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

FORM S-8

**REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

NICE SYSTEMS LTD.

(Exact Name of Registrant as Specified in Its Charter)

ISRAEL
(State or Other Jurisdiction of Incorporation)

N/A
(I.R.S. Employer Identification Number)

**8 Hapnina Street
P.O. Box 690
43107 Ra'anana
Israel**
(Address of Principal Executive Offices) (Zip Code)

Fizzback Group (Holdings) Limited Employee Share Option Scheme
(Full Title of the Plan)

**NICE Systems Inc.
301 Route 17 North
10th Floor
Rutherford, New Jersey 07070**
(Name and Address of Agent For Service)

(201) 964-2600
(Telephone Number, Including Area Code, of Agent for Service)

Copies to:

**Adam M. Klein, Adv.
Goldfarb Seligman & Co.
98 Yigal Alon Street
Tel Aviv 67891 Israel
+972-3-608-9999**

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

CALCULATION OF REGISTRATION FEE

Title of Securities To Be Registered	Amount To Be Registered (2)	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Ordinary Shares, par value NIS 1.00 per share (1)	1,105(3)	\$ 6.92(4)	\$ 7,647	\$ 0.88
Ordinary Shares, par value NIS 1.00 per share (1)	52,287(3)	\$ 0.69(5)	\$ 36,078	\$ 4.13
Ordinary Shares, par value NIS 1.00 per share (1)	112,303(3)	\$ 0.28(6)	\$ 31,445	\$ 3.60
TOTAL:	165,695		\$ 75,170	\$ 8.61

- (1) American Depositary Shares (“ADSs”), evidenced by American Depositary Receipts (“ADRs”), issuable upon deposit of Ordinary Shares, par value NIS 1.00 per share, of NICE Systems Ltd. are registered on a separate registration statement. Each ADS represents one Ordinary Share.
- (2) Pursuant to Rule 416(a) under the Securities Act of 1933, as amended (the “Securities Act”), this Registration Statement also covers such indeterminate number of Ordinary Shares as may be offered or issued to prevent dilution resulting from stock splits, stock dividends, or similar transactions pursuant to the terms of the Fizzback Group (Holdings) Limited Employee Share Option Scheme.
- (3) Represents Ordinary Shares subject to issuance upon the exercise of stock options outstanding and restricted share units issued in lieu of awards issued under the Fizzback Group (Holdings) Limited Employee Share Option Scheme and that will be issued by the Registrant pursuant to a Share Purchase Agreement dated as of September 18, 2011.
- (4) Computed in accordance with Rule 457(h) promulgated under the Securities Act. Such computation is based on the exercise price of \$6.92 per share.
- (5) Computed in accordance with Rule 457(h) promulgated under the Securities Act. Such computation is based on the exercise price of \$0.69 per share.
- (6) Computed in accordance with Rule 457(h) promulgated under the Securities Act. Such computation is based on the exercise price of NIS 1.00 per share, which according to the representative rate of exchange published by the Bank of Israel on October 25, 2011, is approximately \$0.28 per share.

EXPLANATORY NOTE

This Registration Statement on Form S-8 is filed by NICE Systems Ltd. (the "Registrant") and relates to 165,695 ordinary shares, par value NIS 1.00 per share (the "Ordinary Shares"), issued or issuable to participants in the Fizzback Group (Holdings) Limited Employee Share Option Scheme (the "Scheme"). Pursuant to a Share Purchase Agreement dated as of September 18, 2011, by and among the Registrant and shareholders of Fizzback Group (Holdings) Ltd. (the "Agreement"), the options and restricted share units originally granted under the Scheme to officers and employees of Fizzback Group (Holdings) Ltd. and its subsidiaries will be replaced by the Registrant with options to purchase Ordinary Shares of the Registrant or restricted share units of the Registrant, respectively, following the closing of the Agreement.

PART II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

ITEM 3. INCORPORATION OF DOCUMENTS BY REFERENCE.

The Securities and Exchange Commission (the "Commission") allows us to "incorporate by reference" information into this prospectus. This means that we can disclose important information to you by referring you to another document filed by us with the Commission. Any information referenced this way is considered part of this prospectus, and any information that we file after the date of this prospectus with the Commission will automatically update and supersede this information. We incorporate by reference into this prospectus the following documents:

- (i) The Registrant's Report on Form 20-F for the fiscal year ended December 31, 2010, filed with the Commission on March 31, 2011;
- (ii) The GAAP financial information contained in Exhibit 99.1 of the Registrant's Current Report on Form 6-K submitted to the Commission on May 4, 2011;
- (iii) The GAAP financial information contained in Exhibit 99.1 of the Registrant's Current Report on Form 6-K submitted to the Commission on July 27, 2011;
- (iv) Exhibit 99.1 of the Registrant's Report on Form 6-K submitted to the Commission on August 3, 2011;
- (v) The fourth bullet and first paragraph of the press release attached as Exhibit 99.1 of the Registrant's Current Report on Form 6-K submitted to the Commission on September 19, 2011;
- (vi) The Registrant's Report on Form 6-K submitted to the Commission on September 19, 2011;
- (vii) The descriptions of our ADSs, ADRs and our Ordinary Shares contained in the Company's Registration Statement on Form F-3 filed with the Commission on September 18, 2007 and including any subsequent amendment or report filed for the purpose of updating such description.

In addition, any future filings made by us with the Commission pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), after the date of this prospectus and prior to the filing of a post-effective amendment which indicates that all securities offered have been sold or which deregisters all securities then remaining unsold, and any future reports on Form 6-K submitted by us to the Commission during such period (or portions thereof) that are identified in such forms as being incorporated into this Registration Statement, shall be considered to be incorporated in this Registration Statement by reference, shall be considered a part of this Registration Statement from the date of filing or submission of such documents and shall update and supersede the information in this Registration Statement.

ITEM 4. DESCRIPTION OF SECURITIES

Not applicable.

ITEM 5. INTERESTS OF NAMED EXPERTS AND COUNSEL

Not Applicable.

ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Exemption of Office Holders

Under the Companies Law, an Israeli company may not exempt an office holder from liability for breach of his duty of loyalty, but may exempt in advance an office holder from liability to the company, in whole or in part, for a breach of his duty of care (except in connection with distributions), provided the articles of association of the company allow it to do so. Our articles of association do not allow us to do so.

Office Holder Insurance

Our articles of association provide that, subject to the provisions of the Companies Law, including the receipt of all approvals as required therein or under any applicable law, we may enter into an agreement to insure an office holder for any responsibility or liability that may be imposed on such office holder in connection with an act performed by such office holder in such office holder's capacity as an office holder of us with respect to each of the following:

- a violation of his duty of care to us or to another person,
- a breach of his duty of loyalty to us, provided that the office holder acted in good faith and had reasonable grounds to assume that his act would not prejudice our interests,
- a financial obligation imposed upon him for the benefit of another person,
- a payment which the office holder is obligated to make to an injured party as set forth in Section 52(54)(a)(1)(a) of the Israeli Securities Law, 5728-1968, as amended (the "Securities Law") and Litigation Expenses that the office holder incurred in connection with a proceeding under Chapters H'3, H'4 or I'1 of the Securities Law, and
- any other event, occurrence or circumstance in respect of which we may lawfully insure an office holder.

Indemnification of Office Holders

Our articles of association provide that, subject to the provisions of the Companies Law, including the receipt of all approvals as required therein or under any applicable law we may indemnify an office holder with respect to any liability or expense for which indemnification may be provided under the Companies Law, including the following liabilities and expenses, provided that such liabilities or expenses were imposed upon or incurred by such office holder in such office holder's capacity as an office holder of us:

- a monetary liability imposed on or incurred by an office holder pursuant to a judgment in favor of another person, including a judgment imposed on such office holder in a settlement or in an arbitration decision that was approved by a court of law;
- reasonable Litigation Expenses, expended by the office holder as a result of an investigation or proceeding instituted against him by a competent authority, provided that such investigation or proceeding concluded without the filing of an indictment against him and either (A) concluded without the imposition of any financial liability in lieu of criminal proceedings or (B) concluded with the imposition of a financial liability in lieu of criminal proceedings but relates to a criminal offense that does not require proof of criminal intent (mens rea) or in connection with a financial sanction;

"conclusion of a proceeding without filing an indictment" in a matter in which a criminal investigation has been instigated and "financial liability in lieu of a criminal proceeding," shall have the meaning as ascribed under the Companies Law. The term "Litigation Expenses" shall include, without limitation, attorneys' fees and all other costs, expenses and obligations paid or incurred by an office holder in connection with investigating, defending, being a witness or participating in (including on appeal), or preparing to defend, be a witness or participate in any claim or proceeding relating to any matter for which indemnification may be provided;

- reasonable Litigation Expenses, which the Office Holder incurred or with which the Office Holder was charged by a court of law, in a proceeding brought against the Office Holder, by the Company, on its behalf or by another person, or in a criminal prosecution in which the Office Holder was acquitted, or in a criminal prosecution in which the Office Holder was convicted of an offense that does not require proof of criminal intent (mens rea);
- a payment which the office holder is obligated to make to an injured party as set forth in Section 52(54)(a)(1)(a) of the Securities Law, and Litigation Expenses that the office holder incurred in connection with a proceeding under Chapters H'3, H'4 or I'1 of the Securities Law; and
- any other event, occurrence or circumstance in respect of which we may lawfully indemnify an office holder.

The foregoing indemnification may be procured by us (a) retroactively and (b) as a commitment in advance to indemnify an office holder, provided that, in respect of bullet #1 above, such commitment shall be limited to (A) such events that in the opinion of the Board of Directors are foreseeable in light of our actual operations at the time the undertaking to indemnify is provided, and (B) to the amounts or criterion that the Board of Directors deems reasonable under the circumstances, and further provided that such events and amounts or criterion are set forth in the undertaking to indemnify, and which shall in no event exceed, in the aggregate, the greater of: (i) twenty five percent (25%) of our shareholder's equity at the time of the indemnification, or (ii) twenty five percent (25%) of our shareholder's equity at the end of fiscal year of 2010.

We have undertaken to indemnify our directors and officers pursuant to applicable law. We have obtained directors' and officers' liability insurance for the benefit of our directors and officers.

Limitations on Exemption, Insurance and Indemnification

The Companies Law provides that a company may not exempt or indemnify an office holder, or enter into an insurance contract, which would provide coverage for any monetary liability incurred as a result of any of the following:

- a breach by the office holder of his duty of loyalty unless, with respect to insurance coverage or indemnification, the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the company;
- a breach by the office holder of his duty of care if the breach was done intentionally or recklessly (other than if solely done in negligence);
- any act or omission done with the intent to derive an illegal personal benefit; or
- a fine, civil fine or ransom levied on an Office Holder, or a financial sanction imposed upon an Office Holder under Israeli Law.

Required Approvals

In addition, under the Companies Law, any exemption of, indemnification of, or procurement of insurance coverage for, our office holders must be approved by our audit committee and our board of directors and, if the beneficiary is a director, by our shareholders. We have obtained such approvals for the procurement of liability insurance covering our officers and directors and for the grant of indemnification letters to our officers and directors.

ITEM 7. EXEMPTION FROM REGISTRATION CLAIMED

Not Applicable.

ITEM 8. EXHIBITS

The following exhibits are filed with or incorporated by reference into this Registration Statement (numbering corresponds to Exhibit Table in Item 601 of Regulation S-K):

- 4.1 Amended and Restated Memorandum of Association of NICE Systems Ltd. (an English translation), as amended through December 21, 2006 (previously filed as Exhibit 1.1 to, and incorporated by reference from, NICE's Annual Report on Form 20-F filed with the Commission on June 13, 2007).
- 4.2 Amended and Restated Articles of Association of NICE Systems Ltd., as amended through September 19, 2011.
- 4.3 Form of Share Certificate (previously filed as Exhibit 4.1 to, and incorporated by reference from, NICE's Amendment No. 1 to Registration Statement on Form F-1 (Registration No. 333-99640) filed with the Commission on December 29, 1995).
- 4.4 Fizzback Group (Holdings) Limited Employee Share Option Scheme.
- 5 Opinion of Goldfarb Seligman & Co.
- 23.1 Consent of Kost, Forer, Gabbay & Kasierer, a member of Ernst & Young Global.
- 23.2 Consent of Goldfarb Seligman & Co.(included in Exhibit 5).
- 24 Power of Attorney (included in signature page of this Registration Statement).

ITEM 9. UNDERTAKINGS

(a) The undersigned Registrant hereby undertakes:

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

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

(ii) To reflect in the prospectus any facts or events arising after the effective date of this Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective Registration Statement; and

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

provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) of this section do not apply if the registration information is on Form S-8 and the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the Registrant pursuant to Section 13 or Section 15(d) of the Exchange Act that are incorporated by reference in the Registration Statement.

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

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

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

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

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8, and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Ra'anana, State of Israel, on the 26 day of October, 2011.

NICE SYSTEMS LTD.

By: /s/ Zeev Bregman	/s/ Dafna Gruber
Zeev Bregman	Dafna Gruber
President and CEO	Corporate VP and CFO

POWER OF ATTORNEY

Know all men by these present, that each individual whose signature appears below constitutes and appoints Zeev Bregman, Dafna Gruber, and each of them, his or her true and lawful attorneys-in-fact and agents with full power of substitution and resubstitution, for him or her and in his or her place and stead, in any and all capacities, to sign any all amendments (including post-effective amendments) to this Registration Statement and to file the same with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby rectifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following person in the capacities and on the dates identified:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Ron Gutle</u> Ron Gutler	Chairman of the Board of Directors	October 26, 2011
<u>/s/ Joseph Atsmon</u> Joseph Atsmon	Vice-Chairman of the Board of Directors	October 26, 2011
<u>/s/ Zeev Bregman</u> Zeev Bregman	President and Chief Executive Officer (Principal Executive Officer)	October 26, 2011
<u>/s/ Dafna Gruber</u> Dafna Gruber	Chief Financial Officer (Principal Financial Officer)	October 26, 2011
<u>/s/ Rimon Ben-Shaoul</u> Rimon Ben-Shaoul	Director	October 26, 2011
<u>/s/ Yoseph Dauber</u> Yoseph Dauber	Director	October 26, 2011

/s/ Dan Falk
Dan Falk

Director

October 26, 2011

/s/ Yocheved Dvir
Yocheved Dvir

Director

October 26, 2011

/s/ David Kostman
David Kostman

Director

October 26, 2011

Authorized Representative in the United States:

NICE SYSTEMS INC.

