

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

FORM S-8

REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

**ARCTURUS THERAPEUTICS LTD.**

(Exact name of registrant as specified in its charter)

**State of Israel**  
(State or other jurisdiction of  
incorporation or organization)

**Not applicable**  
(I.R.S. Employer Identification No.)

**10628 Science Center Drive, Suite 200**  
**San Diego, California**  
(Address of Principal Executive Offices)

**92121**  
(Zip Code)

**Arcturus Therapeutics, Inc. 2013 Equity Incentive Plan**  
(Full title of the plan)

**Joseph E. Payne**  
**President and Chief Executive Officer**  
**Arcturus Therapeutics Ltd.**  
**10628 Science Center Drive, Suite 200**  
**San Diego, California 92121**  
**(858) 900-2660**  
(Name, Address and Telephone Number of Agent for Service)

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

**CALCULATION OF REGISTRATION FEE**

Title of Securities to be Registered	Amount to be registered (1)	Proposed maximum offering price per share	Proposed maximum aggregate offering price	Amount of registration fee
<b>Arcturus Therapeutics, Inc. 2013 Equity Incentive Plan</b>				
Ordinary Shares, par value NIS 0.07 per share	232,513(2)	\$ 2.89(3)	\$ 671,682.22(3)	\$ 83.62

- (1) Pursuant to Rule 416(a) under the Securities Act of 1933, as amended (the "Securities Act"), this Registration Statement also covers an indeterminate number of additional securities which may be offered and issued to prevent dilution resulting from stock splits, stock dividends, recapitalizations or similar transactions.
- (2) Represents ordinary shares reserved for issuance upon the exercise of outstanding stock options granted under the Arcturus Therapeutics, Inc. 2013 Equity Incentive Plan (the "2013 Plan") after accounting for the option exchange ratio determined in accordance with the terms of the Merger

Agreement (as defined below under the heading “Explanatory Note”). There are no shares remaining available for the grant of future stock awards under the 2013 Plan.

- (3) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(h) of the Securities Act. The proposed maximum aggregate offering price per share and proposed maximum aggregate offering price for the 232,513 ordinary shares reserved for future issuance upon the exercise of options outstanding under the 2013 Plan are calculated using a weighted average exercise price of \$2.89 per share based on exercise prices for such outstanding options ranging from \$1.03 to \$5.47 per share.
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## EXPLANATORY NOTE

As disclosed in its Report of Foreign Private Issuer on Form 6-K filed by Arcturus Therapeutics Ltd. (formerly known as Alcobra Ltd.) (the “Registrant”) on November 15, 2017, the Registrant completed its business combination with what was then known as “Arcturus Therapeutics, Inc.” (“Private Arcturus”) in accordance with the terms of the Agreement and Plan of Merger and Reorganization, dated as of September 27, 2017, by and among the Registrant, Aleph MergerSub, Inc., a wholly-owned subsidiary of the Registrant (“Merger Sub”), and Private Arcturus (the “Merger Agreement”), pursuant to which Merger Sub merged with and into Private Arcturus, with Private Arcturus surviving as a wholly owned subsidiary of the Registrant (the “Merger”).

In accordance with the terms of the Merger Agreement, upon the closing of the Merger each outstanding and unexercised option to purchase Private Arcturus common stock under the 2013 Plan was assumed by the Registrant and converted into an option to purchase a number of Registrant’s ordinary shares pursuant to the option exchange ratio set forth in the Merger Agreement (the “Assumed Options”). We are filing this Registration Statement on Form S-8 in connection with 232,513 ordinary shares issuable to eligible directors, employees and consultants of the Registrant, and its affiliates, pursuant to the Assumed Options.

### PART I

#### INFORMATION REQUIRED IN THE SECTION 10(a) PROSPECTUS

All information required by Part I to be contained in the prospectus is omitted from this Registration Statement in accordance with Rule 428 and the introductory note to Part I of Form S-8, in each case under the Securities Act.

### PART II

#### INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

##### Item 3. Incorporation of Documents by Reference.

The following documents (including, except where indicated otherwise, all exhibits thereto) filed with or furnished to the Securities and Exchange Commission, or the SEC, by the Registrant are incorporated herein by reference and made a part hereof:

- (1) The Registrant’s Annual Report on Form 20-F for the fiscal year ended December 31, 2016, filed with the SEC on April 28, 2017;
  - (2) The Registrant’s Reports of Foreign Private Issuer on Form 6-K, furnished to the SEC on the following dates:
    - January 9, 2017;
    - January 17, 2017;
    - February 6, 2017;
    - February 15, 2017 (in Exhibit 99.1 thereto, only the GAAP financial statements included therein);
    - April 5, 2017;
    - April 24, 2017;
    - April 27, 2017;
    - May 5, 2017;
    - May 15, 2017;
    - May 30, 2017 (in Exhibit 99.1 thereto, only the second, third and fourth bullet points under the heading “First Quarter and Recent Corporate Updates” and the GAAP financial statements included therein);
    - June 12, 2017;
    - June 23, 2017;
    - August 11, 2017;
    - September 14, 2017;
    - September 28, 2017 (among the exhibits thereto, only the first three paragraphs and the sections titled “About the Proposed Transaction,” “Management and Organization,” “About Arcturus Therapeutics, Inc.,” “Forward-looking Statements” and “No Offer or Solicitation” in Exhibit 99.1, and all of Exhibit 99.3);
    - September 28, 2017;
    - October 20, 2017;
    - October 20, 2017;
    - November 7, 2017;
    - November 9, 2017 (only the GAAP financial statements included in Exhibit 99.1 thereto);
    - November 13, 2017; and
    - November 16, 2017.
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- (3) The description of the Registrant's ordinary shares, par value NIS 0.07 per share, contained in the Registrant's registration statement on Form 8-A filed pursuant to the Securities Exchange Act of 1934, as amended, or the Exchange Act, on May 17, 2013 (File No. 001-35932), including any amendment or report filed for the purpose of updating such description.

In addition to the foregoing, all documents subsequently filed by the Registrant pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act, and all reports on Form 6-K subsequently furnished by the Registrant which state that they are incorporated by reference herein, prior to the filing of a post-effective amendment which indicates that all securities offered hereunder have been sold or which deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference herein and to be part hereof from the date of filing of such documents and reports.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Registration Statement to the extent that a statement herein, or in any subsequently filed document which also is or is deemed to be incorporated by reference, modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of 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.**

Under the Israeli Companies Law (the "Companies Law") and the Israeli Securities Law, 5728-1968, as amended (the "Securities Law"), a company may indemnify, or undertake in advance to indemnify, an office holder (defined as a director, chief executive officer, deputy chief executive officer or other officer reporting to the chief executive officer of the company) for the following liabilities and expenses, imposed on an office holder or incurred by an office holder due to acts performed by him or her as an office holder, provided its articles of association include a provision authorizing such indemnification:

- financial liability incurred by or imposed on him or her in favor of another person pursuant to a judgment, including a settlement or arbitrator's award approved by a court. However, if an undertaking to indemnify an office holder with respect to such liability is provided in advance, then such an undertaking must be limited to events which, in the opinion of the board of directors, can be foreseen based on the company's activities when the undertaking to indemnify is given, and to an amount or according to criteria determined by the board of directors as reasonable under the circumstances, and such undertaking shall detail the abovementioned foreseen events and amount or criteria;
  - reasonable litigation expenses, including attorneys' fees, incurred by the office holder as a result of an investigation or proceeding instituted against him or her by an authority authorized to conduct such investigation or proceeding, provided that (i) no indictment was filed against such office holder as a result of such investigation or proceeding; and (ii) no financial liability was imposed upon him or her as a substitute for the criminal proceeding as a result of such investigation or proceeding or, if such financial liability was imposed, it was imposed with respect to an offense that does not require proof of criminal intent or as a monetary sanction; and
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- reasonable litigation expenses, including attorneys' fees, incurred by the office holder or imposed by a court in proceedings instituted against him or her by the company, on its behalf, or by a third party, or in connection with criminal proceedings in which the office holder was acquitted, or as a result of a conviction for an offense that does not require proof of criminal intent.

Under the Companies Law and the Securities Law, a company may insure an office holder against the following liabilities incurred for acts performed by him or her as an office holder if and to the extent provided in the company's articles of association:

- a breach of the duty of loyalty to the company, provided that the office holder acted in good faith and had a reasonable basis to believe that the act would not harm the company;
- a breach of duty of care to the company or to a third party;
- a financial liability imposed on the office holder in favor of a third party;
- a financial liability imposed on the office holder in favor of a third party harmed by a breach in an administrative proceeding; and
- reasonable litigation expenses, including attorneys' fees, incurred by the office holder as a result of an administrative proceeding instituted against him or her.

Nevertheless, under the Companies Law, a company may not indemnify, exculpate or insure an office holder against any of the following:

- a breach of fiduciary duty, except for indemnification and insurance for a breach of the duty of loyalty to the company in the event the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the company;
- a breach of duty of care committed intentionally or recklessly, excluding a breach arising out of the negligent conduct of the office holder;
- an act or omission committed with intent to derive unlawful personal benefit; or
- a fine, monetary sanction, penalty or forfeit levied against the office holder.

Under the Companies Law, exculpation, indemnification and insurance of office holders require the approval of the compensation committee, and, generally, the board of directors and, in certain circumstances, the shareholders.

The Registrant's amended and restated articles of association permit the Registrant to exculpate, indemnify and insure its office holders to the fullest extent permitted by the Companies Law.

The Registrant has obtained directors' and officers' liability insurance for the benefit of its office holders and intends to continue to maintain such coverage and pay all premiums thereunder to the fullest extent permitted by the Companies Law. In addition, the Registrant has entered into agreements with each of its office holders exculpating them and undertaking to indemnify them to the fullest extent permitted by Israeli law, including with respect to liabilities resulting from this offering to the extent that these liabilities are not covered by insurance. This indemnification is limited to events determined as foreseeable by the board of directors based on our activities, and to an amount or according to criteria determined by the board of directors as reasonable under the circumstances.

There is no current pending litigation or proceeding against any of the Registrant's office holders as to which indemnification is being sought, nor is the Registrant aware of any pending or threatened litigation that may result in claims for indemnification by any office holder.

**Item 7. Exemption from Registration Claimed.**

Not Applicable.

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## Item 8. Exhibits.

- [4.1 Articles of Association of the Registrant, as amended](#)
- [5.1 Opinion of Meitar Liqornik Geva Leshem Tal](#)
- [23.1 Consent of Kost Forer Gabbay & Kasierer, Certified Public Accountants \(Israel\) \(a Member of Ernst & Young Global\)](#)
- [23.2 Consent of Meitar Liqornik Geva Leshem Tal \(included in the opinion filed as Exhibit 5.1 to this Registration Statement\)](#)
- [24.1 Power of Attorney \(included on signature page\)](#)
- [99.1 Arcturus Therapeutics, Inc. 2013 Equity Incentive Plan](#)

## 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 the 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; 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 subparagraphs (a)(1)(i) and (a)(1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in the periodic reports filed with or furnished to the Commission by the Registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in this 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 further undertakes that, for the purposes of determining any liability under the Securities Act, each filing of the Company's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in this 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.
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## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, 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 on Form S-8 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Diego, State of California, on November 30, 2017.

