

Date: Thursday, April 26, 2007

Visonic Convenes Annual General Meeting

Visonic (LSE: VSC.L; TASE: VSC.TA) (the "**Company**"), the international developer and manufacturer of electronic security systems (alarms) and home management systems, is pleased to announce the Company's Annual General Meeting ("**AGM**") will take place on Monday 21 May 2007 at 12:00hrs, at the offices on Dawnay Day Corporate Finance Limited, 17 Grosvenor Gardens, London.

The Notice of Meeting, including proxy voting cards in English (the "**AGM Documents**") will be sent to Visonic's shareholders registered at the Company's UK registrar (Computershare), on the 27 April 2007, together with a printed copy of the Company's Annual Report.

A press release regarding the convening of the AGM will also be published in Hebrew in two Israeli based newspapers, in accordance with applicable Israeli Law. In addition, the AGM Documents will also be available in Israel at the Company's registered offices and by publication on the Israeli Securities Authority's web site: www.magna.isa.gov.il and on the Tel-Aviv Stock Exchange web site: www.tase.co.il

From 30 April 2007 an electronic version of the Company's Annual Report for the year ended 31 December 2006 will also be available for public viewing and download from the Company's web site: www.visonic.com and on the Israeli Securities Authority's web site: www.magna.isa.gov.il and on the Tel Aviv Stock Exchange web site: www.tase.co.il. Copies of the Company's Notice of Annual General Meeting, together with the 2006 Annual Report and Accounts will be submitted to the UK Listing Authority on the 27 April 2007.

-ENDS-

For further information please contact:

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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT IMMEDIATELY YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER INDEPENDENT FINANCIAL ADVISER AUTHORISED UNDER THE UK FINANCIAL SERVICES AND MARKETS ACT 2000 (AS AMENDED).

IF YOU HAVE SOLD OR OTHERWISE TRANSFERRED ALL YOUR SHARES IN THE COMPANY, PLEASE SEND THIS DOCUMENT AND THE ACCOMPANYING DOCUMENTS TO THE PURCHASER OR TRANSFEREE OR TO THE STOCKBROKER, BANK OR OTHER AGENT THROUGH WHOM THE SALE OR TRANSFER WAS EFFECTED FOR TRANSMISSION TO THE PURCHASER OR TRANSFEREE.

VISONIC LTD.

REGISTERED IN ISRAEL UNDER COMPANY NO: 51-063761-4

NOTICE OF ANNUAL GENERAL MEETING

VISONIC LTD.

(incorporated and registered in Israel under company no: 51-063761-4)

To Shareholders

Registered Office:

24 Habarzel Street

Tel Aviv 69710

Israel

26 April 2007

Dear Shareholder

Annual General Meeting

You are invited to this year's Annual General Meeting which will be held at 12p.m. (London time) on Monday, 21 May 2007 at the offices of Dawnay Day, Corporate Finance Limited, 8-10 Grosvenor Gardens, London SW1W 0HD, England. The notice of meeting (including the resolutions to be proposed at the meeting) (the "Notice") is set out on pages 6 to 8 of this document. Also enclosed with this document is a form of proxy, unless you are a holder of depository interests in the Company, in which case you will receive a form of instructions. You will also find enclosed with this letter a copy of the audited consolidated accounts of the Company for the period ended 31 December 2006 (together with the auditors' report thereon).

The business to be conducted at this year's Annual General Meeting comprises: (1) the receipt of the consolidated accounts of the Company for the period ended 31 December 2006 (the "Accounts"); (2) the approval of the directors' remuneration report; (3) the re-appointment as a director of Mr. Yair Naaman under the Company's articles of association and was appointed by the Board of Directors after the last Annual General Meeting. (4) the re-appointment of each of Mr Walter Goldsmith and Mr Anthony MacCann as statutory external directors for an additional term commencing on the date of the Annual General Meeting and expiring on 15 April 2010; (5) the appointment as a non-executive director of Ms Bat-Sheva Levy and the approval of her terms of appointment; (6) the re-appointment of Kost Forer Gabbay & Kasierer (a member of Ernst & Young Global) as auditors; (7) the authorisation of the directors to fix the auditors' remuneration; (8) the renewal and extension of the directors' general authority to allot unissued shares; (9) the disapplication of shareholders' rights (as set out in the Company's articles of association) on an allotment of shares for cash to have such shares first offered to them in proportion to their existing holdings (known as pre-emption rights); (10) the approval of amendments to certain share option plans of the Company set out in Appendix 1 on page 9 of this document (together the "Plans"); and (11) the authorisation of the board to declare and pay a final dividend of £0.01 (gross) per ordinary share to shareholders on the register on close of business on 25 May 2007.

Resolution 1 (receipt of the Accounts)

This resolution provides for the receipt of the Accounts.

Resolution 2 (approval of directors' remuneration report)

This resolution provides for the approval of the directors' remuneration report.

The approval of the directors' remuneration report requires a vote in favour by shareholders holding at least one-third of the shares who have no "personal interest" in the approval of the resolution and which shares are voted on the resolution. In addition, the total number of shares of shareholders who have no "personal interest" and who vote against the resolution must not exceed 1 per cent. of the issued share capital of the Company.

Resolution 3 (re-appointment of directors)

Mr Yair Naaman, the Chief Financial Officer, who retires under the Company's articles of association and who was appointed by the Board of Directors after the last Annual General Meeting and offers himself for re-appointment.

Resolutions 4 and 5 (re-appointment of statutory external directors)

Companies incorporated under Israeli law whose shares have been offered to the public are required by the Israeli Companies Law 5759-1999 (the "Companies Law") to appoint at least two statutory external directors. Mr Walter Goldsmith and Mr Anthony McCann have been appointed as statutory external directors in 2004 and their appointments have reached the end of their initial 3-year term on 15 April 2007. Resolutions 4 and 5 provide for the re-appointment of Mr Goldsmith and Mr McCann as statutory external directors for an additional term commencing on the date of the Annual General Meeting and expiring on 15 April 2010. In order to comply with the Companies Law, Mr Goldsmith and Mr McCann are not subject to the retirement by rotation provisions in the Company's articles of association.

Resolution 6 (appointment of Bat-Sheva Levy)

Resolution 6 provides for the approval of the appointment of Mrs Levy as a director of the Company.

Mrs Levy, aged 59, served as the legal counsel and corporate secretary of El-Op Electro Optics Industries Ltd. (1993-2001) and as a member of the legal department of El-Op Electro Optics Industries Ltd. (1988-1992). Mrs Levy has left El-Op Electro Optics Industries Ltd. in 2001 to set up her own law firm. Mrs Levy is a director of Orbit-Alchut Technologies Ltd. on the Tel-Aviv Stock Exchange. Mrs Levy holds an LL.B. degree and an LL.M. degree in Law and a B.A. degree in Arts, Psychology and Education from Bar Ilan University, Israel.

Resolution 7 (approval of the terms of appointment and remuneration of Bat-Sheva Levy)

Following the appointment of Mrs Levy as a director pursuant to resolution 6 and the approval of her terms of appointment and remuneration by the audit committee and the board of directors, her terms of appointment and remuneration will need to be approved at this meeting as well.

Resolution 7 provides for the approval of the draft letter of appointment with Mrs Levy in respect of her appointment as a non-executive director of the Company. Pursuant to the letter of appointment, Mrs Levy will be appointed a non-executive director for a 3-year period expiring on 20 May 2010 (subject to the terms and conditions set out in the letter) unless otherwise

terminated by either party giving to the other party not less than two months' prior written notice. Mrs Levy will be entitled to a salary of NIS27,300 per annum (equal to US\$6,776 at the date of this document) and a payment per meeting in the sum of NIS1,411 (equal to US\$350 at the date of this document).

Resolutions 8 and 9 (appointment of auditors)

Resolution 8 provides for re-appointment of Kost Forer Gabbay & Kasierer (a member firm of Ernst & Young Global) as the Company's auditors to hold office until the conclusion of the next general meeting of the Company at which audited financial statements are laid.

Resolution 9 authorises the directors of the Company to fix the remuneration of the auditors.

Resolutions 10 and 11 (renewal of the directors' authority to allot shares and disapplication of pre-emption rights)

Resolution 10 provides for the renewal of the directors' authority to allot unissued shares up to a maximum nominal amount of NIS27,695 (representing 13,847,313 ordinary shares), equivalent to one-third of the Company's issued ordinary share capital as at the date of this document plus 958,318 ordinary shares (together with ordinary shares in respect of which options have been granted under the terms of the Company's Employee Share Schemes (as defined in the Company's articles of association) prior to the date of this circular, representing 10% of the Company's issued ordinary share capital as at the date of this document) to be allotted pursuant to the Employees' Share Schemes. The directors have no present intention to exercise this authority.

Resolution 11 provides for the disapplication of pre-emption rights. The disapplication of pre-emption rights gives the directors the flexibility and the option to finance business opportunities as they arise through allotments of shares for cash, without the necessity of first seeking shareholder approval. The disapplication is limited to such number of shares having a nominal value of up to NIS4,154 (representing 2,077,097 ordinary shares), equivalent to 5% of the Company's issued share capital as at the date of this document, together with 958,318 ordinary shares to be allotted pursuant to the Employees' Share Schemes.

Resolution 12 (amendments to the Plans)

The Company adopted the Plans in 2003 (in each case, before the Company was admitted to the Daily Official List of the London Stock Exchange plc). The amendments to the Plans are concerned with the following principal matters which are all covered by resolution 12 set out in the Notice: (i) enabling optionholders to exercise options on a "cashless" basis as an appropriate form of incentivisation by effectively relinquishing part of their entitlement to ordinary shares under the relevant Plan in exchange for the issue to them of their remaining entitlement to ordinary shares without any cash payment being made by them, (ii) updating the Plans to take into account the flotation of the Company in April 2004 and certain requirements of the FSA Listing Rules (the "Listing Rules") and (iii) updating the Plans to take into account certain amendments to the Israeli Income Tax Ordinance to the advantage of employees of the Company with no adverse tax consequences to the Company or the shareholders.

As required by the Listing Rules, no provision of the Plans relating to (i) the participants in the Plans, (ii) limitations on the number or amount of the securities, cash or other benefits which are the subject of the Plans, or (iii) the maximum entitlement for any one participant or (iv) the basis for determining a participant's entitlement to and the terms of securities, cash or other benefit to be provided and for the adjustment thereof (if any) if there is a capitalisation issue, rights issues or open offer, sub-division or consolidation of shares or reduction of capital or any other variation of capital; can be altered to the advantage of the participants without the prior approval of shareholders in general meeting (except for minor amendments to benefit the administration of the Plans, to take account of a change in legislation or to obtain or maintain

favourable tax, exchange control or regulatory treatment for participants for the Company or members of the Company's group of companies).

Resolution 13 (payment of dividend)

Resolution 13 authorises and instructs the board to declare and pay a final dividend for the year ended on 31 December 2006 in the amount of £0.01 (gross) per ordinary share payable to the shareholders on the register at close of business on 25 May 2007.

Documents on display

The draft letter of appointment of the Company with Mrs Levy will be available for inspection at the Company's registered office, 24 Habarzel Street, Tel Aviv 69710, Israel, and at the offices of Berwin Leighton Paisner LLP, Adelaide House, London Bridge, London EC4R 9HA, England during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of posting of this document up to the close of the Annual General Meeting and at the place of the Annual General Meeting for at least 15 minutes before the meeting commences until its conclusion.

Form of Proxy / Form of Instruction

As mentioned earlier, you will also find enclosed with this document a form of proxy (unless you are a holder of depository interests in the Company, in which case you will receive a form of instruction) for use at the Annual General Meeting.

If you are a member of the Company, whether or not you intend to be present at the meeting, you are requested to complete and return the form of proxy (in accordance with the instructions set out in that document) to the Company's Registrars, Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH, as soon as possible and in any event so as to be received by the Company's Registrars by no later than 48 hours before the time fixed for the meeting or any adjourned meeting. Completion and return of a form of proxy will not prevent you from attending the meeting and voting in person, if you so wish.

If you are a holder of depository interests representing ordinary shares in the Company, please complete and return the form of instruction (in accordance with the instructions set out in that document) to the Company's Registrars, Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH, as soon as possible and in any event so as to be received by the Company's Registrars by no later than 72 hours before the time fixed for the meeting or any adjourned meeting.

Recommendation

Your directors believe that the resolutions set out in the Notice are in the best interests of the shareholders as a whole and recommend that you vote in favour of such resolutions.

Yours faithfully



Yaacov Kotlicki
Chairman

VISONIC LTD.

Registered in Israel under company no: 51-063761-4

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of Visonic Ltd. (the "Company") will be held at the offices of Dawnay Day, Corporate Finance Limited, 8-10 Grosvenor Gardens, London SW1W 0HD, on Monday, 21 May 2007 at 12 p.m. for the following purposes:

- 1 To receive the Company's annual accounts for the financial year ended 31 December 2006, together with the directors' report and auditors' report on those accounts.
- 2 To approve, the directors remuneration report, as set out on pages 13 to 15 of the Company's annual report.
- 3 To re-appoint Mr Yair Naaman as a director who retires under the Company's articles of association and who was appointed by the Board of Directors after the last Annual General Meeting.
- 4 To re-appoint Mr Walter Goldsmith as a statutory external director for an additional period commencing on 21 May 2007 and expiring on 15 April 2010.
- 5 To re-appoint Mr Anthony MacCann as a statutory external director for an additional period commencing on 21 May 2007 and expiring on 15 April 2010.
- 6 To appoint Ms Bat-Sheva Levy as a new director of the Company.
- 7 To consider and, if thought fit, pass the following resolution:

that, subject to the approval of such matters by the audit committee and the board of directors of the Company, the terms of appointment and remuneration of Mrs Bat-Sheva Levy as a director of the Company, as set out in her letter of appointment dated today, a copy of which is produced to the meeting and initialled for the purposes of identification by the chairman of the meeting, be and are hereby approved.

- 8 To re-appoint Kost, Forer, Gabbay & Kasierer (a member of Ernst & Young Global) as auditors to hold office from conclusion of the meeting until the conclusion of the next general meeting of the Company at which the accounts are laid.
- 9 To authorise the directors to agree the auditors' remuneration.
- 10 To consider and, if thought fit, pass the following resolution:

that the directors be generally and unconditionally authorised in accordance with article 6.3 of the articles of association to allot relevant securities (as defined in such articles of association) at such times and on such terms as they think proper provided that such authority is limited to:

- (i) the allotment of relevant securities (other than pursuant to paragraph (i) below) up to an aggregate nominal amount equal to NIS27,695; and
- (ii) the allotment of 958,318 ordinary shares of NIS0.002 pursuant to the Employees' Share Schemes (as defined in the Company's articles of association) operated by the Company from time to time,

such authority unless and to the extent previously revoked, varied or renewed by the Company in general meeting to expire on 20 May 2012, but so that the Company may, before the expiry of such period, make an offer or agreement which would or might require relevant securities to be allotted after the expiry of such period and the directors may allot relevant securities pursuant to such an offer or agreement as if the authority conferred by this resolution had not expired.

11 To consider and, if thought fit, pass the following resolution:

that the directors be empowered, pursuant to articles 6.1 and 6.4 of the Company's articles of association, to allot options and equity securities (as defined in the Company's articles of association) for cash pursuant to the authority conferred by resolution 10 above as if article 6.1 of such articles of association did not apply to any such allotment, provided that this power shall be limited to the allotment of options and equity securities:

- (i) in the case of options, pursuant to the Employees' Share Schemes (as defined in the Company's articles of association);
- (ii) in the case of equity securities, in connection with an offer of such securities by way of rights issue (as defined in the Company's articles of association); and
- (iii) in the case of equity securities, otherwise than pursuant to paragraph (ii) above up to an aggregate nominal amount of NIS4,154,

provided that such authority shall, unless and to the extent previously revoked, varied or renewed by the Company in general meeting, expire on 20 May 2012, save that the Company may before such expiry make an offer or agreement which would or might require options or equity securities to be allotted after such expiry and the directors may allot options or equity securities in pursuance of such offer or agreement as if the power had not expired.

12 To consider and, if thought fit, pass the following resolution that:

- (i) the proposed amendments to each of the 2003 Global Stock Option Plan, the 2003 Israeli Share Option Plan and the 2003 US Stock Option Plan (together the "Plans"), as set out in appendix 1 to the notice of meeting of the Company dated 26 April 2007, be and are hereby approved; and
- (ii) the directors or any duly appointed committee of the board of directors of the Company be and are hereby authorised to do all such acts and things as may be necessary or expedient to carry out the amendments referred to above, including making such modifications to the rules of the Plans as may be necessary to ensure compliance with any statutory, fiscal or securities regulations as may apply to the Plans or any of them or any participant therein.

13 To authorise and instruct the board of directors to declare and pay a final dividend for the year ended on 31 December 2006 in the amount of £0.01 (gross) per ordinary share payable to the shareholders on the register at close of business on 25 May 2007.