By: /s/ Jeff Levenberg
Name: Jeff Levenberg
Title: Corporate Secretary

October 26, 2011

INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION
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THE COMPANIES LAW, 5759-1999
A COMPANY LIMITED BY SHARES
AMENDED AND RESTATED
ARTICLES OF ASSOCIATION
OF
NICE-SYSTEMS LTD.

נייס-סיסטמס בע"מ

1. Definitions; Interpretation

(a) "Companies Law" - the Israeli Companies Law, 5759-1999 as the same shall be amended from time to time, or any other law which shall replace that Law, together with any amendments and regulations thereto.

(b) "Companies Ordinance" - those sections of the Israeli Companies Ordinance [New Version] 5743-1983 that shall remain in force after the date of the coming into force of the Companies Law, as the same shall be amended from time to time.

(c) Unless the subject or the context otherwise requires: words and expressions defined in the Companies Law and in the Companies Ordinance, as the case may be, shall have the same meanings herein; words and expressions importing the singular shall include the plural and vice versa; words and expressions importing the masculine gender shall include the feminine gender; and words and expressions importing persons shall include bodies corporate.

(d) The captions in these Articles are for convenience only and shall not be deemed a part hereof or affect the construction of any provision hereof.

2. Object and Purpose of the Company

The object and the purpose of the Company are as set forth in Section 2 of the Memorandum of Association of the Company.

3. Limitation of Liability

The liability of the shareholders of the Company is limited as set forth in Section 3 of the Memorandum of Association of the Company.

SHARE CAPITAL

4. Share Capital

The share capital of the Company is one hundred and twenty five million New Israeli Shekels (NIS 125,000,000) divided into one hundred and twenty five million (125,000,000) Ordinary Shares of nominal value of NIS 1.00 each ("Ordinary Shares").

5. Increase of Share Capital

(a) The Company may, from time to time, by resolution of the shareholders, whether or not all the shares then authorized have been issued, resolve to increase its share capital by the creation of new shares. Any such increase shall be in such amount and shall be divided into shares of such nominal amounts, and such shares shall confer such rights and preferences, and shall be subject to such restrictions, as such resolution shall provide.

(b) Except to the extent otherwise provided in such resolution, such new shares shall be subject to all the provisions applicable to the shares of the original share capital.

6. The Rights of Ordinary Shares

The Ordinary Shares confer upon the holders thereof all rights accruing to a shareholder of the Company, as provided in these Articles, including, *inter alia*, the right to receive notices of (in the manner proscribed in Articles 20 and 50 of these Articles), and to attend, shareholder meetings of the shareholders; for each share held - the right to one vote at all shareholders' meetings for all purposes, and to share equally, on a per share basis, in such dividends as may be declared by the Board of Directors in accordance with the terms of these Articles and the Companies Law; and upon liquidation or dissolution, the right to participate in the distribution of any surplus assets of the Company legally available for distribution to shareholders after payment of all debts and other liabilities of the Company, in accordance with the terms of these Articles and the law. All Ordinary Shares rank *pari passu* in all respects with each other.

7. Special Rights; Modifications of Rights

(a) Subject to the provisions of any law, the Company may, from time to time, by resolution of the shareholders, provide for shares with such preferred or deferred rights or rights of redemption or other special rights and/or such restrictions, whether in regard to dividends, voting, repayment of share capital or otherwise, as may be stipulated in such resolution.

(b) (i) If at any time the share capital is divided into different classes of shares, the rights attached to any class, unless otherwise provided by these Articles, may be modified or abrogated by the Company, by a shareholder resolution, subject to the consent of the holders of a majority of the voting power of such class by written consent or at a separate General Meeting of the holders of the shares of such class.

(ii) The provisions of these Articles relating to General Meetings shall, mutatis mutandis, apply to any separate General Meeting of the holders of the shares of a particular class.

(iii) Unless otherwise provided by these Articles, the enlargement of an existing class of shares, or the issuance of additional shares thereof, shall not be deemed, for purposes of this Article 7(b), to modify or abrogate the rights attached to the previously issued shares of such class or of any other class.

8. Consolidation, Subdivision, Cancellation and Reduction of Share Capital

(a) The Company may (subject, however, to the provisions of Article 7(b) hereof and to applicable law), from time to time, by resolution of the Company's shareholders:

(i) consolidate and divide all or any of its issued or unissued share capital into shares of larger nominal value than its existing shares,

(ii) subdivide its shares (issued or unissued) or any of them, into shares of smaller nominal value than is fixed by these Articles (subject to the provisions of the Companies Law), and the shareholders resolution whereby any share is subdivided may determine that, as among the holders of the shares resulting from such subdivision, one or more of the shares may, as compared with the others, have any such preferred or deferred rights or rights of redemption or other special rights, or be subject to any such restrictions, as the Company has power to attach to unissued or new shares.

(iii) cancel any shares which, at the date of the adoption of such resolution, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled, or

(iv) reduce its share capital in any manner, and with and subject to any incident authorized, and consent required, by law.

(b) With respect to any consolidation of issued shares into shares of larger nominal value, and with respect to any other action which may result in fractional shares, the Board of Directors may settle any difficulty which may arise with regard thereto, as it deems fit, including, *inter alia*, resort to one or more of the following actions:

(i) determine, as to the holder of shares so consolidated, which issued shares shall be consolidated into each share of larger nominal value;

(ii) allot, in contemplation of or subsequent to such consolidation or other action, such shares or fractional shares sufficient to preclude or remove fractional share holdings;

(iii) redeem, in the case of redeemable preference shares, and subject to applicable law, such shares or fractional shares sufficient to preclude or remove fractional share holdings;

(iv) cause the transfer of fractional shares by certain shareholders of the Company to other shareholders thereof so as to most expediently preclude or remove any fractional shareholdings, and cause the transferees to pay the transferors the fair value of fractional shares so transferred, and the Board of Directors is hereby authorized to act as agent for the transferors and transferees with power of substitution for purposes of implementing the provisions of this sub-Article 8(b)(iv).

(c) The notice of a General Meeting with respect to the adoption of a resolution under Article 8(a) above, shall specify the actions to be adopted by the Board of Directors under Article 8(b) above.

SHARES

9. Issuance of Share Certificates; Replacement of Lost Certificates

(a) Share certificates of issued shares shall, if issued, be issued under the seal or the rubber stamp of the Company or the Company printed name, and shall bear the signatures of two Directors, or of one Director and of the Secretary of the Company, or of any other person or persons authorized thereto by the Board of Directors.

(b) Each shareholder, registered in the Register of Shareholders (as defined in the Companies law), shall be entitled to one numbered certificate for all the shares of any class registered in his name, or if the Board of Directors so approves, to several certificates, each for one or more of such shares, in the form as shall be determined by the Board of Directors and according to the law.

(c) A share certificate registered in the names of two or more persons shall be delivered to the person first named in the Register of Shareholders in respect of such co-ownership.

(d) If a share certificate is defaced, lost or destroyed, it may be replaced, provided that the original certificate is presented to and destroyed by the Board of Directors or it is proved to the satisfaction of the Board of Directors that the certificate has been lost or destroyed, and upon payment of such fee, and upon the furnishing of such evidence of ownership and such indemnity or security, as the Board of Directors may think fit.

10. Allotment of Shares

The unissued shares shall be under the control of the Board of Directors, who shall have the power to allot shares or otherwise dispose of them to such persons, on such terms and conditions (including *inter alia* terms relating to calls as set forth in Article 11(f) hereof), and either at par or at a premium, and at such times, as the Board of Directors may think fit, and the power to grant to any person the option to acquire from the Company any shares, either at par or at a premium, during such time and for such consideration as the Board of Directors may think fit.

11. Calls on Shares; Forfeiture and Surrender

(a) The Board of Directors may, from time to time, make such calls as it may think fit upon a shareholder in respect of any sum unpaid in respect of shares held by such shareholder which is not, by the terms of allotment thereof or otherwise, payable at a fixed time, and each shareholder shall pay the amount of every call so made upon him (and of each installment thereof if the same is payable in installments), to the person(s) and at the time(s) and place(s) designated by the Board of Directors, as any such time(s) may be thereafter extended and/or such person(s) or place(s) changed. Unless otherwise stipulated in the resolution of the Board of Directors (and in the notice hereafter referred to), each payment in response to a call shall be deemed to constitute a pro rata payment on account of all shares in respect of which such call was made.

(b) Notice of any call shall be given in writing to the shareholder(s) in question not less than fourteen (14) days prior to the time of payment, specifying the time and place of payment, and designating the person to whom such payment shall be made, provided, however, that before the time for any such payment, the Board of Directors may, by notice in writing to such shareholder(s), revoke such call in whole or in part, extend such time, or alter such person and/or place. In the event of a call payable in installments, only one notice thereof need be given.

(c) If, by the terms of allotment of any share or otherwise, any amount is made payable at any fixed time, every such amount shall be payable at such time as if it were a call duly made by the Board of Directors and of which due notice had been given, and all the provisions herein contained with respect to such calls shall apply to each such amount.

(d) The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof and all interest payable thereon.

(e) Any amount unpaid in respect of a call shall bear interest from the date on which it is payable until actual payment thereof, at such rate (not exceeding the then prevailing debitory rate charged by leading commercial banks in Israel), and at such time(s) as the Board of Directors may prescribe.

(f) Upon the allotment of shares, the Board of Directors may provide for differences among the allottees of such shares as to the amount of calls and/or the times of payment thereof.

(g) If any shareholder fails to pay any amount payable in respect of a call, or interest thereon as provided for herein, on or before the day fixed for payment of the same, the Company, by resolution of the Board of Directors, may at any time thereafter, so long as the said amount or interest remains unpaid, forfeit all or any of the shares in respect of which said call had been made. Any expense incurred by the Company in attempting to collect any such amount or interest, including, inter alia, attorneys' fees and costs of suit, shall be added to, and shall, for all purposes (including the accrual of interest thereon), constitute a part of the amount payable to the Company in respect of such call.

(h) Upon the adoption of a resolution of forfeiture, the Board of Directors shall cause notice thereof to be given to such shareholder, which notice shall state that, in the event of the failure to pay the entire amount so payable within a period stipulated in the notice (which period shall not be less than fourteen (14) days and which may be extended by the Board of Directors), such shares shall be ipso facto forfeited, provided, however, that, prior to the expiration of such period, the Board of Directors may nullify such resolution of forfeiture, but no such nullification shall stop the Board of Directors from adopting a further resolution of forfeiture in respect of the non-payment of the same amount.

(i) Whenever shares are forfeited as herein provided, all dividends theretofore declared in respect thereof and not actually paid shall be deemed to have been forfeited at the same time.

(j) The Company, by resolution of the Board of Directors, may accept the voluntary surrender of any share.

(k) Any share forfeited or surrendered as provided herein shall become the property of the Company, and the same, subject to the provisions of these Articles, may be sold, re-allotted or otherwise disposed of as the Board of Directors thinks fit.

(l) Any shareholder whose shares have been forfeited or surrendered shall cease to be a shareholder in respect of the forfeited or surrendered shares, but shall, notwithstanding, be liable to pay, and shall forthwith pay, to the Company, all calls, interest and expenses owing upon or in respect of such shares at the time of forfeiture or surrender, together with interest thereon from the time of forfeiture or surrender until actual payment, at the rate prescribed in Article 11(e) above, and the Board of Directors, in its discretion, may enforce the payment of such moneys, or any part thereof, but shall not be under any obligation to do so. In the event of such forfeiture or surrender, the Company, by resolution of the Board of Directors, may accelerate the date(s) of payment of any or all amounts then owing by the shareholder in question (but not yet due) in respect of all shares owned by such shareholder, solely or jointly with another, and in respect of any other matter or transaction whatsoever.

(m) The Board of Directors may at any time, before any share so forfeited or surrendered shall have been sold, re-allotted or otherwise disposed of, nullify the forfeiture or surrender on such conditions as it thinks fit, but no such nullification shall stop the Board of Directors from re-exercising its powers of forfeiture pursuant to this Article 11.

(n) Except to the extent the same may be waived or subordinated in writing and to the extent permitted by applicable law, the Company shall have a first and paramount lien upon all the shares registered in the name of each shareholder (without regard to any equitable or other claim or interest in such shares on the part of any other person), and upon the proceeds of the sale thereof, for his debts, liabilities and engagements arising from any cause whatsoever, solely or jointly with another, to or with the Company, whether the period for the payment, fulfillment or discharge thereof shall have actually arrived or not. Such lien shall extend to all dividends from time to time declared in respect of such share. Unless otherwise provided, the registration by the Company of a transfer of shares shall be deemed to be a waiver on the part of the Company of the lien (if any) existing on such shares immediately prior to such transfer.

(o) The Board of Directors may cause the Company to sell any shares subject to such lien when any such debt, liability or engagement has matured, in such manner as the Board of Directors may think fit, but no such sale shall be made unless such debt, liability or engagement has not been satisfied within fourteen (14) days after written notice of the intention to sell shall have been served on such shareholder, his executors or administrators.

(p) The net proceeds of any such sale, after payment of the costs thereof, shall be applied in or toward satisfaction of the debts, liabilities or engagements of such shareholder (whether or not the same have matured), or any specific part of the same (as the Company may determine), and the residue (if any) shall be paid to the shareholder, his executors, administrators or assigns.

TRANSFER OF SHARES

12. Effectiveness and Registration

No transfer of shares shall be registered in the Register of Shareholders unless a proper instrument of transfer (in form and substance satisfactory to the Secretary of the Company) has been submitted to the Company, together with such other evidence of title as the Board of Directors may reasonably require. Until the transferee has been registered in the Register of Shareholders in respect of the shares so transferred, the Company may continue to regard the transferor as the owner thereof.

