaneous. Notices hereunder shall be mailed or delivered to the Company at its principal place of business, 2900 Eisenhower Avenue, Suite 300, Alexandria, Virginia 22314, Attention: Director of Compensation and Benefits, and shall be mailed or delivered to Optionee at his address set forth in the Company's records, or in either case at such other address as one party may subsequently furnish to the other party in writing. This Option shall be governed by the laws of the State of Maryland, except to the extent such law is preempted by federal law.

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**AVALONBAY COMMUNITIES, INC.
INCENTIVE STOCK OPTION AGREEMENT
(1994 STOCK INCENTIVE PLAN, AS AMENDED AND RESTATED)**

Pursuant to the AvalonBay Communities, Inc. 1994 Stock Incentive Plan, as amended and restated (the "Plan"), AvalonBay Communities, Inc. (the "Company") hereby grants to the Optionee named below an Option to purchase up to the number of shares of the Company's Common Stock, par value \$.01 per share ("Common Stock") set forth below. This option is subject to all of the terms and conditions as set forth herein, in the Incentive Stock Option Agreement Terms (the "Terms") which are attached hereto and incorporated herein in their entirety, and in the Plan. Capitalized terms used but not defined herein or in the Terms shall have the respective meanings ascribed thereto in the Plan.

Incentive Stock

Option: This Option shall be construed in a manner to qualify it as an "incentive stock option" under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

Vesting Schedule: Subject to the provisions of Section 4 and 6 of the Terms and the discretion of the Company to accelerate the vesting schedule, one third of this option shall become vested and exercisable on each of the first three anniversary dates of the award.

In any event this Option shall become fully vested and exercisable with respect to all of the Option Shares three years after the date hereof.

Additional Terms/Acknowledgements: The undersigned Optionee acknowledges receipt of, and understands and agrees to, this Incentive Stock Option Agreement, including, without limitation, the Terms. Optionee further acknowledges receipt of a copy of the Plan. Optionee further acknowledges that as of the Date of Grant, this Incentive Stock Option Agreement, including, without limitation, the Terms, and the Plan set forth the entire understanding between Optionee and the Company regarding the Options described herein and supersede all prior oral and written agreements on that subject.

ATTACHMENT: Incentive Stock Option Agreement Terms

**AVALON BAY COMMUNITIES, INC.
1994 STOCK INCENTIVE PLAN, AS AMENDED AND RESTATED
INCENTIVE STOCK OPTION AGREEMENT TERMS**

1. Vested Option Shares. Subject to Section 4, when this Option is vested with respect to any of the Option Shares, this Option shall continue to be exercisable with respect to such Option Shares ("Vested Option Shares") at any time or times prior to the Expiration Date.

2. Manner of Exercise. The Optionee may exercise this Option only in the following manner: from time to time on or prior to the Expiration Date, the Optionee may give written notice to the Company of his election to purchase some or all of the Vested Option Shares purchasable at the time of such notice, which notice shall specify the number of Option Shares to be purchased.

Payment of the purchase price for the Option Shares to be purchased may be made by one or more of the following methods: (a) in cash, by certified bank check or other instrument acceptable to the Company; (b) through the delivery (or attestation to the ownership) of shares of Common Stock that have been beneficially owned by the Optionee for at least six (6) months and are not then subject to restrictions under any Company plan and were not used in a "stock swap" within the six (6) months preceding the option exercise, such surrendered shares to be valued at the closing price of the Common Stock on the principal exchange on which the Common Stock is listed on the date the Company receives the exercise notice; (c) by the Optionee delivering to the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company to pay the purchase price; provided that in the event the Optionee chooses to pay the purchase price as provided in this subsection(c), the Optionee and the broker shall comply with such procedures and enter into such agreements of indemnity and other

agreements as the Company shall prescribe as a condition of such payment procedure; or (d) with the consent of the Company, a combination of (a), (b) and (c) above. Payment instruments will be received subject to collection.

The delivery of certificates representing the Option Shares will be contingent upon (i) the Company's receipt from the Optionee of full payment for the Option Shares, as set forth above, (ii) the satisfaction of section 11 hereof, and (iii) any agreement, statement or other evidence that the Company may require to satisfy itself that the issuance of Option Shares to be purchased pursuant to the exercise of Options under the Plan and any subsequent resale of the shares will be in compliance with applicable laws and regulations.

If requested upon the exercise of the Option, certificates for Option Shares may be issued in the name of the Optionee jointly with another person or in the name of the executor or administrator of the Optionee's estate, and the foregoing representations shall be modified accordingly. The Optionee shall not have the rights of a stockholder with respect to any Option Shares prior to his acquisition of such Option Shares upon the exercise of this Option.

Notwithstanding any other provision hereof or of the Plan, no portion of this Option shall be exercisable after the Expiration Date hereof.

3. Non-transferability of Option. This Option shall not be transferable by the Optionee otherwise than by will or by the laws of descent and distribution. This Option shall be exercisable during the Optionee's lifetime only by the Optionee.

4. Termination of Employment. If the Optionee's employment (or other business relationship) by the Company or a Subsidiary (as defined in the Plan) is terminated, the period within which to exercise the Option may be subject to earlier termination as set forth below.

(a) Termination Due to Death. If the Optionee's employment (or other business relationship) terminates by reason of death, any Option held by the Optionee shall be automatically vested on the date of termination and shall be exercisable by the Optionee's legal representative or legatee for a period of twelve (12) months from the date of termination, or until the Expiration Date, if earlier.