### ARCTURUS THERAPEUTICS LTD.

By: /s/ Joseph E. Payne

Name: Joseph E. Payne

Title: President and Chief Executive Officer

### POWER OF ATTORNEY AND SIGNATURES

We, the undersigned officers and directors of Arcturus Therapeutics, Ltd., hereby severally constitute and appoint Joseph E. Payne and Dr. Padmanabh Chivukula, and each of them individually, our true and lawful attorney to sign for us and in our names in the capacities indicated below any and all amendments or supplements, including any post-effective amendments, to this Registration Statement on Form S-8 and to file the same, with exhibits thereto and other documents in connection therewith, with the SEC, granting unto said attorney full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming our signatures to said amendments to this Registration Statement signed by our said attorney and all else that said attorney may lawfully do and cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this Registration Statement on Form S-8 has been signed below by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Joseph E. Payne</u> Joseph E. Payne	President, Chief Executive Officer and Director <i>(principal executive officer, principal financial officer and principal accounting officer)</i>	November 30, 2017
<u>/s/ Dr. Padmanabh Chivukula</u> Dr. Padmanabh Chivukula	Chief Scientific Officer, Chief Operating Officer and Director	November 30, 2017
<u>/s/ Dr. Stuart Collinson</u> Dr. Stuart Collinson	Executive Chairman of the Board	November 30, 2017
<u>/s/ Craig Willett</u> Craig Willett	Director	November 30, 2017
<u>/s/ Dr. David Shapiro</u> Dr. David Shapiro	Director	November 30, 2017
<u>/s/ Orli Tori</u> Orli Tori	Director	November 30, 2017
<u>/s/ Daniel E. Geffken</u> Daniel E. Geffken	Director	November 30, 2017

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**SIGNATURE OF AUTHORIZED REPRESENTATIVE IN THE UNITED STATES**

Pursuant to the Securities Act of 1933, as amended, the undersigned, the duly authorized representative in the United States of Arcturus Therapeutics, Ltd., has signed this Registration Statement on Form S-8 on November 30, 2017.

**ARCTURUS THERAPEUTICS, INC.**

By: /s/ Joseph E. Payne

Name: Joseph E. Payne

Title: President

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## ARTICLES OF ASSOCIATION OF

**ARCTURUS THERAPEUTICS LTD.**

A COMPANY LIMITED BY SHARES

UNDER THE COMPANIES LAW, 5759-1999

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**Chapter 1 General**1.1 Name of Company.

The name of the Company is Arcturus Therapeutics Ltd.

1.2 Goals of the Company.

The goal of the Company is to engage in any lawful business.

1.3 Interpretation

1.3.1 Any statement in the singular shall also include the plural and vice versa; any statement in the masculine shall also include the feminine and vice versa.

1.3.2 Except insofar as these Articles include special definitions of certain terms, any word and expression in these Articles shall have the meaning attributed thereto in the Companies Law, 5759-1999 (the "**Companies Law**") unless this contradicts the written matter or the content thereof.

1.3.3 To prevent doubt it is clarified that regarding matters regulated in the Companies Law in such manner that the arrangements in these matters may be conditioned in the Articles, and in cases in which these Articles do not include different provisions from those in the Companies Law, the provisions of the Companies Law shall apply.

1.3.4 For the avoidance of doubt, the provisions of the Articles of Association of the Company as detailed below are in any event subject to the provisions of the Companies Law, the Securities Law, 5728-1968 (the “**Securities Law**”) and any other applicable law.

#### 1.4 Limited Liability.

The liability of the shareholders for the Company’s debts shall be limited to the full amount (nominal value with the addition of premium) required to be paid to the Company for the shares and which has not yet been paid.

#### 1.5 Donations.

The Company is entitled to donate a reasonable sum of money for a fit purpose. The Board of Directors of the Company is entitled to determine, at its discretion, rules for the making of donations by the Company.

### **Chapter 2 Shares and Share Capital**

#### 2.1 Share Capital and Rights Attached to Shares

2.1.1 The registered capital of the Company is NIS 2,100,000, divided into 30,000,000 ordinary shares with a par value of NIS 0.07 each.

2.1.2 The ordinary shares shall entitle their owners to –

2.1.2.1 An equal right to participate in and vote at the General Meetings of the Company, whether Annual Meetings or Extraordinary Meetings. Each of the shares in the Company shall entitle its owner present at the meeting and participating in the vote in person, by proxy, or by means of a voting deed, to one vote;

2.1.2.2 An equal right to participate in the distribution of dividends, whether in cash or assets, benefit shares, or any other distribution, according to the proportionate nominal value of the shares held thereby;

2.1.2.3 An equal right to participate in the distribution of the surplus assets of the Company in the event of its liquidation in accordance with the proportionate nominal value of the shares held thereby.

2.1.3 The Board of Directors is entitled to issue shares and other convertible securities or securities that may be realized as shares up to the limit of the Company’s registered capital. For the purpose of calculating the limit of the registered capital, convertible securities or securities that may be realized as shares shall be considered to have been converted or realized as of their date of issue.

#### 2.2 Share Certificates

2.2.1 The owner of a share registered in the registry of shareholders is entitled to receive from the Company, without payment and within a period of three months following the allocation or the registration of transfer, one share certificate stamped with the Company’s stamp regarding all the shares registered in his name, which certificate shall detail the number of shares. In the event of a jointly owned share, the Company shall issue one share certificate for all the joint owners of the share, and the delivery of such a certificate to one of the partners shall be considered delivery to them all.

Each share certificate shall bear the signature of at least one Director, together with the Company stamp or its printed name.

2.2.2 A share certificate that has been defaced, destroyed, or lost may be renewed on the basis of such proof and guarantees as shall be required by the Company from time to time.

2.2.3 Shares of the Company may be certificated or uncertificated, subject to the Companies Law.

### 2.3 Reliefs relating to Shares that Have Not Been Fully Paid

2.3.1 If any or all of the remuneration the shareholder undertook to pay the Company in return for his shares has not been paid by such date and on such conditions as established in the conditions for the allocation of his shares and/or in the payment request as stated in Article 2.3.2 below, the Company is entitled, by way of a decision of the Board of Directors, to forfeit the shares whose remuneration has not been fully paid. The forfeiture of shares shall take place provided that the Company has sent the shareholder written warning of its intention to forfeit the shares after at least 7 days from the date of receipt of the warning, insofar as payment shall not be made during the period determined in the letter of warning.

The Board of Directors is entitled, at any time prior to the date on which the forfeited share is sold, reallocated, or otherwise transferred, to nullify the forfeiture on such conditions as it shall see fit.

2.3.2 If, in accordance with the conditions of allocation of the shares, there is no fixed date for the payment of any part of the price to be paid on account thereof, the Board of Directors is entitled, from time to time, to present payment requests to the shareholders on account of monies not yet removed for the shares they hold, and each shareholder shall be obliged to pay the Company the amount requested on the date determined as stated, provided that he shall receive prior notice of 14 days of the date and place of payment (a "**Payment Request**"). The notification shall specify that non-payment by or before the determined date and in the specified place may lead to the forfeiture of the shares regarding which payment is requested. A Payment Request may be nullified or postponed to another date, all as shall be decided by the Board of Directors.

2.3.3 Unless otherwise determined in the conditions of allocations of the shares, a shareholder shall not be entitled to receive a dividend or to exercise any right as a shareholder on account of shares that have not yet been fully paid.

2.3.4 Persons who are the joint owners of a share shall be liable jointly and severally for payment of the amounts due to the Company on account of the share.

2.3.5 The content of this section shall not derogate from any other relief of the Company vis-à-vis a shareholder who fails to pay his debt to the Company on account of his shares.

### 2.4 Transfer of Shares

2.4.1 The Company's shares are transferable.

2.4.2 The transfer of shares must be made in writing, and it shall be recorded only if –

2.4.2.1 A proper certificate for the transfer of shares, together with the certificates of the share intended for transfer, if such were issued, are delivered to the Company at its registered office. The certificate of transfer shall be drafted in such form approved by the Board of Directors and signed by the transferor and by a witness confirming the signature of the transferor. In the event of the transfer of shares that are not fully paid as of the date of transfer, the certificate of transfer shall also be signed by the recipient of the share and by a witness testifying to the signature of the recipient; or

2.4.2.2 A court order for the amendment of the registration shall be delivered to the Company; or

2.4.2.3 It shall be proved to the Company that lawful conditions pertain for the transfer of the right to the share.

2.4.3 The transfer of shares that have not been fully paid requires the authorization of the Board of Directors, which is entitled to refuse to grant its authorization at its absolute discretion and without stating grounds therefore.

2.4.4 The recipient of the transfer shall be considered the shareholder regarding the transferred shares from the moment of the registration of his name in the registry of shareholders.

## 2.5 Changes in Capital

2.5.1 The General Meeting is entitled to increase the Company's registered share capital by creating new shares of an existing class or a new class, all as shall be determined in the decision of the General Meeting.

2.5.2 Subject to the provisions of the Companies Law, the General Meeting is entitled to decrease the Company's registered share capital or nullify registered share capital that has not yet been allocated (provided that there is no commitment, including a conditioned commitment, by the Company to allocate the shares).

2.5.3 The General Meeting shall be entitled, subject to the provisions of any law:

2.5.3.1 To unify and redivide its share capital, or any part thereof, into shares of a nominal value greater than the nominal value of the existing shares.

2.5.3.2 To divide, by way of the redivision of any or all of the existing shares, its share capital into shares of a nominal value smaller than the nominal value of the existing shares.

2.5.3.3 To reduce its share capital and any reserved fund for the repayment of capital in such manner and on such conditions and with the receipt of such authorization as shall be required by the Companies Law.

## 2.6 Changes in the Rights of Share Classes

2.6.1 Unless otherwise stated in the conditions of issue of the shares, and subject to the provisions of any law, the rights of any share class may be changed following a decision of the Company's Board of Directors, and with the authorization of the General Meeting of shareholders of that class, or with the written consent of all the shareholders of that class. The provisions of the Company's Articles of Association regarding General Meetings shall apply, *mutatis mutandis*, to a class meeting of class shareholders.

2.6.2 The rights granted to the holders of shares of a specific class issued with special rights shall not be considered to have been changed by virtue of the creation or issue of additional shares of equal grade, unless otherwise conditioned in the conditions of issue of the said shares.

## 2.7 Redeemable Securities

The Company is entitled, subject to any law, to issue redeemable securities on such conditions as shall be determined by the Board of Directors, provided that the General Meeting shall approve the recommendation of the Board of Directors and the conditions established thereby.

## Chapter 3 General Meetings

### 3.1 Authorities of General Meeting

3.1.1 Company decisions on the following matters shall be taken at the General Meeting –

- 3.1.1.1 Changes to the Articles;
- 3.1.1.2 Exercising vital authorities of the Board of Directors in the event that the Board of Directors is unable to perform its function;
- 3.1.1.3 Appointment of the auditing accountant of the Company and the cessation of employment thereof;
- 3.1.1.4 Appointment of Directors, including External Directors;
- 3.1.1.5 Authorization of actions and transactions requiring the authorization of the General Meeting in accordance with the provisions of the Companies Law and any other law;
- 3.1.1.6 Increasing and decreasing the registered share capital;
- 3.1.1.7 Merger as defined in the Companies Law.

3.1.2 Subject to the provisions of the law, the General Meeting is entitled to assume authorities granted to another organ in the Company, including the Board of Directors, for a particular matter or for a given period of time required under the circumstances.

If the General Meeting has assumed authorities granted to the Board of Directors in accordance with the Companies Law, the shareholders shall bear the same rights, obligations, and liability as apply to the Board of Directors regarding the exercising of those same authorities, as detailed in section 50 of the Companies Law, as this shall be amended from time to time.

### 3.2 Convening of General Meetings

3.2.1 General meetings shall be convened at least once a year at such a venue and on such a date as shall be determined by the Board of Directors, and subject to the provisions of the law, but not later than 15 months after the previous General Meeting. These General Meetings shall be called “Annual Meetings.” The remaining meetings of the Company shall be called “Extraordinary Meetings.”