TRANSMISSION OF SHARES

13. Decedents' Shares

(a) In case of a share registered in the names of two or more holders established by law, the Company may recognize the survivor(s) as the sole owner(s) thereof unless and until the provisions of Article 13(b) have been effectively invoked.

(b) Any person becoming entitled to a share in consequence of the death of any person, upon producing evidence of the grant of probate or letters of administration or declaration of succession (or such other evidence as the Board of Directors may reasonably deem sufficient that he sustains the character in respect of which he proposes to act under this Article or of his title), shall be registered as a shareholder in respect of such share, or may, subject to the regulations as to transfer herein contained, transfer such share.

14. Receivers and Liquidators

(a) The Company may recognize the receiver, liquidator or similar official of any corporate shareholder in winding-up or dissolution, or the receiver, trustee or similar official in bankruptcy or in connection with the reorganization of any shareholder, as being entitled to the shares registered in the name of such shareholder.

(b) The receiver, liquidator or similar official of a corporate shareholder in winding-up or dissolution, or the receiver, trustee or similar official in bankruptcy or in connection with the reorganization of any shareholder, upon producing such evidence as the Board of Directors may deem sufficient that he sustains the character in respect of which he proposes to act under this Article or of his title, shall with the consent of the Board of Directors (which the Board of Directors may grant or refuse in its absolute discretion), be registered as a shareholder in respect of such shares in the Register of Shareholders, or may, subject to the regulations as to transfer herein contained, transfer such shares.

RECORD DATE WITH RESPECT TO OWNERSHIP OF SHARES

15. Record Date for General Meetings

The shareholders entitled to receive notice of, to participate in and to vote thereon at a General Meeting, or to express consent to or dissent from any corporate action in writing, shall be the shareholders on the date set in the resolution of the Board of Directors to convene the General Meeting, provided that, such date shall not be earlier than forty (40) days prior to the date of the General Meeting and not later than four (4) days prior to the date of such General Meeting, or different periods as shall be permitted by law. A determination of shareholders of record with respect to a General Meeting shall apply to any adjournment of such meeting.

16. Record Date for Distribution of Dividends

The shareholders entitled to receive dividends shall be the shareholders on the date upon which it was resolved to distribute the dividend or at such later date as shall be provided in the resolution in question.

GENERAL MEETINGS

17. General Meetings

(a) An Annual General Meeting shall be held once in every calendar year at such time (within a period of not more than fifteen (15) months after the last preceding Annual General Meeting) and at such place either within or without the State of Israel as may be determined by the Board of Directors.

(b) All General Meetings other than Annual General Meetings shall be called "**Special General Meetings**." The Board of Directors may, whenever it thinks fit, convene a Special General Meeting at such time and place, within or without the State of Israel, as may be determined by the Board of Directors. Special General Meetings may also be convened upon requisition in accordance with the Companies Law.

18. Shareholder Proposals

(a) A shareholder (including two or more shareholders that are acting in concert, a "**Proposing Shareholder**") holding one percent or more of the outstanding voting rights in the Company may request, subject to Section 66(b) of the Companies Law, that the Board of Directors include a proposal on the agenda of a General Meeting to be held in the future, provided that the Proposing Shareholder gives timely notice of such request in writing (a "**Proposal Request**") to the Secretary of the Company and the Proposal Request complies with all the requirements of this Article 18, these Articles and applicable law and stock exchange rules. To be considered timely, a Proposal Request must be delivered, either in person or by certified mail, postage prepaid, and received at the principal executive office of the Company, no less than sixty (60) days prior to the date of the Company's proxy statement in connection with such General Meeting.

(b) The Proposal Request shall set forth (i) the name, business address, telephone number and fax number or email address of the Proposing Shareholder (or each member of the group constituting the Proposing Shareholder, as the case may be) and, if an entity, the name(s) of the person(s) that controls or manages such entity, (ii) the number of Ordinary Shares held by the Proposing Shareholder, directly or indirectly, and, if any of such Ordinary Shares are held indirectly, an explanation of how they are held and by whom, and, if such Proposing Shareholder is not the holder of record of any such Ordinary Shares, a written statement from the holder of record or authorized bank, broker, depository or other nominee, as the case may be, indicating the number of Ordinary Shares the Proposing Shareholder is entitled to vote as of a date that no more than ten (10) days prior to the date of delivery of the Proposal Request, (iii) any agreements, arrangements, understandings or relationships between the Proposing Shareholder and any other person with respect to any securities of the Company or the subject matter of the Proposal Request, (iv) the Proposing Shareholder's purpose in making the Proposal Request, (v) the complete text in the English language of the resolution that the Proposing Shareholder proposes to be voted upon at the General Meeting and, if the Proposing Shareholder wishes to have a statement in support of the Proposing Shareholder's proposal included in the Company's proxy statement, a copy of such statement, which shall be in the English language and shall not exceed 500 words, (vi) a statement of whether the Proposing Shareholder has a personal interest in the proposal and, if so, a description in reasonable detail of such personal interest, and (vii) if the proposal of the Proposing Shareholder is to nominate a candidate for election to the Board of Directors, (A) a declaration signed by the nominee and the other information required under Section 224B of the Companies Law, (B) to the extent not otherwise provided in the Request Proposal, the information in respect of the nominee as would be provided in response to the disclosure requirements of Item 6A (*directors and senior management*), Item 6E (*share ownership*) and Item 7B (*related party transactions*) of Form 20-F of the U.S. Securities and Exchange Commission, (C) a representation of whether the nominee meets the objective criteria for an independent director of the Company under the listing rules of the NASDAQ Stock Market (or such other stock exchange on which the Ordinary Shares are then listed) and if not, then an explanation of why not, and (D) a statement signed by the nominee that he consents to be named in the Company's notices and proxy materials relating to the General Meeting and, if elected, to serve on the Board of Directors. In addition, the Proposing Shareholder shall promptly provide any other information reasonably requested by the Company. The Company shall be entitled to publish information provided by a Proposing Shareholder pursuant to Article 18, and the Proposing Shareholder shall be responsible for the accuracy thereof. The parenthetical regulation headings contained in this Article 18(b) are for convenience only and shall not be deemed a part hereof or used to limit the scope of disclosure required by this Article 18(b). References in this Article 18(b) to particular laws, regulations or rules shall be deemed to apply to such amended or successor laws, regulations or rules as shall be in effect from time to time.

(c) A Proposing Shareholder holding five percent or more of the outstanding voting rights in the Company (or five percent or more of the outstanding share capital and one percent or more of the voting rights in the Company) may request, subject to Section 63(b)(2) of the Companies Law, that the Board of Directors convene a Special General Meeting, provided that the request complies with all the applicable requirements of a "Proposal Request" set forth in Article 18(b), these Articles and applicable law and stock exchange rules.

19. Powers of the General Meeting

Subject to the provisions of the Companies Law and of these Articles, the resolutions in respect to the following matters shall be adopted by the General Meeting:

- (a) Amendments to the Articles, as set forth in Section 20 of the Companies Law.
- (b) Exercise of the authorities of the Board of Directors in accordance with the provisions of Section 52(a) of the Companies Law.
- (c) Appointment of the outside auditor(s) of the Company, the determination of its/their terms of engagement with the Company and termination of its/their engagement with the Company, all in accordance with the provisions of Sections 154-167 of the Companies Law.
- (d) Appointment of independent ("external") Directors in accordance with the provisions of Section 239 of the Companies Law ("**External Directors**").
- (e) Approval of actions and transactions that require the approval of the General Meeting pursuant to Sections 255 and 268-275 of the Companies Law.
- (f) An increase and a decrease of the authorized share capital of the Company, pursuant to Sections 286 and 287 of the Companies Law.
- (g) A merger, as set forth in Section 320(a) of the Companies Law.

20. Notice of General Meetings

(a) Not less than twenty-one (21) days' prior notice shall be given of every General Meeting (the "Notice"). The Notice shall be published in two (2) newspapers in Israel and as shall be required by law or rules and regulations of the stock exchanges on which the Company's shares are listed. The Notice shall specify the place, date and hour of the General Meeting, its agenda, a summary of proposed resolutions and the procedure for voting in such General Meeting by proxy statement and any other matter as shall be required by law. Notices shall not be sent to each of the shareholders registered in the Company's Register of Shareholders.

(b) The validity of any resolutions carried at a General Meeting shall not be affected if the Company, by oversight, has not sent a notice of the convening of the meeting, or has sent an incomplete or incorrect notice regarding the convening of the meeting or its agenda, or has not served a notice as aforesaid or has delayed in sending or delivering the said notice.

PROCEEDINGS AT GENERAL MEETINGS

21. Quorum

(a) Two or more shareholders (not in default in payment of any sum referred to in Article 26(a) hereof), present in person or by proxy or by written ballot, as shall be permitted, and holding shares conferring in the aggregate twenty-five percent (25%) or more of the voting power of the Company, shall constitute a quorum at General Meetings.

(b) If within half an hour from the time appointed for the meeting a quorum is not present, if convened upon requisition under sections 63, 64 or 65 of the Companies Law, the meeting shall be dissolved, but in any other case it shall stand adjourned to the same day in the next week, at the same time and place, or to such day and at such time and place as specified in the Notice of such meeting or as the Chairman may determine with the consent of the holders of a majority of the voting power represented at the meeting in person or by proxy or by written ballot, as shall be permitted, and voting on the question of adjournment. At such adjourned meeting, any two (2) shareholders (not in default as aforesaid) present in person or by proxy or by written ballot, as shall be permitted, shall constitute a quorum.

(c) No business shall be transacted at a General Meeting, or at any adjournment thereof, unless the requisite quorum is present when the meeting proceeds to business.

22. Chairman

Any member of the Board of Directors shall preside as Chairman at any General Meeting of the Company. If there is no such member, or if at any meeting such member is not present within fifteen (15) minutes after the time fixed for holding the meeting or is unwilling to act as Chairman, the shareholders present shall choose someone of their member to be Chairman. The office of Chairman shall not, by itself, entitle the holder thereof to vote at any General Meeting nor shall it entitle such holder to a second or casting vote (without derogating, however, from the rights of such Chairman to vote as a shareholder or proxy of a shareholder if, in fact, he is also a shareholder or such proxy).

23. Adoption of Resolutions at General Meetings

(a) Unless otherwise specifically provided in these Articles or under any applicable law, all resolutions submitted to the shareholders shall be deemed adopted if approved by the holders of a simple majority of the voting power represented at the meeting in person or by proxy or by written ballot, as shall be permitted, and voting thereon.

(b) Every question submitted to a General Meeting shall be decided by a count of votes.

(c) A declaration by the Chairman of the meeting that a resolution has been carried unanimously, or carried by a particular majority, or lost, and an entry to that effect in the minute book of the Company, shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favor of or against such resolution.

24. Power to Adjourn

(a) The Chairman of a General Meeting, in which the required quorum is present, may resolve to adjourn the meeting, for no more than thirty(30)days, to such time and place as shall be determined but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting as originally called.

(b) It shall not be necessary to give any notice of an adjournment under Article 24(a), unless the meeting is adjourned for more than twenty-one (21) days in which event notice thereof shall be given in the manner required for the meeting as originally called.

25. Voting Power

Subject to any provision hereof conferring special rights as to voting, or restricting the right to vote, every shareholder shall have one vote for each share held by him of record, on every resolution.

26. Voting Rights

(a) The shareholders entitled to vote at a General Meeting shall be the shareholders listed in the Company's Register of Shareholders on the record date, as specified in Article 15.

(b) A company or other corporate body being a shareholder of the Company may, by resolution of its directors or any other managing body thereof, authorize any person to be its representative at any meeting of the Company. Any person so authorized shall be entitled to exercise on behalf of such shareholder all the power which the latter could have exercised if it were an individual shareholder. Upon the request of the Chairman of the meeting, written evidence of such authorization (in form acceptable to the Chairman) shall be delivered to him.

(c) Any shareholder entitled to vote may vote either personally or by proxy (who need not be a shareholder of the Company), or, if the shareholder is a company or other corporate body, by a representative authorized pursuant to Article 26(b) or by a written ballot, as permitted by law and according to these Articles.

(d) If two or more persons are registered as joint holders of any share, the vote of the senior who tenders a vote, in person or by proxy or by written ballot, as shall be permitted, shall be accepted to the exclusion of the vote(s) of the other joint holder(s); and for this purpose seniority shall be determined by the order in which the names stand in the Register of Shareholders.

(e) No shareholders shall be entitled to vote at any General Meeting (or be counted as a part of the quorum thereat), unless all calls and other sums then payable by him in respect of his shares in the Company have been paid.

(f) The Board of Directors may determine, in its discretion, the matters that may be voted upon a written ballot to the Company (without attendance in person or by proxy or by written ballot, as shall be permitted, at a General Meeting, in addition to the matters listed in Section 87(c) of the Companies law.

PROXIES

27. Instrument of Appointment

(a) The instrument appointing a proxy shall be in writing and shall be in any usual or common form or in such other form as may be approved by the Board of Directors. It shall be duly signed by the appointor or, if such appointor is a company or other corporate body, under its common seal or stamp or the hand of its duly authorized agent(s) or attorney(s).

(b) The instrument appointing a proxy (and the power of attorney or other authority, if any, under which such instrument has been signed) shall be delivered to the Company (at its Registered Office, or at its principal place of business or at the offices of its transfer agent or at such other place as the Board of Directors may specify) not less than forty-eight (48) hours (or such shorter period as may be determined by the Board of Directors) before the time fixed for the meeting at which the person named in the instrument proposes to vote.

28. Effect of Death of Appointor or Revocation of Appointment

A vote cast pursuant to an instrument appointing a proxy shall be valid notwithstanding the previous death of the appointing shareholder (or of his attorney-in-fact, if any, who signed such instrument), or the revocation of the appointment or the transfer of the share in respect of which the vote is cast, provided no written notification of such death, revocation or transfer shall have been received by the Company or by the Chairman of the meeting before such vote is cast, and provided, further, that the appointing shareholder, if present in person at said meeting, may revoke the appointment by means of a writing, oral notification to the Chairman, or otherwise.