(b) Termination Due to Disability. If the Optionee's employment (or other business relationship) terminates by reason of Disability (as defined in the Plan), any Option held by the Optionee shall be

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automatically vested on the date of termination, and shall be exercisable for a period of twelve (12) months from the date of termination, or until the Expiration Date, if earlier. The death of the Optionee during the twelve (12) month period provided in this Section 4(b) shall extend such period for six (6) months from the date of death or until the Expiration Date, if earlier.

(c) Termination by Reason of Retirement. If the Optionee's employment terminates by reason of Retirement (as defined in the Plan), any Option held by the Optionee shall be automatically vested on the date of termination, and shall be exercisable for a period of twelve (12) months from the date of termination, or until the Expiration Date, if earlier. The death of the Optionee during the twelve (12) month period provided in this Section 4(c) shall extend such period for six (6) months from the date of death, or until the Expiration Date, if earlier.

(d) Termination for Cause. If the Optionee's employment (or other business relationship) terminates for Cause (as defined in the Plan), any Option held by the Optionee shall immediately terminate and be of no further force and effect.

(e) Termination Without Cause. If the Optionee's employment (or other business relationship) is terminated by the Company without Cause (as defined in the Plan), any option held by the Optionee shall be automatically vested on the date of termination, and shall be exercisable for a period of twelve (12) months from the date of termination, or until the Expiration Date, if earlier. The death of the Optionee during the twelve (12) month period provided in this Section 4(e) shall extend such period for six (6) months from the date of death, or until the Expiration Date, if earlier.

(f) Termination at the Election of the Optionee. If the Optionee's employment (or other business relationship) is voluntarily terminated at the election of the Optionee (i.e., is terminated other than for death, Disability, Retirement, or a termination at the Company's election whether for Cause or without Cause), any option held by the Optionee may be exercised, to the extent exercisable on the date of termination, for a period of three (3) months from the date of termination, or until the Expiration Date, if earlier. For clarification, it is noted that this means that the remaining unvested portion of the Option shall terminate immediately and be of no further force or effect.

For this purpose, neither a transfer of employment from the Company to a Subsidiary (or from a Subsidiary to the Company) nor an approved leave of absence shall be deemed a "termination of employment."

5. Option Shares. The Option Shares are shares of the Common Stock of the Company as constituted on the date of this Option, subject to adjustment as provided in the Plan.

6. Effect of Change of Control. Upon the occurrence of a Change of Control, as defined in the Plan, this Option shall automatically become fully exercisable.

7. No Special Employment Rights. This Option will not confer upon the Optionee any right with respect to continuance of employment by the Company or a Subsidiary, nor will it interfere in any way with any right of the Optionee's employer to terminate the Optionee's employment at any time.

8. Rights as a Shareholder. The Optionee shall have no rights as a shareholder with respect to any shares of Common Stock that may be purchased upon exercise of this Option unless and until a certificate or certificates representing such shares are duly issued and delivered to the Optionee. Except as otherwise expressly provided in the Plan, no adjustment shall be made for dividends or other rights for which the record date is prior to the date such stock certificate is issued.

9. Qualification under Section 422. It is understood and intended that the Option granted hereunder shall qualify as an "incentive stock option" as defined in Section 422 of the Code. Accordingly, the Optionee understands that in order to obtain the benefits of an incentive stock option under Section 422 of the Code, no sale or other disposition may be made of any Option Shares acquired upon exercise of the Option within the one-year period beginning on the day after the day of the transfer of such Option Shares to him or her, nor within the two-year period beginning on the day after the grant of the Option. If the Optionee intends to dispose or does dispose (whether by sale, gift, transfer or otherwise) of any such Option Shares within these periods, he or she will notify the Company

within thirty (30) days after such disposition. In addition, no more than \$100,000 of the aggregate fair market value of Stock Options granted under the Plan may become exercisable for the first time by the Optionee during any calendar year and be treated as incentive stock options under Section 422 of the Code.

10. The Plan. In the event of any discrepancy or inconsistency between this Agreement and the Plan, the terms and conditions of the Plan shall control.

11. Withholding Taxes. The Optionee shall, not later than the date as of which the exercise of this Option becomes a taxable event for federal income tax purposes, pay to the Company (or make arrangements satisfactory to the Company for payment of) any federal, state and local taxes required by law to be withheld on account of such taxable event. The Optionee acknowledges and agrees that the Company has the right to deduct from payments of any kind otherwise due to the Optionee, or from the Option Shares to be issued in respect of an exercise of this Option, any federal, state or local taxes of any kind required by law to be withheld with respect to the issuance of shares of Stock to the Optionee.

12. Non-Solicitation. Optionee hereby agrees that, for a period of at least 12 months following Optionee's termination of employment with the Company for any reason, Optionee shall not, without the prior written consent of the Company, solicit or attempt to solicit for employment with or on behalf of any other person, firm or entity any employee of the Company or any of its affiliates or any person who was formerly employed by the Company or any of its affiliates within the preceding six months, unless such person's employment was terminated by the Company or any of such affiliates.

13. Miscellaneous. Notices hereunder shall be mailed or delivered to the Company at its principal place of business, 2900 Eisenhower Avenue, Suite 300, Alexandria, Virginia 22314, Attention: Director of Compensation and Benefits, and shall be mailed or delivered to Optionee at his address set forth in the Company's records, or in either case at such other address as one party may subsequently furnish to the other party in writing. This Option shall be governed by the laws of the State of Maryland, except to the extent such law is preempted by federal law.

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