3.2.2 The agenda at the Annual Meeting shall include discussion of the report of the Board of Directors and financial statements as required by law. The Annual Meeting shall appoint an auditing accountant; shall appoint the Directors in accordance with these Articles; and shall discuss all other matters to be discussed at the Annual Meeting of the Company in accordance with these Articles or in accordance with the Companies Law, as well as any other matter as shall be determined by the Board of Directors.

3.2.3 The Board of Directors is entitled to convene an Extraordinary Meeting in accordance with its decision, and must convene a General Meeting if a written request is received from any of the following (a “**Request to Convene**”):

- 3.2.3.1 Two Directors or one-fourth of the incumbent Directors;
- 3.2.3.2 One or more shareholders holding at least five percent of the issued capital and at least one percent of the voting rights in the Company; or
- 3.2.3.3 One or more shareholders holding at least five percent of the voting rights in the Company.

- 3.2.4 Any Request to Convene must specify the goals for whose purpose the meeting is to be convened, and shall be signed by those requesting the convening and delivered at the Company's registered office. The request may consist of a number of documents of identical format, each signed by one or more individuals making the request.
- 3.2.5 A Board of Directors required to convene an Extraordinary Meeting shall proceed to convene such meeting within twenty-one days from the date on which the Request to Convene was submitted thereto, for a date determined in an invitation in accordance with Article 3.2.6 below and subject to any law.
- 3.2.6 Notification of the members of the Company regarding the convening of a General Meeting shall be published or delivered to all the shareholders registered in the registry of shareholders in the Company in accordance with the requirements of the law. The notification shall include the agenda, the proposed decisions, and arrangements regarding voting in writing.

### 3.3 Discussion at General Meetings

- 3.3.1 The discussion at the General Meeting shall be opened only if a legal quorum is present at the time the discussion begins. A legal quorum is the presence of at least two shareholders holding at least one-third of the voting rights (including presence by means of proxy or through a voting deed) within an hour from the time specified for the opening of the meeting.
- 3.3.2 If, at the end of one hour from the time specified for the opening of the meeting, no legal quorum is present, the meeting shall be postponed by one week, to the same day, the same hour, and the same venue, or to a later date, if specified in the invitation to the meeting or in the notification of the meeting (the "**Postponed Meeting**"). Notification of a Postponed Meeting shall be made as stated in Article 3.2.6, *mutatis mutandis*, provided that notification and invitation regarding a Postponed Meeting postponed for a period of not more than 21 days shall be made not later than seventy-two hours prior to the Postponed Meeting.
- 3.3.3 The legal quorum for commencing a Postponed Meeting shall be the presence of any two shareholders (including presence by means of proxy or through a voting deed).
- 3.3.4 The chairperson of the Board of Directors shall serve as the chairperson of the General Meeting. If the chairperson of the Board of Directors is absent from the meeting after 15 minutes from the time specified for the meeting, or if he refuses to serve as the chairperson of the meeting, the chairperson shall be elected by the General Meeting.
- 3.3.5 A General Meeting with a legal quorum is entitled to decide on the postponement of the meeting to another date and to such venue as shall be determined and, in this case, notifications and invitations to the Postponed Meeting shall be made as stated in Article 3.3.2 above.

### 3.4 Voting at a General Meeting

- 3.4.1 A shareholder in the Company shall be entitled to vote at General Meetings in person or by means of a proxy or a voting deed.
- Shareholders entitled to participate in and vote at the General Meeting are the shareholders as of such date as shall be determined by the Board of Directors in the decision to convene the General Meeting, and subject to any law.
- 3.4.2 In any vote, each shareholder shall have a number of votes equivalent to the number of shares in their possession entitling the holder to a vote.
- 3.4.3 A decision at the General Meeting shall be taken by an ordinary majority unless another majority is determined in the Companies Law or in these Articles.

- 3.4.4 The declaration by the chairperson of the meeting that a decision has been adopted unanimously or by a given majority, or rejected or not adopted by a given majority, shall constitute prima facie evidence of the content thereof.
- 3.4.5 If the votes at the meeting are equally divided, the chairperson of the meeting shall not have an additional or casting opinion and the decision presented for voting shall be rejected.
- 3.4.6 To the extent required by the Companies Law or otherwise resolved by the Board of Directors in its decision to convene the General Meeting, shareholders in the Company shall be entitled to vote on certain matters on the agenda of a General Meeting (including class meetings) by means of a voting deed.
- 3.4.7 In order to be considered tantamount to presence at the meeting, including for the matter of the presence of the legal quorum, a voting deed, stating the manner of voting as set forth in the Companies Law, must be delivered to the Company by such date prescribed by the Board of Directors, or, if no such date has been prescribed, up to 72 hours prior to the time of commencement of the meeting.
- 3.4.8 Appointment of a proxy shall be in writing, signed by the appointer (“**Power of Attorney**”). A corporation shall vote by means of its representatives, who shall be appointed in a document signed properly by the corporation (“**Letter of Appointment**.”)
- 3.4.9 A vote in accordance with the conditions of a Power of Attorney shall be lawful even if the appointer dies before the voting, or becomes legally incompetent, is liquidated, becomes bankrupt, nullifies the Letter of Appointment, or transfers the share regarding which it was given, unless written notification is received at the Company’s office prior to the meeting that the shareholder has died, become legally incompetent, been liquidated, become bankrupt, or has nullified the Letter of Appointment or transferred the shares as stated.
- 3.4.10 The Letter of Appointment and the Power of Attorney, or a copy authorized by an attorney, shall be deposited at the Company’s registered offices at least 72 hours prior to the time determined for the meeting or for the Postponed Meeting at which the person mentioned in the document intends to vote in accordance therewith.
- 3.4.11 A shareholder in the Company shall be entitled to vote at the Company’s meetings by means of several proxies appointed thereby, provided that each proxy shall be appointed on account of different sections of the shares held by the said shareholder. There shall be no impediment to each proxy as stated voting in a different manner in the Company’s meetings.
- 3.4.12 If a shareholder is legally incompetent, he is entitled to vote by means of his trustees, the recipient of his assets, his natural guardian or other legal guardian, and these are entitled to vote in person or by proxy or a voting deed.
- 3.4.13 When two or more persons are the joint owners of a share, in a vote on any matter the vote of the person whose name is registered first in the registry of shareholders as the owner of that share shall be accepted, whether in person or by proxy, and he is entitled to deliver voting deeds to the Company.

#### **Chapter 4 The Board of Directors**

##### **4.1 Authorities of the Board of Directors**

The Board of Directors shall set the Company’s policy, supervise the execution of the functions and actions of the General Manager, and, within this, shall act and shall enjoy all the authorities detailed in section 92 of the Companies Law. In addition, any authority not granted in the Companies Law or in these Articles to another organ may be exercised by the Board of Directors, in addition to the authorities and functions of the Board of Directors in accordance with the content of any law.

## 4.2 Appointment of Board of Directors and Cessation of Office Thereof

- 4.2.1 The number of Directors in the Company shall be determined from time to time by the Annual Meeting, provided that this shall not be fewer than 5 and not more than 11 Directors, including External Directors. The number of External Directors in the Company shall not be less than the number determined in the Companies Law.
- 4.2.2 Other than External Directors (who shall be elected and serve in office in strict accordance with the provisions of the Companies Law), the Directors in the Company shall be elected at an Annual Meeting and shall serve in their office until the next Annual Meeting following one year from their election, or until they cease to serve in their office in accordance with the provisions of the Articles or any law, whichever is the earlier.
- 4.2.3 In addition to the content of Article 4.2.2 above, the Board of Directors is entitled to appoint a Director in place of a Director, other than an External Director, whose position has become vacant, or appoint new additions to the Board of Directors up to the maximum number of Directors set forth in Article 4.2.1 above. The appointment of a Director by the Board of Directors shall remain valid through the next Annual Meeting or until the Director shall cease to serve in their office in accordance with the provisions of these Articles or of any law, whichever is the earlier.
- 4.2.4 A Director whose period of office has expired may be reelected; an External Director may be reelected for additional periods of office in strict accordance with the provisions of the Companies Law.
- 4.2.5 The office of a Director shall commence on the date of appointment or on a later date if so determined in the decision of appointment.
- 4.2.6 The Board of Directors shall elect one of its members as the chairperson of the Board of Directors. The elected chairperson shall run the meetings of the Board of Directors and shall sign the minutes of the discussion. If no chairperson is elected, or if the chairperson of the Board of Directors is not present after 15 minutes from the time set for the meeting, the Directors present shall choose one of their number to serve as the chairperson at that meeting, and the chosen member shall run the meeting and sign the minutes of the discussion.
- 4.2.7 The chairperson of the Board of Directors shall not be the General Manager of the Company or a relative thereof unless the conditions stipulated in section 121(C) of the Companies Law apply.
- 4.2.8 The General Meeting is entitled to transfer any Director (other than an External Director) from their office prior to the end of the period of their office, whether the Director was appointed thereby in accordance with Article 4.2.2 above or was appointed by the Board of Directors in accordance with Article 4.2.3 above, provided that the Director shall be given a reasonable opportunity to state their case before the General Meeting.
- 4.2.9 Any Director is entitled, with the agreement of the Board of Directors and subject to the provisions of the Companies Law, to appoint a substitute for themselves (a “**Substitute Director**”), provided that a person who is not competent shall not be appointed to serve as a Substitute Director, nor a person who has been appointed as a Substitute Director for another Director and/or a person who is already serving as a Director in the Company, and further provided that a Substitute Director must possess the same qualifications as required of the appointing Director.



The appointment or cessation of office of a Substitute Director shall be made in a written document signed by the Director who appointed him; in any case, however, the office of a Substitute Director shall be terminated if one of the cases stipulated in the paragraphs in Article 4.2.10 below shall apply, or if the office of the member of the Board of Directors for whom he serves as a substitute shall become vacant for any reason.

A Substitute Director is considered tantamount to a Director and all the legal provisions and the provisions of these Articles shall apply, with the exception of the provisions regarding the appointment and/or dismissal of a Director as established in these Articles.

4.2.10 The office of a Director shall become vacant in any of the following cases:

4.2.10.1 He resigns from his office by means of a letter signed in his hand, submitted to the Company and detailing the reasons for his resignation;

4.2.10.2 He is removed from his office by the General Meeting;

4.2.10.3 He is convicted of an offense as stated in section 232 of the Companies Law;

4.2.10.4 In accordance with the decision of the administrative enforcement committee, as stated in section 232A of the Companies Law;

4.2.10.5 In accordance with a court decision as stated in section 233 of the Companies Law;

4.2.10.6 He is declared legally incompetent;

4.2.10.7 He is declared bankrupt and, if the Director is a corporation – it opted for voluntary liquidation or a liquidation order was issued against it.

4.2.11 In the event that the position of a Director becomes vacant, the remaining Directors shall be entitled to continue to act, provided the number of Directors remaining shall not be less than the minimum number of Directors as stated above. If the number of Directors falls below the above-mentioned minimum number, the remaining Directors shall be entitled to act solely in order to fill the place of the Director that has become vacant as stated in Article 4.2.3 above, or in order to convene a General Meeting of the Company, and pending the convening of the General Meeting of the Company as stated they may act to manage the Company's affairs solely in matters that cannot be delayed.

4.2.12 The conditions of office of the members of the Board of Directors shall be authorized in accordance with the provisions of the Companies Law.

#### 4.3 Meetings of the Board of Directors

4.3.1 The Board of Directors shall convene for a meeting in accordance with the needs of the Company, and at least once every three months.