BOARD OF DIRECTORS

29. Powers of Board of Directors

(a) The Board of Directors shall have all powers vested in it according to the Companies Law and these Articles, shall have any and all authorities not vested in any other organ of the Company according to the Companies Law and these Articles, shall be authorized to determine the policy of the Company, shall supervise the performance and actions of the General Manager, and, without derogating from the above, shall have all the following powers:

- (i) determine the Company's plans of action, the principles of their financing and the order of priority among them;
- (ii) examine the financial status of the Company, and set the frame of credit that the Company shall be entitled to acquire;
- (iii) determine the organizational structure of the Company and its compensation policies;
- (iv) may resolve to issue series of debentures;
- (v) shall be responsible for the preparation and approval of the financial statements of the Company, as set forth in Section 171 of the Companies Law;
- (vi) report to the Annual General Meeting of the status of the Company's affairs and of their financial outcomes, as set forth in Section 173 of the Companies Law.
- (vii) appoint the General Manager and may terminate such appointment, in accordance with Section 250 of the Companies Law;

- Articles;
- (viii) resolve in the matters on actions and transactions that require its approval according to Sections 255 and 268-275 of the Companies Law and of the provisions of these Articles;
 - (ix) issue shares and convertible securities up to the total amount of the authorized share capital of the Company, in accordance with Section 288 of the Companies Law;
 - (x) decide on a "distribution" as set forth in Sections 307-308 of the Companies Law;
 - (xi) express its opinion on a special tender offer, as set forth in Section 329 of the Companies Law;
- (b) The powers of the Board of Directors described in Articles 29(a)(i)-29(a)(xi) above shall not be delegated to the General Manager(s) of the Company.

30. Exercise of Powers of Directors

- (a) A meeting of the Board of Directors at which a quorum is present shall be competent to exercise all the authorities, powers and discretion vested in or exercisable by the Board of Directors.
- (b) A resolution proposed at any meeting of the Board of Directors shall be deemed adopted if approved by a simple majority of the Directors then in office who are lawfully entitled to participate in the meeting and vote thereon and present when such resolution is put to a vote and voting thereon.
- (c) A resolution may be adopted by the Board of Directors without convening a meeting if all Directors then in office and lawfully entitled to vote thereon (as conclusively determined by the Chairman of the Audit Committee, and in the absence of such determination - by the Chairman of the Board of Directors) have given their consent (in any manner whatsoever) not to convene a meeting. Such a resolution shall be adopted if approved by a simple majority of the Directors entitled to vote thereon (as determined as aforesaid). The Chairman of the Board shall sign any resolutions so adopted, including the decision to adopt said resolutions without a meeting.

31. Delegation of Powers

The Board of Directors may, subject to the provisions of the Companies Law, delegate its powers to committees, each consisting of two or more persons (all of whose members must be Directors), and it may from time to time revoke such delegation or alter the composition of any such committee. Any such Committee authorized to exercise the powers of the Board of Directors shall include at least one (1) External Director. Any Committee so formed (in these Articles referred to as a "Committee of the Board of Directors"), shall, in the exercise of the powers so delegated, conform to any regulations imposed on it by the Board of Directors. The meetings and proceedings of any such Committee of the Board of Directors shall, mutatis mutandis, be governed by the provisions herein contained for regulating the meetings of the Board of Directors, so far as not superseded by the Companies Law or any regulations adopted by the Board of Directors under this Article. Unless otherwise expressly provided by the Board of Directors in delegating powers to a Committee of the Board of Directors, such Committee shall not be empowered to further delegate such powers.

32. Number of Directors; Board Composition

(a) Until otherwise determined by resolution of the Company's shareholders, the Board of Directors shall consist of not less than three (3) nor more than thirteen (13) Directors, including at least two (2) External Directors.

(b) If the Company does not have a shareholder that "holds" 25% or more of its issued and outstanding share capital, then a majority of the Directors shall be "independent directors", as such terms are defined from time to time by the Companies Law and the regulations promulgated thereunder. If the Company has a shareholder that holds 25% or more of its issued and outstanding share capital, then at least one third (1/3) of the Directors shall be "independent directors". Any failure to satisfy the requirement of this Article 32(b) shall be corrected no later than the next Annual General Meeting following such failure; until such time, any such failure shall not affect the authority of the Board of Directors. In the event that such failure shall not have been corrected at such Annual Meeting, then the Directors will not be entitled to act except in an emergency, and they may fill vacant positions on the Board of Directors pursuant to Article 34(a) herein or call a General Meeting of the Company for the purpose of electing or removing Directors to satisfy the requirement of this Article 32(b).

33. Election and Removal of Directors

Directors shall be elected at the Annual General Meeting by the vote of the holders of a simple majority of the voting power represented at such meeting in person or by proxy or by written ballot, as shall be permitted, and voting on the election of directors. The Directors so elected shall hold office until the next Annual General Meeting. The holders of a simple majority of the voting power represented at a General Meeting and voting thereon shall be entitled to remove any Director(s) from office, to elect directors in place of the Director(s) so removed or to fill any vacancy, however created, on the Board of Directors. Notwithstanding anything to the contrary herein, the term of a Director may commence as of a date later than the date of the shareholder resolution electing said Director, if so specified in said shareholder resolution.

34. Continuing Directors in the Event of Vacancies

(a) Any vacancy in the Board of Directors, however occurring, including a vacancy resulting from an enlargement of the Board, may be filled by a vote of a majority of the Directors then in office, even if less than quorum. A Director elected to fill a vacancy shall be elected to hold office until the next annual General Meeting.

(b) If the position of one or more Directors is vacated, the continuing Directors shall be entitled to act in every matter so long as their number is not less than the statutory minimum number required at the time. If, at any time, their number decreases below said statutory minimum number, they will not be entitled to act except in an emergency, and they may fill vacant positions on the Board of Directors pursuant to Article 34(a) herein or call a General Meeting of the Company for the purpose of electing Directors to fill any vacancies.

35. Vacation of Office

(a) The office of a Director shall be vacated, ipso facto, upon the occurrence of any of the following: (i) such Director's death, (ii) such Director is convicted of a crime as described in Section 232 of the Companies Law, (iii) such Director is removed by a court or law in accordance with Section 233 or 247 of the Companies Law, (iv) such Director becomes legally incompetent, (v) if such Director is an individual, such Director is declared bankrupt, (vi) if such Director is a corporate entity, upon its winding-up, liquidation, whether voluntary or involuntary or (vii) upon a resolution of the Company's shareholders pursuant to Article 33(a) above.

(b) The office of a Director shall be vacated by his written resignation. Such resignation shall become effective on the date fixed therein, or upon the delivery thereof to the Company, whichever is later.

36. Remuneration of Directors

Each Director shall be paid remuneration by the Company for his services as Director as such remuneration shall have been approved pursuant to the provisions of the Companies Law.

37. No Alternate Directors

A Director may not appoint an alternate for himself.

PROCEEDINGS OF THE BOARD OF DIRECTORS

38. Meetings

(a) The Board of Directors may meet and adjourn its meetings according to the Company's needs but at least once in every three (3) months, and otherwise regulate such meetings and proceedings as the Directors think fit. Meetings of the Board of Directors may be held telephonically or by any other means of communication provided that each Director participating in such meeting can hear and be heard by all other Directors participating in such meeting.

(b) Any two Directors may at any time convene a meeting of the Board of Directors. Notice (oral or written) shall be given of any meeting a reasonable time in advance. The failure to give notice to a Director in the manner required hereby may be waived by such Director. Upon the unanimous approval of the Directors, a meeting of the Board of Directors can be convened without any prior notice. In urgent situations, a meeting of the Board of Directors can be convened without any prior notice with the consent of a majority of the Directors, including a majority of those who are lawfully entitled to participate in and vote at such meeting (as conclusively determined by the Chairman of the Audit Committee, and in the absence of such determination - by the Chairman of the Board of Directors). The notice of a meeting shall include the agenda of the meeting.

39. Quorum

A quorum at a meeting of the Board of Directors shall be constituted by the presence, in person or by any other means of communication by which the Directors may hear each other simultaneously, of a majority of the Directors then in office who are lawfully entitled to participate in the meeting and vote thereon (as conclusively determined by the Chairman of the Board of Directors). No business shall be transacted at a meeting of the Board of Directors unless the requisite quorum is present as aforesaid when the meeting proceeds to business.

40. Chairman of the Board of Directors

The Board of Directors shall from time to time elect one of its members to be the Chairman of the Board of Directors, and it may from time to time remove such Chairman from office and appoint another in its place. The Chairman of the Board of Directors shall preside at every meeting of the Board of Directors, but if there is no such Chairman, or if at any meeting he is not present within fifteen (15) minutes of the time fixed for the meeting, or if he is unwilling to take the chair, the Directors present shall choose one of their number to be the chairman of such meeting.

The General Manager of the Company shall not serve as the Chairman of the Board of Directors, and the Chairman of the Board of Directors shall not be granted authorities of the General Manager, unless such appointment, or grant, as the case may be, is approved by the shareholders in a General Meeting in accordance with Section 121(c) of the Companies Law. The office of Chairman shall not entitle the holder to a second or casting vote.

41. Validity of Acts Despite Defects

Subject to the provisions of the Companies Law, all acts done bona fide at any meeting of the Board of Directors, or of a Committee of the Board of Directors, or by any person(s) acting as Director(s), shall, notwithstanding that it may afterwards be discovered that there was some defect in the appointment of the participants in such meetings or any of them or any person(s) acting as aforesaid, or that they or any of them were disqualified, be as valid as if there were no such defect or disqualification.

GENERAL MANAGER

42. General Manager

(a) The Board of Directors shall appoint from time to time one or more persons as General Manager(s) of the Company.

(b) The General Manager shall be responsible for the day-to-day management of the affairs of the Company within the framework of the policies determined by the Board of Directors from time to time and subject to the discretion of the Board of Directors.

(c) The General Manager shall have full managerial and operational authority to carry out all the activities which the Company may carry on by law and under these Articles and which have not been vested by law or by these Articles in any other organ of the Company. The General Manager shall be subject to the supervision of the Board of Directors.

(d) The General Manager may, subject to the provisions of the Companies Law, from time to time, appoint a Secretary to the Company, as well as officers, agents, employees and independent contractors, as the General Manager may think fit, and may terminate the service of any such person. The General Manager may, subject to the provisions of the Companies Law, determine the powers and duties, as well as the salaries and emoluments, of all such persons.

MINUTES

43. Minutes

(a) Minutes of each General Meeting and of each meeting of the Board of Directors shall be recorded and duly entered in books provided for that purpose. The minutes of each meeting of the Board of Directors shall, in all events, set forth the names of the persons present at the meeting and all resolutions adopted thereat.

(b) Any minutes as aforesaid, if purporting to be signed by the chairman of the meeting or by the chairman of the next succeeding meeting, shall constitute prima facie evidence of the matters recorded therein.

(c) Subject to the provisions of the Companies Law, each shareholder shall have the right to inspect the minutes of the General Meetings.

DIVIDENDS

44. Declaration of Dividends

Subject to the Companies Law, the Board of Directors may from time to time declare, and cause the Company to pay dividends out of the profits of the Company. Subject to the Companies Law, the Board of Directors shall determine the time for payment of such dividends and the record date for determining the shareholders entitled thereto.

45. Amount Payable by Way of Dividends

(a) Subject to the rights of the holders of shares with special rights as to dividends, if any, any dividend paid by the Company shall be allocated among the shareholders entitled thereto in proportion to the nominal value of their respective holdings of the shares in respect of which such dividend is being paid.

(b) Shares which are fully paid up or which are credited as fully or partly paid within any period which in respect thereof dividends are paid shall entitle the holders thereof to a dividend in proportion to the amount paid up or credited as paid up in respect of the nominal value of such shares and to the date of payment thereof (pro rata temporis).

46. Interest

No dividend shall carry interest as against the Company.

47. Unclaimed Dividends

All unclaimed dividends payable in respect of a share may be invested or otherwise made use of by the Board of Directors for the benefit of the Company until claimed. The payment by the Directors of any unclaimed dividend into a separate account shall not constitute the Company a trustee in respect thereof, and any dividend unclaimed after a period of seven (7) years from the date of declaration of such dividend unclaimed after a like period from the date the same were payable, shall be forfeited and shall revert to the Company, provided, however, that the Board of Directors may, at its discretion, cause the Company to pay any such dividend, or any part thereof, to a person who would have been entitled thereto had the same not reverted to the Company.

ACCOUNTS

48. Auditors

The outside auditor(s) of the Company shall be appointed by resolution of the Company's shareholders at the General Meeting and shall serve until its/their re-election, removal or replacement by subsequent resolution, provided that each term of service shall not extend beyond the third Annual Meeting after the Annual Meeting at which such auditor was appointed. The authorities, rights and duties of the outside auditor(s) of the Company, shall be regulated by applicable law. The Board of Directors shall have the power and authority to fix the remuneration of the auditor(s).

RIGHTS OF SIGNATURE

49. Rights of Signature

The Board of Directors shall be entitled to authorize any person or persons (who need not be Directors) to act and sign on behalf of the Company, and the acts and signature of such person(s) on behalf of the Company shall bind the Company insofar as such person(s) acted and signed within the scope of his or their authority.