By Order of the Board:



.....
Akiva Laxer, Advocate
Secretary

Dated: 26 April 2007

Registered office: 24 Habarzel Street, Tel Aviv, 69710, Israel

Registered in Israel under the Israeli Companies Ordinance with registered no. 51-063761-4

Notes:

1. A member who is entitled to attend and vote at the Meeting may appoint one or more proxies to attend and, on a poll, vote on his or her behalf. A proxy need not be a member of the Company. A Form of Proxy is enclosed.
2. To be effective, a completed and signed Form of Proxy and any power of attorney under which it is signed (or a notarially certified copy of such power of attorney) must be lodged with the Company's Registrars, Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH, England, no later than 48 hours before the time of the Meeting. Completion and return of a Form of Proxy will not preclude a shareholder from attending and voting at the Meeting in person.
3. In the case of holders of depositary interests representing ordinary shares in the Company, a Form of Instructions must be completed in order to appoint the Company's Registrars, Computershare Investor Services PLC, to vote on the holder's behalf at the meeting or, if the meeting is adjourned, at the adjourned meeting. To be effective, a completed and signed Form of Instructions and any power of attorney under which it is signed (or a notarially certified copy of such power of attorney) must be delivered to the Company's Registrars, Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol- BS99 7NH, England, by no later than 72 hours before the time for the meeting or any adjourned meeting.
4. Members are entitled to attend and vote at the Meeting. Pursuant to Israeli law, the Company specifies that only those members registered in the register of members of the Company on Thursday, 19 May 2007 at 12pm, or, in the event that the Meeting is adjourned, those members on the Company's register of members 96 hours before the time fixed for the adjourned Meeting, shall be entitled to attend and vote at the Meeting in respect of the numbers of ordinary shares registered in their respective names at that time.

APPENDIX 1

THE PROPOSED AMENDMENTS TO THE RULES OF THE PLANS

(A) The 2003 Global Stock Option Plan

The directors propose to make the changes to the 2003 Global Stock Option Plan which are set out below.

- The definition of "Service Provider" in Section 2 shall be amended by the insertion of the words "or any other person who is not an employee" after the words "of the Company or any Subsidiary".
- Section 3 shall be amended:
 - by the insertion of a new paragraph after the first paragraph as follows:

"Notwithstanding the foregoing, the Board shall automatically have residual authority (i) if no Committee shall be constituted, (ii) with respect to rights not delegated by the Board to the Committee, or (iii) if such Committee shall cease to operate for any reason whatsoever.";
 - by the deletion of the fifth paragraph starting with the words "The Committee shall not be entitled" and ending with the words "or any successor law (the "**Companies Law**)".";
 - by the insertion of the words "or to change the Purchase Price all" after the words "such other terms and conditions" in the sixth paragraph; and
 - by the insertion of the words "or of any Option Agreement thereunder" after the words "any provision of the Plan" and by the insertion of the words "unless otherwise determined by the Board" after the words "final and conclusive" in the eighth paragraph.
- Section 4.1 shall be amended by the insertion of the words "and/or" in lieu of the word "or" after the word "Employees".
- Section 4.2 shall be amended by the deletion of the words "Companies Law" and the insertion in their place of the words "Israeli Companies Law, as now in effect or as hereafter amended or any successor law (the "**Companies Law**)".
- Section 5.2 shall be amended by the insertion of the words "the vesting dates, the expiration date," after the words "the Purchase price,".
- Section 5.4 shall be deleted in its entirety.
- Section 6.2 shall be deleted in its entirety and a new Section 6.2 shall be inserted as follows:

"The Purchase Price shall be payable upon the exercise of an Option in the following acceptable forms of payment:

 - (i) cash, check or wire transfer;
 - (ii) at the discretion of the Committee, through delivery of Shares (including other Shares subject to the Options being exercised) having a Fair Market Value equal as of the date of exercise to the Purchase Price of the Shares purchased and acquired upon the exercise of the Option, or by a different

form of cashless exercise method through a third party broker as approved by the Committee;

(iii) at the discretion of the Committee, any combination of the methods of payment permitted by any paragraph of this Section 6.2."

- A new Section 6.3 shall be inserted as follows:

"The Purchase Price shall be denominated in the currency of the primary economic environment of, at the Company's discretion, either the Company or the Optionee (that is the functional currency of the Company or the currency in which the Optionee is paid)."

- Section 7.1 shall be amended by the insertion of the words "acquisition or reorganization" after the words "a merger", by the deletion of the words "or into another company" and the insertion in their place of the words "one or more other entities in which the Company is not the surviving entity" and by the insertion of the words "to another entity" after the words "shares of the Company".
- Section 7.4 shall be amended by the deletion of the word "ISOP" and the insertion of the word "Plan" in its place.
- The definition of "Cause" in Section 8.6 shall be amended by the insertion of the words "or its affiliates" both after the words "affecting the Company" and after the words "detrimental to the Company".
- Section 8.8 shall be amended by the deletion of the words "holders of Options" and the insertion in their place of the word "Optionees".
- Section 8.9 shall be amended by the deletion of the word "ISOP" and the insertion of the word "Plan" in its place.
- Section 10 shall be deleted in its entirety.
- The title to Section 11 shall be amended from "ASSIGNABILITY AND SALE OF OPTIONS" to "RESTRICTIONS ON ASSIGNABILITY AND SALE OF OPTIONS".

(B) The 2003 Israeli Share Option Plan

The directors propose to make the changes to the 2003 Israeli Share Option Plan which are set out below.

- Section 2.5 shall be amended by the insertion of the words "or its Affiliates" after the words "materially detrimental to the Company".
- Section 3.4 shall be amended by the deletion of the words "power to recommend to the Board and the Board shall have the full power and authority to" and the insertion in their place of the words "full power and authority, subject to the approval of the Board to the extent required under applicable law or under the Company's articles of Association" and by the deletion of the word "and" immediately before sub-paragraph (v) and the replacement of the full stop after sub-paragraph (v) by a semi-colon and the consequential renumbering of the following paragraphs (i) to (vi) as paragraphs (vi) to (xi).
- Section 3.5 shall be deleted in its entirety and sections 3.6 to 3.9 shall be renumbered accordingly.
- Section 3.5 (as renumbered) shall be amended by the insertion of the words ", or to change the Purchase Price" after the words "containing such other terms and conditions".
- A new section 5.9 shall be inserted as follows:

"With regards to Approved 102 Options, the provisions of the ISOP and/or the Option Agreement shall be subject to the provisions of Section 102 and the Tax Assessing Officer's permit, and the said provisions and permit shall be deemed an integral part of the ISOP and of the Option Agreement. Any provision of Section 102 and/or the said permit which is necessary in order to receive and/or to keep any tax benefit pursuant to Section 102, which is not expressly specified in the ISOP or the Option Agreement, shall be considered binding upon the Company and the Optionees."

- Section 7.3 shall be deleted in its entirety.
- Section 8.2 shall be deleted in its entirety and a new section 8.2 be inserted as follows:

“The Purchase Price shall be payable upon the exercise of an Option in the following acceptable forms of payment:

- (i) cash, check or wire transfer;
- (ii) at the discretion of the Committee, through delivery of Shares (including other Shares subject to the Options being exercised) having a Fair Market Value equal as of the date of exercise to the Purchase Price of the Shares purchased and acquired upon the exercise of the Option, or by a different form of cashless exercise method through a third party broker as approved by the Committee; or
- (iii) at the discretion of the Committee, any combination of the methods of payment permitted by any paragraph of this Section 8.2.”

- Sections 9.6 and 9.7 shall be deleted in their entirety.
- Section 12 shall be deleted in its entirety.
- A new paragraph shall be inserted in Section 15 which shall read as follows:

“No provision of the ISOP relating to:

- (i) the Optionees;
- (ii) limitations on the number or amount of the securities, cash or other benefits the subject of the ISOP;
- (iii) the maximum entitlement for any one Optionee; or
- (iv) the basis for determining an Optionee’s entitlement to and the terms of securities, cash or other benefit to be provided and for the adjustment thereof (if any) if there is a capitalization issue, rights issues or open offer, sub-division or consolidation of shares or reduction of capital or any other variation of capital,

can be altered to the advantage of the Optionees without the prior approval of shareholders in the Company in general meeting (except for minor amendments to benefit the administration of the ISOP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for Optionees, for the Company or members of the Company’s group).”

(C) The 2003 US Stock Option Plan

The directors propose to make the changes to the 2003 US Stock Option Plan which are set out below.

- Section 3 shall be amended:
 - by the deletion of the sixth paragraph (starting with the words “The Committee shall not be entitled” and ending with the words “(the “**Companies Law**”)”);
 - by the deletion of the words “incorporation documents” in the eighth paragraph and the insertion in their place of the words “Articles of Association”; and
 - by the deletion of the word “Plan” in the tenth paragraph and the insertion in its place of the word “USSOP”.

- Section 4.1 shall be amended by the insertion of the words “provided however that ISOs may only be granted to Employees and NQSOs may be granted to Employees as well as Services Providers of the Company or any Subsidiary” after the words “of the Company or of any Subsidiary”.
- Section 5.1 shall be amended by the deletion of the word “Plan” and the insertion in its place of the word “USSOP” throughout the section.
- Section 5.2 shall be deleted in its entirety and sections 5.3 to 5.5 shall be renumbered accordingly.
- Section 5.3 (as renumbered) shall be amended by the deletion of the word “Plan” and the insertion in its place of the word “USSOP”.
- Section 6.2 shall be deleted in its entirety and a new Section 6.2 shall be inserted as follows:

“The Purchase Price shall be payable upon the exercise of an Option in the following acceptable forms of payment:

- (i) cash, check or wire transfer;
- (ii) at the discretion of the Committee, through delivery of Shares (including other Shares subject to the Options being exercised) having a Fair Market Value equal as of the date of exercise to the Purchase Price of the Shares purchased and acquired upon the exercise of the Option, or by a different form of cashless exercise method through a third party broker as approved by the Committee;
- (iii) at the discretion of the Committee, any combination of the methods of payment permitted by any paragraph of this Section 6.2.”

- A new Section 6.3 shall be inserted as follows:

“The Purchase Price shall be denominated in the currency of the primary economic environment of, at the Company’s discretion, either the Company or the Optionee (that is the functional currency of the Company or the currency in which the Optionee is paid).”

(Old) Section 6.3 shall be renumbered 6.4.

- Section 7.1 shall be amended by the insertion of the words “acquisition or reorganization” after the words “a merger” and by the deletion of the words “or the sale of all or substantially all of the assets or shares of the Company” and the insertion in their place of the words “in which the Company is not the surviving entity (the “**Successor Company**”), or the sale of all or substantially all of the assets or shares of the Company to another entity”.
- Section 7.2 shall be amended by the deletion of the words “successor company” and the insertion in their place of the words “Successor Company”.
- Section 7.3 shall be amended by the insertion of the words “that is fair under the circumstances” after the words “any other type of asset or property including cash”.
- Sections 7.6 and 7.7 shall be deleted in their entirety.
- Section 8.1 shall be amended by the insertion of the words “of exercise and remitting payment of the Purchase Price for the exercise options by the optionee” after the words “by giving written notice”, by the insertion of the words “or to any third party designated by the Company (the “**Representative**)” after the words “to the Company”, by the insertion of the words “from time to time” after the words “by the Committee”, by the deletion of the words “at its principal office” and the insertion in their place of the words “or the

Representative" and by the insertion of the words "at the Company's or the Representative's principal office" after the words "the payment of the Purchase Price".

- Section 8.2 shall be amended by the deletion of the words "date of grant" and the insertion in their place of the words "Date of Grant (as defined below)" and by the insertion of a new paragraph as follows:

"The term "**Date of Grant**" shall mean the date of grant of an Option that shall be determined by the Board pursuant to the recommendation of the Committee as set forth in the Option Agreement."

- Section 8.5 shall be amended by the insertion of the sentence "In such a case, the unvested portion of the Optionee's Option shall be null and void." at the end of the first paragraph.
- The definition of "Cause" in Section 8.6 shall be amended by the insertion of the words "or its affiliates" both after the words "affecting the Company" and after the words "detrimental to the Company".
- Section 11 shall be deleted in its entirety.
- Section 12 shall be amended by the deletion of the words "incorporation documents" and the insertion in their place of the words "Articles of Association".
- The title to Section 13 shall be amended from "ASSIGNABILITY AND SALE OF OPTIONS" to "RESTRICTIONS ON ASSIGNABILITY AND SALE OF OPTIONS".
- Section 13 shall be amended by the insertion of the words "Unless otherwise determined by the Committee and subject to any applicable law" at the beginning of the first paragraph and by the insertion of the words "other than by will or by the laws of descent and distribution" after the words "any third party whatsoever".
- Section 15.1 shall be amended by the deletion of the word "Plan" and the insertion in its place of the word "USSOP" throughout the section.
- Section 15.3 shall be deleted in its entirety and a new Section 15.3 shall be inserted as follows:

"Without derogating from the above, no amendment of this USSOP shall be effective unless approved by the Stockholders of the Company within twelve (12) months before or after the adoption of the amendment by the Board if such approval is required, including but not limited to, any amendment that will:

- (i) increase the number of Stock reserved under the USSOP, except as provided in Section 8 of the USSOP; or
 - (ii) modify the requirements as to eligibility for participation in the USSOP to the extent that such modification requires Stockholders approval in order for the USSOP to comply with Section 422 of the Code; or
 - (iii) modify the USSOP in any other way if such modification requires Stockholders approval in order for the USSOP to satisfy the requirements of Section 422 of the Code."
- Section 20 shall be amended by the deletion of the words "Plan and/or this Appendix" throughout the section and by inserting in their place the word "USSOP".
 - Section 24.1 shall be amended by the deletion of "85%" and the insertion in its place of "100%".
 - Section 24.8 shall be deleted in its entirety.

The 2003 share option plans (marked up to show the changes) will be available for inspection at the Company's registered office, 24 Habarzel Street, Tel Aviv 69710, Israel and web-site: www.visonic.com, and at the offices of Berwin Leighton Paisner LLP, Adelaide House, London Bridge, London EC4R 9HA, England during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted).

APPENDIX 2

DETAILS OF OUTSTANDING OPTIONS UNDER THE 2003 PLANS

VISONIC LTD.

(The "Company")

FORM OF PROXY

Proxy for use at the 2007 Annual General Meeting (the "Meeting")

If you cannot attend the meeting you may use this form to appoint a proxy to vote on your behalf.

Before completing this form, please see explanatory notes.

I/We appoint Mr Yaacov Kotlicki (Chairman of the Company), or failing him, the duly appointed Chairman of the Meeting or (see Note 2) as my/our proxy to attend and vote on my/our behalf at the Meeting of the Company to be held on Monday 21 May 2007 and at any adjournment of the Meeting.

I/We would like my/our proxy to vote on the resolutions proposed at the Meeting as indicated below. Unless otherwise instructed, the proxy may vote as he or she sees fit or abstain in relation to any business of the Meeting.

Please insert an X in the appropriate box

RESOLUTIONS	FOR	AGAINST	ABSTENTIONS
The Resolution (item 1) relating to receiving the annual accounts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The Resolution (item 2) relating to approving the directors' remuneration report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The Resolution (item 3) relating to the re-appointment of Mr Yair Naaman			
The Resolution (item 4) relating to the re-appointment of Mr Walter Goldsmith	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The Resolution (item 5) relating to the re-appointment of Mr. Anthony McCann	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The Resolution (item 6) relating to the appointment of Ms Bat-Sheva Levy as a director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The Resolution (item 7) relating to the approval of the terms of Mr Levy's appointment as a director			
The Resolution (item 8) relating to the re-appointment of Kost Forer Gabbay & Kasierer as auditors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The Resolution (item 9) relating to authorising the directors to agree the auditor's remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The Resolution (item 10) authorising the directors to allot shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The Resolution (item 11) authorising the	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

directors to disapply pre-emption rights

The Resolution (item 12) approving the amendments to the Plans

The Resolution (item 13) authorising the board to declare and pay a final dividend to shareholders on the register on close of business day on 25 May 2007

If this form is signed and returned without any indications as to how the proxy shall vote, the proxy will exercise discretion both as to how the proxy votes and whether or not the proxy abstains from voting. The proxy will also exercise discretion relating to voting (and whether or not the proxy abstains from voting) on other business transacted at the Meeting.

NAME

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ADDRESS

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SIGNATURE
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DATE
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Notes:

1. To be valid, a signed and completed Form of Proxy should be returned in hard copy by post or courier or by hand (or by fax) to the Company's Registrars, Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol- BS99 7NH, England (facsimile: 00 44 870 703 6109) together with any power of attorney under which it is signed (or a notarially certified copy of such power of attorney), not less than 48 hours before the Meeting or any adjournment thereof. Completion of the form does not prevent you from attending and voting in person.
2. If you wish to appoint a proxy other than the Chairman of the Meeting, please delete the words "the Chairman of the Meeting" and insert, in block letters in the space provided, the name of your proxy who need not be a member of the Company.
3. This Form of Proxy must, in the case of an individual, be signed by the appointor or his attorney duly authorised in writing, or in the case of a corporation, either be under its common seal or be signed by an officer or attorney duly authorised to sign the same. In the case of joint registered holders, any joint holder may sign this Form of Proxy, but the vote of the person whose name appears first in the register of members in respect of the holding or his proxy will be accepted to the exclusion of the votes of other joint holders or their proxies.
4. Any alteration to this Form of Proxy should be initialled by you.
5. Should any other resolution be proposed at the AGM, the proxy may vote as he or she thinks fit.

VISONIC LTD.

(The "Company")

FORM OF INSTRUCTIONS

Form of Instruction for use at the Annual General Meeting (the "Meeting")

Before completing this form, please read the explanatory notes below.