4.3.2 The chairperson of the Board of Directors is entitled to convene the Board at any time. In addition, the Board of Directors shall hold a meeting on such subject as shall be specified in the following cases:

4.3.2.1 In accordance with the request of two Directors; however, if at the time the Board of Directors comprises five Directors or less – in accordance with the request of one Director;

4.3.2.2 In accordance with the request of one Director if, in his request to convene the Board, he states that he has learned of a matter in the Company ostensibly entailing a violation of the law or infringement of proper business practice;

- 4.3.2.3 If a notification or report by the General Manager require an action on the part of the Board of Directors;
- 4.3.2.4 If the auditing accountant has informed the chairperson of the Board of Directors – or, in the event that no chairperson was appointed for the Board of Directors, has informed the Board of Directors – of substantial defects in the accounting control of the Company.

4.3.3 Notification of the meeting of the Board of Directors shall be delivered to all members of the Board a reasonable period of time (taking into account the circumstances and urgency of the matter) prior to the date of convening of the Board. Notification shall be delivered to the address of the Director as forwarded to the Company in advance, and shall stipulate the time of the meeting and the venue at which it shall convene, as well as reasonable detail of all subjects on the agenda.

Notwithstanding the above, the Board of Directors is entitled to convene a meeting without notification, in urgent matters, with the consent of the majority of the Directors.

4.3.4 The agenda of the meetings of the Board of Directors shall be determined by the chairperson of the Board, or if no chairperson has been appointed the Directors convening the meeting, and shall include: Subjects determined by the chairperson of the Board; subjects deriving from the report of the General Manager and/or the auditing accountant; or any subject a Director or the General Manager have requested to be included on the agenda a reasonable period of time prior to the convening of the meeting of the Board.

4.3.5 The legal quorum for the commencement of a meeting of the Board of Directors shall be a majority of the members of the Board of Directors. If, within half an hour from the time set for the commencement of the meeting, no quorum is present, the meeting shall be postponed to another date as decided by the chairperson of the Board, or, in his absence, by the Directors present at the convened meeting, provided that reasonable prior notification be given to all Directors regarding the date of the Postponed Meeting. The legal quorum for the opening of a Postponed Meeting shall be any two Directors.

4.3.6 The Board of Directors is entitled to hold meetings by use of any means of communication, providing that all the participating Directors can hear each other simultaneously.

4.3.7 The Board of Directors is entitled to take decisions without actually convening, provided that all the Directors entitled to participate in the discussion and to vote on the subject brought for decision agree thereto. If decisions are made as stated in this section, the chairperson of the Board of Directors shall record minutes of the decisions stating the manner of voting of each Director on the subjects brought for decision, as well as the fact that all the Directors agreed to take the decision without convening.

#### 4.4 Voting on the Board of Directors

4.4.1 Each Director shall have one vote when voting on the Board of Directors.

4.4.2 Decisions of the Board of Directors shall be taken by a majority vote. The chairperson of the Board of Directors shall not have any additional or casting opinion, and in the event of a tie vote, the decision brought for voting shall be rejected.

### **Chapter 5 Committees of the Board of Directors**

5.1 The Board of Directors is entitled to establish committees and to appoint members thereto (“**Board’ Committee**”). If Board’ Committees are established, the Board of Directors shall determine, in the conditions of empowerment thereof, whether specific authorities of the Board of Directors shall be delegated to the Board’ Committees, in such manner that the decision of the Board’ Committee shall be considered tantamount to a decision of the Board of Directors, or whether the decision of the Board’ Committee shall merely constitute a recommendation, subject to the authorization of the Board of Directors; provided that authorities to make decisions in the matters stated in Article 112 of the Companies Law shall not be delegated to a committee.

- 5.2 A person who is not a Director shall not serve in a Board' Committee to which the Board of Directors has delegated authorities. Persons who are not members of the Board of Directors may serve in a Board' Committee whose function is merely to advise or submit recommendations to the Board of Directors.
- 5.3 The provisions included in these Articles relating to the meetings of the Board of Directors and voting therein shall apply, *mutatis mutandis* and subject to the decisions of the Board of Directors regarding the procedures for the meetings (if any) of any Board' Committee comprising two or more members.

#### **Chapter 6 General Manager**

- 6.1 The Board of Directors of the Company shall appoint one or more General Managers. The General Manager shall be responsible for the routine management of the Company's affairs within the framework of the policy set by the Board of Directors and subject to its guidelines.

#### **Chapter 7 Exemption, Insurance, and Indemnification**

##### **7.1 Exemption**

Subject to the provisions of the Companies Law and the Securities Law, the Company hereby releases, in advance, its Office Holders from liability to the Company for damage that arises from the breach of the Office Holder's duty of care to the Company.

##### **7.2 Insurance**

Subject to the provisions of the Companies Law and the Securities Law, the Company may enter into a contract for the insurance of the liability, in whole or in part, of an Office Holder, with respect to an obligation imposed on such Office Holder due to an act performed by him in his capacity as such, arising from any of the following:

- 7.2.1 a breach of duty of care to the Company or to any other person;
- 7.2.2 a breach of the duty of loyalty to the Company provided that the Office Holder acted in good faith and had reasonable grounds to assume that the act would not harm the interests of the Company;
- 7.2.3 a financial liability imposed on such Office Holder in favor of any other person, including in favor of an injured party as set forth in section 52LIV(a)(1)(a) of the Securities Law, as well as expenses, including reasonable litigation expenses and attorney's fees, expended by an Office Holder or which were imposed on an Office Holder by a court in proceedings filed against the Office Holder under Chapters VIII'3, VIII'4 or IX'1 of the Securities Law; and
- 7.2.4 any other incident for which it is or shall be permitted to insure the liability of an officer.

##### **7.3 Indemnification**

Subject to the provisions of the Companies Law and the Securities Law, the Company may undertake in advance to indemnify, or may indemnify retroactively, an Office Holder of the Company with respect to any of the following liabilities or expenses that arise from an act performed by the Office Holder by virtue of being an Office Holder of the Company:

- 7.3.1 a financial liability imposed on an Office Holder in favor of another person by any judgment, including a judgment given as a result of a settlement or an arbitrator's award which has been confirmed by a court, provided however that an undertaking to indemnify the Office Holder for such liabilities shall be restricted to those events that the Board may deem foreseeable in light of the Company's actual activities, at the time of giving of such undertaking, and to a specific sum or a reasonable criterion under such circumstances as determined by the Board;
- 7.3.2 reasonable litigation expenses, including attorney's fees, incurred by him as a result of an investigation or proceeding instituted against him by an authority empowered to conduct an investigation or proceedings, which are concluded without the filing of an indictment against the Office Holder and without the levying of a monetary obligation in lieu of criminal proceedings upon the Office Holder, or which are concluded without the filing of an indictment against the Office Holder but with levying a monetary obligation in substitute of such criminal proceedings upon the Office Holder for a crime that does not require proof of criminal intent;
- 7.3.3 reasonable litigation expenses, including attorney's fees, expended by an Office Holder or which were imposed on an Office Holder by a court in proceedings filed against the Office Holder by the Company or in its name or by any other person or in a criminal charge on which the Office Holder was acquitted or in a criminal charge on which the Office Holder was convicted for an offense which did not require proof of criminal intent;
- 7.3.4 a financial liability imposed on an Office Holder in favor of an injured party as set forth in section 52LIV(a)(1)(a) of the Securities Law, as well as expenses, including reasonable litigation expenses and attorney's fees, expended by an Office Holder or which were imposed on an Office Holder by a court in proceedings filed against the Office Holder under Chapters VIII'3, VIII'4 or IX'1 of the Securities Law; and
- 7.3.5 any other obligation or expense for which it is or shall be permitted to indemnify an officer.
- 7.4 The provisions of this Chapter 7 are not intended, and shall not be interpreted, to restrict the Company in any manner in respect of the procurement of insurance or in respect of indemnification (i) in connection with any person who is not an Office Holder, including, without limitation, any employee, agent, consultant or contractor of the Company who is not an Office Holder, or (ii) in connection with any Office Holder to the extent that such insurance and/or indemnification is not specifically prohibited under the Companies Law; provided that the procurement of any such insurance or the provision of any such indemnification shall be approved by the Board.
- 7.5 Any modification of the provisions of this Chapter 7, and any amendment to the Companies Law, the Securities Law or any other applicable law, shall be prospective in effect and shall not affect the Company's obligation or ability to indemnify an Office Holder for any act or omission occurring prior to such modification or amendment, unless otherwise provided by the Companies Law, the Securities Law or such applicable law.

#### **Chapter 8 Internal Auditor**

- 8.1 The Board of Directors of the Company shall appoint an internal auditor in accordance with the proposal of the audit committee. A person who is an interested party in the Company, an office holder therein, or the relative or either of the above, as well as the auditing accountant or any person on his behalf, shall not serve as an internal auditor in the Company.

- 8.2 The Board of Directors shall determine which office holder shall be organizationally accountable for the internal auditor and, in the absence of such determination; this shall be the chairperson of the Board of Directors.
- 8.3 The internal audit plan prepared by the auditor shall be submitted to the audit committee for authorization; however, the Board of Directors is permitted to determine that the plan shall be examined by the audit committee and submitted to the Board of Directors for authorization.

#### **Chapter 9 Auditing Accountant**

- 9.1 The General Meeting shall appoint an auditing accountant for the Company. The auditing accountant shall serve in office through the end of the following Annual Meeting, or for a longer period as determined by the Annual Meeting, provided that the period of office shall not be extended beyond the end of the third Annual Meeting following that at which the auditing accountant was appointed.
- 9.2 The fee of the auditing accountant for the auditing operations shall be determined by the Board of Directors. The Board of Directors shall report to the Annual Meeting on the fee of the auditing accountant.

#### **Chapter 10 Signing in the Company's Name**

- 10.1 The rights to sign in the Company's name shall be determined from time to time by the Board of Directors of the Company.
- 10.2 The Company's authorized signatory shall do so together with the Company's stamp, or alongside its printed name.

#### **Chapter 11 Dividend and Benefit Shares**

- 11.1 The decision by the Company to allocate a dividend and/or to allocate benefit shares shall be taken by the Company's Board of Directors.
- 11.2 Unless determined otherwise by the Board of Directors, it shall be permitted to pay any dividend by way of check or payment order to be sent by mail in accordance with the registered address of the shareholder or the personal eligible thereto or, in the case of joint registered owners of the same share, to that shareholder whose name is mentioned first in the registry of shareholders with regard to the joint ownership. Any such check shall be made out to order of the person to whom it is sent. A receipt from a person whose name, as of the date of declaration of the dividend, is registered in the registry of shareholders as the owner of any share or, in the case of joint owners, of one of the joint owners, shall serve as authorization regarding all payments made in connection with that share and regarding which the receipt was received.
- 11.3 For the purpose of executing any decision in accordance with the provisions of this section, the Board of Directors is entitled to resolve as it sees fit any difficulty that emerges regarding distribution of the dividend and/or the benefit shares, including determining the value for the purpose of the said division of certain assets, and to determine that payments in cash shall be made to members on the basis of the value so determined; to determine provisions regarding fractions of shares; or to determine that sums of less than NIS 50 shall not be paid to a shareholder.

#### **Chapter 12 Accounts**

- 12.1 The Company shall maintain accounts and shall prepare financial statements in accordance with the Companies Law.
- 12.2 The account ledgers shall be held at the Company's registered offices or in any other place as the Directors shall see fit, and shall always be open for inspection by the Directors.

#### **Chapter 13 Notifications**

- 13.1 Subject to any law, a notification or any other document that shall be delivered by the Company, and which it is entitled or required to issue in accordance with the provisions of the Articles or any law, shall be delivered by the Company to any person in one of the following manners as decided by the Company in each individual case: (A) By dispatch by registered mail in a letter addressed in accordance with the registered address of that shareholder in the registry of shareholders, or in accordance with such address as stated by the shareholder in a letter to the Company as the letter for the delivery of notifications or other documents; (B) By dispatch by facsimile or other electronic form, in accordance with the number or address stated by the shareholder for the delivery of such notifications; or (C) By way of publication in applicable distribution site.

