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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): December 31, 2006

Orthodontix, Inc.

(Exact name of registrant as specified in its charter)

Florida	000-27836	65-0643773
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

2 Snunit Street
Science Park
POB 455
Carmiel, Israel 21000
(Address of principal executive offices) (Zip Code)

1428 Brickell Avenue, Suite 105, Miami, Florida 33131
(Former Name or Former Address, if Changed Since Last Report)

Registrant's telephone number, including area code: (305) 371-4112

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The statements set forth under the captions “Business,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Risk Factors”, and other statements included elsewhere in this Current Report on Form 8-K, which are not historical, constitute “Forward Looking Statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding the expectations, beliefs, intentions or strategies for the future. When used in this report, the terms “anticipate,” “believe,” “estimate,” “expect” and “intend” and words or phrases of similar import, as they relate to our or our subsidiaries or our management, are intended to identify forward-looking statements. We intend that all forward-looking statements be subject to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are only predictions and reflect our views as of the date they are made with respect to future events and financial performance. Forward-looking statements are subject to many risks and uncertainties that could cause our actual results to differ materially from any future results expressed or implied by the forward-looking statements.

Examples of the risks and uncertainties include, but are not limited to the following: the inherent risks and uncertainties in developing drug platforms and products of the type we are developing; delays in our preparation and filing of applications for regulatory approval; delays in the approval or potential rejection of any applications we file with the FDA, or other health regulatory authorities; risks that any of these regulatory authorities will not approve the marketing and sale of a drug product even after they grant us initial approval of any of these drug products; possible changes in our financial condition; any lack of progress of our research and development (including the results of clinical trials being conducted by us); interruptions in the supply of adequate amounts of drug substance and drug product for our clinical trials, which may be difficult or uneconomical to procure or manufacture; obtaining on a timely basis sufficient patient enrollment in our clinical trials; the impact of development of competing therapies and/or technologies by other companies; our ability to obtain additional financings required to fund our research programs; the risk that we will not be able to develop a successful sales and marketing organization in a timely manner, if at all; the additional costs and delays that may result from requirements imposed by the health regulatory authorities in connection with obtaining the required approvals; assessment of the outcome and financial impact of litigation and other governmental proceedings and the potential impact of unasserted claims; our ability to establish and maintain strategic license, collaboration and distribution arrangements and to manage our relationships with collaborators, distributors and partners; potential product liability risks and risks of securing adequate levels of product liability and clinical trial insurance coverage; the availability of reimbursement to patients from health care payors for procedures in which our products are used; the possibility of infringing a third party’s patents or other intellectual property rights; the uncertainty of obtaining patents covering our products and processes and in successfully enforcing them against third parties; and the possible disruption of our operations due to terrorist activities and armed conflict, including as a result of the disruption of operations of regulatory authorities, our subsidiaries, our manufacturing facilities and our customers, suppliers, distributors, couriers, collaborative partners, licensees, and clinical trial sites.

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In addition, companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in advanced clinical trials, even after obtaining promising earlier trial results. These associated risks and other risks and uncertainties are detailed under “Risk Factors” and in any documents incorporated by reference in this Current Report on Form 8-K. We undertake no obligation to update, and we do not have a policy of updating or revising, these forward-looking statements. Except where the context otherwise requires, the terms, “we”, “us”, “our”, “the Company,” or “Orthodontix” refer to the business of Orthodontix, Inc. and its consolidated subsidiaries, and “Protalix” or “Protalix Ltd.” refers to the business of Protalix Ltd., our wholly-owned subsidiary and sole operating unit.

Item 1.01. Entry into a Material Definitive Agreement

The disclosures set forth in Items 2.01, 5.02, and 5.03 to this Current Report are incorporated into this item by reference.

Item 2.01. Completion of Acquisition or Disposition of Assets.