NOTICES

50. Notices

Without derogating from the provisions of Article 20:

(a) In the event the Company elects to send any written notice or other document to any of its shareholders such notice may be served either personally or by sending it by prepaid registered mail (airmail if sent to a place outside Israel) addressed to such shareholder at his address as described in the Register of Shareholders or such other address as he may have designated in writing for the receipt of notices and other documents. In the event a shareholder elects to send the Company any written notice or other document such notice may be served by tendering the same in person to the Secretary or the General Manager of the Company at the principal office of the Company or by sending it by prepaid registered mail (airmail if posted outside Israel) to the Company at its Registered Address. Any such notice or other document shall be deemed to have been served forty-eight (48) hours after it has been posted (seven (7) business days if sent internationally), or when actually received by the addressee if sooner than two days or seven days, as the case may be, after it has been posted, or when actually tendered in person, to such shareholder (or to the Secretary or the General Manager), provided, however, that notice may be sent by cablegram, telex, telecopier (facsimile) or other electronic means (to an address provided to the Company by any shareholder) and confirmed by registered mail as aforesaid, and such notice shall be deemed to have been given twenty-four (24) hours after such cablegram, telex, telecopy or other electronic communication has been sent (provided, that electronic confirmation of the successful sending of such notice was received) or when actually received by such shareholder (or by the Company), whichever is earlier. If a notice is, in fact, received by the addressee, it shall be deemed to have been duly served, when received, notwithstanding that it was defectively addressed or failed, in some respect, to comply with the provisions of this Article 50(a).

(b) All notices to be given to the shareholders shall, with respect to any share to which persons are jointly entitled, be given to whichever of such persons is named first in the Register of Shareholders, and any notice so given shall be sufficient notice to the holders of such share.

(c) Any shareholder whose address is not described in the Register of Shareholders, and who shall not have designated in writing an address for the receipt of notices, shall not be entitled to receive any notice from the Company.

INSURANCE AND INDEMNITY

51. Indemnity and Insurance

(a) Indemnification

(i) Subject to the provisions of the Companies Law, including the receipt of all approvals as required therein or under any applicable law, the Company may indemnify an Office Holder with respect to any liability or expense for which indemnification may be provided under the Companies Law, including the following liabilities and expenses, provided that such liabilities or expenses were imposed upon or incurred by such Office Holder in such Office Holder's capacity as an Office Holder of the Company:

(1) a monetary liability imposed on or incurred by an Office Holder pursuant to a judgment in favor of another person, including a judgment imposed on such Office Holder in a settlement or in an arbitration decision that was approved by a court of law; the term "person" in this Article 51 shall include, without limitation, a natural person, firm, partnership, joint venture, trust, company, corporation, limited liability entity, unincorporated organization, estate, government, municipality, or any political, governmental, regulatory or similar agency or body;

(2) reasonable Litigation Expenses (as defined below), expended by the Office Holder as a result of an investigation or proceeding instituted against him by a competent authority, provided that such investigation or proceeding concluded without the filing of an indictment against him and either (A) concluded without the imposition of any financial liability in lieu of criminal proceedings or (B) concluded with the imposition of a financial liability in lieu of criminal proceedings but relates to a criminal offense that does not require proof of criminal intent (*mens rea*) or in connection with a financial sanction. In this Article, "conclusion of a proceeding without filing an indictment" in a matter in which a criminal investigation has been instigated and "financial liability in lieu of a criminal proceeding," shall have the meaning as ascribed under the Companies Law. The term "Litigation Expenses" in this Article 51, shall include, without limitation, attorneys' fees and all other costs, expenses and obligations paid or incurred by an Office Holder in connection with investigating, defending, being a witness or participating in (including on appeal), or preparing to defend, be a witness or participate in any claim or proceeding relating to any matter for which indemnification hereunder may be provided;

(3) reasonable Litigation Expenses, which the Office Holder incurred or with which the Office Holder was charged by a court of law, in a proceeding brought against the Office Holder, by the Company, on its behalf or by another person, or in a criminal prosecution in which the Office Holder was acquitted, or in a criminal prosecution in which the Office Holder was convicted of an offense that does not require proof of criminal intent (*mens rea*);

(4) a payment which the Office Holder is obligated to make to an injured party as set forth in Section 52(54)(a)(1)(a) of the Securities Law, 5728-1968, as amended (the "Securities Law"), and Litigation Expenses that the Office Holder incurred in connection with a proceeding under Chapters H'3, H'4 or I'1 of the Securities Law; and

(5) any other event, occurrence or circumstance in respect of which the Company may lawfully indemnify an Office Holder.

(ii) The foregoing indemnification may be procured by the Company (a) retroactively and (b) as a commitment in advance to indemnify an Office Holder, provided that, in respect of Article 51(a)(i)(1), such commitment shall be limited to (A) such events that in the opinion of the Board of Directors are foreseeable in light of the Company's actual operations at the time the undertaking to indemnify is provided, and (B) to the amounts or criterion that the Board of Directors deems reasonable under the circumstances, and further provided that such events and amounts or criterion are set forth in the undertaking to indemnify, and which shall in no event exceed, in the aggregate, the greater of: (i) twenty five percent (25%) of the Company's shareholder's equity at the time of the indemnification, or (ii) twenty five percent (25%) of the Company's shareholder's equity at the end of fiscal year of 2010.

(b) Insurance

(i) Subject to the provisions of the Companies Law, including the receipt of all approvals as required therein or under any applicable law, the Company may enter into an agreement to insure an Office Holder for any responsibility or liability that may be imposed on such Office Holder in connection with an act performed by such Office Holder in such Office Holder's capacity as an Office Holder of the Company, with respect to each of the following:

(1) violation of the duty of care of the Office Holder towards the Company or towards another person;

(2) breach of the duty of loyalty towards the Company, provided that the Office Holder acted in good faith and with reasonable grounds to assume that the such action would not prejudice the benefit of the Company;

(3) a financial obligation imposed on the Office Holder for the benefit of another person;

(4) a payment which the Office Holder is obligated to make to an injured party as set forth in Section 52(54)(a)(1)(a) of the Securities Law and Litigation Expenses that the Office Holder incurred in connection with a proceeding under Chapters H'3, H'4 or I'1 of the Securities Law; and

(5) any other event, occurrence or circumstance in respect of which the Company may lawfully insure an Office Holder.

(ii) Articles 51(a) and 51(b)(i) shall not apply under any of the following circumstances:

(1) a breach of an Office Holder's duty of loyalty, except as specified in Article 51(b)(i)(2);

(2) a reckless or intentional violation of an Office Holder's duty of care (other than if solely done in negligence);

(3) an action intended to reap a personal gain illegally; and

(4) a fine, civil fine or ransom levied on an Office Holder, or a financial sanction imposed upon an Office Holder under Israeli Law.

(iii) The Company may procure insurance for or indemnify any person who is not an Office Holder, including without limitation, any employee, agent, consultant or contractor, provided, however, that any such insurance or indemnification is in accordance with the provisions of these Articles and the Companies Law.

(c) Any amendment to the Companies Law, the Securities Law or any other applicable law adversely affecting the right of any Office Holder to be indemnified or insured pursuant to this Article 51 shall be prospective in effect, and shall not affect the Company's obligation or ability to indemnify or insure an Office Holder for any act or omission occurring prior to such amendment, unless otherwise provided by the Companies Law, the Securities Law or such other applicable law.

MERGER

52. Merger

A merger (as defined in the Companies Law) of the Company shall require the approval of the holders of a majority of seventy five percent (75%) of the voting power represented at the General Meeting in person or by proxy or by written ballot, as shall be permitted, and voting thereon in accordance with the provisions of the Companies Law.

WINDING UP

53. Winding Up

If the Company be wound up, then, subject to applicable law, after satisfaction of the Company's liabilities to creditors, the Company's liquidation proceeds shall be distributed to the shareholders of the Company in proportion to the nominal value of their respective holdings of the shares in respect of which such distribution is being made. A voluntary winding up of the Company shall require the approval of the holders of a majority of at least seventy five percent (75%) of the voting power represented at a General Meeting in person or by proxy or by written ballot, as shall be permitted, and voting thereon.

AMENDMENT OF THESE ARTICLES

54. Any amendment of these Articles shall require the approval of the holders of a simple majority of the voting power represented at the General Meeting in person or by proxy or by written ballot, as shall be permitted, and voting thereon.

Fizzback Group (Holdings) Limited

Employee share option scheme
Adopted by the Company on 16 July 2010

Dated 16 July 2010

TABLE OF CONTENTS

1	Definitions	1
2	Grant of Options	5
3	Rights to exercise Options	5
4	The exercise of Options	7
5	Adjustment of Options	7
6	Administration	8
7	Notification to HMRC	8
8	PAYE, National Insurance and election under Section 431(1) of ITEPA	8
9	Disqualifying Event	9
10	General	10
11	Alterations	10
12	Introduction	11
13	Definitions	11
14	Grant of Options and Roll over	12
15	Disapplication	13
16	PAYE, National Insurance and election under Section 431(1) of ITEPA	13

FIZZBACK GROUP (HOLDINGS) LIMITED
EMPLOYEE SHARE OPTION SCHEME
(as adopted by resolution of the Directors on 16 July 2010)

1 Definitions

1.1 In this Scheme, except where inconsistent with the subject or context, the words and expressions set out below shall bear the following respective meanings, namely:

the Articles	the articles of association of the Company, from time to time
the Auditors	the auditors for the time being of the Company
Change of Ownership	means an individual, or a group of individuals acting in concert (in partnership or otherwise) (other than any existing shareholder or any person connected or associated with an existing shareholder) acquiring the entire issued share capital of the Company
the Company	Fizzback Group (Holdings) Limited
Date of Cessation	the date on which the Option Holder becomes a Leaver
Date of Grant	the date upon which the Option Agreement is entered into as a deed by the Company
Date of Notice	the date on which the Notice is issued by the Company
the Directors	the board of directors of the Company or a duly authorised committee thereof
Disqualifying Event	a disqualifying event as set out in the EMI Code
Disqualified Exercise	any exercise of an Option which does not take place either before or within 30 days after a Disqualifying Event, and any other exercise of an Option at a time when it is not a Qualifying Option
Eligible Employee	any employee (including a director) of the company or the Group who is required to devote: (i) at least 25 hours a week to the business of the Company or the Group; or (ii) if less, 75% of his working time to the business of the Company or the Group and is not precluded by paragraphs 28 of Schedule 5 from participation in the Scheme
EMI Code	as defined in section 527(3) of ITEPA
Exercisable Event	the earlier of a Proposed Exit Event or a Listing
the Group	the Company and any Subsidiary designated by the Directors as a member of the Group for the purposes of this Scheme or, where the context permits, any one or more of them
HMRC	Her Majesty's Revenue & Customs
ICTA	the Income and Corporation Taxes Act 1988

Insolvent Liquidation

in respect of the Company means:

- (i) a petition for the winding up or for an administration order being lodged against it and not being removed within 120 days or the passing of a resolution for its winding up or the passing of a resolution to present a petition for its winding up or it being wound up or its directors or shareholders resolving to present a petition for an administration order or an administrative receiver or receiver or receiver and manager being appointed in respect of it or it proposes a company voluntary arrangement; or
- (ii) the calling of a meeting of its creditors or the making of an application to the court under Section 425 of the Companies Act 1985 or the submission to its creditors of a proposal under Part I of the Insolvency Act 1986 or the entry into of any arrangement or composition with its creditors; or
- (iii) the suffering of any distress or any execution being laid on substantially all of its goods; or
- (iv) it agrees to declare a moratorium or becomes or is deemed to be insolvent or unable to pay its debts within the meaning of the Insolvency Act 1986; or
- (v) it ceases to carry on the whole or any material part of its business in the normal course; or
- (vi) any analogous proceedings or nearest analogous proceedings or event or practice or otherwise to those listed in (i) to (v) (inclusive) above occurring.

ITEPA

the Income Tax (Earnings and Pensions) Act 2003

Leaver

an employee or director who ceases to be an Eligible Employee

Listing

a successful application being made by the Company or its holding company to the UK Listing Authority for all or any of the Ordinary Shares of the Company to be admitted to trading on the London Stock Exchange or to be quoted on the Alternative Investment Market or a successful application being made by the Company or its holding company to any other recognised investment exchange or overseas investment exchange (as such expressions are defined in the Financial Services and Markets Act 2000) for all or any of the Ordinary Shares of the Company or such holding company to be admitted to trading on such exchange

Market Value

subject to paragraph 5(7) of Schedule 5, the market value of an Ordinary Share determined in accordance with section 272 of the Taxation of Chargeable Gains Act 1992 and prior to Listing as agreed with the Shares Valuation Division of HMRC

Notice	a letter in writing by the Company to an Option Holder informing the Option Holder of a Proposed Exit Event and <ul style="list-style-type: none"> (a) if the Market Value of the Option Shares is higher than the Market Value as at the Date of Grant of that Option, such letter shall constitute a deemed exercise of that Option by the addressee Option Holder on the Date of Notice; or (b) if the Market Value of the Option Shares is lower than the Market Value as at the Date of Grant of that Option, such letter shall constitute an invitation to the addressee Option Holder to exercise his Option in accordance with paragraph 4.2 for a period of 7 days from the date of the Notice
Option Agreement	the option agreement (which may take the form of a letter, executed as a deed by the Option Holder) entered into by the Company and an Option Holder in accordance with paragraph 2.5 which, subject to the rules of the Scheme, forms an agreement between the Option Holder and the Company
Option	a non-transferable right to acquire the Option Shares granted to an Eligible Employee in pursuance of this Scheme and for the time being subsisting
Option Holder	a person holding an Option or, where the context requires or permits, his legal personal representatives
Option Period	a period of ten years commencing on the Date of Grant of an Option
Option Price	a price per Option Share to be determined by the Directors in their sole and absolute discretion provided that such price shall not be less than the nominal value per Option Share, or (when applicable) such price as from time to time adjusted pursuant to this Scheme
Option Shares	Ordinary Shares as defined in the articles of association of the Company, from time to time, which meet the requirements of paragraph 35 of Schedule 5
Performance Conditions	objective and relevant conditions as to the performance of the Company and/or the Option Holder which: <ul style="list-style-type: none"> (a) must be satisfied in order that an Option granted to such Option Holder may be exercised under all, any or some only (as determined at the discretion of the Directors prior to the related Date of Grant) of the paragraphs of this Scheme; (b) shall have been determined by the Directors (if at all) on or prior to the related Date of Grant; and (c) shall be notified to the Option Holder in the Option Agreement

Proposed Exit Event	<p>the issue of the Notice by the Company to Option Holders notifying them of any of the following events:</p> <p>(a) the making of an offer for the shares of the Company which (were it to become unconditional) would result in a Change of Ownership; or</p> <p>(b) any proposed sale of the ordinary share capital by any or all of the shareholders of the Company that upon Completion would result in a Change of Ownership; or</p> <p>(h) any offer made pursuant to Part XIII A of the Companies Act 1985</p>
Qualifying Option	an option which is a qualifying option for the purposes of the EMI Code
Relevant Event	any variation in the share capital of the Company arising from any reduction of capital or sub-division or consolidation of capital or issue of shares by way of capitalisation of profits or reserves or by way of rights (including in the latter case an offer to holders of Ordinary Shares to subscribe additional shares proportionately to their existing shareholdings whether or not such additional shares are provisionally allotted on a nil paid basis)
Relevant Executive Reorganisation	shall bear the meaning given to the same in the Articles a reorganisation whereby a new holding company acquires the Company by way of share exchange and there is identity or substantial identity of holders of Ordinary Shares before, and of holders of Ordinary Shares of the new holding company after, such share exchange
Schedule 5 this Scheme	Schedule 5 of ITEPA Part A or Part B or both (as applicable in the appropriate context) of this Scheme in its present form or as from time to time altered in accordance with the provisions hereof
Solvent Liquidation Subsidiary	means the solvent winding up or dissolution of the Company any company which is for the time being a Qualifying Subsidiary (as defined in the EMI Code) in relation to the Company
1.2	References in this Scheme to “vesting” mean an Option become capable of exercise to the extent specified and “vest” shall be construed accordingly.
1.3	References to paragraphs are to paragraphs of this Scheme.
1.4	References in this Scheme to statutory provisions shall extend to any statutory modification or re-enactment thereof.
1.5	Unless the context otherwise requires, words in the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine and vice versa.