- 13.2 Any notification to be made to shareholders shall be made, regarding jointly owned shares, to that person whose name is mentioned first in the registry of shareholders as the holder of that share, and any notification made in this manner shall be sufficient notification for the holders of that share.
- 13.3 Any notification or other document sent in accordance with the provisions of Article 13.1 above shall be considered to have reached its destination: (A) Within 3 business days – if sent by registered mail in Israel; (B) On the first business day after its dispatch, if delivered by hand or sent by facsimile or other electronic method; or (C) On the date of publication on applicable distribution site.
- In proving delivery, it shall be sufficient to prove that the letter sent by mail included the notification and that the document was addressed properly and was delivered to the post office as a letter bearing stamps, or as a registered letter bearing stamps, and, regarding a facsimile or other electronic method, it shall be sufficient to produce a dispatch confirmation sheet from the dispatching machine.
- 13.4 Any record made in an ordinary manner in the company's registry shall be considered prima facie evidence of dispatch as recorded in that registry.
- 13.5 When it is necessary to provide prior notification of a certain number of days, or when notification is valid for a certain period, the date of delivery shall be included in reckoning the number of days or the period.

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Arcturus Therapeutics Ltd.  
10628 Science Center Drive, Suite 200  
San Diego, California 92121  
United States

November 30, 2017

Re: Registration Statement on Form S-8

Ladies and Gentlemen:

We have acted as Israeli counsel to Arcturus Therapeutics Ltd., a company organized under the laws of the State of Israel (the "**Company**"), in connection with its registration statement on Form S-8 (the "**Registration Statement**") filed with the Securities and Exchange Commission under the Securities Act of 1933 (the "**Securities Act**") registering the offer, issuance and sale of 232,513 ordinary shares of the Company, par value New Israeli Shekel 0.07 per share (the "**Shares**"), reserved for issuance under the Arcturus Therapeutics, Inc. 2013 Equity Incentive Plan (the "**Plan**"). The Plan was assumed by the Company pursuant to the transactions consummated under that certain Agreement and Plan of Merger and Reorganization, dated as of September 27, 2017, by and among the Company (formerly known as Alcobra Ltd.), Aleph MergerSub, Inc., a wholly-owned subsidiary of the Company ("**Merger Sub**"), and Arcturus Therapeutics, Inc. ("**Private Arcturus**"), under which Merger Sub merged with and into Private Arcturus, with Private Arcturus surviving as a wholly owned subsidiary of the Company.

In connection with this opinion, we have examined originals or copies, certified or otherwise identified to our satisfaction, of the Plan, the Registration Statement, the Company's Articles of Association (as amended), and such other agreements, certificates, resolutions, minutes and other statements of corporate officers and other representatives of the Company and others and other documents provided to us by the Company as we have deemed necessary or appropriate as a basis for this opinion.

In rendering an opinion on the matters hereinafter set forth, we have assumed the authenticity of all original documents submitted to us as certified, conformed or photographic copies thereof, the genuineness of all signatures and the due authenticity of all persons executing such documents. We have assumed the same to have been properly given and to be accurate. We have also assumed the truth of all facts communicated to us by the Company and that all consents, minutes and protocols of meetings of the Company's board of directors which have been provided to us are true and accurate and have been properly prepared in accordance with the Company's Articles of Association (as amended) and all applicable laws. In addition, we have assumed that the Company will receive the full consideration for the Shares (which may consist, in part or in full, of services performed for the Company).

Members of our firm are admitted to the Bar in the State of Israel, and we do not express any opinion as to the laws of any other jurisdiction. This opinion is limited to the matters stated herein and no opinion is implied or may be inferred beyond the matters expressly stated.

Based upon and subject to the foregoing, we are of the opinion that the Shares have been duly authorized and reserved for issuance, and, when issued and paid for, will be validly issued, fully paid and non-assessable.

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We hereby consent to the filing of this opinion letter as an exhibit to the Registration Statement. In giving this opinion and such consent, we do not admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act, the rules and regulations of the Securities and Exchange Commission promulgated thereunder or Item 509 of Regulation S-K promulgated under the Securities Act.

This opinion letter is rendered as of the date hereof and we disclaim any obligation to advise you of facts, circumstances, events or developments that may be brought to our attention after the effective date of the Registration Statement that may alter, affect or modify the opinions expressed herein.

Very truly yours,

/s/ Meitar Liguornik Geva Leshem Tal

Meitar Liguornik Geva Leshem Tal



**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the Registration Statement (Form S-8 dated November 30, 2017) pertaining to the Arcturus Therapeutics, Inc. 2013 Equity Incentive Plan, of our report dated April 27, 2017, with respect to the consolidated financial statements of Arcturus Therapeutics Ltd. (formerly Alcobra Ltd.) included in its Annual Report (Form 20-F) for the year ended December 31, 2016, filed with the Securities and Exchange Commission.

Tel-Aviv, Israel  
November 30, 2017

/s/ Kost Forer Gabbay & Kasierer  
KOST FORER GABBAY & KASIERER  
A Member of EY Global

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**2013 EQUITY INCENTIVE PLAN**  
**OF**  
**ARCTURUS THERAPEUTICS, INC.**

**Adopted June 26, 2013**

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ARCTURUS THERAPEUTICS, INC.

2013 EQUITY INCENTIVE PLAN

ADOPTED BY THE BOARD: June 26, 2013

TERMINATION DATE: June 26, 2023

1. **GENERAL.**

(a) **Purposes.** The purposes of the Plan are as follows:

(i) To provide additional incentive for selected Employees, Directors and Consultants to further the growth, development and financial success of the Company by providing a means by which such persons can personally benefit through the ownership of capital stock of the Company; and

(ii) To enable the Company to secure and retain key Employees, Directors and Consultants considered important to the long-term success of the Company by offering such persons an opportunity to own capital stock of the Company.

(b) **Eligible Stock Award Recipients.** The persons eligible to receive Stock Awards under the Plan are the Employees, Directors and Consultants of the Company and its Affiliates.

(c) **Available Stock Awards.** The following Stock Awards are available under the Plan: (i) Incentive Stock Options; (ii) Nonstatutory Stock Options; (iii) stock bonuses; and (iv) rights to acquire restricted stock.

2. **DEFINITIONS.**

(a) **"Affiliate"** means:

(i) with respect to Incentive Stock Options, any "parent corporation" or "subsidiary corporation" of the Company, whether now existing or hereafter created or acquired, as those terms are defined in Sections 424(e) and 424(f) of the Code, respectively; and

(ii) with respect to Stock Awards other than Incentive Stock Options, any entity described in paragraph (a) of this Section 2(a), plus any other corporation, limited liability company, partnership or joint venture, whether now existing or hereafter created or acquired, with respect to which the Company beneficially owns more than fifty percent (50%) of: (1) the total combined voting power of all outstanding voting securities or (2) the capital or profits interests of a limited liability company, partnership or joint venture.

(b) **"Award Shares"** means the shares of Common Stock of the Company issued or issuable pursuant to a Stock Award, including Option Shares issued or issuable pursuant to an Option.

(c) **"Board"** means the Board of Directors of the Company.

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(d) “**Change in Control**” shall mean:

(i) The direct or indirect sale or transfer, in a single transaction or a series of related transactions, by the shareholders of the Company of voting securities, in which the holders of the outstanding voting securities of the Company immediately prior to such transaction or series of transactions hold, as a result of holding Company securities prior to such transaction, in the aggregate, securities possessing less than twenty percent (20%) of the total combined voting power all outstanding voting securities of the Company or of the acquiring entity immediately after such transaction or series of related transactions;

(ii) A merger or consolidation in which the Company is not the surviving entity, except for a transaction in which the holders of the outstanding voting securities of the Company immediately prior to such merger or consolidation hold as a result of holding Company securities prior to such transaction, in the aggregate, securities possessing more than fifty percent (50%) of the total combined voting power of all outstanding voting securities of the surviving entity (or the parent of the surviving entity) immediately after such merger or consolidation;

(iii) A reverse merger in which the Company is the surviving entity but in which the holders of the outstanding voting securities of the Company immediately prior to such merger hold as a result of holding Company securities prior to such transaction, in the aggregate, securities possessing less than fifty percent (50%) of the total combined voting power of all outstanding voting securities of the Company or of the acquiring entity immediately after such merger; or

(iv) The sale, transfer or other disposition (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company, except for a transaction in which the holders of the outstanding voting securities of the Company immediately prior to such transaction(s) receive as a distribution with respect to securities of the Company, in the aggregate, securities possessing more than fifty percent (50%) of the total combined voting power of all outstanding voting securities of the acquiring entity immediately after such transaction(s).

(e) “**Code**” means the Internal Revenue Code of 1986, as amended.

(f) “**Committee**” means a committee appointed by the Board in accordance with Section 3(c).

(g) “**Common Stock**” means the shares of common stock of the Company.

(h) “**Company**” means Arcturus Therapeutics, Inc., a Delaware corporation.

(i) “**Consultant**” means any natural person, including an advisor, engaged by the Company or an Affiliate to render bona fide services and who is providing such services at the time a Stock Award is granted; provided that the term “Consultant” shall not include a person who provides services in connection with the offer and sale of securities in a capital-raising transaction or in connection with promoting or maintaining a market for the Company’s securities.

- (j) “**Director**” means a member of the Board.
- (k) “**Disability**” means total and permanent disability as defined in Section 22(e)(3) of the Code and as interpreted by the Board in each case.
- (l) “**Effective Date**” shall have the meaning given in Section 17 herein.

(m) “**Employee**” means a regular employee of the Company or an Affiliate, including an Officer or Director, who is treated as an employee in the personnel records of the Company or an Affiliate, but not individuals who are classified by the Company or an Affiliate as: (i) leased from or otherwise employed by a third party, (ii) independent contractors, or (iii) intermittent or temporary workers. The Company’s or an Affiliate’s classification of an individual as an “Employee” (or as not an “Employee”) for purposes of this Plan shall not be altered retroactively even if that classification is changed retroactively for another purpose as a result of an audit, litigation or otherwise. Neither service as a Director nor receipt of a director’s fee shall be sufficient to make a Director an “Employee.”

- (n) “**Fair Market Value**” means, as of any date, the value of the Common Stock of the Company determined as follows:

(i) If the Common Stock is then listed or admitted to trading on a Nasdaq market system or a stock exchange which reports closing sale prices, the Fair Market Value shall be the closing sale price on the date of valuation on such Nasdaq market system or principal stock exchange on which the Common Stock is then listed or admitted to trading, or, if no closing sale price is quoted on such day, then the Fair Market Value shall be the closing sale price of the Common Stock on such Nasdaq market system or such exchange on the next preceding day for which a closing sale price is reported;

(ii) If the Common Stock is not then listed or admitted to trading on a Nasdaq market system or a stock exchange which reports closing sale prices, the Fair Market Value shall be the average of the closing bid and asked prices of the Common Stock in the over-the-counter market on the date of valuation; or

(iii) If neither (i) nor (ii) is applicable as of the date of valuation, then the Fair Market Value shall be determined by the Board in good faith using any reasonable method of valuation, which determination shall be conclusive and binding on all interested parties.

(o) “**Incentive Stock Option**” means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

- (p) “**Nonstatutory Stock Option**” means an Option not intended to qualify as an Incentive Stock Option.

(q) “**Officer**” means any person designated by the Board as an officer.

(r) “**Option**” means a stock option granted pursuant to the Plan.