The Merger

On December 31, 2006, we acquired through a merger of our wholly owned subsidiary, Protalix Acquisition Co. Ltd., all of the outstanding shares of Protalix Ltd., a privately-held Israeli biotechnology company, in exchange for shares of our common stock, par value $.001 per share. As a result, Protalix Ltd. is now our wholly-owned subsidiary, with the former shareholders of Protalix Ltd. acquiring in excess of 99% of our outstanding shares of common stock. In connection with the merger, we effected a one-for-ten reverse stock split. All share numbers in this Current Report on Form 8-K give effect to such reverse stock split. We incurred acquisition related costs in connection with this transaction which will be reflected in the financial statements we file with the Securities and Exchange Commission.

Our trading symbol was “OTIX.BB”; however, in connection with the reverse split, it was changed to “ORTX.BB”. We intend to change our name to Protalix BioTherapeutics, Inc., and our trading symbol to “PLXB”. The merger was consummated pursuant to a Merger Agreement and Plan of Reorganization, dated August 21, 2006, as amended on October 31, 2006 and November 30, 2006, by and among us, Protalix Acquisition Co. Ltd., and Protalix Ltd.

At the closing of the merger, the former shareholders of Protalix Ltd. received shares of our common stock in exchange for all of their shares of Protalix Ltd. in a proportion equal to approximately 61 shares of our common stock for each 1 ordinary share of Protalix Ltd. As a result, at the closing of the merger, we issued an aggregate of 61,198,679 shares of our common stock to the former shareholders of Protalix Ltd, and the shares of Orthodontix common stock that were outstanding prior to the merger were converted into shares representing less than 1% of the outstanding shares of Orthodontix’s common stock on a fully diluted basis. Of the 61,198,679 shares of Orthodontix’s common stock issued in the merger, 12,243,130, or approximately 15.82% of the outstanding shares of common stock on a fully diluted basis at the closing of the merger, were received by a trust controlled by Phillip Frost, M.D., one of our directors, Glenn L. Halpryn, a former director of ours and certain other recent investors in Protalix Ltd. In addition, we assumed the obligations under outstanding warrants previously issued by Protalix Ltd. to purchase 117,168 of Protalix Ltd.’s ordinary shares and, in connection

therewith, we issued warrants and options to purchase 7,504,242 shares of our common stock to certain shareholders and board members of Protalix Ltd. Of the foregoing, warrants to purchase 3,875,416 shares of common stock were issued to the recent investors in Protalix Ltd.

Immediately prior to the closing of the merger, Protalix Ltd. had outstanding options to purchase 88,001 ordinary shares under its employee stock option plan. Pursuant to the terms of the Merger Agreement, Orthodontix assumed all of the outstanding obligations under such plan and, accordingly, Orthodontix anticipates issuing 5,375,174 shares of its common stock upon the exercise of such options in lieu of shares of Protalix Ltd. and has reserved an additional 4,366,481 shares of its common stock under its incentive plan for future allocation.

In addition, prior to the closing of the merger, on September 12, 2006, pursuant to a share purchase agreement dated August 21, 2006, Protalix Ltd. completed the sale of 163,774 ordinary shares, or 14% of its outstanding ordinary shares, and warrants to purchase an additional 57,691 ordinary shares, or 5% of the outstanding ordinary shares, of Protalix Ltd., on a fully diluted basis, in a private placement to a trust controlled by Dr. Frost, Glenn L. Halpryn and certain other investors introduced to Protalix Ltd. by Dr. Frost. Protalix Ltd. received gross proceeds from the private placement equal to $15,000,000. In connection with such share purchase agreement, prior to the closing of the merger, the investors invested an additional $122,988. As a result of the merger, the shares received by these investors were converted into 10,054,600 shares of our common stock, representing 12.99% of our total outstanding capital stock on a fully-diluted basis after the closing of the merger, and the warrants were converted into warrants issued by us that are exercisable into 3,875,416 shares of our common stock, representing approximately 5% of our total outstanding shares on a fully diluted basis at the closing of the merger.

Under the terms of this share purchase agreement, in connection with services provided and anticipated to be provided to the merged company, including the services to be provided by each of Dr. Frost and Dr. Hsiao as directors, we have issued to Dr. Frost, Jane Hsiao, Ph.D. and one other investor options that are exercisable into 2.5%, 0.5% and 0.5%, respectively, of our issued and outstanding common stock on a fully-diluted basis immediately after the closing of the merger. Such amounts equaled 1,937,708, 387,542 and 387,542 shares, respectively.