PART A: ENTERPRISE MANAGEMENT INCENTIVES OPTIONS

2 Grant of Options

- 2.1 Subject to the restrictions hereinafter contained, the Directors may from time to time at their discretion and subject to such Performance Conditions as they may determine grant or procure that there is granted to any Eligible Employee an Option, which is intended to be a Qualifying Option, at the applicable Option Price.
- 2.2 Prior to a Listing, no Option shall be granted under this Scheme if, as a result the aggregate number of Option Shares which might fall to be or have already been issued under all share option or other employees' share schemes established by the Company would exceed 25% (or such greater extent as the Directors determine from time to time) of the issued ordinary share capital of the Company from time to time.
- 2.3 No Option shall be granted after the tenth anniversary of the date of adoption of this Scheme.
- 2.4 No payment shall be required for the grant of an Option.
- 2.5 Each Option shall be granted by the Company and accepted by the Option Holder by entering into an Option Agreement executed by the Company and the Option Holder as a deed which shall specify:
- (a) the number of Option Shares subject to the Option;
 - (b) the Option Price;
 - (c) the Date of the Grant;
 - (d) the terms upon which the Option will vest (if any);
 - (e) any Performance Conditions attaching to the Option;
 - (f) details of any restrictions or risks of forfeiture which attach to the Option Shares subject to the Option; and
 - (g) that the Option is a Qualifying Option.
- 2.6 The total market value of the Option Shares (having been calculated at the Date of Grant of an Option) in respect of which unexercised Qualifying Options exist on any given day must not exceed £3 million (or such amount as may from time to time be specified in Schedule 5).

3 Rights to exercise Options

- 3.1 Save as hereinafter provided, an Option may not be exercised in whole or in part prior to an Exercisable Event.
- 3.2 It shall be a term of the grant of an Option and a right inherent in such grant that the Directors may at their absolute discretion at any time following the grant of the Option permit the earlier exercise of the Option (notwithstanding paragraphs 3.1).
- 3.3 If an Option Holder becomes a Leaver all Options which have not become exercisable or which, having become exercisable, have not been exercised, shall lapse.
- 3.4 Unless otherwise specified in the Option Agreement, all Options which have not become exercisable or which, having become exercisable, have not been exercised, shall lapse immediately on the earliest of the following:
- (a) subject to paragraph 3.6, on a Change of Ownership;
 - (b) immediately following the proposed completion of the offer or Change of Ownership referred to in the Notice;

- (c) the expiration of the Option Period;
 - (d) on an Insolvent Liquidation of the Company; and
 - (e) on the Option Holder being adjudged bankrupt.
- 3.5 (a) If any company ("the Acquiring Company"):
- (i) obtains control of the Company as a result of making a general offer to acquire the whole of the issued ordinary share capital of the Company which is made on a condition such that if it is satisfied the person making the offer will have control of the Company or as a result of making an offer to acquire all the shares in the Company which are of the same class as the Ordinary Shares which are the subject of Options; or
 - (ii) obtains control of the company in pursuance of a compromise or arrangement sanctioned by the court under Section 425 of the Companies Act 1985; or
 - (iii) becomes bound or entitled under Sections 428 to 430 of the Companies Act 1985 to acquire shares in the Company which are the same class as the Ordinary Shares; or
 - (iv) obtains all of the shares in the Company by acquiring all of the shares of the Company as a result of a qualifying exchange of shares (as defined in paragraph 40 of Schedule 5);

the Option Holder may, provided that the requirements of paragraph(s) 39 to 43 of Schedule 5 are met but not otherwise, at any time within the Appropriate Period, by agreement with the Acquiring Company, release his rights under this Scheme (in this paragraph 3.5(a) referred to as "the Old Rights") in consideration of the grant to him of rights (in this paragraph 3.5(a) referred to as "the New Rights") which are equivalent to the Old Rights but relate to shares in a different company (whether the Acquiring Company itself or a company which has control of the Acquiring Company or a company which either is, or has control of a company which is a member of a consortium owning either the Acquiring Company or a company having control of the Acquiring Company).

- (b) In paragraph 3.5(a) above the "Appropriate Period" means:
- (c) in a case falling within paragraph 3.5(a)(i), the period of six months beginning with the time when the person making the offer has obtained control of the Company and any conditions subject to which the offer is made have been satisfied;
- (d) in a case falling within paragraph 3.5(a)(ii) or (iv), the period of six months beginning with the time when the Acquiring Company obtains control of the company; and
- (e) in case falling within paragraph 3.5(a)(iii), the period during which the Acquiring Company remains bound or entitled as mentioned in that paragraph, or if shorter the period of six months beginning with the time when the Acquiring Company obtains control of the Company.
- (f) The New Rights shall not be regarded for the purposes of paragraph 3.5(a) as equivalent to the Old Rights unless:
- (g) the total market value, immediately before the release, of the Ordinary Shares which were subject to the Option Holder's Old Rights is equal to the total market value, immediately after the grant, of the shares in respect of which the New Rights are granted to the Option Holder; and

(h) the total amount payable by the Option Holder for the acquisition of shares in pursuance of the New Rights is equal to the total amount that would have been payable for the acquisition of Ordinary Shares in pursuance of the Old Rights.

3.6 If notice is duly given of a general meeting at which a resolution will be proposed for the Solvent Liquidation of the Company, every Option shall be exercisable (but so that any exercise hereunder shall be conditional upon such resolution being passed) at any time thereafter until the resolution is duly passed or defeated or the general meeting concluded or adjourned without fixing a date for a further meeting, whichever shall first occur, subject to the limitations imposed by paragraph 3.4. If such resolution is duly passed all Options shall to the extent that they have not been exercised thereupon cease and determine.

3.7 If, in consequence of a Reorganisation, a company (a "Holding Company") obtains control of the Company, or if the Holding Company becomes bound or entitled to acquire the issued Ordinary Shares under Part XIII A of the Companies Act 1985, this Scheme shall take effect as if all Option Holders had released their Options in consideration of the grant of equivalent options to acquire Ordinary Shares in the Holding Company and accordingly Options shall continue to be governed by this Scheme but shall be satisfied by the issue or transfer (as the case may be) of Ordinary Shares of the Holding Company rather than Ordinary Shares.

3.8 If, pursuant to paragraphs 3.5 and 3.7 an Option Holder releases or is regarded as releasing his Option in consideration of the grant to him of an equivalent option ("the New Option") to acquire shares in the Holding Company, then in relation to the New Option references to "the Company" shall be construed as references to the company whose shares are the subject of the New Option in the definitions of "Ordinary Shares", and "Relevant Event" and for the purposes of this Scheme where the context so requires.

4 The exercise of Options

4.1 Where a Notice has been issued by the Company on the occurrence of the Proposed Exit Event and the Market Value of the Option Shares is higher at the Date of Notice than the Market Value on Date of Grant, the issue of the Notice shall constitute for all purposes deemed exercise of an Option by the addressee Option Holder.

4.2 Save for the deemed exercise on the issue of the Notice as described in 4.1 above, where a Notice has been issued an Option Holder may exercise an Option in such circumstances by the Option Holder (or his personal representatives, where applicable) delivering to the Directors a notice in writing duly completed and signed.

4.3 The Company and the Option Holder may agree either in the Option Agreement or at the time of the exercise or deemed exercise of an Option, the method and timing for the payment of the Option Price by the Option Holder.

4.4 All issues or transfers of Option Shares will be made within 30 days of the date of exercise of an Option and it shall be the responsibility of the Option Holder in the case of a transfer of Option Shares, to pay the requisite stamp duty or stamp duty reserve tax.

5 Adjustment of Options

Upon the occurrence of any Relevant Event the number of Option Shares comprised in each Option and the Option Price thereunder may be adjusted in such manner (not excluding retrospective adjustment where a Relevant Event occurs after the date of exercise of an Option but the record date relating to such Relevant Event precedes such date of exercise) as the Directors (with the written concurrence of the Auditors that in their opinion the adjustments proposed are fair and reasonable) may deem appropriate in that such adjustment is necessary to take account of any variation in the share capital of the Company; provided always that:

(a) no adjustment shall be made so as to reduce the Option Price per Ordinary Share to an amount less than the nominal value per share unless the Company has reserves available to enable such shares to be issued fully paid upon the exercise of Options; and

(b) no increase shall be made in the aggregate Option Price relating to any Option.

Notice of any such adjustments shall be given to Option Holders by the Directors, who may call in Option agreements for endorsement or replacement.

6 Administration

6.1 Any notice or other document which the Company is required or may desire to give to an Option Holder pursuant to this Scheme shall be sufficiently given if delivered to him (if he is still an Eligible Employee) at his place of work or sent through the post in a pre-paid cover addressed to the Option Holder at his address last known to the Company and if so sent shall be deemed to have been duly given on the date of posting. Any document so sent to an Option Holder shall be deemed to have been duly delivered notwithstanding that he be then deceased (and whether or not the Company has notice of his death) except where his legal personal representatives have established their title to the satisfaction of the Company and supplied to the Company an address to which documents are to be sent.

6.2 The Directors shall have power from time to time to make or vary regulations for the administration and operation of this Scheme provided that such regulations are not inconsistent with the provisions of this Scheme.

7 Notification to HMRC

7.1 The Company shall give notice of any Option granted under this Scheme to HMRC within 92 days of its Date of Grant in the form prescribed in paragraph 44 of Schedule 5 (or such period as may be amended from time to time).

7.2 It shall be a term of all Options granted under this Scheme that the Option Holder must make a declaration in the notice given to HMRC under paragraph 7.1 that he meets the requirements of paragraph 26 of Schedule 5 and will provide all relevant information to enable HMRC to complete any enquiries that they may raise pursuant to paragraph 46(3) of Schedule 5.

8 PAYE, National Insurance and election under Section 431(1) of ITEPA

8.1 It shall be a term of all Options granted under this Scheme and a condition of the right to exercise or release an Option for consideration that the Option Holder shall pay to and indemnify the relevant member of the Group against the full amount of any and all liability to pay as you earn income tax, employee national insurance contributions and other liabilities which are attributable to and otherwise relate to the Option and which are primarily liabilities of or which arise in respect of the Option Holder but which the Company is or may become liable to discharge. No Option may be exercised until the Option Holder has entered into such arrangements as the Directors may from time to time require in their absolute discretion (and notify to the Option Holder) to ensure that any such liabilities are accounted for to the satisfaction of the Company.

8.2 It shall be a term of all Options granted under this Scheme that:

- (a) if so requested by the Company, as soon as practicable following the grant of an Option, the relevant member of the Group and the Option Holder shall enter into an election in terms satisfactory to HMRC under paragraph 3B of Schedule 1 Social Security Contributions and Benefits Act 1992 that the liability of any member of the Group to pay any secondary Class 1 national insurance contributions in respect of gains arising on the exercise or release of an Option shall be transferred to the Option Holder such that what would otherwise be the liability of the relevant member of the Group becomes the liability of the Option Holder; and

- (b) if so required to enter into an election under paragraph 8.2, the relevant member of the Group and the Option Holder shall agree to do all acts and things which may be necessary to give effect to the election at paragraph 8.2(a) but if such election is not effective, or if the Option Holder is not required to enter into such an election and in any event, the Option Holder shall agree under paragraph 3A of Schedule 1 Social Security Contributions and Benefits Act 1992 as a condition of his right to exercise or release his Option for consideration to pay to and indemnify the relevant member of the Group against any secondary Class 1 national insurance contributions arising on exercise or release of the Option and will enter into such arrangements as the Directors may from time to time reasonably require (and notify to the Option Holder) to ensure that any such liability is accounted for to the satisfaction of the Company.
- 8.3 In the event that an election is entered into under paragraph 8.2(a) above, in order to discharge his liability resulting from the election at paragraph 8.2(a) the Option Holder shall pay to the relevant member of the Group the amount of secondary class 1 national insurance contributions and the relevant member of the Group will account to HMRC for such liability on behalf of the Option Holder. The Option Holder must either:
- (a) deliver a cheque to the relevant member of the Group for the amount of his liability together with his notice of exercise; or
- (b) agree that the Company may withhold such number of Option Shares as are equal in value to the national insurance liability together (where relevant) with any commission or similar costs to be reasonably and properly incurred by the Company upon the disposal of any such Option Shares on behalf of the Option Holder to fund the liability.
- 8.4 For the purposes of this paragraph 8, the relevant member of the Group may make a best estimate of all liabilities which an Option Holder is required to pay to or for which he is liable to indemnify any member of the Group, such best estimate being the "material amount". If the material amount shall exceed the amount payable by or in respect of an Option Holder, the relevant member of the Group shall account to such Option Holder for such excess.
- 8.5 Upon the exercise of an Option, each Option Holder shall appoint (irrevocably and by way of security for the performance of his or her obligations under paragraphs 8.1 to 8.4) the Company (with full power of substitution) as his attorney for the purpose of signing, in his name and on his behalf, any documents required to implement the foregoing.
- 8.6 For the avoidance of doubt paragraph 8 (8.1 to 8.5) will apply: (a) where the Option Price is less than the Market Value of the shares subject to the Option at the Date of Grant (as agreed with HMRC) and (b) where the exercise of the Option is a Disqualified Exercise.
- 8.7 It shall be a term of the grant of an Option that the Option Holder shall jointly with his employer company enter into an election under section 431 (1) of ITEPA at the Date of Grant in the HMRC approved form. For the avoidance of doubt, such an election shall be otiose by virtue of section 431A of ITEPA if an Option Holder acquires the shares pursuant to the exercise of a Qualifying Option in circumstances in which no liability to income tax arises on exercise.