(s) **“Option Agreement”** means a written agreement between the Company and an Optionee evidencing the terms and conditions of an individual Option grant. Each Option Agreement shall be subject to the terms and conditions of the Plan and any rules and regulations adopted by the Board and incorporated therein.

(t) **“Optionee”** means the Participant to whom an Option is granted or, if applicable, such other person who holds an outstanding Option.

(u) **“Option Shares”** means the shares of Common Stock of the Company issued or issuable pursuant to the exercise of an Option.

(v) **“Participant”** means an Optionee or any other person to whom a Stock Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Stock Award.

(w) **“Plan”** means this 2013 Equity Incentive Plan.

(x) **“Securities Act”** means the Securities Act of 1933, as amended.

(y) **“Stock Award”** means any right granted under the Plan, including an Option, a stock bonus and a right to acquire restricted stock.

(z) **“Stock Award Agreement”** means a written agreement, including an Option Agreement, between the Company and a holder of a Stock Award evidencing the terms and conditions of an individual Stock Award grant. Each Stock Award Agreement shall be subject to the terms and conditions of the Plan and any additional rules and regulations adopted by the Board and incorporated therein.

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

(bb) **“Termination of Service”** means:

(i) With respect to Stock Awards granted to a Participant in his or her capacity as an Employee, the time when the employer-employee relationship between the Participant and the Company (or an Affiliate) is terminated for any reason, including, without limitation a termination by resignation, discharge, death or retirement;

(ii) With respect to Stock Awards granted to a Participant in his or her capacity as a Director, the time when the Participant ceases to be a Director for any reason, including without limitation a cessation by resignation, removal, failure to be reelected, death or retirement, but excluding cessations where there is a simultaneous or continuing employment of the former Director by the Company (or an Affiliate) and the Board expressly deems such cessation not to be a Termination of Service;

(iii) With respect to Stock Awards granted to a Participant in his or her capacity as a Consultant, the time when the contractual relationship between the Participant and the Company (or an Affiliate) is terminated for any reason; and

(iv) With respect to Stock Awards granted to a Participant in his or her capacity as an Employee, Director or Consultant of an Affiliate, when such entity ceases to qualify as an Affiliate under this Plan, unless earlier terminated as set forth above.

Notwithstanding anything to the contrary herein set forth, a change in status from an Employee to a Consultant or from a Consultant to an Employee shall not constitute a Termination of Service for the purposes hereof, if and to the extent so determined by the Board. The Board, in its sole and absolute discretion, shall determine the effect of all other matters and issues relating to a Termination of Service.

### 3. **ADMINISTRATION.**

(a) **Administration by Board.** The Plan shall be administered by the Board unless and until the Board delegates administration to a Committee or an Officer, as provided in Section 3(c) and 3(d), respectively, below.

(b) **Powers of the Board.** The Board shall have the power, except as otherwise provided in the Plan:

(i) To determine from time to time (A) which of the persons eligible under the Plan shall be granted Stock Awards; (B) when and how the Stock Awards shall be granted; (C) what type or combination of types of Stock Awards will be granted; (D) the terms and conditions of each Stock Award granted (which need not be identical), including, without limitation, the transferability or repurchase of such Stock Awards or Award Shares issuable thereunder, as applicable, and the circumstances under which Stock Awards become exercisable or vested or are forfeited or expire, which terms may but need not be conditioned upon the passage of time, continued employment, the satisfaction of performance criteria, the occurrence of certain events, or other factors; and (E) the number of Award Shares subject to a Stock Award that shall be granted to a Participant.

(ii) To construe and interpret the Plan and Stock Awards granted under it, and to make exceptions to any such provisions in good faith and for the benefit of the Company, and to establish, amend and revoke rules and regulations for the Plan's administration. The Board, in the exercise of its power, may correct any defect, omission or inconsistency in the Plan or in any Stock Award Agreement in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

(iii) To settle all controversies regarding the Plan and Stock Awards granted under it.

(iv) To accelerate the time at which a Stock Award may first be exercised or the time during which a Stock Award or any part thereof will vest in accordance with the Plan, notwithstanding the provisions in the Stock Award stating the time at which it may first be exercised or the time during which it will vest.



(v) To suspend or terminate the Plan at any time. Suspension or termination of the Plan shall not impair rights and obligations under any Stock Award granted while the Plan is in effect except with the written consent of the affected Participant.

(vi) To submit any amendment to the Plan for shareholder approval.

(vii) To amend the Plan in any respect the Board deems necessary or advisable to provide eligible Employees with the maximum benefits provided or to be provided under the provisions of the Code and the regulations promulgated thereunder relating to Incentive Stock Options or to bring the Plan or Incentive Stock Options granted under it into compliance therewith.

(viii) To amend the terms of any one or more Stock Awards, including, but not limited to, amendments to provide terms more favorable than previously provided in the Stock Award Agreement, subject to any specified limits in the Plan that are not subject to Board discretion; *provided, however*, that the rights under any Stock Award shall not be impaired by any such amendment unless (a) the Company requests the consent of the affected Participant, and (b) such Participant consents in writing. Notwithstanding the foregoing, subject to the limitations of applicable law, if any, and without the affected Participant's consent, the Board may amend the terms of any one or more Stock Awards if necessary to maintain the qualified status of the Stock Award as an Incentive Stock Option or to bring the Stock Award into compliance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder.

(ix) To amend the Plan as provided in Section 15.

(x) To prescribe and amend the terms of the agreements or other documents evidencing Stock Awards made under this Plan (which need not be identical).

(xi) To place such restrictions on the sale or other disposition of Award Shares as may be deemed appropriate by the Board.

(xii) To determine whether, and the extent to which, adjustments are required pursuant to Section 10.

(xiii) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company.

(c) **Delegation to a Committee.** The Board may delegate administration of the Plan to a committee of the Board composed of not fewer than two (2) members (the "**Committee**"). If administration is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board (and references in the Plan to the Board shall thereafter be deemed to be references to the Committee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may abolish the Committee at any time and revert in the Board the administration of the Plan.

(d) **Delegation to an Officer.** The Board may delegate to one or more Officers of the Company the authority to do one or both of the following (i) designate Employees who are not Officers to be recipients of Stock Awards and the terms thereof, and (ii) determine the number of shares of Common Stock to be subject to Stock Awards granted to such Employees; *provided, however*, that the Board resolutions regarding such delegation shall specify the total number of shares of Common Stock that may be subject to the Stock Awards granted by such Officer and that such Officer may not grant a Stock Award to himself or herself. Notwithstanding anything to the contrary in this Section 3(d), the Board may not delegate to an Officer authority to determine the Fair Market Value of the Common Stock as herein contemplated.

(e) **Effect of Change in Status.** The Board shall have the absolute discretion to determine the effect upon a Stock Award, and upon an individual's status as an Employee, Consultant or Director under the Plan, including whether a Participant shall be deemed to have experienced a Termination of Service or other change in status, and upon the vesting, expiration or forfeiture of a Stock Award or Award Shares issuable in respect thereof, in the case of (i) a Termination of Service for Cause, (ii) any leave of absence approved by the Company or an Affiliate, (iii) any transfer between the Company and any Affiliate or between any Affiliates, (iv) any change in the Participant's status from an Employee to a Consultant or member of the Board, or vice versa, and (v) any Employee who becomes employed by any partnership, joint venture, corporation or other entity not meeting the requirements of an Affiliate.

(f) **Determinations of the Board.** All decisions, determinations and interpretations by the Board regarding this Plan shall be final and binding on all Participants or other persons claiming rights under the Plan or any Stock Award. The Board shall consider such factors as it deems relevant to making such decisions, determinations and interpretations including, without limitation, the recommendations or advice of any Director, Officer or Employee of the Company and such attorneys, consultants and accountants as it may select. A Participant or other holder of a Stock Award may contest a decision or action by the Board with respect to such person or Stock Award only on the grounds that such decision or action was arbitrary or capricious or was unlawful, and any review of such decision or action shall be limited to determining whether the Board's decision or action was arbitrary or capricious or was unlawful.

(g) **Arbitration.** Any dispute or claim concerning any Stock Awards granted (or not granted) pursuant to the Plan or any disputes or claims relating to or arising out of the Plan shall be fully, finally and exclusively resolved by binding and confidential arbitration conducted pursuant to the rules of Judicial Arbitration and Mediation Services, Inc. ("JAMS") in the County of San Diego, California. In addition to any other relief, the arbitrator may award to the prevailing party recovery of its attorneys' fees and costs. By accepting a Stock Award, Participants and the Company waive their respective rights to have any such disputes or claims tried by a judge or jury.

#### 4. **SHARES SUBJECT TO THE PLAN.**

Subject to the provisions of Section 10 relating to adjustments upon changes in stock, the Award Shares that may be issued pursuant to Stock Awards shall not exceed in the aggregate up to 190,000 shares of the Company's Common Stock. Of such amount, up to 190,000 Award Shares may be issued under the Plan pursuant to Incentive Stock Options. In the event that (a) all or any portion of any Stock Award granted or offered under the Plan can no longer under any circumstances be exercised or otherwise become vested, or (b) any Award Shares or other shares of the Company's Common Stock are reacquired by the Company which were the subject of a Stock Award Agreement under the Plan, the shares or Award Shares allocable to the unexercised or unvested portion of such Stock Award, or the shares or Award Shares so reacquired, shall again be available for grant or issuance under the Plan.

5. **ELIGIBILITY.**

(a) **General.** Incentive Stock Options may be granted only to Employees; all other Stock Awards may be granted only to Employees, Directors and Consultants. In the event a Participant is both an Employee and a Director, or a Participant is both a Director and a Consultant, the Stock Award Agreement shall specify the capacity in which the Participant is granted the Stock Award; *provided, however*, if the Stock Award Agreement is silent as to such capacity, the Stock Award shall be deemed to be granted to the Participant as an Employee or as a Consultant, as applicable.

(b) **Ten Percent Shareholders.** A Ten Percent Shareholder shall not be granted an Incentive Stock Option unless the exercise price of such Option is at least one hundred ten percent (110%) of the Fair Market Value of the Common Stock at the date of grant and the Option is not exercisable after the expiration of five (5) years from the date of grant.

(c) **Consultants.** A Consultant shall not be eligible for the grant of a Stock Award if, at the time of grant, either the offer or the sale of the Company's securities to such Consultant is not exempt under Rule 701 of the Securities Act ("**Rule 701**") because of the nature of the services that the Consultant is providing to the Company, because the Consultant is not a natural person, or because of any other provision of Rule 701, unless the Company determines that such grant need not comply with the requirements of Rule 701 and will satisfy another exemption under the Securities Act as well as comply with the securities laws of all other relevant jurisdictions.

6. **OPTION AGREEMENT PROVISIONS.**

Each Option shall be granted pursuant to a written Option Agreement, signed by an Officer of the Company and by the Optionee, which shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The provisions of separate Option Agreements need not be identical, but each Option Agreement shall include (through incorporation of the provisions hereof by reference in the Option Agreement or otherwise) the substance of each of the following provisions (except to the extent that any such provision indicates it is permissible rather than mandatory):

(a) **Term.** No Incentive Stock Option shall be exercisable after the expiration of ten (10) years from the date of its grant or such shorter period specified in the Option Agreement; *provided, however*, that an Incentive Stock Option granted to a Ten Percent Shareholder shall be subject to the provisions of Section 5(b).

(b) **Exercise Price of an Option.** Subject to the provisions of Section 5(b) regarding Incentive Stock Options granted to Ten Percent Shareholders, the exercise price of each Incentive Stock Option shall be not less than the Fair Market Value of the Common Stock subject to the Option on the date the Option is granted. The Board shall determine the exercise price of each Nonstatutory Stock Option. Notwithstanding the foregoing, an Incentive Stock Option may be granted with an exercise price lower than one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the Option if such Incentive Stock Option is granted pursuant to an assumption of or substitution for another option in a manner consistent with the provisions of Section 424(a) of the Code.