Form of Instruction for completion by holders of depository interests representing shares on a 1 for 1 basis in the Company in respect of the Meeting of the Company to be held on 21 May 2007 and at any adjournment of the Meeting.

I/We being a holder of depository interests representing shares in the Company hereby direct Computershare Company Nominees Limited, the Custodian to vote on my/our behalf at the Meeting of the Company to be held on the above date (and at any adjournment thereof) as directed by an X in the spaces below.

Please insert an X in the appropriate box

RESOLUTIONS	FOR	AGAINST	ABSTENTIONS
The Resolution (item 1) relating to receiving the annual accounts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The Resolution (item 2) relating to approving the directors' remuneration report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The Resolution (item 3) relating to the re-appointment of Mr Yair Naaman			
The Resolution (item 4) relating to the re-appointment of Mr Walter Goldsmith	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The Resolution (item 5) relating to the re-appointment of Mr. Anthony McCann	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The Resolution (item 6) relating to the appointment of Ms Bat-Sheva Levy as a director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The Resolution (item 7) relating to the approval of the terms of Mr Levy's appointment as a director			
The Resolution (item 8) relating to the re-appointment of Kost Forer Gabbay & Kasierer as auditors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The Resolution (item 9) relating to authorising the directors to agree the auditor's remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The Resolution (item 10) authorising the directors to allot shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The Resolution (item 11) authorising the directors to disapply pre-emption rights	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Resolution (item 12) approving the amendments to the Plans

The Resolution (item 13) authorising the board to declare and pay a final dividend to shareholders on the register on close of business day on 25 May 2007

NAME

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ADDRESS

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SIGNATURE

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DATE

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Notes:

1. Please indicate, by placing "X" in the appropriate space, how you wish your votes to be cast in respect of each of the Resolutions. If this form is duly signed and returned, but without specific direction as to how you wish your votes to be cast, the form will be rejected.
2. In the case of joint shareholders, only one holder need sign. In the case of a corporation, the Form of Instruction should be signed by a duly authorised official whose capacity should be stated or by an attorney.
3. This form of Instruction must be executed by the Depository Interest holder or his/her attorney.
4. To be valid, the Form of Instruction, duly signed and executed, together with any power of attorney (if any) or other authority under which it is signed (if any) must be deposited at the offices of the custodian Computershare Investor Services PLC, PO Box 1075, The Pavilions, Bridgwater Road, Bristol BS99 7NH at least 72 hours before the time for holding the Meeting.
5. Completion and return of the Form of Instruction will not prevent you from attending and voting at the meeting.

If you wish to attend and vote at the meeting, please inform the Custodian to enable the appropriate authority to be issued.

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Exhibit A

VISONIC LTD.
THE 2003 GLOBAL STOCK OPTION PLAN AS AMENDED

1. NAME

This Plan, as amended from time to time, shall be known as the Visonic Ltd. the 2003 Global Stock Option Plan (“**the Plan**”).

2. PURPOSE OF THE PLAN

The Plan is intended to provide an incentive to retain, in the employ of Visonic Ltd. (“**the Company**”) and its Subsidiaries (as defined below), persons of training, experience, and ability, to attract new employees, offices, directors, consultants and/or service providers whose services are considered valuable, to encourage the sense of proprietorship of such persons, and to stimulate the active interest of such persons in the development and financial success of the Company by providing them with opportunities to purchase ordinary shares of the Company, pursuant to the Plan approved by the board of directors of the Company (“**the Board**”).

On November 24, 2003, the Board has adopted the Plan. In addition, the Board may adopt Subsidiary Plans for Designated Subsidiaries, which may modify or supplement the terms of the options granted in specific countries in order to satisfy the legal, accounting or tax requirements in such countries. All options granted hereunder, whether together or separately, shall be hereinafter referred to as “**the Options**”.

The term “**Subsidiary**” shall mean for the purposes of the Plan: any company (other than the Company) which now exists or is hereafter organized or acquired by the Company in an unbroken chain of companies beginning with the Company if, at the time of granting an Option, each of the companies other than the last company in the unbroken chain holds shares representing more than fifty percent (50%) of the total combined voting power of all classes of ordinary shares in one of the other corporations in such chain.

The term “**Subsidiary Plan**” shall mean a document approved by the Board which supplements or amends the terms of the Plan with respect to Optionees in a particular jurisdiction or employees of a particular nationality.

The term “**Designated Subsidiary**” shall mean Visonic Ltd. Subsidiary and such Corporate Affiliate or Affiliates as may be authorized from time to time, by the Board to extend the benefits of the Plan to their Eligible Employees.

The term “**Employee**” shall mean a person who is employed by the Company or any Subsidiary.

The term “**IPO**” shall mean the initial public offering of the Company’s shares.

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The term “**Service provider**” shall mean a director, consultant or adviser of the Company or any Subsidiary or any other person who is not an Employee.

3. ADMINISTRATION OF THE PLAN

The Board shall have the power to administer the Plan either directly or upon the recommendation of a share option advisory committee appointed and maintained by the Board for such purpose (“**the Committee**”) to the extent permitted by applicable law. If the Board adopts a Subsidiary Plan and legal requirements prevent such Subsidiary Plan from being administered by the Board or by a committee comprised of Board members, then for purposes of such Subsidiary Plan the term “Committee” shall mean a committee which complies with applicable legal requirements and who is appointed by the Board to administer such Subsidiary Plan. Notwithstanding the foregoing, the Board may exercise, at any time and from time to time, any and all powers previously delegated to the Committee with respect to the Plan.

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Notwithstanding the foregoing, the Board shall automatically have residual authority (i) if no Committee shall be constituted, (ii) with respect to rights not delegated by the Board to the Committee, or (iii) if such Committee shall cease to operate for any reason whatsoever.

The Committee shall consist of such number of members as may be determined by the Board, but not less than two members of the Board, all in compliance with any requirements of any applicable law. The Committee shall select one of its members as its chairman (“**the Chairman**”) and shall hold its meetings at such times and places as the Chairman shall determine. The Committee shall keep records of its meetings and shall make such rules and regulations for the conduct of its business as it shall deem advisable.

Any member of such Committee shall be eligible to receive Options under the Plan while serving on the Committee, unless otherwise specified herein.

The Committee shall advise the Board on the following matters: (i) designation of participants (**the “Optionees”**); (ii) determination of the terms and provisions of respective Option Agreements (which need not be identical) including, but not limited to, the number of Ordinary Shares in the Company to be covered by each Option, provisions concerning the time or times when and to the extent to which the Options may be exercised and the nature and duration of restrictions as to transferability or restrictions constituting substantial risk of forfeiture; (iii) acceleration of the right of an Optionee to exercise, in whole or in part, any previously granted Option; (iv) interpretation of the provisions and supervision of the administration of the Plan; (v) determination of the Fair Market Value (as defined below) of the Ordinary shares; (viii) determination of the status, if applicable, of the granted option under any Subsidiary Plan (e.g. whether the granted option qualifies for any preferential tax or other treatment); (viii) determination of any other matter which is necessary or desirable for, or incidental to the administration of the Plan.

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~~The Committee shall not be entitled to grant and/or issue Options to the Optionees, however, it will be authorized to issue Shares (as defined in section 5.1 below) underlying Options which have been granted by the Board and duly exercised by the Optionee pursuant to the provisions hereof all in accordance with section 112(a)(5) of the Israeli Companies Law, as now in effect or as hereafter amended or any successor law (the “Companies Law”).~~

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Subject to the approval of the holder of an outstanding Option, the Board shall have the authority to grant, in its discretion, to the holder of such outstanding Option, in exchange for the surrender and cancellation of such Option, a new Option having a purchase price equal to, lower than or higher than the Purchase Price (as defined in section 6.1 below) provided in the Option so surrendered and canceled, and containing such other terms and conditions, or to change the Purchase Price all, as the Board may prescribe in accordance with the provisions of the Plan and all applicable law.

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All decisions and selections made by the Board or the Committee pursuant to the provisions of the Plan shall be made by a majority of its members except that no member of the Board or the Committee shall vote on, or be counted for quorum purposes, with respect to any proposed action of the Board or the Committee relating to any Option to be granted to that member. Any decision reduced to writing and signed by all of the members who are authorized to make such decision shall be fully effective as if it had been made at a meeting duly held.

The interpretation and construction by the Board of any provision of the Plan or of any Option Agreement thereunder shall be final and conclusive unless otherwise determined by the Board.

Subject to the Company's Articles of Association and the Company's decision, and to all approvals legally required, including, but not limited to the provisions of the Companies Law, each member of the Board or the Committee shall be indemnified and held harmless by the Company against any cost or expense (including counsel fees) reasonably incurred by him or her, or any liability (including any sum paid in settlement of a claim approved by the Company) arising out of any act or omission to act in connection with the Plan, unless arising out of such member's own fraud or bad faith, to the extent permitted by applicable law. Such indemnification shall be in addition to any rights of indemnification the member may have as a director or otherwise under the Company's Article of Association, any agreement, any vote of shareholders or disinterested directors, insurance policy or otherwise.

“**Fair Market Value**” means, as of any date, the value of a Share determined as follows:

- (I) If the Shares are listed on any established stock exchange or a national market system, including without limitation the NASDAQ National Market system, or The NASDAQ SmallCap Market of the NASDAQ Stock Market, the Fair Market Value shall be the closing sales price for such Shares (or the closing bid, if no sales were reported), as quoted on such exchange or system for the last market trading day prior to time of determination, as reported in the Wall Street Journal, or such other source as the Board deems reliable.

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- (ii) If the Shares are regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value shall be the mean between the high bid and low asked prices for the Shares on the last market trading day prior to the day of determination, or;
- (iii) In the absence of an established market for the Shares, the Fair Market Value thereof shall be determined in good faith by the Committee.

4. DESIGNATION OF PARTICIPANTS

4.1 The persons eligible for participation in the Plan as recipients of Options shall include Employees and/or Service Providers. The grant of an Option hereunder shall neither entitle the Optionee to participate nor disqualify him or her from participating in, any other grant of Options pursuant to the Plan or any other option or stock plan of the Company or any of its subsidiaries.

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4.2 Anything in the Plan to the contrary notwithstanding, all grants of Options to directors and office holders shall be authorized and implemented in accordance with the provisions of the Israeli Companies Law, as now in effect or as hereafter amended or any successor law (the "Companies Law").

~~Companies Law~~

5. SHARES RESERVED FOR THE PLAN

5.1 The Company has reserved two million and three hundred thousand (2,300,000) authorized but unissued Ordinary shares nominal value of NIS 0.01 per share, of the Company (**the "Shares"**), for the purposes of the Plan, any other Subsidiary Plan and any Visonic Ltd. Stock Option Plans (**the "Other Plans"**), subject to adjustment as set forth in paragraph 7 below. Any of such Shares which are not subject to outstanding Options at the termination of the Plan shall cease to be reserved for the purpose of the Plan, but until termination of the Plan the Company shall, at all times, reserve sufficient number of Shares to meet the requirements of the Plan. Should any Option for any reason expire or be canceled prior to its exercise or relinquishment in full by the Optionee, the Shares therefore subject to such Option may again be subject to an Option under the Plan or under any other Subsidiary Plan or any Other Plans.

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5.2 Each Option granted pursuant to the Plan, shall be evidenced by a written agreement between the Company and the Optionee (the **“Option Agreement”**), in such form as the Board or the Committee shall from time to time approve. Each Option Agreement shall state, inter-alia, the number of Shares to which the Option relates, the Purchase Price, the vesting dates, the expiration date, the term of the Option and the type of Option granted and such other terms and conditions as the Board or the Committee in its discretion may prescribe, provided that they are consistent with this Plan.

5.3 Notwithstanding anything mentioned above, the exercise of any Options granted to the Optionee by the Company under the Plan is subject to the registration of the Shares purchasable upon the exercise of any Options on any established stock exchange or a national market system.

~~5.4 Until the consummation of an IPO, such Shares shall be voted by an irrevocable proxy (the **“Proxy”**), such Proxy to be assigned to the person or persons designated by the Board (the **“Representative(s)”**). Such Representative designated by the Board shall be indemnified and held harmless by the Company against any cost or expense (including counsel fees) reasonably incurred by him/her, or any liability (including any sum paid in settlement of a claim with the approval of the Company) arising out of any act or omission to act in connection with the voting of such Proxy unless arising out of such Representative's own fraud or bad faith, to the extent permitted by applicable law. Such indemnification shall be in addition to any rights of indemnification the Representative(s) may have as a director or otherwise under the Company's incorporation documents, any agreement, any vote of shareholders or disinterested directors, insurance policy or otherwise.~~

6. PURCHASE PRICE

6.1 The purchase price of each Share subject to an Option or any portion thereof shall be determined by the Committee in its sole and absolute discretion in accordance with applicable law, subject to any guidelines as may be determined by the Board from time to time (the **“Purchase Price”**). Each Option Agreement will contain the Purchase Price determined for each Optionee.

~~6.2 The Purchase Price shall be payable upon the exercise of the Option in a form satisfactory to the Committee, including without limitation, by cash or check. The Committee shall have the authority to postpone the date of payment on such terms as it may determine.~~

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~~6.2 The Purchase Price shall be payable upon the exercise of an Option in the following acceptable forms of payment:~~

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~~(i) cash, check or wire transfer.~~

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(ii) at the discretion of the Committee, through delivery of Shares (including other Shares subject to the Options being exercised) having a Fair Market Value equal as of the date of exercise to the Purchase Price of the Shares purchased and acquired upon the exercise of the Option, or by a different form of cashless exercise method through a third party broker as approved by the Committee.

(iii) at the discretion of the Committee, any combination of the methods of payment permitted by any paragraph of this Section 6.2.

6.3 The Purchase Price shall be denominated in the currency of the primary economic environment of, at the Company's discretion, either the Company or the Optionee (that is the functional currency of the Company or the currency in which the Optionee is paid).

7. ADJUSTMENTS

Upon the occurrence of any of the following described events, Optionee's rights to purchase Shares under the Plan shall be adjusted as hereinafter provided:

7.1 In the event of a merger, acquisition or reorganization of the Company with one or more other entities in which the Company is not the surviving entity or into another company (the "**Successor Company**"), or the sale of all or substantially all of the assets or shares of the Company to another entity (the "**Transaction**") while unexercised Options remain outstanding under the Plan (the "**Unexercised Options**"), then each Unexercised Option shall be continued, assumed, or substituted for by an appropriate number of shares, of each class of shares or other securities of the Successor Company (or a parent or subsidiary of the Successor Company) which were distributed to the shareholders of the Company in respect of such shares, and appropriate adjustments shall be made to reflect such action, including adjustments in the Purchase Price per Share and the number of Shares, and all other terms and conditions of the Option Agreements, (such as the vesting dates), shall remain in force, all as will be determined by the Board, whose determination shall be final. However, if in any such Transaction the Successor Company (or a parent or subsidiary of the Successor Company) does not agree to assume or substitute the Options any vested Options that are not exercised and all unvested Options shall terminate.

7.2 Notwithstanding the above and subject to any applicable law, the Board shall have full power and authority to determine that in certain Option Agreements there shall be a clause instructing that if in any Transaction, the Successor Company (or parent or subsidiary of the Successor Company) does not agree to assume or substitute for the Options, the Vesting Dates (as defined below) of outstanding Options under the Plan shall be accelerated so that any unvested Option shall be immediately vested in full as of the date ten (10) days prior to the effective date of such Transaction, and as of the date

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of the Transaction any vested options that are not exercised and all unvested options shall terminate.

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The “**Vesting Dates**” shall mean as determined by the Board or the Committee, the dates as of which the Optionee shall be entitled to exercise an Option or a portion of the Option as set forth in Section 9 of the Plan.

7.3 For the purposes of section 7.1 above, the Option shall be considered assumed or substituted if, following the Transaction, the Option confers the right to purchase or receive, for each Share underlying an Option immediately prior to the Transaction, the consideration (whether shares, options, cash, or other securities or property) received in the Transaction by holders of shares of the Company held on the effective date of the Transaction (and if such holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares); provided, however, that if such consideration received in the Transaction is not solely common shares (or their equivalent) of the Successor Company (or its parent or subsidiary), the Board may, with the consent of the Successor Company, provide for the consideration to be received upon the exercise of the Option to be solely common shares (or their equivalent) of the Successor Company (or its parent or subsidiary) equal in their fair market value to the per Share consideration received by holders of a majority of the outstanding shares of the Company in the Transaction; and provided further that the Board may determine, in its discretion, that in lieu of such assumption or substitution of Options for options of the Successor Company (or its parent or subsidiary), such Options will be substituted for any other type of asset or property including cash that is fair under the circumstances.

7.4 If the Company is voluntarily liquidated or dissolved while unexercised Options remain outstanding under the ISOP Plan, the Company shall immediately notify all unexercised Option holders of such liquidation, and the Option holders shall then have ten (10) days to exercise any unexercised Vested Option held by them at that time, in accordance with the exercise procedure set forth herein. Upon the expiration of such ten-days period, all remaining outstanding Options will terminate immediately.

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The term “**Vested Options**” shall mean any Option or a portion thereof which has vested according to the Vesting Periods.