9 Disqualifying Event

- 9.1 Save as otherwise expressly provided in this Scheme, if any event occurs which would constitute a Disqualifying Event, the Company shall use reasonable endeavours to notify Option Holders as soon as reasonably practicable. If the Option has not then become exercisable in whole or in part, the Directors may, in their sole discretion, permit the exercise of an Option in whole or in part within the period of 30 days from the date of the Disqualifying Event, provided and to the extent that such period falls within the Option Period. For the avoidance of doubt, neither the absence of such notice or permission nor the failure to exercise the Option within such period of thirty days shall of itself cause an Option to lapse.

- 9.2 If the Option Holder ceases to be an Eligible Employee of the Company by reason of death, personal incapacity due to ill health or disability, retirement on reaching retirement age in accordance with the terms of his employment, or dismissal found by a competent tribunal to have been wrongful, then the Option shall become exercisable in whole or in part within the period of 30 days from the date of the Disqualifying Event, provided and to the extent that such period falls within the Option Period.
- 9.3 The Company shall be under no obligation to ensure that an Option remains a Qualifying Option for the purposes of the EMI Code. In no circumstances shall any Option Holder have any cause of action against the Company in respect of any loss to him howsoever arising as a result of or in connection with any Disqualifying Event including any failure of the Company to notify Option Holders under paragraph 9.1.

10 General

- 10.1 The Directors shall ensure that a Notice is issued prior to completion of an offer or sale of the type referred to in the definition of "Proposed Exit Event" and shall at all times keep available for issue such authorised and unissued Ordinary Shares or procure the issue or transfer of sufficient Ordinary Shares as may be required to meet the subsisting rights of Option Holders.
- 10.2 The decision of the Directors in any dispute or question affecting any Option Holder shall be final and conclusive subject to the concurrence of the Auditors whenever required under the provisions of this Scheme.
- 10.3 The Company in General Meeting or the Directors may at any time resolve to terminate this Scheme in which event no further Options shall be granted but the provisions of this Scheme shall in relation to Options then subsisting continue in full force and effect.
- 10.4 An Option or the benefit thereof shall not (except as may be required by taxation law) form part of the emoluments of an Option Holder or count as wages or remuneration and shall not be pensionable. In no circumstances shall an Option Holder on ceasing to be an employee of the Group, for any reason be entitled to, or claim as against any member or former member of the Group, any compensation for or in respect of any consequent diminution or extinction of his rights or benefits (actual or prospective) under any Options then held by him or otherwise in connection with this Scheme.
- 10.5 Save as specifically set out in this Scheme nothing shall confer rights on any person pursuant to the Contracts (Rights of Third Parties) Act 1999.
- 10.6 No Option may be granted, exercised, released or surrendered at a time when such grant, exercise, release or surrender would not be in accordance with the "Model Code on Directors' Dealings in Securities" issued by the Financial Services Authority as amended from time to time.
- 10.7 This Scheme and the Option granted hereunder shall be governed by English law.

11 Alterations

- 11.1 This Scheme may be altered by the Directors from time to time provided that no alteration shall be effective to abrogate or alter adversely any of the subsisting rights of Option Holders except with such consent or sanction on the part of the Option Holders as would be required under the provisions of the Company's Articles of Association if the Options constituted a single class of shares (or, where the Directors deem it appropriate, two or more classes of shares according to the periods, as determined by the Directors, in which the Dates of Grant fall) and as if such provisions applied mutatis mutandis thereto.

11.2 On and following a Listing, this Scheme may be altered by the Directors from time to time subject to the following provisions:

- (a) except with the prior sanction of the Company in General Meeting, no alteration shall be made to this Scheme altering to the advantage of Option Holders (present or future) any of the provisions of the Scheme as to the definition of "Relevant Event" or as to the limitations on the grant of Options or as to the determination of Option Prices or as to the restrictions on the exercise of Options or as to the rights to be attached upon their issue to Ordinary Shares issued upon the exercise of Options or as to the rights of Option holders on the winding up of the Company or as to the transferability of Options (except for minor amendments to benefit the administration of this Scheme, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants in this Scheme or for the Company or for members of the Group);
- (b) no alteration shall be effective to abrogate or alter adversely any of the subsisting rights of Option Holders except with such consent or sanction on the part of the Option Holders as would be required under the provisions of the Company's Articles of Association if the Options constituted a single class of shares (or, where the Directors deem it appropriate, two or more classes of shares according to the periods, as determined by the Directors, in which the Dates of Grant fall) and as if such provisions applied thereto with all necessary modifications;
- (c) the Directors may only make alterations to the Relevant Conditions applying to an Option if an event or events happen which mean that the original Relevant Conditions are no longer achievable and they may only make such alterations:
 - (i) as the Auditors for the time being of the Company shall have confirmed in writing to be in their opinion fair and reasonable and not more onerous than before the alteration; and
 - (ii) to the extent that the Relevant Conditions following such alteration are in their reasonable opinion and taken as a whole no less onerous than the original Relevant Conditions.

PART B: UNAPPROVED OPTIONS

12 Introduction

The Directors may, notwithstanding any other provision of this Scheme, grant Options which do not attract the tax reliefs available by virtue of the EMI Code. To every such Option (an "Unapproved Option") Part A of this Scheme shall apply save only as modified by this Part B.

13 Definitions

- 13.1 For the purposes of this Part B of this Scheme, except as otherwise modified in this paragraph below or where inconsistent with the subject or context, words and expressions will have the same meaning as set out in paragraph 1 (Definitions).
- 13.2 The definition of "Eligible Employee" shall be replaced with "any director (executive or non-executive) or employee of any member of the Group or any consultant engaged by any member of the Group".

- 13.3 The definition of "Market Value" shall be replaced with "the market value of an Ordinary Share determined in accordance with section 272 of the Taxation of Chargeable Gains Act 1992".
- 13.4 The definition of "Subsidiary" shall be replaced with "any company which is for the time being under the control of the Company.
- 13.5 The following words and expressions (and any reference to them) are not relevant for the purposes of this Part B and should be disregarded:
- (a) Disqualifying Event;
 - (b) Disqualified Exercise;
 - (c) EMI Code;
 - (d) Qualifying Option; and
 - (e) Schedule 5.

14 Grant of Options and Roll over

- 14.1 Paragraph 2.1 shall be replaced with the following:

"Subject to the restrictions hereinafter contained, the Directors may from time to time at their discretion and subject to such Performance Conditions as they may determine grant or procure that there is granted to any Eligible Employee an Option at the applicable Option Price."

- 14.2 Paragraph 2.5 shall be replaced with the following:

"No payment shall be required for the grant of an Option. Each Option shall be granted by the Company and accepted by the Option Holder by entering into an Option Agreement executed by the Company and the Option Holder as a deed which shall specify:

- (a) the number of Ordinary Shares subject to the Option;
 - (b) the Option Price;
 - (c) the Date of the Grant;
 - (d) the terms upon which the Option will vest (if different from those set out at paragraph 3.2); and
 - (e) any Performance Conditions attaching to the Option."
- 14.3 Paragraph 2.5(g) of Part A shall not apply to this Part B.
- 14.4 Paragraph 3.5 of Part A shall be replaced with the following: "3.5(a) If any company ("the Acquiring Company"):
- (a) obtains control of the Company pursuant to a Change of Ownership;
 - (b) obtains control of the Company in pursuance of a compromise or arrangement sanctioned by the court under section 425 of the Companies Act 1985 or Article 418 of the Companies (Northern Ireland) Order 1986; or
 - (c) becomes bound or entitled to acquire shares in the Company under sections 428 to 430 of that Act or Articles 421 to 423 of that Order, the Option Holder may at any time within the Appropriate Period, by agreement with the Acquiring Company, release his rights under this Scheme (in this paragraph 3.5(a) referred to as "the Old Rights") in consideration of the grant to him of rights (in this paragraph 3.5(a) referred to as "the New Rights") which are equivalent to the Old Rights but relate to shares in a different company (whether the Acquiring Company itself or a company which has control of the Acquiring Company or a company which either is, or has control of a company which is a member of a consortium owning either the Acquiring Company or a company having control of the Acquiring Company).

3.5(b) In paragraph 3.5(a) above the "Appropriate Period" means:

- (a) in a case falling within paragraph 3.5(a)(i), the period of six months beginning with the time when the person making the offer has obtained control of the Company and any conditions subject to which the offer is made is satisfied;
- (b) in a case falling within paragraph 3.5(a)(ii), the period of six months beginning with the time when the court sanctions the compromise or arrangement; and
- (c) in case falling within paragraph 3.5(a)(iii), the period during which the Acquiring Company remains bound or entitled as mentioned in that paragraph.

3.5(c) The New Rights shall not be regarded for the purposes of this paragraph 3.5(a) as equivalent to the Old Rights unless:

- (a) the New Rights will be exercisable in the same manner as the Old Rights and subject to the provisions of this Scheme as it had effect immediately before the release of the Old Rights; and
- (b) the total market value, immediately before the release, of the Ordinary Shares which were subject to the Option Holder's Old Rights is equal to the total market value, immediately after the grant, of the shares in respect of which the New Rights are granted to the Option Holder; and
- (c) the total amount payable by the Option Holder for the acquisition of shares in pursuance of the New Rights is equal to the total amount that would have been payable for the acquisition of Ordinary Shares in pursuance of the Old Rights."

15 Disapplication

Paragraphs 7 (Notification to HMRC) and 9 (Disqualifying Event) of Part A shall not apply to this Part B.

16 PAYE, National Insurance and election under Section 431(1) of ITEPA

16.1 Paragraph 8.6 of Part A shall not apply. For the avoidance of doubt paragraphs 8.1 to 8.5 shall apply to this Part B and reference in those provisions to liabilities attributable to the Option shall be deemed to include any value added tax which is payable by the Company or not capable of recovery by the Company in relation to or otherwise with the grant or exercise of an Option whether or not such liability is a primary liability of the Option Holder.

16.2 Paragraph 8.7 of Part A shall be replaced as follows:

"It shall be a term of the grant of an Option that the Option Holder shall jointly with his employer company enter into an election under section 431 (1) of ITEPA at the Date of Grant in the HMRC approved form."

SCHEDULE

Proposed Amendments to FB Scheme

In paragraph 1.1, insert the following additional definitions (in the appropriate position in the alphabetical order):

"RSU" a restricted share unit, being a right to receive Ordinary Shares granted pursuant to the RSU Appendix

"RSU Appendix" the Appendix to the Scheme adopted in accordance with paragraph 11 which governs the grant of RSUs

The provisions of paragraphs 3.5 and 3.8 should be amended as follows:

3.5 (a) If any company ("the Acquiring Company"):

- (i) obtains control of the Company as a result of making a general offer to acquire the whole of the issued ordinary share capital of the Company which is made on a condition such that if it is satisfied the person making the offer will have control of the Company or as a result of making an offer to acquire all the shares in the Company which are of the same class as the Ordinary Shares which are the subject of Options; or
- (ii) obtains control of the company in pursuance of a compromise or arrangement sanctioned by the court under Section 425 of the Companies Act 1985; or
- (iii) becomes bound or entitled under Sections 428 to 430 of the Companies Act 1985 to acquire shares in the Company which are the same class as the Ordinary Shares; or
- (iv) obtains all of the shares in the Company by acquiring all of the shares of the Company as a result of a qualifying exchange of shares (as defined in paragraph 40 of Schedule 5);

the Option Holder may, provided that the requirements of paragraph(s) 39 to 43 of Schedule 5 are met but not otherwise, at any time within the Appropriate Period, by agreement with the Acquiring Company, release his rights under this Scheme (in this paragraph 3.5(a) referred to as "the Old Rights") in consideration of the grant to him of rights (in this paragraph 3.5(a) referred to as "the New Rights") which are equivalent to the Old Rights but relate to shares in a different company (whether the Acquiring Company itself or a company which has control of the Acquiring Company or a company which either is, or has control of a company which is a member of a consortium owning either the Acquiring Company or a company having control of the Acquiring Company) ("Newco Shares") PROVIDED THAT notwithstanding the above, an Option Holder may alternatively agree, if offered, to release his Old Rights in consideration for the grant of a restricted share unit, being a right to receive Newco Shares, whether granted under the terms of the RSU Appendix or otherwise, on any basis whatsoever and without the need to satisfy the requirements set out in paragraph 3.5(f) and 3.5(g) below.