(c) **Consideration.** The purchase price of Common Stock acquired pursuant to the exercise of an Option shall be paid, to the extent permitted by applicable law and as determined by the Board in its sole discretion, by any combination of the methods of payment set forth below. The Board shall have the authority to grant Options that do not permit all of the following methods of payment (or otherwise restrict the ability to use certain methods) and to grant Options that require the consent of the Company to utilize a particular method of payment. The methods of payment permitted by this Section 6(c) are:

(i) by cash or check;

(ii) pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board that, prior to the issuance of Common Stock, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instructions to pay the aggregate exercise price to the Company from the sales proceeds;

(iii) by delivery to the Company (either by actual delivery or attestation) of shares of Common Stock;

(iv) by a “net exercise” arrangement pursuant to which the Company will reduce the number of shares of Common Stock issued upon exercise by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price; *provided, however*, that the Company shall accept a cash or other payment from the Participant to the extent of any remaining balance of the aggregate exercise price not satisfied by such reduction in the number of whole shares to be issued; *provided, further, however*, that shares of Common Stock will no longer be outstanding under an Option and will not be exercisable thereafter to the extent that (A) shares are used to pay the exercise price pursuant to the “net exercise,” (B) shares are delivered to the Participant as a result of such exercise, and (C) shares are withheld to satisfy tax withholding obligations; or

(v) in any other form of legal consideration that may be acceptable to the Board.

(d) **Transferability.** The following restrictions on the transferability of Options shall apply:

(i) **Restrictions on Transfer.** An Option shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Optionee only by the Optionee; provided, however, that the Board may, in its sole discretion, permit transfer of the Option to a revocable trust or as otherwise permitted by Rule 701 of the Securities Act. Notwithstanding the foregoing, however, an Incentive Stock Option shall not be transferable other than by will or the laws of descent and distribution, and shall be exercisable only by the Optionee during the Optionee’s lifetime, except as otherwise permitted by the Board and by Sections 421, 422 and 424 of the Code and the regulations and other guidance thereunder. Notwithstanding anything herein contained to the contrary, for so long as the Company shall have elected to be treated as a subchapter S corporation pursuant to the Code, no Participant shall transfer any Stock Award or any Stock Award Shares to any person or entity or in any manner which would cause the S election theretofore made by Company to be terminated or revoked. Any such transfer or attempted transfer shall be void *ab initio*.

(ii) **Domestic Relations Orders.** Notwithstanding the foregoing, an Option may be transferred pursuant to a domestic relations order; *provided, however*, that if an Option is an Incentive Stock Option, such Option shall be deemed to be a Nonstatutory Stock Option as a result of such transfer.

(iii) **Beneficiary Designation.** Notwithstanding the foregoing, the Optionee may, by delivering written notice to the Company, in a form provided by or otherwise satisfactory to the Company, designate a third party who, in the event of the death of the Optionee, shall thereafter be the beneficiary of an Option with the right to exercise the Option and receive the Common Stock or other consideration resulting from an Option exercise. In the absence of such a designation, the executor or administrator of the Optionee's estate shall be entitled to exercise the Option and receive the Common Stock or other consideration resulting from an Option exercise.

(e) **Vesting.** Each Option shall vest and become exercisable in one or more installments, at such time or times and subject to such conditions, including without limitation the achievement of specified performance goals or objectives established with respect to one or more performance criteria, as shall be determined by the Board.

(f) **Termination of Service.** In the event of the Termination of Service of an Optionee for any reason (other than for "Cause," as defined in a Stock Option Agreement, or upon the Optionee's death or Disability), the Optionee may exercise his or her Option, but only within such period of time as is set forth in the Option Agreement (and in no event later than the expiration of the term of such Option as set forth in the Option Agreement). In the case of an Incentive Stock Option, such exercise period provided in the Option Agreement shall not exceed three (3) months from the date of termination.

(g) **Disability of Optionee.** In the event of a Termination of Service of an Optionee as a result of the Optionee's Disability, the Optionee may exercise his or her Option within the period specified in the Option Agreement (in no event to exceed twelve (12) months from the date of such termination in the case of an Incentive Stock Option), and only to the extent that the Optionee was entitled to exercise the Option at the date of such termination (but in no event later than the expiration of the term of such Option as set forth in the Option Agreement).

**(h) Death of Optionee.** In the event that (i) an Optionee's Termination of Service occurs as a result of the Optionee's death, or (ii) an Optionee dies within the period (if any) specified in the Option Agreement after the Optionee's Termination of Service for a reason other than death, then, notwithstanding Section 6(f) above, the Option may be exercised (to the extent the Optionee was entitled to exercise such Option as of the date of death) by the Optionee's estate, by a person who acquired the right to exercise the Option by bequest or inheritance or by a person designated to exercise the option upon the Optionee's death, but only within the period ending on the earlier of (i) the date that is twelve (12) months after the date of Termination of Service, or (ii) the expiration of the term of such Option as set forth in the Option Agreement.

**(i) Termination for Cause.** In the event of the Termination of Service of an Optionee for Cause, except as otherwise determined by the Board in the specific situation, all Options granted to such Optionee shall expire as set forth in the Stock Option Agreement.

**(j) Extension of Termination Date.** An Optionee's Option Agreement may provide that if the exercise of the Option following an Optionee's Termination of Service (other than for Cause or upon the Optionee's death or Disability) would be prohibited at any time solely because the issuance of shares of Common Stock would violate the registration requirements under the Securities Act, then the Option shall terminate on the earlier of (i) the expiration of a period of three (3) months after the termination of the Optionee's Continuous Service during which the exercise of the Option would not be in violation of such registration requirements, or (ii) the expiration of the term of the Option as set forth in the Option Agreement.

**(k) Non-Exempt Employees.** Unless otherwise determined by the Board, no Option granted to an Employee that is a non-exempt employee for purposes of the Fair Labor Standards Act of 1938, as amended, shall be first exercisable for any shares of Common Stock until at least six months following the date of grant of the Option. The foregoing provision is intended to operate so that any income derived by a non-exempt employee in connection with the exercise or vesting of an Option will be exempt from his or her regular rate of pay.

**(l) Early Exercise.** The Option may, but need not, include a provision whereby the Optionee may elect at any time prior to a Termination of Service to exercise the Option as to any part or all of the Option Shares prior to the full vesting of the Option. Any unvested Option Shares so purchased may be subject to an unvested share repurchase option in favor of the Company or to any other restriction the Board determines to be appropriate.

**(m) Right of Repurchase.** The Option Agreement may, but need not, include a provision whereby the Company may elect to repurchase all or any part of the vested shares of Common Stock acquired by the Optionee pursuant to the exercise of the Option.

**(n) Right of First Refusal.** The Option Agreement may, but need not, include a provision whereby the Company may elect to exercise a right of first refusal following receipt of notice from the Optionee of the intent to transfer all or any part of the shares of Common Stock received upon the exercise of the Option.

7. **PROVISIONS OF STOCK AWARDS OTHER THAN OPTIONS.**

(a) **Stock Bonus Awards.** Each stock bonus agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The terms and conditions of stock bonus agreements may change from time to time, and the terms and conditions of separate stock bonus agreements need not be identical, but each stock bonus agreement shall include (through incorporation of provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions (except to the extent that any such provision indicates it is permissible rather than mandatory):

(i) **Consideration.** A stock bonus may be awarded in consideration for past services actually rendered to the Company or an Affiliate for its benefit, provided that the Participant remains eligible to receive Stock Awards hereunder at the time of the award.

(ii) **Vesting.** Award Shares issued pursuant to a stock bonus agreement may, but need not, be subject to a share repurchase option in favor of the Company in accordance with a vesting schedule to be determined by the Board.

(iii) **Termination of Service.** In the event of a Termination of Service, the Company may reacquire any or all of the Award Shares held by the Participant which have or have not vested as of the date of termination under the terms of the stock bonus agreement.

(iv) **Transferability.** Unless otherwise determined by the Board, rights to acquire Award Shares under the stock bonus agreement shall not be transferable except by will or by the laws of descent and distribution, or, to the extent permitted by the Board, to a revocable trust or as otherwise permitted by Rule 701 of the Securities Act.

(b) **Restricted Stock Purchase Awards.** Each restricted stock purchase agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The terms and conditions of the restricted stock purchase agreements may change from time to time, and the terms and conditions of separate restricted stock purchase agreements need not be identical, but each restricted stock purchase agreement shall include (through incorporation of provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions (except to the extent that any such provision indicates it is permissible rather than mandatory):

(i) **Purchase Price.** The purchase price under each restricted stock purchase agreement shall be such amount as the Board shall determine and designate in such restricted stock purchase agreement, including no consideration or such minimum consideration as may be required by applicable law.

(ii) **Consideration.** The purchase price of Common Stock acquired pursuant to the restricted stock purchase agreement, if any, shall be paid either: (a) in cash at the time of purchase; (b) at the discretion of the Board, according to a deferred payment or other similar arrangement with the Participant; or (c) in any other form of legal consideration that may be acceptable to the Board in its discretion.

(iii) **Vesting.** Award Shares acquired under the restricted stock purchase agreement may, but need not, be subject to a share repurchase option in favor of the Company in accordance with a vesting schedule to be determined by the Board.

(iv) **Termination of Service.** In the event of a Participant's Termination of Service, the Company may repurchase or otherwise reacquire any or all of the Award Shares held by the Participant which have or have not vested as of the date of termination under the terms of the restricted stock purchase agreement.

(v) **Transferability.** Unless otherwise determined by the Board, rights to acquire Award Shares under the restricted stock purchase agreement shall not be transferable except by will, by the laws of descent and distribution, or, to the extent permitted by the Board, to a revocable trust or as otherwise permitted by Rule 701 of the Securities Act.

## **8. COVENANTS OF THE COMPANY.**

(a) **Availability of Shares.** During the terms of the Stock Awards, the Company shall keep available at all times the number of shares of Common Stock required to satisfy such Stock Awards.

(b) **Compliance with Laws and Regulations.** This Plan, the grant and exercise of Stock Awards thereunder, and the obligation of the Company to sell, issue or deliver Award Shares under such Stock Awards, shall be subject to all applicable federal, state and local laws, rules and regulations and to such approvals by any governmental or regulatory agency as may be required. The Company shall not be required to register in a Participant's name or deliver any Award Shares prior to the completion of any registration or qualification of such Shares under any federal, state or local law or any ruling or regulation of any government body which the Board shall determine to be necessary or advisable. To the extent the Company is unable to or the Board deems it infeasible to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary or advisable for the lawful issuance and sale of any Award Shares hereunder, the Company shall be relieved of any liability with respect to the failure to issue or sell such Award Shares as to which such requisite authority shall not have been obtained. No Option shall be exercisable and no Award Shares shall be issued and/or transferable under any other Stock Award unless a registration statement with respect to the Award Shares underlying such Stock Award is effective and current or the Company has determined that such registration is unnecessary.

## **9. USE OF PROCEEDS.**

Proceeds from the sale of Award Shares shall constitute general funds of the Company and shall be used for general operating capital of the Company.

## **10. ADJUSTMENTS UPON CHANGE IN COMMON STOCK.**

If any change is made in the Common Stock subject to the Plan or subject to any Stock Award without the receipt of consideration by the Company (through merger, consolidation, reorganization, recapitalization, reclassification, stock dividend, dividend in property other than cash, stock split, reverse stock split, liquidating dividend, exchange of shares, change in corporate structure or other distribution of the Company's equity securities), the Plan and all outstanding Stock Awards will be appropriately adjusted in the class and maximum number of shares subject to the Plan and the class and number of shares and price per share of Common Stock subject to outstanding Stock Awards. Such adjustment shall be made by the Board, the determination of which shall be final, binding and conclusive.