7.5 If the outstanding Shares of the Company shall at any time be changed or exchanged by declaration of a stock dividend (bonus shares), stock split or reverse stock split, combination or exchange of shares, recapitalization, or any other like event by or of the Company, and as often as the same shall occur, then the number, class and kind of Shares subject to the Plan and/or subject to any Options therefore granted, and the Purchase Prices of such Options, shall be appropriately and equitably adjusted so as to maintain the proportionate number of Shares without changing the aggregate Purchase Price, provided, however, that no adjustment shall be made by reason of the distribution

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of subscription rights (rights offering) on outstanding shares. Upon occurrence of any of the foregoing, the class and aggregate number of Shares issuable pursuant to the Plan (as set forth in paragraph 5 hereof), in respect of which Options have not yet been exercised, shall be and other related terms and conditions of the Option appropriately adjusted, all as will be determined by the Board, whose determination shall be final.

8. TERM AND EXERCISE OF OPTIONS

8.1 Options shall be exercised by the Optionee by giving written notice of exercise and remitting payment of the Purchase Price for the exercised Options by the Optionee to the Company or to any third party designated by the Company (the “**Representative**”), in such form and method as may be determined by the Company from time to time, which exercise shall be effective upon receipt of such notice by the Company or the Representative and the payment of the Purchase Price at the Company’s or the Representative’s principal office pursuant to section 6.2. The notice shall specify the number of Shares with respect to which the Option is being exercised.

8.2 Each Option shall be exercisable following the Vesting Dates, subject to the provisions of the Plan and for the number of Shares as shall be provided in Exhibit B to the Option Agreement. Options, to the extent not previously exercised, shall terminate upon the earlier of: (i) the date set forth in the Option Agreement; (ii) the expiration of ten (10) years from the Date of Grant (as defined below); or (iii) the expiration of the periods specified in any of the events set forth in section 8.6.

The term “**Date of Grant**” shall mean the date of grant of an Option that shall be determined by the Board pursuant to the recommendation of the Committee as set forth in the Option Agreement.

8.3 An Option shall not be transferable by an Optionee other than by will or laws of descent and distribution, and during an Optionee's lifetime shall be exercisable only by that Optionee. Notwithstanding the foregoing, the Optionee, by delivering a written notice to the Company, in a form satisfactory to the Company, may designate a third party who, in the event of the death of the Optionee, shall thereafter be entitled to exercise the Option.

8.4 The Options may be exercised by the Optionee, in whole at any time or in part from time to time, to the extent that the Options have become vested and exercisable, prior to the Expiration Date (as defined in section 9 below), and provided that, subject to the provisions of section 8.6, the Optionee is an Employee or a Service Provider at all times during the period beginning on the Date of Grant of the Option and ending upon the date of exercise of the Option

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- 8.5 Subject to the provisions of Section 8.6 below, in the event of termination of Optionee's employment or service with the Company or any of its Subsidiaries, all Options granted to the Optionee will immediately expire. A notice of termination of employment or service shall be deemed to constitute termination of employment or service unless such notice specifies a later date on which employment or service is to terminate. In such a case, the unvested portion of the Optionee's Option shall be null and void.

For purposes of the Plan and unless determined otherwise by the Committee, employees, Board members, consultants and advisors of a Subsidiary shall be deemed to have terminated their employment on the date on which such Subsidiary ceases to be a Subsidiary of the Company. The Committee may decide to what extent leaves of absence for governmental or military service, illness, temporary disability, or other reasons shall not be deemed interruptions of continuous service.

- 8.6 Notwithstanding anything to the contrary hereinabove and unless otherwise determined in the Optionee's Option Agreement, an Option may be exercised after the date of termination of Optionee's employment or service with the Company or any Subsidiary during an additional period of time beyond the date of such termination, as determined by the Board and set forth in the Option Agreement, but only with respect to the number of Options already vested at the time of such termination according to the Vesting Dates , if:

(i) termination is without "Cause" (as defined below), in which event any Options still in force and unexpired may be exercised within a period of 3 (three) months from the date of such termination,

(ii) termination is the result of death or disability of the Optionee, in which event any Options still in force and unexpired may be exercised within a period of 12 (twelve) months from the date of termination, or

(iii) prior to the date of such termination, the Board shall authorize an extension of the terms of all or part of the Options beyond the date of such termination for a period not to exceed the period during which the Options by their terms would otherwise have been exercisable if the Optionee had remained in the employment or service of the Company.

For avoidance of any doubt, if termination of employment or service is for Cause, any outstanding unexercised Option will immediately expire and terminate, and the Optionee shall not have any right in respect of such outstanding Options.

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The term “Cause” shall mean (i) conviction of any felony involving moral turpitude or affecting the Company or its affiliates; (ii) any refusal to carry out a reasonable directive of the Board or the CEO which involves the business of the Company or its affiliates and was capable of being lawfully performed; (iii) embezzlement of funds of the Company or its affiliates; (iv) any breach of the Optionee’s fiduciary duties or duties of care of the Company; including without limitation disclosure of confidential information of the Company; and (v) any conduct (other than conduct in good faith) reasonably determined by the Board to be materially detrimental to the Company or its affiliates.

- 8.7 Notwithstanding anything to the contrary herein above, in the event of termination of Optionee's employment with the Company or any Subsidiary, when the employee continues to provide services to the Company or any Subsidiary (or vice versa), the employee will be allowed to keep the Options pursuant to his original terms.
- 8.8 For the avoidance of doubt, the ~~holders of Options~~Optionee shall not have any of the rights or privileges of shareholders of the Company in respect of any Shares purchasable upon the exercise of any Options, nor shall they be deemed to be a class of shareholders or creditors of the Company for the purpose of all applicable law until registration of the Optionee as holder of such Shares in the Company’s register of members upon exercise of the Options in accordance with the provisions of the Plan.
- 8.9 Any form of Option Agreement authorized by the ISOP Plan may contain such other provisions as the Committee may, from time to time, deem advisable.

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9. VESTING OF OPTIONS

The total number of Shares subject to an Option may, but need not, vest and therefore become exercisable in periodic installments that may, but need not, be equal. The vesting provisions of individual Options may vary. The provisions of this section are subject to any Option provisions governing the minimum number of Shares as to which an Option may be exercised. For the avoidance of doubt, no option shall be exercisable after the expiration of ten 10 years from the Date ~~of~~ Grant (the “**Expiration Date**”).

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10. SHARES SUBJECT TO RIGHT OF FIRST REFUSAL

- ~~10.1 Notwithstanding anything to the contrary in the Articles of Association of the Company and to the extent permitted by applicable law, none of the Optionees shall have a right of first refusal in relation with any sale of shares in the Company.~~
- ~~10.2 Unless otherwise determined by the Committee, until such time as the Company shall complete an IPO, an Optionee shall not have the right to sell Shares issued upon the exercise of an Option within six (6) months and one day of the date of exercise of such Option or issuance of such Shares.~~

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~~Sale of Shares by the Optionee shall be subject to a right of first refusal as set forth in the incorporation documents of the Company. In the event that the incorporation documents of the Company do not contain any provision regarding rights of first refusal, then, unless otherwise determined by the Committee, until such time as the Company shall complete an IPO, the sale of Share issuable upon the exercise of an Option shall be subject to a right of first refusal on the part of the Repurchaser(s).~~

~~Repurchaser(s) means (i) the Company, if permitted by applicable law, (ii) if the Company is not permitted by applicable law, then any affiliate of the Company designated by the Committee; or (iii) if no decision is reached by the Committee, then the Company's existing shareholders (save, for avoidance of doubt, for other Optionees who already exercised their Options), pro rata in accordance with their shareholding.~~

~~The Optionee shall give a notice of sale (hereinafter the "Notice") to the Company in order to offer the Shares to the Repurchaser(s).~~

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~~10.3 The Notice shall specify the name of each proposed purchaser or other transferee (hereinafter the "Proposed Transferee"), the number of Shares offered for sale, the price per Share and the payment terms. The Repurchaser(s) will be entitled for thirty (30) days from the day of receipt of the Notice (hereinafter the "Notice Period"), to purchase all or part of the offered Shares on a pro rata basis based upon their respective holdings in the Company.~~

~~10.4 If by the end of the Notice Period not all of the offered Shares have been purchased by the Repurchaser(s), the Optionee shall be entitled to sell such Shares at any time during the ninety (90) days following the end of the Notice Period on terms not more favorable than those set out in the Notice, provided that the Proposed Transferee agrees in writing that the provisions of this section shall continue to apply to the Shares in the hands of such Proposed Transferee. Any sale of Shares issued under the Plan by the Optionee that is not made in accordance with the Plan or the Option Agreement shall be null and void.~~

10. DIVIDENDS

With respect to all Shares (in contrary to unexercised Options) allocated or issued upon the exercise of Options purchased by the Optionee, the Optionee shall be entitled to receive dividends in accordance with the quantity of such Shares, subject to the provisions of the Company's Articles of Association (and all amendments thereto) and subject to any applicable taxation on distribution of dividends.

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11. RESTRICTIONS ON ASSIGNABILITY AND SALE OF OPTIONS

Without derogating from the provisions of section 8.3 above, no Option or any right with respect thereto, purchasable hereunder, whether fully paid or not, shall be assignable, transferable or given as collateral or any right with respect to it shall be given to any third party whatsoever, other than by will or by the laws of descent and distribution or as specifically otherwise allowed under the Plan, and during the lifetime of the Optionee each and all of such Optionee's rights to purchase Shares hereunder shall be exercisable only by the Optionee.

Any such action made directly or indirectly, for an immediate validation or for a future one, shall be void.

12. EFFECTIVE DATE AND TERM OF THE PLAN

The Plan shall become effective as of the date that it is adopted by the Board (the “**Effective Date**”) and shall terminate at the end of ten (10) years from such day of adoption.

12.1 Subject to Section ~~13~~12.2, the Plan shall be effective as of November 24, 2003 (the Effective Date) and shall terminate upon the expiration of ten (10) years from the Effective Date on November 24, 2013 (the “**Termination Date**”). No option may be granted under the Plan after the Termination Date.

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12.2 The Plan shall be approved by the shareholders of the Company, which approval shall be received within twelve (12) months following the Effective Date of the Plan. All and any grants of Options to Optionees under the Plan as of the Effective Date shall be subject to the said shareholders approval.

13. AMENDMENTS OR TERMINATION

13.1 The Board may at any time, subject to the provisions of Section ~~14~~13.2 below and all applicable law, amend, alter, suspend or terminate the Plan provided, however, that (i) the Board may not extend the term of the Plan specified in Section ~~13~~12.1 and (ii) no amendment, alteration, suspension or termination of the Plan shall impair the rights of any Optionee, unless mutually agreed otherwise by the Optionee and the Company, which agreement must be in writing and signed by the Optionee and the Company. Earlier termination of the Plan prior to the Termination Date shall not affect the Board’s ability to exercise the powers granted to it hereunder with respect to Options granted under the Plan prior to the date of such earlier termination.

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- 13.2 The Company shall obtain the approval of the Company's shareholders for any amendment to this Plan and/or the Appendixes thereto if shareholders' approval is required under any applicable law including without limitation the U.S. securities law or the securities laws of other jurisdiction applicable to Options granted to Optionees under this Plan and/or the Appendixes thereto, or if shareholders' approval is required by any authority or by any governmental agencies or national securities exchanges including without limitation the U.S. Securities and Exchange Commission.
- 13.3 No Options may be granted under the Plan while the Plan is suspended or after it is terminated.

14. GOVERNMENT REGULATIONS

- 14.1 The implementation of the Plan, the granting of any option under the Plan and the issuance of any Shares upon the exercise of any option shall be subject to the Company's procurement of all approvals and permits required by regulatory authorities having jurisdiction over the Plan, the granting of Options and the issuance of Shares pursuant to such Plan.
- 14.2 No Shares or other assets shall be issued or delivered under the Plan unless and until there shall have been compliance with all applicable requirements of Israeli law, United States Federal securities laws and local laws in each relevant jurisdiction, including the filing and effectiveness of a Form S-8 registration statement for the Shares issuable under the Plan, and all applicable listing requirements of any stock exchange (or the Nasdaq National Market, if applicable) on which Shares is then listed for trading. Nothing herein shall be deemed to require the Company to register the Shares under the securities law of any jurisdiction.
- 14.3 The competent courts of Tel-Aviv, Israel shall have sole jurisdiction in any matters pertaining to the Plan.

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15. CONTINUANCE OF EMPLOYMENT OR HIRED SERVICES

Neither the Plan nor the Option Agreement with the Optionee shall impose any obligation on the Company or a Subsidiary thereof, to continue the employment of any Optionee, or the hiring by the Company of the Optionee's services and nothing in the Plan or in any Option granted pursuant thereto shall confer upon any Optionee any right to continue to be employed by, or render service to, the Company or a Subsidiary thereof or restrict the right of the Company or a Subsidiary thereof to terminate such employment or service hiring at any time.

16. TAX CONSEQUENCES

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To the extent permitted by applicable law, any tax consequences arising from the grant or exercise of any Option, from the payment for Shares covered thereby or from any other event or act (of the Company and/or its Subsidiaries, or the Optionee), hereunder, shall be borne solely by the Optionee. The Company and/or its Subsidiaries, as the case may be, shall withhold taxes according to the requirements under the applicable laws, rules, and regulations, including withholding taxes at source. Furthermore, to the extent permitted by applicable law, the Optionee shall agree to indemnify the Company and/or its Subsidiaries, as the case may be, and hold them harmless against and from any and all liability for any such tax or interest or penalty thereon, including without limitation, liabilities relating to the necessity to withhold, or to have withheld, any such tax from any payment made to the Optionee.

The Board shall not be required to release any Share certificate to an Optionee until all required payments have been fully made.

17. INTERPRETATION

If any Subsidiary Plan is adopted by the Board, any interpretation of the Subsidiary Plan will be made in accordance with this Plan, but in the event there is any contradiction between the provisions of the Subsidiary Plan and this Plan, the provisions of the Subsidiary Plan will prevail.

18. COMPENSATION PACKAGE

Grants of Options are not considered a part of the compensation package (as defined below) and therefore will not be included in any payment made to the employee such as remuneration and compensation for termination of employment. Therefore, any agreement signed between the Company and the employee must contain a provision to that effect. For the purpose of this Plan “**Compensation Package**” shall mean payments to the Optionee due to employer - employee relationship.

19. NON-EXCLUSIVITY OF THE PLAN

The adoption of the Plan by the Board shall not be construed as amending, modifying or rescinding any previously approved incentive arrangements or as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including, without limitation, the granting of Options otherwise than under the Plan, and such arrangements may be either applicable generally or only in specific cases. For the avoidance of doubt, prior grant of options to Optionees of the Company under their employment agreements, and not in the framework of any previous option plan, shall not be deemed an approved incentive arrangement for the purpose of this section.

20. MULTIPLE AGREEMENTS

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The terms of each Option may differ from other Options granted under the Plan at the same time, or at any other time. The Board may also grant more than one Option to a given Optionee during the term of the Plan, either in addition to, or in substitution for, one or more Options previously granted to that Optionee.

21. RULES PARTICULAR TO SPECIFIC COUNTRIES

Notwithstanding anything herein to the contrary, the terms and conditions of the Plan may be adjusted with respect to a particular country by means of an addendum to the Plan in the form of an appendix (the “**Appendix**”), and to the extent that the terms and conditions set forth in the Appendix conflict with any provisions of the Plan, the provisions of the Appendix shall govern. Terms and conditions set forth in the Appendix shall apply only to Options issued to Optionees under the jurisdiction of the specific country that is subject of the Appendix and shall not apply to Options issued to any other Optionee. The adoption of any such Appendix shall be subject to the approval of the Board and if required the approval of the shareholders of the Company.

ISRAELI SHARE OPTION PLAN

-DRAFT FOR DISCUSSION ONLY-

Visonic Ltd.

THE 2003 ISRAELI SHARE OPTION PLAN AS AMENDED

(*In compliance with Amendment No. 132 of the Israeli Tax Ordinance, 2002)

ISOP-with marked up-final-for AGM.DOC

ISRAELI SHARE OPTION PLAN

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ISRAELI SHARE OPTION PLAN

This plan, as amended from time to time, shall be known as Visonic Ltd. 2003 Israeli Share Option Plan (the “**ISOP**”).

1. PURPOSE OF THE ISOP

The ISOP is intended to provide an incentive to retain, in the employ of the Company and its Affiliates (as defined below), persons of training, experience, and ability, to attract new employees, directors, consultants, service providers and any other entity which the Board shall decide their services are considered valuable to the Company, to encourage the sense of proprietorship of such persons, and to stimulate the active interest of such persons in the development and financial success of the Company by providing them with opportunities to purchase shares in the Company, pursuant to the ISOP.

2. DEFINITIONS

For purposes of the ISOP and related documents, including the Option Agreement, the following definitions shall apply:

- 2.1 “**Affiliate**” means any “employing company” within the meaning of Section 102(a) of the Ordinance.
- 2.2 “**Approved 102 Option**” means an Option granted pursuant to Section 102(b) of the Ordinance and held in trust by a Trustee for the benefit of the Optionee.
- 2.3 “**Board**” means the Board of Directors of the Company.
- 2.4 “**Capital Gain Option (CGO)**” as defined in Section 5.4 below.
- 2.5 “**Cause**” means, (i) conviction of any felony involving moral turpitude or affecting the Company; (ii) any refusal to carry out a reasonable directive of the chief executive officer, the Board or the Optionee’s direct supervisor, which involves the business of the Company or its Affiliates and was capable of being lawfully performed; (iii) embezzlement of funds of the Company or its Affiliates; (iv) any breach of the Optionee’s fiduciary duties or duties of care of the Company; including without limitation disclosure of confidential information of the Company; and (v) any conduct (other than conduct in good faith) reasonably determined by the Board to be materially detrimental to the Company [or its Affiliates](#).
- 2.6 “**Chairman**” means the chairman of the Committee.
- 2.7 “**Committee**” means a share option compensation committee appointed by the Board, which shall consist of no fewer than two members of the Board.
- 2.8 “**Company**” means Visonic Ltd., an Israeli company.