- (b) In paragraph 3.5(a) above the "Appropriate Period" means:
 - (c) in a case falling within paragraph 3.5(a)(i), the period of six months beginning with the time when the person making the offer has obtained control of the Company and any conditions subject to which the offer is made have been satisfied;
 - (d) in a case falling within paragraph 3.5(a)(ii) or (iv), the period of six months beginning with the time when the Acquiring Company obtains control of the company; and
 - (e) in case falling within paragraph 3.5(a)(iii), the period during which the Acquiring Company remains bound or entitled as mentioned in that paragraph, or if shorter the period of six months beginning with the time when the Acquiring Company obtains control of the Company.
 - (f) The New Rights shall not be regarded for the purposes of paragraph 3.5(a) as equivalent to the Old Rights unless:
 - (g) the total market value, immediately before the release, of the Ordinary Shares which were subject to the Option Holder's Old Rights is equal to the total market value, immediately after the grant, of the shares in respect of which the New Rights are granted to the Option Holder; and the total amount payable by the Option Holder for the acquisition of shares in pursuance of the New Rights is equal to the total amount that would have been payable for the acquisition of Ordinary Shares in pursuance of the Old Rights.
- 3.8 If, pursuant to paragraphs 3.5 and 3.7 an Option Holder releases or is regarded as releasing his Option in consideration of the grant to him of either an equivalent option ("the New Option") to acquire shares in the Holding Company or a replacement RSU under the terms of the RSU Appendix (the "New RSU"), then in relation to the New Option or New RSU (as applicable) references to "the Company" shall be construed as references to the company whose shares are the subject of the New Option or New RSU (as applicable) in the definitions of "Ordinary Shares", and "Relevant Event" and for the purposes of this Scheme or the RSU Appendix (as applicable) where the context so requires.

**FIZZBACK GROUP (HOLDINGS) LIMITED
EMPLOYEE SHARE OPTION SCHEME (the "SCHEME")**

APPENDIX 1

APPENDIX FOR THE GRANT OF RESTRICTED SHARE UNITS

1. **TERMS**

1.1 This appendix (the "**RSU Appendix**") to the Scheme governs the grant of RSUs (as defined below) to Eligible Employees and has been adopted in accordance with paragraph 11 of the Scheme. This RSU Appendix incorporates all the provisions of the Scheme except as modified in accordance with the provisions of the RSU Appendix.

1.2 Terms defined in this Scheme have the same meaning in the RSU Appendix unless the context otherwise requires or there is a different definition of the same term in the RSU Appendix.

2. **PARAGRAPH 1**

2.1 The following definitions shall apply to the RSU Appendix and in relation to any RSUs (as defined below) granted pursuant to the RSU Appendix:

"**Change of Ownership**" means a person or body of persons (including an individual or group of individuals acting in concert, in partnership or otherwise) (other than any existing shareholder or any person connected or associated with an existing shareholder) acquiring the entire issued share capital of the Company;

"**Date of Grant**" shall mean the date on which the Company executes a deed of grant in accordance with paragraph 2.5 (as amended by the RSU Appendix);

"**Option**" shall mean either: (a) a non-transferable right to acquire the Option Shares granted to an Eligible Employee in pursuance of this Scheme and for the time being subsisting; or (b) an RSU granted pursuant to the RSU Appendix and for the time being subsisting, as the context requires;

"**Option Agreement**" shall mean either: (a) the option agreement (which may take the form of a letter, executed as a deed by the Option Holder) entered into by the Company and an Option Holder in accordance with paragraph 2.5 which, subject to the rules of the Scheme, forms an agreement between the Option Holder and the Company; or (b) an RSU Certificate, as the context requires;

"**Option Holder**" shall mean either: (a) a person holding an Option or, where the context requires or permits, his legal personal representatives; or (b) an RSU Holder, as the context requires;

"**Option Price**" shall mean either: (a) in respect of an Option which is not an RSU, a price per Option Share to be determined by the Directors in their sole and absolute discretion provided that such price shall not be less than the nominal value per Option Share, or (when applicable) such price as from time to time adjusted pursuant to this Scheme; or (b) in respect of an RSU, the nominal value per Ordinary Share to be paid upon the vesting of an RSU.

"**Option Shares**" means Ordinary Shares;

"**Ordinary Share**" means an ordinary share as defined in the articles of association of the Company;

"**RSU**" shall mean a restricted share unit, being a right to receive Ordinary Shares granted pursuant to the RSU Appendix;

"**RSU Certificate**" shall mean the certificate delivered to the RSU Holder by the Company evidencing the grant of an RSU in accordance with paragraph 2.5;

"**RSU Holder**" shall mean a person holding an RSU or, where the context requires or permits, his legal personal representatives; and

"**Tax**" means any and all federal, provincial, state and local taxes of any applicable jurisdiction, and other governmental fees, charges, duties, impositions and liabilities of any kind whatsoever, including social security, national health insurance or similar compulsory payments, together with all interest, linkage for inflation, penalties and additions imposed with respect to such amounts.

2.2 The following additional words shall be inserted at the end of paragraph 1.4: "or, as applicable, of their overseas equivalent, as determined by the Directors"

3. **PARAGRAPH 2**

3.1 Paragraph 2.1 shall be replaced with the following wording:

"Subject to the restrictions hereinafter contained, the Directors may from time to time at their discretion, and subject to such Performance Conditions as they may determine, grant or procure that there is granted to any Eligible Employee an RSU."

3.2 The first sentence of Paragraph 2.5 shall be replaced with the following wording:

"Each RSU shall be granted by the Company executing a deed of grant which shall be evidenced by an RSU Certificate, both of which shall specify:"

3.3 Paragraph 2.5(g) in its entirety shall not apply to the RSU Appendix.

3.4 Paragraph 2.6 in its entirety shall not apply to the RSU Appendix.

4. **PARAGRAPH 3**

4.1 All references in paragraph 3 of the Scheme to "exercise" or "exercised" shall apply to RSUs as if such references were replaced with "vesting" or "vested" respectively.

4.2 Paragraph 3.1 in its entirety shall not apply to the RSU Appendix.

4.3 Paragraph 3.3 shall be replaced with the following:

"If an RSU Holder becomes a Leaver, all RSUs which have not vested shall lapse."

4.4 The first sentence of paragraph 3.4 shall be replaced with:

"Unless otherwise specified in the RSU Certificate, all RSUs which have not vested shall lapse immediately on the earliest of the following:

- (a) subject to paragraph 3.5, on a Change of Ownership;
- (b) the expiration of the Option Period;
- (c) on an Insolvent Liquidation of the Company; and
- (d) on the RSU Holder being adjudged bankrupt."

4.5 Paragraph 3.6 shall be replaced with the following wording:

"If notice is duly given of a general meeting at which a resolution will be proposed for the Solvent Liquidation of the Company, all RSUs to the extent they have not vested shall cease and determine on the due passing of the resolution."

5. **PARAGRAPH 4**

5.1 Paragraph 4.1 in its entirety shall not apply to the RSU Appendix.

5.2 Paragraph 4.2 shall be replaced with the following wording:

"Where RSUs have vested in accordance with the Scheme and the RSU Certificate, an RSU Holder will be issued with the underlying Ordinary Shares which have so vested and the RSU Holder shall pay to the Company the aggregate nominal value for such Ordinary Shares."

5.3 Paragraph 4.3 shall be replaced with the following wording:

"The Company, in its sole discretion, shall determine from time to time the method and timing for payment of the aggregate nominal value for any Ordinary Shares which vest in accordance with paragraph 4.2 by the RSU Holder or for collection of such amount from the RSU Holder by the Company, including by way of requiring the sale of a portion of the Ordinary Shares issued by way of a sell-to-cover transaction, to cover such payment and any Taxes due by the RSU Holder. However, the Company shall have the full authority in its discretion to determine at any time that said nominal value shall not be paid and that the Company shall capitalise applicable profits or take any other action to ensure that it meets any requirement of applicable law regarding issuance of Ordinary Shares for consideration that is lower than the nominal value of such Ordinary Shares."

5.4 Paragraph 4.4 shall be replaced with the following wording:

"The RSUs will be satisfied by duly delivering Ordinary Shares (or as otherwise provided in paragraph 10.8) to the RSU Holders within thirty days of each vesting date."

6. **PARAGRAPH 5**

Paragraph 5 shall be replaced with the following wording:

"Subject to any required action under any applicable law, the number of Ordinary Shares subject to each outstanding RSU, as well as the price per share of Ordinary Shares subject to each outstanding RSU, shall be proportionately adjusted, as the Directors deems necessary or appropriate, for any increase or decrease in the number of issued Ordinary Shares resulting from a share split, reverse share split, stock dividend, combination or reclassification of the Ordinary Shares, or any other increase or decrease in the number of issued Ordinary Shares effected without receipt of consideration by the Company, such that an adjustment is appropriate in order to prevent dilution or enlargement of the rights of an RSU Holder under the RSU Appendix; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Except as expressly provided in this paragraph 5, no issuance by the Company of shares of any class, or securities convertible into shares of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Ordinary Shares subject to an RSU."

7. **PARAGRAPH 7**

7.1 Paragraph 7 in its entirety shall not apply to the RSU Appendix.

8. **PARAGRAPH 8**

Paragraph 8 shall be replaced with the following wording:

8.1 All Tax consequences and obligations arising from the vesting of any RSU or the subsequent disposition of Ordinary Shares subject thereto or from any other event or act (of the Company or of the RSU Holder) hereunder, shall be borne solely by the RSU Holder, and the RSU Holder shall indemnify the Company and hold it harmless against and from any and all liability for any such Tax, including without limitation, monetary liabilities relating to the necessity to withhold, or to have withheld, any such Tax payment from any payment made to the RSU Holder. Notwithstanding the above, the Company's obligation to deliver Ordinary Shares upon the vesting of any RSUs granted under the Plan shall be subject to the satisfaction of all applicable Tax withholding requirements as governed by applicable law or practice.

- 8.2 The Company shall have the right, but not the obligation, to deduct from the Ordinary Shares issuable to an RSU Holder upon the vesting of an RSU, or to accept from the RSU Holder the tender of, a number of whole Ordinary Shares having a fair market value, as determined by the Company, that will enable the Company to satisfy any Tax withholding obligations of the Company.
- 8.3 The Company shall not be required to release any Ordinary Shares (or share certificates) to an RSU Holder until all required payments have been fully made or secured.
- 8.4 The RSU Holder shall, if requested at any time by the Company, provide to the Company within 10 calendar days of such request, any information regarding the transfer or other disposition of Ordinary Shares reasonably required by the Company in order for the Company to comply with applicable local laws and regulations or to obtain any benefits thereunder.
9. **PARAGRAPH 9**
- Paragraph 9 in its entirety shall not apply to the RSU Appendix.
10. **PARAGRAPH 10**
- 10.1 Paragraph 10.1 shall be replaced with the following wording:
- "The Directors shall at all times keep available such number of authorised and unissued Ordinary Shares or procure the issue or transfer of sufficient Ordinary Shares as may be required to meet the subsisting rights of RSU Holders."
- 10.2 A new paragraph 10.8 shall be inserted with the following wording:
- "Subject to the general terms and conditions of this Scheme, the Directors shall have the full authority in its discretion, from time to time and at any time to determine: (a) the method of payment for Ordinary Shares issued pursuant to any RSU; (b) the method for satisfaction of any tax withholding obligation arising in connection with an RSU, including by the withholding, delivery or sale of Ordinary Shares; (c) rules and provisions, as may be necessary or appropriate in relation to the operation of RSUs held by Eligible Employees resident or employed in any specific jurisdiction; and/or (d) any other matter which is necessary or desirable for, or incidental to, the administration of the RSU Appendix, including, where applicable, whether American Depositary Receipts should be issued in satisfaction of the vested RSU in lieu of Ordinary Shares."

11. **PARAGRAPH 11**

11.1 Paragraph 11.1 shall be replaced with the following wording:

"This Scheme may be altered by the Directors from time to time provided that no alteration shall be effective to abrogate or alter adversely any of the subsisting rights of RSU Holders except with their written consent."

11.2 Paragraph 11.2(b) shall be replaced with the following wording:

"no alteration shall be effective to abrogate or alter adversely any of the subsisting rights of an RSU Holder except with his written consent."

12. **PART B**

Part B in its entirety shall not apply to the RSU Appendix.

Goldfarb Seligman & Co.
Law Offices
98 Yigal Alon Street 67891
Tel Aviv, Israel
October 26, 2011

NICE Systems Ltd.
8 Hapnina Street
P.O. Box 690
43107 Ra'anana
Israel

Ladies and Gentlemen:

We refer to the Registration Statement on Form S-8 (the "Registration Statement") to be filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Act"), on behalf of NICE Systems Ltd. (the "Company"), relating to 165,695 of the Company's Ordinary Shares, NIS 1.00 nominal value per share (the "Shares"), issuable under the Fizzback Group (Holdings) Limited Employee Share Option Scheme (the "Scheme"), which will be issued pursuant to a Share Purchase Agreement dated as of September 18, 2011, by and among the Registrant and shareholders of Fizzback Group (Holdings) Ltd. (the "Agreement"), following the closing of the transactions contemplated by the Agreement.

We are members of the Israel Bar and we express no opinion as to any matter relating to the laws of any jurisdiction other than the laws of Israel.

In connection with this opinion, we have examined such corporate records, other documents, and such questions of Israeli law as we have considered necessary or appropriate. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of documents submitted to us certified or photostatic copies, the authenticity of the originals of such copies and the due constitution of the Board of Directors of the Company.

Based on the foregoing and subject to the qualifications stated herein, we advise you that in our opinion, the Shares have been duly and validly authorized, and when, and if, issued pursuant to the terms of the Scheme were, or will be, validly issued, fully paid and non-assessable.

We hereby consent to the filing of this opinion as part of the Registration Statement. This consent is not to be construed as an admission that we are a person whose consent is required to be filed with the Registration Statement under the provisions of the Act.

Very truly yours,

/s/ Goldfarb Seligman & Co.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement (Form S-8) of NICE Systems Ltd. for the registration of 165,695 of its ordinary shares under the Fizzback Group (Holdings) Limited Employee Share Option Scheme of our report dated March 31, 2011, with respect to the consolidated financial statements of NICE Systems Ltd. for the year ended December 31, 2010, and the effectiveness of internal control over financial reporting of NICE-Systems Ltd., which is included in its Annual Report (Form 20-F), filed with the Securities and Exchange Commission.

/s/ KOST FORER, GABBAY & KASIERER

KOST FORER, GABBAY & KASIERER
A Member of Ernst & Young Global

Tel-Aviv, Israel
October 26, 2011
