

KITSOS COSTAS

Form 4

August 31, 2006

FORM 4
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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Check this box
if no longer
subject to
Section 16.
Form 4 or
Form 5
obligations
may continue.
See Instruction
1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF
SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,
Section 17(a) of the Public Utility Holding Company Act of 1935 or Section
30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
KITSOS COSTAS

(Last) (First) (Middle)

**C/O BITSTREAM INC., 245 FIRST
STREET, 17TH FLOOR**

(Street)

CAMBRIDGE, MA 02142-1270

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading
Symbol

BITSTREAM INC [BITS]

3. Date of Earliest Transaction
(Month/Day/Year)

08/30/2006

4. If Amendment, Date Original
Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to
Issuer

(Check all applicable)

____ Director _____ 10% Owner
X Officer (give title _____ Other (specify
below) below)

Vice Pres., Engineering

6. Individual or Joint/Group Filing(Check
Applicable Line)
X Form filed by One Reporting Person
____ Form filed by More than One Reporting
Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price
Class A Common Stock	08/30/2006		X		7,500	A	\$ 2.031 7,500
Class A Common Stock	08/30/2006		S		7,500	D	\$ 7.32 0

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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(9-02)

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Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Amount or Number of Shares
Incentive Stock Option	\$ 2.031	08/30/2006		X	7,500	11/04/2002 11/04/2009	Class A Common Stock	7,500

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
KITSOS COSTAS C/O BITSTREAM INC. 245 FIRST STREET, 17TH FLOOR CAMBRIDGE, MA 02142-1270			Vice Pres., Engineering	

Signatures

Costas Kitsos 08/31/2006

__Signature of
Reporting Person

Date

Explanation of Responses:

* If the form is filed by more than one reporting person, see Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

The reporting person beneficially owns the following options to purchase Class A Common Stock of the Company (i) an option granted on 11/04/1999 to purchase 4,700 shares at \$2.031 per share, which option expires on 11/04/2009 and is fully vested; (ii) an option granted on 12/11/2000 to purchase 50,000 shares at \$2.0312 per share, which option expires on 12/11/2010 and is fully vested; (iii) an option granted on 11/05/2001 to purchase 20,000 shares at \$3.96 of which is fully vested and (iv) an option granted on 08/02/2004 to purchase 25,000 shares at \$1.59, which option expires on 08/02/2014 and of which 16,666 is vested and 8,334 vest on 08/02/2007 and (v) an option granted on 08/03/2006 to purchase 25,000 shares at \$4.45, which option expires on 08/03/2016 and of which 6,250 vest each on 08/03/07, 08/03/08, 08/03/09 and 08/03/10.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

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