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- 2.9 **“Companies Law”** means the Israeli Companies Law 5759-1999.
- 2.10 **“Controlling Shareholder”** shall have the meaning ascribed to it in Section 32(9) of the Ordinance.
- 2.11 **“Date of Grant”** means, the date of grant of an Option, as determined by the Board and set forth in the Optionee’s Option Agreement.
- 2.12 **“Employee”** means a person who is employed by the Company or its Affiliates, including an individual who is serving as a director or an office holder, but excluding Controlling Shareholder.
- 2.13 **“Expiration date”** means the date upon which an Option shall expire, as set forth in Section 10.2 of the ISOP.
- 2.14 **“Fair Market Value”** means as of any date, the value of a Share determined as follows:
- (i) If the Shares are listed on any established stock exchange or a national market system, including without limitation the NASDAQ National Market system, or the NASDAQ SmallCap Market of the NASDAQ Stock Market, the Fair Market Value shall be the closing sales price for such Shares (or the closing bid, if no sales were reported), as quoted on such exchange or system for the last market trading day prior to time of determination, as reported in the Wall Street Journal, or such other source as the Board deems reliable.
- Without derogating from the above, solely for the purpose of determining the tax liability pursuant to Section 102(b)(3) of the Ordinance, if at the Date of Grant the Company’s shares are listed on any established stock exchange or a national market system or if the Company’s shares will be registered for trading within ninety (90) days following the Date of Grant, the Fair Market Value of a Share at the Date of Grant shall be determined in accordance with the average value of the Company’s shares on the thirty (30) trading days preceding the Date of Grant or on the thirty (30) trading days following the date of registration for trading, as the case may be;
- (ii) If the Shares are regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value shall be the mean between the high bid and low asked prices for the Shares on the last market trading day prior to the day of determination, or;
 - (iii) In the absence of an established market for the Shares, the Fair Market Value thereof shall be determined in good faith by the Board.
- 2.15 **“IPO”** means the initial public offering of the Company’s shares.

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- 2.16 **“ISOP”** means this 2003 Israeli Share Option Plan.
- 2.17 **“ITA”** means the Israeli Tax Authorities.
- 2.18 **“Non-Employee”** means a consultant, adviser, service provider, Controlling Shareholder or any other person who is not an Employee.
- 2.19 **“Ordinary Income Option (OIO)”** as defined in Section 5.5 below.
- 2.20 **“Option”** means an option to purchase one or more Shares of the Company pursuant to the ISOP.
- 2.21 **“102 Option”** means any Option granted to Employees pursuant to Section 102 of the Ordinance.
- 2.22 **“3(i) Option”** means an Option granted pursuant to Section 3(i) of the Ordinance to any person who is Non- Employee.
- 2.23 **“Optionee”** means a person who receives or holds an Option under the ISOP.
- 2.24 **“Option Agreement”** means the share option agreement between the Company and an Optionee that sets out the terms and conditions of an Option.
- 2.25 **“Ordinance”** means the 1961 Israeli Income Tax Ordinance [New Version] 1961 as now in effect or as hereafter amended.
- 2.26 **“Purchase Price”** means the price for each Share subject to an Option.
- 2.27 **“Section 102”** means section 102 of the Ordinance as now in effect or as hereafter amended.
- 2.28 **“Share”** means the ordinary shares, NIS 0.01 par value each, of the Company.
- 2.29 **“Successor Company”** means any entity the Company is merged to or is acquired by, in which the Company is not the surviving entity.
- 2.30 **“Transaction”** means (i) merger, acquisition or reorganization of the Company with one or more other entities in which the Company is not the surviving entity, (ii) a sale of all or substantially all of the assets of the Company.
- 2.31 **“Trustee”** means any individual appointed by the Company to serve as a trustee and approved by the ITA, all in accordance with the provisions of Section 102(a) of the Ordinance.

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- 2.32 “**Unapproved 102 Option**” means an Option granted pursuant to Section 102(c) of the Ordinance and not held in trust by a Trustee.
- 2.33 “**Vested Option**” means any Option, which has already been vested according to the Vesting Dates.
- 2.34 “**Vesting Dates**” means, as determined by the Board or by the Committee, the date as of which the Optionee shall be entitled to exercise the Options or part of the Options, as set forth in section 11 of the ISOP.

3. ADMINISTRATION OF THE ISOP

- 3.1 The Board shall have the power to administer the ISOP either directly or upon the recommendation of the Committee, all as provided by applicable law and in the Company’s Articles of Association. Notwithstanding the above, the Board shall automatically have residual authority if no Committee shall be constituted or if such Committee shall cease to operate for any reason.
- 3.2 The Committee shall select one of its members as its Chairman and shall hold its meetings at such times and places as the Chairman shall determine. The Committee shall keep records of its meetings and shall make such rules and regulations for the conduct of its business as it shall deem advisable.
- 3.3 Any member of such Committee shall be eligible to receive Options under the ISOP while serving on the Committee, unless otherwise specified herein.
- 3.4 The Committee shall have the full power and authority, subject to the approval of the Board to the extent required under applicable law or under the company’s Articles of Association to: ~~to recommend to the Board and the Board shall have the full power and authority to:~~ (i) designate participants; (ii) determine the terms and provisions of the respective Option Agreements, including, but not limited to, the number of Options to be granted to each Optionee, the number of Shares to be covered by each Option, provisions concerning the time and the extent to which the Options may be exercised and the nature and duration of restrictions as to the transferability or restrictions constituting substantial risk of forfeiture and to cancel or suspend awards, as necessary; (iii) determine the Fair Market Value of the Shares covered by each Option; (iv) make an election as to the type of Approved 102 Option; ~~and~~ (v) designate the type of Options; The Committee shall have full power and authority to: (vi) alter any restrictions and conditions of any Options or Shares subject to any Options (vii) interpret the provisions and supervise the administration of the ISOP; (viii) accelerate the right of an Optionee to exercise in whole or in part, any previously granted Option; ~~(ix)~~ determine the Purchase Price of the Option; ~~(x)~~ prescribe, amend and rescind rules and regulations relating to the ISOP; and ~~(xi)~~ make all other determinations deemed necessary or advisable for the administration of the ISOP, including, without limitation, to adjust the terms of the ISOP or any Option Agreement so as to reflect (a) changes in applicable laws and (b) the laws of other

ISRAELI SHARE OPTION PLAN

jurisdictions within which the Company wishes to grant Options.~~3.5~~
~~Notwithstanding the above, the Committee shall not be entitled to grant Options to the Optionees, however, it will be authorized to issue Shares underlying Options which have been granted by the Board and duly exercised pursuant to the provisions herein in accordance with section 112(a)(5) of the Companies Law.~~

- 3.65 The Board shall have the authority to grant, at its discretion, to the holder of an outstanding Option, in exchange for the surrender and cancellation of such Option, a new Option having a purchase price equal to, lower than or higher than the Purchase Price of the original Option so surrendered and canceled and containing such other terms and conditions, or to change the Purchase Price as the Committee may prescribe in accordance with the provisions of the ISOP and all applicable law, provided, however that the rights of the Optionee shall not be prejudiced by such action without the consent of the Optionee.
- 3.76 Subject to the Company's Articles of Association, all decisions and selections made by the Board or the Committee pursuant to the provisions of the ISOP shall be made by a majority of its members except that no member of the Board or the Committee shall vote on, or be counted for quorum purposes, with respect to any proposed action of the Board or the Committee relating to any Option to be granted to that member. Any decision reduced to writing shall be executed in accordance with the provisions of the Company's Articles of Association, as the same may be in effect from time to time.
- 3.87 The interpretation and construction by the Committee of any provision of the ISOP or of any Option Agreement thereunder shall be final and conclusive unless otherwise determined by the Board.
- 3.98 Subject to the Company's Articles of Association and the Company's decision, and to all approvals legally required, including, but not limited to the provisions of the Companies Law, each member of the Board or the Committee shall be indemnified and held harmless by the Company against any cost or expense (including counsel fees) reasonably incurred by him, or any liability (including any sum paid in settlement of a claim with the approval of the Company) arising out of any act or omission to act in connection with the ISOP unless arising out of such member's own fraud or bad faith, to the extent permitted by applicable law. Such indemnification shall be in addition to any rights of indemnification the member may have as a director or otherwise under the Company's Articles of Association, any agreement, any vote of shareholders or disinterested directors, insurance policy or otherwise.
- 4. DESIGNATION OF PARTICIPANTS**
- 4.1 The persons eligible for participation in the ISOP as Optionees shall include any Employees and/or Non-Employees of the Company or of any Affiliate; provided, however, that (i) Employees may only be granted 102 Options; (ii) Non-Employees may

ISRAELI SHARE OPTION PLAN

- only be granted 3(i) Options; and (iii) Controlling Shareholders may only be granted 3(i) Options.
- 4.2 The grant of an Option hereunder shall neither entitle the Optionee to participate nor disqualify the Optionee from participating in, any other grant of Options pursuant to the ISOP or any other option or share plan of the Company or any of its Affiliates.
- 4.3 Anything in the ISOP to the contrary notwithstanding, all grants of Options to directors and office holders shall be authorized and implemented in accordance with the provisions of the Companies Law or any successor act or regulation, as in effect from time to time.
- 5. DESIGNATION OF OPTIONS PURSUANT TO SECTION 102**
- 5.1 The Company may designate Options granted to Employees pursuant to Section 102 as Unapproved 102 Options or Approved 102 Options.
- 5.2 The grant of Approved 102 Options shall be made under this ISOP adopted by the Board as described in Section 15 below, and shall be conditioned upon the approval of this ISOP by the ITA.
- 5.3 Approved 102 Option may either be classified as Capital Gain Option (“**CGO**”) or Ordinary Income Option (“**OIO**”).
- 5.4 Approved 102 Option elected and designated by the Company to qualify under the capital gain tax treatment in accordance with the provisions of Section 102(b)(2) shall be referred to herein as **CGO**.
- 5.5 Approved 102 Option elected and designated by the Company to qualify under the ordinary income tax treatment in accordance with the provisions of Section 102(b)(1) shall be referred to herein as **OIO**.
- 5.6 The Company’s election of the type of Approved 102 Options as CGO or OIO granted to Employees (the “**Election**”), shall be appropriately filed with the ITA before the Date of Grant of an Approved 102 Option. Such Election shall become effective beginning the first Date of Grant of an Approved 102 Option under this ISOP and shall remain in effect until the end of the year following the year during which the Company first granted Approved 102 Options. The Election shall obligate the Company to grant *only* the type of Approved 102 Option it has elected, and shall apply to all Optionees who were granted Approved 102 Options during the period indicated herein, all in accordance with the provisions of Section 102(g) of the Ordinance. For the avoidance of doubt, such Election shall not prevent the Company from granting Unapproved 102 Options simultaneously.
- 5.7 All Approved 102 Options must be held in trust by a Trustee, as described in Section 6 below.

ISRAELI SHARE OPTION PLAN

5.8 For the avoidance of doubt, the designation of Unapproved 102 Options and Approved 102 Options shall be subject to the terms and conditions set forth in Section 102 of the Ordinance and the regulations promulgated thereunder.

5.9 With regards to Approved 102 Options, the provisions of the ISOP and/or the Option Agreement shall be subject to the provisions of Section 102 and the Tax Assessing Officer's permit, and the said provisions and permit shall be deemed an integral part of the ISOP and of the Option Agreement. Any provision of Section 102 and/or the said permit which is necessary in order to receive and/or to keep any tax benefit pursuant to Section 102, which is not expressly specified in the ISOP or the Option Agreement, shall be considered binding upon the Company and the Optionees.

6. TRUSTEE

6.1 Approved 102 Options which shall be granted under the ISOP and/or any Shares allocated or issued upon exercise of such Approved 102 Options and/or other shares received subsequently following any realization of rights, including without limitation bonus shares, shall be allocated or issued to the Trustee and held for the benefit of the Optionees for such period of time as required by Section 102 or any regulations, rules or orders or procedures promulgated thereunder (the "**Holding Period**"). In the case the requirements for Approved 102 Options are not met, then the Approved 102 Options may be treated as Unapproved 102 Options, all in accordance with the provisions of Section 102 and regulations promulgated thereunder.

6.2 Notwithstanding anything to the contrary, the Trustee shall not release any Shares allocated or issued upon exercise of Approved 102 Options prior to the full payment of the Optionee's tax liabilities arising from Approved 102 Options which were granted to him and/or any Shares allocated or issued upon exercise of such Options.

6.3 With respect to any Approved 102 Option, subject to the provisions of Section 102 and any rules or regulation or orders or procedures promulgated thereunder, an Optionee shall not sell or release from trust any Share received upon the exercise of an Approved 102 Option and/or any share received subsequently following any realization of rights, including without limitation, bonus shares, until the lapse of the Holding Period required under Section 102 of the Ordinance. Notwithstanding the above, if any such sale or release occurs during the Holding Period, the sanctions under Section 102 of the Ordinance and under any rules or regulation or orders or procedures promulgated thereunder shall apply to and shall be borne by such Optionee.

6.4 Upon receipt of Approved 102 Option, the Optionee will sign an undertaking to release the Trustee from any liability in respect of any action or decision duly taken and bona fide executed in relation with the ISOP, or any Approved 102 Option or Share granted to him thereunder.

ISRAELI SHARE OPTION PLAN

7. SHARES RESERVED FOR THE ISOP; RESTRICTION THEREON

- 7.1 The Company has reserved 2,300,000 (two million and three hundred thousand) authorized but unissued Shares, for the purposes of the ISOP and for the purposes of any other share option plans which have previously been, or may in the future be adopted by the Company, subject to adjustment as set forth in Section 9 below. Any Shares which remain unissued and which are not subject to the outstanding Options at the termination of the ISOP shall cease to be reserved for the purpose of the ISOP, but until termination of the ISOP the Company shall at all times reserve sufficient number of Shares to meet the requirements of the ISOP. Should any Option for any reason expire or be canceled prior to its exercise or relinquishment in full, the Shares subject to such Option may again be subjected to an Option under the ISOP or under the Company's other share option plans.
- 7.2 Each Option granted pursuant to the ISOP, shall be evidenced by a written Option Agreement between the Company and the Optionee, in such form as the Board or the Committee shall from time to time approve. Each Option Agreement shall state, among other matters, the number of Shares to which the Option relates, the type of Option granted thereunder (whether a CGO, OIO, Unapproved 102 Option or a 3(i) Option), the Vesting Dates, the Purchase Price per share, the Expiration Date and such other terms and conditions as the Committee or the Board in its discretion may prescribe, provided that they are consistent with this ISOP.

~~7.3 Until the consummation of an IPO, such Shares shall be voted by an irrevocable proxy (the "Proxy") pursuant to the directions of the Board, such Proxy to be assigned to the person or persons designated by the Board. Such person or persons designated by the Board shall be indemnified and held harmless by the Company against any cost or expense (including counsel fees) reasonably incurred by him/her, or any liability (including any sum paid in settlement of a claim with the approval of the Company) arising out of any act or omission to act in connection with the voting of such Proxy unless arising out of such member's own fraud or bad faith, to the extent permitted by applicable law. Such indemnification shall be in addition to any rights of indemnification the person(s) may have as a director or otherwise under the Company's Articles of Association, any agreement, any vote of shareholders or disinterested directors, insurance policy or otherwise. Without derogating from the above, with respect to Approved 102 Options, such shares shall be voted in accordance with the provisions of Section 102 and any rules, regulations or orders promulgated thereunder.~~

8. PURCHASE PRICE

- 8.1 The Purchase Price of each Share subject to an Option shall be determined by the Committee in its sole and absolute discretion in accordance with applicable law, subject to any guidelines as may be determined by the Board from time to time. Each Option Agreement will contain the Purchase Price determined for each Optionee.

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8.2 The Purchase Price shall be payable upon the exercise of an Option in the following acceptable forms of payment:

- (i) cash, check or wire transfer.
- (ii) at the discretion of the Committee, through delivery of Shares (including other Shares subject to the Options being exercised) having a Fair Market Value equal as of the date of exercise to the Purchase Price of the Shares purchased and acquired upon the exercise of the Option, or by a different form of cashless exercise method through a third party broker as approved by the Committee.
- (iii) at the discretion of the Committee, any combination of the methods of payment permitted by any paragraph of this Section 8.2.

~~8.2 The Purchase Price shall be payable upon the exercise of the Option in a form satisfactory to the Committee, including without limitation, by cash or check. The Committee shall have the authority to postpone the date of payment on such terms as it may determine.~~

8.3 The Purchase Price shall be denominated in the currency of the primary economic environment of, either the Company or the Optionee (that is the functional currency of the Company or the currency in which the Optionee is paid) as determined by the Company.