**11. ADJUSTMENTS UPON CHANGE IN CONTROL.**

(a) The Board shall have the discretion to provide in each Stock Award Agreement the terms and conditions that relate to (i) vesting of such Stock Award in the event of a Change in Control, and (ii) assumption of such Stock Award Agreements or issuance of comparable securities under an incentive program in the event of a Change in Control. The aforementioned terms and conditions may vary in each Stock Award Agreement.

(b) If the terms of an outstanding Option Agreement provide for accelerated vesting in the event of a Change in Control, or to the extent that an Option is vested and not yet exercised, the Board in its discretion may provide, in connection with the Change in Control transaction, for the purchase or exchange of each Option for an amount of cash or other property having a value equal to the difference (or "spread") between: (x) the value of the cash or other property that the Optionee would have received pursuant to the Change in Control transaction in exchange for the vested Option Shares issuable upon exercise of the Option had the Option been exercised immediately prior to the Change in Control, and (y) the aggregate exercise price of the vested Option Shares. If in such case the aggregate exercise price of the vested Option Shares is greater than or equal to the value of the cash or other property that the Optionee would have received pursuant to the Change in Control transaction in exchange for the vested Option Shares had the Option been exercised immediately prior to the Change in Control, then the Option shall be cancelled and Optionee shall receive no payment for such Option Shares. Upon such purchase, exchange or cancellation, the Option shall be terminated and Optionee shall have no further rights with respect to such Option.

(c) Outstanding Options shall terminate and cease to be exercisable upon consummation of a Change in Control except to the extent that the Options are assumed by the successor entity (or parent thereof) pursuant to the terms of the Change in Control transaction.

**12. ACCELERATION OF EXERCISABILITY AND VESTING.**

The Board shall have the power to accelerate the time at which any or all Stock Awards may first be exercised or the time during which any or all Stock Awards or any part thereof will vest in accordance with the Plan, notwithstanding the provisions in any Stock Award stating the time at which it may first be exercised or the time during which it will vest. By approval of the Plan, the Company's shareholders consent to any such accelerations in the Board's sole discretion.

**13. DISSOLUTION OR LIQUIDATION.**

In the event of a dissolution or liquidation of the Company, then all outstanding Stock Awards shall terminate immediately prior to such event.

14. **MISCELLANEOUS.**

(a) **Shareholder Rights.** Neither a Participant nor any person to whom a Stock Award is transferred shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any Award Shares unless and until such person has satisfied all requirements for exercise of the Stock Award pursuant to its terms and the Company has duly issued a stock certificate for such Award Shares.

(b) **No Employment or Other Service Rights.** Nothing in the Plan or any Stock Award Agreement shall confer upon any Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Stock Award was granted or shall affect the right of the Company or an Affiliate to terminate (i) the employment of an Employee with or without notice and with or without Cause; (ii) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Company or an Affiliate; or (iii) the service of a Director pursuant to the Bylaws or Certificate of Incorporation of the Company or an Affiliate, and any applicable provisions of the corporate law of the state in which the Company or the Affiliate is incorporated, as the case may be.

(c) **Incentive Stock Option \$100,000 Limitation.** To the extent that the aggregate Fair Market Value (determined at the time of grant) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any Optionee during any calendar year (under all plans of the Company and any Affiliates) exceeds One Hundred Thousand Dollars (\$100,000), the Options or portions thereof that exceed such limit (according to the order in which they were granted) shall be treated as Nonstatutory Stock Options, notwithstanding any contrary provision of the applicable Option Agreement(s).

(d) **Investment Assurances.** The Company may require a Participant, as a condition of exercising an Option or otherwise acquiring Common Stock under any Stock Award, (i) to give written assurances satisfactory to the Company as to the Participant's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Stock Award; and (ii) to give written assurances satisfactory to the Company stating that the Participant is acquiring Common Stock subject to the Stock Award for the Participant's own account and not with any present intention of selling or otherwise distributing the Common Stock. The foregoing requirements, and any assurances given pursuant to such requirements, shall be inoperative if (x) the issuance of the shares upon the exercise or acquisition of Common Stock under the Stock Award has been registered under a then currently effective registration statement under the Securities Act; or (y) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the Common Stock.

(e) **Withholding Obligations.** The Company may, in its sole discretion, satisfy any federal, state or local tax withholding obligation relating to a Stock Award by any of the following means (in addition to the Company's right to withhold from any compensation paid to the Participant by the Company) or by a combination of such means: (i) causing the Participant to tender a cash payment; (ii) withholding shares of Common Stock from the shares of Common Stock issued or otherwise issuable to the Participant in connection with the Stock Award, provided that no shares of Common Stock are withheld with a value exceeding the minimum amount of tax required to be withheld by law (or such lower amount as may be necessary to avoid classification of the Stock Award as a liability); or (iii) by such other method as may be set forth in the Stock Award Agreement.

(f) **Compliance with Section 409A of the Code.** To the extent applicable, the Plan and Stock Award Agreements shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued or amended after the Effective Date (as defined in Section 17 below). Notwithstanding any provision of the Plan or Stock Award to the contrary, in the event that following the Effective Date the Board determines that any Stock Award may be subject to Section 409A of the Code and related Department of Treasury guidance (including such Department of Treasury guidance as may be issued after the Effective Date), the Board may adopt such amendments to the Plan and the applicable Stock Award Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Board determines are necessary or appropriate to (i) exempt the Stock Award from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Stock Award; or (ii) comply with the requirements of Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued or amended after the Effective Date. If the exercise period of an Option subject to Code Section 409A (e.g., an Option which is granted with a per share exercise price less than the Fair Market Value on the date of grant) spans two calendar years, any valid exercise will be deemed to occur at the expiration of the exercise period regardless of when exercise actually occurs. This rule of construction shall not apply to any Option which is not subject to Code Section 409A (i.e., an Option which is granted with a per share exercise price not less than the Fair Market Value on the date of grant and the Option otherwise qualifies for exemption from Code Section 409A).

## 15. **AMENDMENT OF THE PLAN.**

(a) **In General.** The Board at any time, and from time to time, may amend the Plan. However, no amendment shall be effective unless approved by the shareholders of the Company within twelve (12) months before or after the adoption of the amendment where the amendment will:

(i) Increase the number of shares reserved for Stock Awards under the Plan, except as provided in Section 10 relating to adjustments upon changes in Common Stock;

(ii) Modify the requirements as to eligibility for participation in the Plan (to the extent such modification requires shareholder approval in order for the Plan to satisfy the requirements of Section 422 of the Code); or

(iii) Modify the Plan in any other way if such modification requires shareholder approval in order for the Plan to satisfy the requirements of Section 422 of the Code.

(b) **Amendment to Maximize Benefits.** It is expressly contemplated that the Board may amend the Plan in any respect the Board deems necessary or advisable to provide Participants with the maximum benefits provided or to be provided under the provisions of the Code and the regulations promulgated thereunder relating to Incentive Stock Options and/or to bring the Plan and/or Incentive Stock Options granted under the Plan into compliance therewith.

(c) **No Impairment.** The rights and obligations under any Stock Award granted before any amendment of the Plan shall not be altered or impaired by such amendment unless the Company requests the consent of the person to whom the Stock Award was granted and such person consents in writing; *provided, however*, that notwithstanding anything to the contrary in this Section 15 or elsewhere in this Plan, no such consent shall be required with respect to any amendment or alteration if the Board determines in its sole discretion that such amendment or alteration either (i) is required or advisable in order for the Company, the Plan or the Stock Award to satisfy or conform to any law or regulation or to meet the requirements of any accounting standard, or (ii) is not reasonably likely to significantly diminish the benefits provided under such Award, or that any such diminishment has been adequately compensated.

**16. TERMINATION OR SUSPENSION OF THE PLAN.**

(a) **Termination or Suspension.** The Board may suspend or terminate the Plan at any time. Unless sooner terminated, the Plan shall terminate on June 26, 2023 (which shall be within ten (10) years from the date the Plan is adopted by the Board or approved by the shareholders of the Company, whichever is earlier), and no Stock Awards may be granted under the Plan while the Plan is suspended or after it is terminated, but Stock Awards and Stock Award Agreements then outstanding shall continue in effect in accordance with their respective terms.

(b) **No Impairment.** Rights and obligations under any Stock Award granted while the Plan is in effect shall not be altered or impaired by suspension or termination of the Plan, except as otherwise provided herein or with the consent of the person to whom the Stock Award was granted.

**17. EFFECTIVE DATE OF PLAN.**

The Plan shall become effective June 26, 2013, which is the date that the Plan was adopted by the Board (the “**Effective Date**”), provided that the shareholders of the Company approve or have approved the Plan within twelve (12) months of such date. No Options granted under the Plan shall be exercised unless and until the Plan has been approved by the shareholders of the Company, and all Stock Awards granted under the Plan shall be rescinded if shareholder approval of the Plan is not obtained within such 12-month period.

**18. NON-EXCLUSIVITY OF THE PLAN.**

Neither the adoption of this Plan by the Board nor the submission of this Plan to the shareholders of the Company for approval shall be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as either may deem desirable, including, without limitation, the granting of stock options or restricted stock otherwise than under this Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

**19. LIABILITY OF THE COMPANY.**

The Company and the members of the Board shall not be liable to a Participant or any other persons as to: (a) the non-issuance or non-transfer, or any delay of issuance or transfer, of any Award Shares which results from the inability of the Company to comply with, or to obtain, or from any delay in obtaining from any regulatory body having jurisdiction, all requisite authority to issue or transfer Award Shares if counsel for the Company deems such authority reasonably necessary for lawful issuance or transfer of any such shares and, in furtherance thereof, appropriate legends may be placed on the stock certificates evidencing Award Shares to reflect such transfer restrictions; and (b) any tax consequence expected, but not realized, by any Participant or other person due to the receipt, exercise or settlement of any Option or other Stock Award granted hereunder.

**20. CHOICE OF LAW; ARBITRATION; VENUE.**

The laws of the State of California shall govern all questions concerning the construction, validity and interpretation of this Plan, without regard to such state's conflict of laws rules. Any dispute or claim concerning the Plan or any Stock Award Agreement or any disputes or claims relating to or arising out of any Stock Award Agreement or the Plan shall be fully, finally and exclusively resolved by binding and confidential arbitration conducted pursuant to the rules of Judicial Arbitration and Mediation Services, Inc., in San Diego County, California, pursuant to its employment arbitration rules and procedures (attached hereto in their current form as Annex A), as may be updated, amended or modified from time to time (with such updated, amended or modified rules available at <http://www.jamsadr.com/rules-employment-arbitration/>). In addition to any other relief, the arbitrator may award to the prevailing party recovery of its attorneys' fees and costs. By executing a Stock Award Agreement, the Company and the recipient of such Stock Award Agreement waive their respective rights to have any such disputes or claims tried by a judge or jury. The Company and all recipients of Stock Awards acknowledge and agree that questions concerning, or any dispute arising in connection with the construction, interpretation or validity of, or otherwise arising out of, the Plan, will, to the extent that arbitration shall not be contemplated pursuant to the Stock Award Agreement by which the holder of a Stock Award is bound, be subject to the exclusive jurisdiction of the state and federal courts in and for the county encompassing the Company's principal place of business. The parties hereby agree to submit to the personal and exclusive jurisdiction and venue of such courts and agree that process may be served in the manner provided herein for the giving of notices or otherwise as allowed by applicable law. Each party hereto waives any defense of inconvenient forum to the maintenance of any action so brought and waives any bond, surety, or other security that might be required of any other party with respect thereto.