9. ADJUSTMENTS

Upon the occurrence of any of the following described events, Optionee's rights to purchase Shares under the ISOP shall be adjusted as hereafter provided:

9.1 In the event of Transaction, the unexercised Options then outstanding under the ISOP shall be assumed or substituted for an appropriate number of shares of each class of shares or other securities of the Successor Company (or a parent or subsidiary of the Successor Company) as were distributed to the shareholders of the Company in connection and with respect to the Transaction. In the case of such assumption and/or substitution of Options, appropriate adjustments shall be made to the Purchase Price so as to reflect such action and all other terms and conditions of the Option Agreements shall remain unchanged, including but not limited to the vesting schedule, all subject to the determination of the Committee or the Board, which determination shall be in their sole discretion and final. The Company shall notify the Optionee of the Transaction in such form and method as it deems applicable at least ten (10) days prior to the effective date of such Transaction.

9.2 Notwithstanding the above and subject to any applicable law, the Board or the Committee shall have full power and authority to determine that in certain Option Agreements there shall be a clause instructing that, if in any such Transaction as described in section 9.1 above, the Successor Company (or parent or subsidiary of the Successor Company) does not agree to assume or substitute for the Options, the Vesting Dates shall be accelerated so

ISRAELI SHARE OPTION PLAN

that any unvested Option or any portion thereof shall be immediately vested as of the date which is ten (10) days prior to the effective date of the Transaction.

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- 9.3 For the purposes of section 9.1 above, an Option shall be considered assumed or substituted if, following the Transaction, the Option confers the right to purchase or receive, for each Share underlying an Option immediately prior to the Transaction, the consideration (whether shares, options, cash, or other securities or property) received in the Transaction by holders of shares held on the effective date of the Transaction (and if such holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares); provided, however, that if such consideration received in the Transaction is not solely ordinary shares (or their equivalent) of the Successor Company or its parent or subsidiary, the Committee may, with the consent of the Successor Company, provide for the consideration to be received upon the exercise of the Option to be solely ordinary shares (or their equivalent) of the Successor Company or its parent or subsidiary equal in Fair Market Value to the per Share consideration received by holders of a majority of the outstanding shares in the Transaction; and provided further that the Committee may determine, in its discretion, that in lieu of such assumption or substitution of Options for options of the Successor Company or its parent or subsidiary, such Options will be substituted for any other type of asset or property including cash which is fair under the circumstances.
- 9.4 If the Company is voluntarily liquidated or dissolved while unexercised Options remain outstanding under the ISOP, the Company shall immediately notify all unexercised Option holders of such liquidation, and the Option holders shall then have ten (10) days to exercise any unexercised Vested Option held by them at that time, in accordance with the exercise procedure set forth herein. Upon the expiration of such ten-days period, all remaining outstanding Options will terminate immediately.
- 9.5 If the outstanding shares of the Company shall at any time be changed or exchanged by declaration of a share dividend (bonus shares), share split, combination or exchange of shares, recapitalization, or any other like event by or of the Company, and as often as the same shall occur, then the number, class and kind of the Shares subject to the ISOP or subject to any Options therefore granted, and the Purchase Prices, shall be appropriately and equitably adjusted so as to maintain the proportionate number of Shares without changing the aggregate Purchase Price, provided, however, that no adjustment shall be made by reason of the distribution of subscription rights (rights offering) on outstanding shares. Upon happening of any of the foregoing, the class and aggregate number of Shares issuable pursuant to the ISOP (as set forth in Section 7 hereof), in respect of which Options have not yet been exercised, shall be appropriately adjusted, all as will be determined by the Board whose determination shall be final.
- ~~9.6 Anything herein to the contrary notwithstanding, if prior to the completion of the IPO all or substantially all of the shares of the Company are to be sold, or in case of a Transaction, all or substantially all of the shares of the Company are to be exchanged for securities of another Company, then each Optionee shall be obliged to sell or exchange, as~~

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~~the case may be, any Shares such as Optionee purchased under the ISOP, in accordance with the instructions issued by the Board in connection with the Transaction, whose determination shall be final.~~

~~9.7 The Optionee acknowledges that in the event that the Company's shares shall be registered for trading in any public market, Optionee's rights to sell the Shares may be subject to certain limitations (including a lock up period), as will be requested by the Company or its underwriters, and the Optionee unconditionally agrees and accepts any such limitations.~~

10. TERM AND EXERCISE OF OPTIONS

- 10.1 Options shall be exercised by the Optionee by giving written notice to the Company and/or to any third party designated by the Company (the "**Representative**"), in such form and method as may be determined by the Company and when applicable, by the Trustee in accordance with the requirements of Section 102, which exercise shall be effective upon receipt of such notice by the Company and/or the Representative and the payment of the Purchase Price at the Company's or the Representative's principal office. The notice shall specify the number of Shares with respect to which the Option is being exercised.
- 10.2 Options, to the extent not previously exercised, shall terminate forthwith upon the earlier of: (i) the date set forth in the Option Agreement; and (ii) the expiration of any extended period in any of the events set forth in section 10.5 below.
- 10.3 The Options may be exercised by the Optionee in whole at any time or in part from time to time, to the extent that the Options become vested and exercisable, prior to the Expiration Date, and provided that, subject to the provisions of section 10.5 below, the Optionee is employed by or providing services to the Company or any of its Affiliates, at all times during the period beginning with the granting of the Option and ending upon the date of exercise.
- 10.4 Subject to the provisions of section 10.5 below, in the event of termination of Optionee's employment or services, with the Company or any of its Affiliates, all Options granted to such Optionee will immediately expire. A notice of termination of employment or service shall be deemed to constitute termination of employment or service. For the avoidance of doubt, in case of such termination of employment or service, the unvested portion of the Optionee's Option shall not vest and shall not become exercisable.
- 10.5 Notwithstanding anything to the contrary hereinabove and unless otherwise determined in the Optionee's Option Agreement, an Option may be exercised after the date of termination of Optionee's employment or service with the Company or any Affiliates during an additional period of time beyond the date of such termination, but only with respect to the number of Vested Options at the time of such termination according to the Vesting Dates, if:

ISRAELI SHARE OPTION PLAN

- (i) termination is without Cause, in which event any Vested Option still in force and unexpired may be exercised within a period of ninety (90) days after the date of such termination; or-
- (ii) termination is the result of death or disability of the Optionee, in which event any Vested Option still in force and unexpired may be exercised within a period of twelve (12) months after the date of such termination; or -
- (iii) prior to the date of such termination, the Committee shall authorize an extension of the terms of all or part of the Vested Options beyond the date of such termination for a period not to exceed the period during which the Options by their terms would otherwise have been exercisable.

For avoidance of any doubt, if termination of employment or service is for Cause, any outstanding unexercised Option (whether vested or non-vested), will immediately expire and terminate, and the Optionee shall not have any right in connection to such outstanding Options.

- 10.6 To avoid doubt, the Optionees shall not have any of the rights or privileges of shareholders of the Company in respect of any Shares purchasable upon the exercise of any Option, nor shall they be deemed to be a class of shareholders or creditors of the Company for purpose of the operation of sections 350 and 351 of the Companies Law or any successor to such section, until registration of the Optionee as holder of such Shares in the Company's register of shareholders upon exercise of the Option in accordance with the provisions of the ISOP, but in case of Options and Shares held by the Trustee, subject to the provisions of Section 6 of the ISOP.
- 10.7 Any form of Option Agreement authorized by the ISOP may contain such other provisions as the Committee may, from time to time, deem advisable.
- 10.8 With respect to Unapproved 102 Option, if the Optionee ceases to be employed by the Company or any Affiliate, the Optionee shall extend to the Company and/or its Affiliate a security or guarantee for the payment of tax due at the time of sale of Shares, all in accordance with the provisions of Section 102 and the rules, regulation or orders promulgated thereunder.
- 10.9 Notwithstanding anything mentioned above, the exercise of any Options granted to the Optionee by the Company under the Plan is subject to the registration of the Shares purchasable upon the exercise of any Options on any established stock exchange or a national market system.

ISRAELI SHARE OPTION PLAN

11. VESTING OF OPTIONS

- 11.1 Subject to the provisions of the ISOP, each Option shall vest following the Vesting Dates and for the number of Shares as shall be provided in the Option Agreement. However, no Option shall be exercisable after the Expiration Date.
- 11.2 An Option may be subject to such other terms and conditions on the time or times when it may be exercised, as the Committee may deem appropriate. The vesting provisions of individual Options may vary.

~~12. SHARES SUBJECT TO RIGHT OF FIRST REFUSAL~~

- ~~12.1 Notwithstanding anything to the contrary in the Articles of Association of the Company, none of the Optionees shall have a right of first refusal in relation with any sale of shares in the Company.~~
- ~~12.2 Unless otherwise determined by the Committee, until such time as the Company shall complete an IPO, an Optionee shall not have the right to sell Shares issued upon the exercise of an Option within six (6) months and one day of the date of exercise of such Option or issuance of such Shares. Unless otherwise determined by the Committee, until such time as the Company shall complete an IPO, the sale of Shares issuable upon the exercise of an Option shall be subject to a right of first refusal on the part of the Repurchaser(s).~~
- ~~Repurchaser(s) means (i) the Company, if permitted by applicable law, (ii) if the Company is not permitted by applicable law, then any affiliate of the Company designated by the Committee; or (iii) if no decision is reached by the Committee, then the Company's existing shareholders (save, for avoidance of doubt, for other Optionees who already exercised their Options), pro rata in accordance with their shareholding. The Optionee shall give a notice of sale (hereinafter the "Notice") to the Company in order to offer the Shares to the Repurchaser(s).~~
- ~~12.3 The Notice shall specify the name of each proposed purchaser or other transferee (hereinafter the "Proposed Transferee"), the number of Shares offered for sale, the price per Share and the payment terms. The Repurchaser(s) will be entitled for thirty (30) days from the day of receipt of the Notice (hereinafter the "Notice Period"), to purchase all or part of the offered Shares on a pro rata basis based upon their respective holdings in the Company.~~
- ~~12.4 If by the end of the Notice Period not all of the offered Shares have been purchased by the Repurchaser(s), the Optionee shall be entitled to sell such Shares at any time during the ninety (90) days following the end of the Notice Period on terms not more favorable than those set out in the Notice, provided that the Proposed Transferee agrees in writing that the provisions of this section shall continue to apply to the Shares in the hands of such Proposed Transferee. Any sale of Shares issued under the ISOP by the Optionee that is not made in accordance with the ISOP or the Option Agreement shall be null and void.~~

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12. DIVIDENDS

With respect to all Shares (but excluding, for avoidance of any doubt, any unexercised Options) allocated or issued upon the exercise of Options purchased by the Optionee and held by the Optionee or by the Trustee, as the case may be, the Optionee shall be entitled to receive dividends in accordance with the quantity of such Shares, subject to the provisions of the Company's Articles of Association (and all amendments thereto) and subject to any applicable taxation on distribution of dividends, and when applicable subject to the provisions of Section 102 and the rules, regulations or orders promulgated thereunder.

13. RESTRICTIONS ON ASSIGNABILITY AND SALE OF OPTIONS

13.1 No Option or any right with respect thereto, purchasable hereunder, whether fully paid or not, shall be assignable, transferable or given as collateral or any right with respect to it given to any third party whatsoever, except as specifically allowed under the ISOP, and during the lifetime of the Optionee each and all of such Optionee's rights to purchase Shares hereunder shall be exercisable only by the Optionee.

Any such action made directly or indirectly, for an immediate validation or for a future one, shall be void.

13.2 As long as the Shares are held by the Trustee on behalf of the Optionee, all rights of the Optionee over the Shares are personal, can not be transferred, assigned, pledged or mortgaged, other than by will or pursuant to the laws of descent and distribution.

14. EFFECTIVE DATE AND DURATION OF THE ISOP

The ISOP shall be effective as of the day it was adopted by the Board and shall terminate at the end of ten (10) years from such day of adoption.

The Company shall obtain the approval of the Company's shareholders for the adoption of this ISOP or for any amendment to this ISOP, if shareholders' approval is necessary or desirable to comply with any applicable law including without limitation the US securities law or the securities laws of other jurisdiction applicable to Options granted to Optionees under this ISOP, or if shareholders' approval is required by any authority or by any governmental agencies or national securities exchanges including without limitation the US Securities and Exchange Commission.

15. AMENDMENTS OR TERMINATION

The Board may at any time, but when applicable, after consultation with the Trustee, amend, alter, suspend or terminate the ISOP. No amendment, alteration, suspension or termination of the ISOP shall impair the rights of any Optionee, unless mutually agreed otherwise between the Optionee and the Company, which agreement must be in writing and signed by the Optionee and the Company. Termination of the ISOP shall not affect the Committee's ability to exercise the

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powers granted to it hereunder with respect to Options granted under the ISOP prior to the date of such termination.

No provision of the ISOP relating to;

(i) the Optionees;

(ii) limitations on the number or amount of the securities, cash or other benefits the subject of the ISOP;

(iii) the maximum entitlement for any one Optionee; or

(iv) the basis for determining an Optionee's entitlement to and the terms of securities, cash or other benefit to be provided and for the adjustment thereof (if any) if there is a capitalization issue, rights issues or open offer, sub-division or consolidation of shares or reduction of capital or any other variation of capital.

can be altered to the advantage of the Optionees without the prior approval of shareholders in the Company in general meeting (except for minor amendments to benefit the administration of the ISOP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for Optionees, for the Company or members of the Company's group).

16. GOVERNMENT REGULATIONS

The ISOP, and the granting and exercise of Options hereunder, and the obligation of the Company to sell and deliver Shares under such Options, shall be subject to all applicable laws, rules, and regulations, whether of the State of Israel or of the United States or any other State having jurisdiction over the Company and the Optionee, including the registration of the Shares under the United States Securities Act of 1933, and the Ordinance and to such approvals by any governmental agencies or national securities exchanges as may be required. Nothing herein shall be deemed to require the Company to register the Shares under the securities laws of any jurisdiction.

17. CONTINUANCE OF EMPLOYMENT OR HIRED SERVICES

Neither the ISOP nor the Option Agreement with the Optionee shall impose any obligation on the Company or an Affiliate thereof, to continue any Optionee in its employ or service, and nothing in the ISOP or in any Option granted pursuant thereto shall confer upon any Optionee any right to continue in the employ or service of the Company or an Affiliate thereof or restrict the right of the Company or an Affiliate thereof to terminate such employment or service at any time.

18. GOVERNING LAW & JURISDICTION

The ISOP shall be governed by and construed and enforced in accordance with the laws of the State of Israel applicable to contracts made and to be performed therein, without giving effect to

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the principles of conflict of laws. The competent courts of Tel-Aviv, Israel shall have sole jurisdiction in any matters pertaining to the ISOP.

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19. TAX CONSEQUENCES

19.1 Any tax consequences arising from the grant or exercise of any Option, from the payment for Shares covered thereby or from any other event or act (of the Company and/or its Affiliates, the Trustee or the Optionee), hereunder, shall be borne solely by the Optionee. The Company and/or its Affiliates and/or the Trustee shall withhold taxes according to the requirements under the applicable laws, rules, and regulations, including withholding taxes at source. Furthermore, the Optionee shall agree to indemnify the Company and/or its Affiliates and/or the Trustee and hold them harmless against and from any and all liability for any such tax or interest or penalty thereon, including without limitation, liabilities relating to the necessity to withhold, or to have withheld, any such tax from any payment made to the Optionee.

19.2 The Company and/or, when applicable, the Trustee shall not be required to release any Share certificate to an Optionee until all required payments have been fully made.

20. NON-EXCLUSIVITY OF THE ISOP

The adoption of the ISOP by the Board shall not be construed as amending, modifying or rescinding any previously approved incentive arrangements or as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including, without limitation, the granting of Options otherwise than under the ISOP, and such arrangements may be either applicable generally or only in specific cases.

For the avoidance of doubt, prior grant of options to Optionees of the Company under their employment agreements, and not in the framework of any previous option plan, shall not be deemed an approved incentive arrangement for the purpose of this Section.

21. MULTIPLE AGREEMENTS

The terms of each Option may differ from other Options granted under the ISOP at the same time, or at any other time. The Board may also grant more than one Option to a given Optionee during the term of the ISOP, either in addition to, or in substitution for, one or more Options previously granted to that Optionee.

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Exhibit A

Visonic, Ltd.

THE 2003 U.S. STOCK OPTION PLAN AS AMENDED

1. NAME

This Plan, as amended from time to time, shall be known as the Visonic, Ltd. 2003 U.S. Stock Option Plan (“**the USSOP**”).

2. PURPOSE OF THE USSOP

The USSOP is intended to provide an incentive to retain, in the employ of Visonic Ltd. (“**the Company**”) and its Subsidiaries, persons of training, experience, and ability, to attract new employees, directors, consultants, advisors and service providers, whose services are considered valuable, to encourage the sense of proprietorship of such persons, and to stimulate the active interest of such persons in the development and financial success of the Company by providing them with opportunities to purchase ordinary shares in the Company, pursuant to the USSOP approved by the board of directors of the Company (“**the Board**”). Options granted under the USSOP may or may not contain such terms as will qualify such options as Incentive Stock Options (“**ISOs**”) within the meaning of Section 422 (b) of the United States Internal Revenue Code of 1986, as amended (“**the Code**”) or the corresponding provision of any subsequently enacted US federal tax statute, as amended from time to time. Options that do not contain terms to qualify them as ISOs shall be Non-Qualified Stock Options (“**NQSOs**”). All options granted hereunder, whether ISOs- or NQSOs, shall be hereinafter referred to as “**the Options**”.

The term “**Subsidiary**” shall mean for the purposes of the USSOP: any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the time of granting an option, each of the corporations other than the last corporation in the unbroken chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stocks in one of the other corporations in such chain.

3. ADMINISTRATION OF THE USSOP

The Board or a share option committee appointed and maintained by the Board for such purpose (the “**Committee**”) shall have the power to administer the USSOP. Notwithstanding the above, the Board shall automatically have a residual authority if no Committee shall be constituted or if such Committee shall cease to operate for any reason whatsoever.

The Committee shall consist of such number of members (not less than two (2) in number) as may be fixed by the Board. The Committee shall select one of its members as its chairman (the “**Chairman**”) and shall hold its meetings at such times and places as the Chairman shall determine. The Committee shall keep records of its meetings and shall make such rules and regulations for the conduct of its business as it shall deem advisable.

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Any member of such Committee shall be eligible to receive Options under the USSOP while serving on the Committee, unless otherwise specified herein.

No person shall be eligible to be a member of the Committee if that person's membership would prevent the USSOP from complying with exemptions from Section 16 set forth in Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), if applicable to the Company. At such time as any class of equity securities of the Company is registered pursuant to Section 12 of the Exchange Act, the Committee shall consist of at least two (2) individuals, each of whom is a Non-Employee Director as that term is defined in Rule 16b-3.

The Committee shall have full power and authority, subject to the approval of the Board to the extent required under applicable law: (i) to designate participants (the "**Optionees**"); (ii) to determine the terms and provisions of any respective Option Agreements (as defined in Section 5.3-2 below) (which need not be identical) including, but not limited to, the number of shares in the Company to be covered by each Option, provisions concerning the time or times when and the extent to which the Options may be exercised and the nature and duration of restrictions as to transferability or restrictions constituting a substantial risk of forfeiture; (iii) to accelerate the right of an Optionee to exercise, in whole or in part, any previously granted Option; (iv) to alter any restrictions and conditions of any Options or the Shares subject to any Options (v) to interpret the provisions and supervise the administration of the USSOP; (vi) to determine the Fair Market Value (as defined below) of the Shares (as defined in Section 5.1 below); (vii) to designate Options as ISOs or NQSOs and (viii) to determine any other matter which is necessary or desirable for, or incidental to administration of the USSOP.

~~The Committee shall not be entitled to grant Options to the Optionees, however, it will be authorized to issue shares underlying Options which have been granted by the Board and duly exercised pursuant to the provisions hereof all in accordance with section 112(a)(5) of the Israeli Companies Law (the "**Companies Law**").~~

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Subject to the approval of the holder of an outstanding Option, the Board shall have the authority to grant, in its discretion, to the holder of such outstanding Option, in exchange for the surrender and cancellation of such Option, a new Option having a purchase price equal to, lower than or higher than the Purchase Price provided in the Option so surrendered and canceled, and containing such other terms and conditions as the Board may prescribe in accordance with the provisions of the USSOP.

All decisions and selections made by the Board or the Committee pursuant to the provisions of the USSOP shall be made by a majority of its members except that no member of the Board or the Committee shall vote on, or be counted for quorum purposes, with respect to any proposed action of the Board or the Committee relating to any Option to be granted to that member. Any decision reduced to writing and signed by all of the members who are authorized to make such decision shall be fully effective as if it had been made at a meeting duly held all in accordance with the provisions of the Company's ~~incorporation documents~~ Articles of Association, as same may be in effect from time to time.

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The interpretation and construction by the Committee of any provision of the USSOP or of any Option Agreement thereunder shall be final and conclusive unless otherwise determined by the Board.

No member of the Board of Directors or of the Committee shall be liable for any action or determination made in good faith with respect to the ~~Plan~~USSOP or any Options granted thereunder. Subject to the provisions of applicable law, each member of the Board or the Committee shall be indemnified and held harmless by the Company against any cost or expense (including counsel fees) reasonably incurred by him, or any liability (including any sum paid in settlement of a claim with the approval of the Company) arising out of any act or omission to act in connection with the USSOP, unless arising out of such member's own fraud or bad faith, to the extent permitted by applicable law. Such indemnification shall be in addition to any rights of indemnification the member may have as a director or otherwise under the Company's Certificate of Incorporation, any agreement, any vote of shareholders or disinterested directors, insurance policy or otherwise.

“Fair Market Value” means, as of any date, the value of a Share determined as follows:

- (I) If the Shares are listed on any established stock exchange or a national market system, including without limitation the NASDAQ National Market system, or The NASDAQ SmallCap Market of the NASDAQ Stock Market, the Fair Market Value shall be the closing sales price for such Shares (or the closing bid, if no sales were reported), as quoted on such exchange or system for the last market trading day prior to time of determination, as reported in the Wall Street Journal, or such other source as the Committee deems reliable.
- (ii) If the Shares are regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value shall be the mean between the high bid and low asked prices for the Shares on the last market trading day prior to the day of determination, or;
- (iii) In the absence of an established market for the Shares, the Fair Market Value thereof shall be determined in good faith by the Committee.

4. DESIGNATION OF PARTICIPANTS

4.1 The persons eligible for participation in the USSOP as recipients of Options shall include any Employees (as defined below) and/or Service Providers of the Company or of any Subsidiary- provided however that ISOs may only be granted to Employees and NQSOs may be granted to Employees as well as Service Providers of the Company or any Subsidiary. The grant of an Option hereunder shall neither entitle the Optionee to participate nor disqualify him from participating in, any other grant of Options pursuant to the USSOP or any other option or stock plan of the Company or any of its affiliates.

“Employee” means, a person who is employed by the Company or its Subsidiary.

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“**Service Provider**” means a director, consultant or adviser to the Company or its Subsidiary.

- 4.2 Anything in the USSOP to the contrary notwithstanding, all grants of Options to directors and officers shall be authorized and implemented in accordance with the provisions of applicable law, as in effect from time to time.

5. SHARES RESERVED FOR THE USSOP; RESTRICTION THEREON

- 5.1 The Company has reserved two million and three hundred thousand (2,300,000) authorized but unissued ordinary shares nominal value of NIS 0.01 per share, of the Company (**the “Shares”**), for the purposes of the PlanUSSOP and any other Visonic Ltd. Stock Option Plans (**the “Other Plans”**), subject to adjustment as set forth in paragraph 7 below. Any Shares reserved for the purpose of the PlanUSSOP which are not subject to outstanding Options at the termination of the PlanUSSOP shall cease to be reserved for the purpose of the PlanUSSOP, but until termination of the USSOP, the Company shall at all times reserve sufficient number of Shares to meet the requirements of the USSOP. Should any Option for any reason expire or be canceled prior to its exercise or relinquishment in full, the Shares theretofore subject to such Option may again be subject to an Option under the USSOP or under the Other Plans.

~~5.2 Until the consummation of an IPO Shares received upon the exercise of Options shall be voted by an irrevocable proxy (attached as Exhibit C to the Option Agreement) (the “Proxy”), such Proxy to be assigned to representatives designated by Board (the “Representatives”). Such Representatives shall be indemnified and held harmless by the Company against any cost or expense (including counsel fees) reasonably incurred by him/her, or any liability (including any sum paid in settlement of a claim with the approval of the Company) arising out of any act or omission to act in connection with the voting of the Proxy unless arising out of such Representative’s own fraud or bad faith, to the extent permitted by applicable law. Such indemnification shall be in addition to any rights of indemnification the Representative(s) may have as a director or otherwise under the Company’s incorporation documents, any agreement, any vote of shareholders or disinterested directors, insurance policy or otherwise.~~

~~The Shares shall be voted by the Representative on any issue or resolution brought before the shareholders of the Company in the same proportion as the votes of the other shareholders of the Company.~~

- 5.32 Each Option granted pursuant to the USSOP, shall be evidenced by a written agreement between the Company and the Optionee (the: “**Option Agreement**”), in such form as the Committee shall from time to time approve. Each Option Agreement shall state, inter- alia, the number of Shares to which the Option relates, the Purchase Price, the term of the Option, the rights to exercise the Option and the type of Option granted thereunder (whether ISO or NQSO).

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5.43 Notwithstanding anything mentioned above, the exercise of any Options granted to the Optionee by the Company under the Plan-USSOP is subject to the registration of the Shares purchasable upon the exercise of any Options on any established stock exchange or a national market system.

5.54 To the extent the aggregate Fair Market Value (determined at the time of grant) of the Company's stock with respect to which ISO are exercisable for the first time by any Optionee during any calendar year under all plans of the Company and its affiliates exceeds \$US100,000 (one hundred thousand US\$), the Options or portions thereof which exceed such limit (according to the order in which they were granted) shall be treated as NQSO.

6. PURCHASE PRICE

6.1 The purchase price of each Share subject to an Option or any portion thereof shall be determined by the Committee in its sole and absolute discretion in accordance with applicable law, provided, however, that in no event may the purchase price be less than the par value of the Shares (the "**Purchase Price**"). Each Option Agreement will contain the Purchase Price determined for the respective Optionee.

~~6.2 The Purchase Price shall be payable upon the exercise of the Option in a form satisfactory to the Committee, including without limitation, by cash or check. The Committee shall have the authority to postpone the date of payment on such terms as it may determine.~~

6.2 The Purchase Price shall be payable upon the exercise of an Option in the following acceptable forms of payment:

(i) cash, check or wire transfer.

(ii) at the discretion of the Committee, through delivery of Shares (including other Shares subject to the Options being exercised) having a Fair Market Value equal as of the date of exercise to the Purchase Price of the Shares purchased and acquired upon the exercise of the Option, or by a different form of cashless exercise method through a third party broker as approved by the Committee.

(iii) at the discretion of the Committee, any combination of the methods of payment permitted by any paragraph of this Section 6.2.

6.3 The Purchase Price shall be denominated in the currency of the primary economic environment of, at the Company's discretion, either the Company or the Optionee (that is the functional currency of the Company or the currency in which the Optionee is paid).

6.34 Notwithstanding the foregoing, the Purchase Price shall be determined subject to the following:

(i) In the case of an ISO

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- (A) granted to a Ten Percent Shareholder, the Purchase Price shall be no less than one hundred and ten percent (110%) of the Fair Market Value per Share on the date of grant.
- (B) granted to any other employee, the Purchase Price shall be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

“Ten Percent Shareholder” - a person who owns (or is deemed to own pursuant to Section 424(d) of the Code) shares possessing more than ten percent (10%) of the total combined voting power of all classes of shares of the Company or of any of its affiliates.

7. ADJUSTMENTS

Upon the occurrence of any of the following events, Optionee's rights to purchase Shares under the USSOP shall be adjusted as hereafter provided;

- 7.1 In the event of a merger, acquisition or reorganization or consolidation of the Company with or into another corporation, ~~or the sale of all or substantially all of the assets or shares of the Company in which the Company is not the surviving entity (the “Successor Company”), or the sale of all or substantially all of the assets or shares of the Company to another entity~~ (the **“Transaction”**) while unexercised Options remain outstanding under the USSOP (the **“Unexercised Options”**), each Unexercised Option may be continued, assumed or there may be substituted for the Shares subject to the Unexercised Options an appropriate number of shares of each class of shares or other securities of the successor company (or a parent or subsidiary of the successor company) which were distributed to the shareholders of the Company in respect of such Transaction, and appropriate adjustments shall be made in the Purchase Price per share to reflect such action, and all other terms and conditions of the Option Agreements, such as the vesting dates, shall remain in force, all as will be determined by the Committee, whose determination shall be final.
- 7.2 Notwithstanding the above and subject to any applicable law, unless the Board or the Committee determines otherwise with respect to an option agreement, in the event a Transaction described in section 7.1 above occurs and the ~~s~~Successor ~~e~~Company (or parent or subsidiary of the successor company) does not agree to continue, assume or substitute for the Options, the vesting periods of each outstanding Option shall be accelerated so that any unvested Option or any portion thereof shall be immediately vested in full as of the date which is ten (10) days prior to the effective date of such Transaction, and as of the date of the Transaction any vested options that are not exercised and all unvested options shall terminate.
- 7.3 For the purposes of section 7.1 above, the Option shall be considered assumed or substituted if, following the Transaction, the Option confers the right to purchase or receive, for each Share subject to Option immediately prior to the Transaction, the consideration (whether shares, options, cash, or other securities or property) received in the Transaction by holders of Shares for each

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Share held on the effective date of the Transaction (and if such holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the Transaction is not solely ordinary shares (or its equivalent) of the successor company or its parent or subsidiary, the Committee may, with the consent of the successor company, provide that the consideration to be received upon the exercise of the Option shall only be ordinary shares (or its equivalent) of the successor company or its parent or subsidiary equal in Fair Market Value to the per Share consideration received by holders of a majority of the outstanding Shares in the Transaction; and provided further that the Committee may determine, in its discretion, that in lieu of such assumption or substitution of Options for options of the successor company or its parent or subsidiary, such Options will be substituted for any other type of asset or property including cash that is fair under the circumstances.

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7.4 If the Company is voluntarily liquidated or dissolved while unexercised Options remain outstanding under the USSOP, then the Company, in its own discretion, may determine that all such outstanding Options may be exercised in full by the Optionees as of the effective date of any such liquidation or dissolution of the Company without regard to the vesting provisions of Paragraph 9 of the USSOP. If the Company determines that the outstanding Options may be exercised, the Option holders shall then have ten (10) days to exercise all such outstanding Options in full by giving notice in writing to the Company of their intention to so exercise. Upon the expiration of such ten-day period, all remaining outstanding Options will terminate immediately.

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7.5 If the outstanding shares of the Company shall at any time be changed or exchanged by declaration of a stock dividend (bonus shares), stock split, combination or exchange of shares, recapitalization, or any other like event by or of the Company, and as often as the same shall occur, then the number, class and kind of Shares subject to the USSOP or subject to any Options theretofore granted, and the Purchase Prices, shall be appropriately and equitably adjusted so as to maintain the proportionate number of Shares without changing the aggregate Purchase Price, provided, however, that no adjustment shall be made by reason of the distribution of subscription rights (rights offering) on outstanding stock. Upon occurrence of any of the foregoing, the class and aggregate number of Shares issuable pursuant to the USSOP (as set forth in paragraph 5 hereof), in respect of which Options have not yet been exercised, shall be appropriately adjusted, as determined by the Board, whose determination shall be final.

~~7.6 Anything herein to the contrary notwithstanding, if prior to the completion of the IPO all or substantially all of the shares of the Company are to be sold, or in case of a Transaction, all or substantially all of the shares of the Company are to be exchanged for securities of another Company, then each Optionee shall be obliged to sell or exchange, as the case may be, any Shares such Optionee purchased under the Plan, in accordance with the instructions issued by the Board in connection with the Transaction, whose determination shall be~~

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~~final.~~

~~7.7 The Optionee acknowledges that Optionee's rights to sell the Shares may be subject to certain limitations (including a lock up period), as will be requested by the Company, and the Optionee unconditionally agrees and accepts any such limitations.~~

8. TERM AND EXERCISE OF OPTIONS

8.1 Options shall be exercised by the Optionee by giving written notice of exercise and remitting payment of the Purchase Price for the exercise options by the optionee to the Company or to any third party designated by the Company (the "Representative"), in such form and method as may be determined by the Committee from time to time, which exercise shall be effective upon receipt of such notice by the Company or the Representative at its principal office and the payment of the Purchase Price at the Company's or the Representative's principal office. The notice shall specify the number of Shares with respect to which the Option is being exercised.

8.2 Each Option shall be exercisable following the vesting dates, subject to the provisions of the USSOP and for the number of Shares as shall be provided in the Option Agreement. However no Option shall be exercisable after the earlier of: (i) ~~the expiration of ten (10) years from the~~ Date of Grant (as defined below); (ii) in the event of the grant of ISOs to Ten Percent Shareholders, the expiration of ~~five(5) years from the date of grant~~; (iii) the Expiration Date (as defined in the Option Agreement); or (iv) the expiration of any extended period in any of the events set forth in section 8.6 below.

The term "Date of Grant" shall mean the date of grant of an Option that shall be determined by the Board pursuant to the recommendation of the Committee as set forth in the Option Agreement.

8.3 An Option shall not be transferable by an Optionee other than by will or laws of descent and distribution, and during an Optionee's lifetime shall be exercisable only by that Optionee. Notwithstanding the foregoing, the Optionee, by delivering a written notice to the Company, in a form satisfactory to the Company, may designate a third party who, in the event of the death of the Optionee, shall thereafter be entitled to exercise the Option.

8.4 The Options may be exercised by the Optionee in whole at any time or in part from time to time, to the extent that the Options become vested and exercisable, prior to the Expiration Date, and provided that, subject to the provisions of Section 8.6 below and unless the Committee resolves otherwise, the Optionee is an Employee or a Service provider of the Company or any of its Subsidiaries, at all times during the period beginning with the granting of the Option and ending upon the date of exercise.

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- 8.5 Subject to the provisions of Section 8.6 below, in the event of termination of Optionee's employment or service with the Company or any of its Subsidiaries, all Options granted to the Optionee will immediately expire. A notice of termination of employment or service shall be deemed to constitute termination of employment or of service unless such notice specifies a later day on which employment is to terminate. In such a case, the unvested portion of the Optionee's Option shall be null and void.

For purposes of the USSOP and unless determined otherwise by the Committee, Employees and Service Providers of a Subsidiary shall be deemed to have terminated their employment on the date on which such Subsidiary ceases to be a Subsidiary of the Company. The Committee may decide to what extent leaves of absence for governmental or military service, illness, temporary disability, or other reasons shall not be deemed interruptions of continuous service.

- 8.6 Notwithstanding anything to the contrary hereinabove, an Option may be exercised after the date of termination of Optionee's employment or service with the Company or any Subsidiary during an additional period of time beyond the date of such termination as determined by the Committee, but only with respect to the number of Options already vested at the time of such termination according to the vesting dates ~~It is better to use the same term to the whole length of the plan~~ of the Options set forth in the Optionee's Option Agreement, if: (i) termination is without "Cause" ("Cause" as defined below), in which event any Options still in force and unexpired may be exercised for a period of up to three(3) months from the date of such termination; or (ii) termination is the result of death or disability of the Optionee, in which event any Options still in force and unexpired may be exercised for a period of up to twelve(12) months from the date of termination; or (iii) prior to the date of such termination, the Committee shall authorize an extension of the terms of all or part of the Options beyond the date of such termination for a period not to exceed the period during which the Options by their terms would otherwise have been exercisable if Optionee had remained in the employment or service of the Company.

The term "**Cause**" shall mean (i) conviction of any felony involving moral turpitude or affecting the Company or its affiliates; (ii) any refusal to carry out a reasonable directive of the person in charge of the employee which involves the business of the Company or its affiliates and was capable of being lawfully performed; (iii) embezzlement of funds of the Company or of its affiliates; (iv) any breach of the Optionee's fiduciary duties or duties of care of the Company; including without limitation disclosure of confidential information of the Company; and (v) any conduct (other than conduct in good faith) reasonably determined by the Board of Directors to be materially detrimental to the Company or its affiliates.

For avoidance of doubt, if termination of employment or service is for Cause, any outstanding unexercised Option, will immediately expire and terminate, and the Optionee shall not have any right in connection to such outstanding Options.

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- 8.7 Notwithstanding anything to the contrary herein above, in the event of termination of Optionee's employment with the Company or any Subsidiary, when the employee continues to provide services to the Company or any Subsidiary (or vice versa), the employee will be allowed to keep the Options pursuant to his original terms.
- 8.8 To avoid doubt, the holders of Options shall not have any of the rights or privileges of shareholders of the Company in respect of any Shares purchasable upon the exercise of any Options, nor shall they be deemed to be a class of shareholders or creditors of the Company until the Optionee has exercised his Option and the Shares have been issued in the name of the Optionee and the Optionee has been registered as holder of such Shares in the Company's register of shareholders, all in accordance with the provisions of the USSOP.
- 8.9 Any form of Option Agreement authorized by the Committee and consistent with the provisions of the USSOP may contain such other provisions as the Committee may, from time to time, deem advisable.

9. VESTING OF OPTIONS

The total number of Shares subject to an Option may, but need not, vest and therefore become exercisable in periodic installments that may, but need not, be equal. The Option may be subject to such other terms and conditions on the time or times when it may be exercised. For the avoidance of doubt, no option shall be exercisable after the expiration of ten 10 years from the date of grant.

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10. PURCHASE FOR INVESTMENT

The Company's obligation to issue or allocate Shares upon exercise of an Option granted under the USSOP is expressly conditioned upon (a) the Company's completion of any registration or other qualifications of such Shares under all applicable law, rulings or regulations or (b) representations and undertakings by the Optionee (or his legal representative, heir or legatee, in the event of the Optionee's death) to assure that the sale of the Shares complies with any registration exemption requirements which the Company in its sole discretion shall deem necessary or advisable. Such required representations and undertakings may include representations and agreements that such Optionee (or his legal representative, heir, or legatee): (a) is purchasing such Shares for investment and not with any present intention of selling or otherwise disposing thereof; and (b) agrees to have placed upon the face and reverse of any certificates evidencing such Shares a legend setting forth (i) any representations and undertakings which such Optionee has given to the Company or a reference thereto and (ii) that, prior to effecting any sale or other disposition of any such Shares, the Optionee must furnish to the Company an opinion of counsel, satisfactory to the Company, that such sale or disposition will not violate the applicable requirements of state and federal laws and regulatory agencies.

11. SHARES SUBJECT TO RIGHT OF FIRST REFUSAL

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~~11.1 Notwithstanding anything to the contrary in the Certificate of Incorporation of the Company and to the extent permitted by applicable law, none of the Optionees shall have a right of first refusal in relation with any sale of shares in the Company.~~

~~11.2 Unless otherwise determined by the Board, until such time as the Company shall complete an IPO, an Optionee shall not have the right to sell Shares issued upon the exercise of an Option within six (6) months of the date of exercise of such Option or issuance of such Shares.~~

~~— Sale of Shares by the Optionees shall be subject to the right of first refusal of other shareholders as set forth in the incorporation documents of the Company. In the event that the incorporation documents of the Company do not contain any provision regarding rights of first refusal, then, unless otherwise determined by the Board, until such time as the Company shall complete an IPO, the sale of Shares issuable upon the exercise of an Option shall be subject to a right of first refusal on the part of the Repurchaser(s). Repurchaser(s) means (i) the Company, if permitted by applicable laws, (ii) if the Company is not permitted by applicable laws, then any affiliate or Subsidiary of the Company designated by the Board; or (iii) if no decision is reached by the Board, then the Company's existing shareholders (save, for avoidance of doubt, for other Optionees who already exercised their Options), pro rata in accordance with their proportionate shareholdings.~~

~~— The Optionee shall give a notice of sale (the "Notice") to the Company in order to offer the Shares to the Repurchaser(s). The Notice shall specify the name of each proposed purchaser or other Transferee (the "Proposed Transferee"), the number of Shares offered for sale, the price per Share and the payment terms. The Repurchaser(s) will be entitled for thirty (30) days from the day of receipt of the Notice (the "Notice Period"), to purchase all or part of the offered Shares. If by the end of the Notice Period not all of the offered Shares have been purchased by the Repurchaser(s), the Optionee will be entitled to sell such Shares at any time during the ninety (90) days following the end of the Notice Period on terms not more favorable than those set out in the Notice, provided that the Proposed Transferee agrees in writing that the provisions of this section shall continue to apply to the Shares in the hands of such Proposed Transferee.~~

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1312. DIVIDENDS

With respect to all Shares (but excluding, for avoidance of any doubt, any unexercised Options) allocated or issued upon the exercise of Options purchased by the Optionee, and subject to the Company's ~~incorporation documents~~ Articles of Association, the Optionee shall be entitled to receive dividends and other distributions in accordance with the quantity of such Shares, and subject to any applicable taxation on distribution of dividends.

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1413. RESTRICTION ON ASSIGNABILITY AND SALE OF OPTIONS

Unless otherwise determined by the Committee and subject to any applicable law, No Option or any right with respect thereto, purchasable hereunder, whether fully paid or not, shall be assignable, transferable or given as collateral or any right with respect to it shall be given to any third party whatsoever, other than by will or by the laws of descent and distribution, except as specifically allowed under this USSOP, and during the lifetime of the Optionee each and all of such Optionee's rights to purchase Shares hereunder shall be exercisable only by the Optionee.

Any such action made directly or indirectly, for an immediate validation or for a future one, shall be void.

1514. EFFECTIVE DATE OF USSOP AND TERM OF THE USSOP

14.1 Subject to Section 14.2, this USSOP shall be effective as of November 24, 2003 (the "**Effective Date**") and shall terminate upon the expiration of ten (10) years from the Effective Date on November 24, 2013 (the "**Termination Date**"). No ISO may be granted under the USSOP after the Termination Date.

14.2 The USSOP shall be approved by the shareholders of the Company, which approval shall be received within twelve (12) months following the Effective Date. All and any grants of ISOs to Optionees under this USSOP as of the Effective Date shall be subject to the said shareholders approval.

15. AMENDMENTS OR TERMINATION

15.1 The Board may at any time, subject to the provisions of Section ~~15.2~~ below and all applicable law, amend, alter, suspend or terminate the USSOP, provided, however, that (i) the Board may not extend the term of the ~~Plan~~ USSOP specified in Section 15.1 and (ii) no amendment, alteration, suspension or termination of the ~~Plan-USSOP~~ shall impair the rights of any Optionee, unless mutually agreed otherwise by the Optionee and the Company, which agreement must be in writing and signed by the Optionee and the Company. Earlier termination of the USSOP prior to the Termination Date shall not affect the Board's ability to exercise the powers granted to it hereunder with respect to Options granted under the USSOP prior to the date of such earlier termination.

15.2 The Company shall obtain the approval of the Company's shareholders for any amendment to this USSOP if shareholders' approval is required under any applicable law including without limitation Section 422 of the Code, the U.S. securities law or the securities laws of other jurisdiction applicable to Options granted to Optionees under this USSOP, or if shareholders' approval is required by any authority or by any governmental agencies or national securities exchanges including without limitation the U.S. Securities and Exchange Commission.

15.3 Without derogating from the above, no amendment of this USSOP shall be effective unless approved by the Stockholders of the Company within twelve (12) months before or after the adoption of the amendment by the Board if

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such approval is required, including but not limited to, any amendment that will:

- (i) increase the number of Stock reserved under the USSOP, except as provided in Section 8 of the USSOP; or
- (ii) modify the requirements as to eligibility for participation in the USSOP to the extent that such modification requires Stockholders approval in order for the USSOP to comply with Section 422 of the Code; or
- (iii) modify the USSOP in any other way if such modification requires Stockholders approval in order for the USSOP to satisfy the requirements of Section 422 of the Code.

~~15.3 No amendment, alteration, suspension or termination of the USSOP shall impair the rights of any Optionee with respect to an outstanding Option, unless mutually agreed otherwise between the Optionee and the Committee, which agreement must be in writing and signed by the Optionee and the Company. Termination of the USSOP shall not affect the Committee's ability to exercise the powers granted to it hereunder with respect to Options granted under the USSOP prior to the date of such termination.~~

15.4 No Options may be granted under the USSOP while the USSOP is suspended or after it is terminated.

16. GOVERNMENT REGULATIONS

The USSOP, and the granting and exercise of Options hereunder, and the obligation of the Company to sell and deliver Shares under such Options, shall be subject to all applicable laws, rules, and regulations, of the United States or any other State having jurisdiction over the Company and the Optionee, including the registration of the Shares under the United States Securities Act of 1933, and to such approvals by any governmental agencies or national securities exchanges as may be required. Nothing herein shall be deemed to require the Company to register the Shares under the securities laws of any jurisdiction.

17. CONTINUANCE OF EMPLOYMENT OR HIRED SERVICES

Neither the USSOP nor the Option Agreement with the Optionee shall impose any obligation on the Company or a Subsidiary thereof, to continue any Optionee in its employ, or the hiring by the Company of the Optionee's services and nothing in the USSOP or in any Option granted pursuant thereto shall confer upon any Optionee any right to continue in the employ or service of the Company or a Subsidiary thereof or restrict the right of the Company or a Subsidiary thereof to terminate such employment or service hiring at any time.

18. GOVERNING LAW & JURISDICTION

The USSOP shall be governed by and construed and enforced in accordance with the laws of the State of Israel.

19. TAX CONSEQUENCES

To the extent permitted by applicable law, any tax consequences attributable to the Optionee arising from the grant or exercise of any Option, from the payment for Shares covered thereby or from any other event or act (of the Company and/or its Subsidiaries, or the Optionee), hereunder, shall be borne solely by the Optionee. The Company and/or its Subsidiaries shall withhold taxes according to the requirements under the applicable laws, rules, and regulations, including withholding taxes at source. Furthermore, to the extent permitted by applicable law, the Optionee shall agree to indemnify the Company and/or its Subsidiaries and hold it harmless against and from any and all liability for any such tax or interest or penalty thereon, including without limitation, liabilities relating to the necessity to withhold, or to have withheld, any such tax from any payment made to the Optionee.

The Committee shall not be required to release any Share certificate to an Optionee until all required payments have been fully made.

20. CONVERSION OF ISOs INTO NQSOs; TERMINATION OF ISOs.

The Board, at the written request of any Optionee, may in its discretion take such actions as may be necessary to convert such Optionee's ISOs (or any portions thereof) that have not been exercised on the date of conversion into NQSOs at any time prior to the expiration of such ISOs, regardless of whether the Optionee is an Employee of the Company or a Parent or a Subsidiary at the time of such conversion. Such actions may include, but not be limited to, extending the exercise period or reducing the Purchase Price of the appropriate installments of such Options. At the time of such conversion, the Board (with the consent of the Optionee) may impose such conditions on the exercise of the resulting NQSOs as the Board in its discretion may determine, provided that such conditions shall not be inconsistent with the ~~Plan and/or this Appendix~~USSOP. Nothing in the ~~Plan and/or in this Appendix~~USSOP shall be deemed to give any Optionee the right to have such Optionee's ISOs converted into NQSOs, and no such conversion shall occur unless and until the Board takes appropriate action. The Board, with the consent of the Optionee, may also terminate any portion of any ISO that has not been exercised at the time of such conversion.

21. NOTICE TO COMPANY OF DISQUALIFYING DISPOSITION.

Each Employee who receives an ISO must agree to notify the Company in writing immediately after the Employee makes a Disqualifying Disposition of any Shares acquired upon the exercise of an ISO. A Disqualifying Disposition is any disposition (including any sale) of such Shares before the later of (a) two (2) years after the date the Employee was granted the ISO, or (b) one (1) year after the date the Employee acquired Shares by exercising the ISO. If the Employee has died before such Share is sold, these holding period requirements do not apply and no Disqualifying Disposition can occur thereafter.

22. NON-EXCLUSIVITY OF THE USSOP

The adoption of the USSOP by the Board shall not be construed as amending, modifying or rescinding any previously approved incentive arrangements or as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including, without limitation, the granting of stock options otherwise than under the USSOP, and such arrangements may be either applicable generally or only in specific cases.

For the avoidance of doubt, prior grant of options to Optionees of the Company under their employment agreements, and not in the framework of any previous option plan, shall not be deemed an approved incentive arrangement for the purpose of this section.

23. MULTIPLE AGREEMENTS

The terms of each Option may differ from other Options granted under the USSOP at the same time, or at any other time. The Committee may also grant more than one Option to a given Optionee during the term of the USSOP, either in addition to, or in substitution for, one or more Options previously granted to that Optionee.

24. CALIFORNIA PROVISIONS

Notwithstanding the foregoing Sections, any grant of Options made under the USSOP for residents of the State of California at the date of grant, shall be subject to the below additional terms and conditions.

- 24.1 For the purpose of grant of Options which are not ISO, the Fair Market Value shall be determined in a manner not inconsistent with Section 260.140.50 of the California Code of Regulations or any successor statute. The Purchase Price of any NQSO shall be not less than ~~85~~100% of the Fair Market Value on the date of grant. The Purchase Price of any NQSO granted to a Ten Percent Shareholder shall be not less than 110% of Fair Market Value on the date of grant.
- 24.2 Any Option granted under the USSOP to an Optionee who is not an officer, director, or consultant of the Company or its affiliates shall become exercisable at a rate of at least 20% (twenty percent) of the Shares subject to such grant per year for a period of five (5) years from the date of grant, provided, however, that such Option shall be subject to such reasonable forfeiture conditions as the Board may choose to impose and which are not inconsistent with Section 260.140.41 of the California Code of Regulations or any successor statute.
- 24.3 The Company shall deliver to the Optionee financial statements on an annual basis regarding the Company. The financial statements so provided shall comply with Section 260.140.46 of the California Code of Regulations or any successor statute.
- 24.4 ISOs granted under the USSOP shall not be transferable other than by will or by laws of descent and distribution.

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- 24.5 Unless an Optionee's employment is terminated for Cause, the Optionee shall have the right to exercise an Option, prior to the termination of the Option in accordance with Section 8.6 of the USSOP and only to the extent that the Optionee was entitled to exercise such Option on the date employment terminates, as follows: (i) at least six (6) months after the date of termination if the termination was caused by the Optionee's death or "permanent and total disability" (within the meaning of Section 22(e)(3) of the Code); and (ii) at least thirty (30) days after the date of termination if termination was caused by other than by death or "permanent and total disability" (within the meaning of Section 22(e)(3) of the Code) of the Optionee.
- 24.6 At no time shall the total number of Shares issuable upon exercise of all outstanding Options and the total number of shares provided for under all stock bonus or similar plans of the Company exceed the applicable percentage as calculated in accordance with the conditions and exclusions of Section 260.140.45 of the California Code of Regulations or any successor statute.
- 24.7 If the Share is listed on an established national or regional stock exchange or is admitted to quotation on the National Association of Securities Dealers Automated Quotation System, or is publicly traded in an established securities market, the restrictions of this Section ~~25-24~~ above shall terminate as of the first date that the Share is so listed, quoted or publicly traded.
- ~~24.8 Notwithstanding any other provision of the USSOP, California residents Optionees shall not be obliged to sign irrevocable proxy with respect to the voting rights related to Shares allocated or issued upon the exercise of Options.~~