The private placement was made solely to “accredited investors,” as that term is defined in Regulation D under the Securities Act of 1933, as amended, and was conducted in reliance on the exemption from registration afforded by Section 4(2), Rule 506 of Regulation D and Regulation S under the Securities Act of 1933, as amended, and corresponding provisions of state securities laws.

We have agreed to use our best efforts to file a shelf registration statement with the SEC covering the resale of all shares of common stock received by Protalix Ltd.’s former shareholders after our common stock has been listed for trading on the American Stock Exchange, if at all, and to use our best efforts to cause such registration statement to be declared effective as promptly as possible after filing. We are obligated to maintain the effectiveness of this shelf registration statement until the shares registered under it are eligible for resale under

Rule 144(k) of the Securities Act of 1933, as amended. There can be no assurance that the American Stock Exchange will list our shares for trading.

Tax Ruling and Lock-up Agreements

In connection with the merger, substantially all of the former shareholders of Protalix Ltd. entered into lock-up agreements to satisfy Israeli tax laws and contractual obligations. The lock-up agreements prohibit such former Protalix shareholders from, directly or indirectly, selling or otherwise transferring the shares of our common stock issued to them as a result of the merger during a period commencing upon the closing of the merger and ending on January 1, 2009. However, during such period, each such former Protalix shareholder may, under the terms of the lock-up agreements and the tax ruling described below, sell an aggregate of 10% of each such shareholder's original number of locked-up shares. All permitted sales of locked-up shares that may be made during such time period are cumulative.

Furthermore, under applicable tax law, incorporated by reference into the tax ruling obtained by Protalix Ltd. from the Israeli tax authorities, during the lock-up period, we must maintain our holding of at least 51% of Protalix Ltd. and our shareholders at the time of the consummation of the merger must maintain, in the aggregate, holdings of at least 51% of our outstanding share capital.

We and Protalix Ltd. are entitled to issue up to 25% of our respective share capital to third parties or a higher number of shares in a public offering, provided that we and Protalix Ltd. each remain compliant with the limitations described above.

Notwithstanding the limitations described above, the following transactions shall not be subject to any limitation on the sale of shares under the ruling: (i) dispositions by any shareholder of our company that holds less than 5% of our voting rights or issued and outstanding share capital upon the merger; or (ii) a shareholder who is not subject to, or is exempt from, the payment of taxes in Israel. These transactions are restricted pursuant to the contractual lock-ups described above.

According to the tax ruling, until the second anniversary of the closing of the merger, the operation of our company and/or that of Protalix Ltd. shall be further limited as follows:

- Most of Protalix Ltd.'s operations and activities shall be directed to research and development activities. The Encouragement of Industrial Research and Development Law, 1984, of the State of Israel defines research and development activity to include certain expenses incurred by a company in connection with the transition to the manufacturing and marketing of the products or technology that result from the research and development efforts.
- The consideration received and to be received in connection with the issuance of our shares or rights, those of Protalix Ltd. or Orthodontix shall be used and reinvested in research and development activity as defined above. Such consideration includes any investment made in Protalix Ltd. prior to the merger

and the cash held by us as of the closing of the merger, after the deduction of any amounts required for the operation of our company in the United States.

- at least 75% of the research and development expenditures of Protalix Ltd. shall be made in Israel. However, the Israeli tax authorities may establish a lower percentage if Protalix Ltd. makes expenditures in connection with clinical and toxicology trials that cannot be conducted in Israel.

Business

Orthodontix was formed as Embassy Acquisition Corp., a Florida corporation, in November 1995 for the purpose of effecting a merger with an operating business. In April 1998, we merged with an orthodontic practice management company and acquired assets and assumed certain liabilities of 26 orthodontic practices in exchange for shares of our common stock and the entering into of practice management service agreements with these practices. Upon completing these acquisitions, we changed our name to Orthodontix, Inc. and began managing the business aspects of these practices. By November 1999, we had ceased providing practice management services. By May 2001, we had terminated our affiliation with all these practices and, during the years ended December 31, 2000 and 2001, we sold each of these practices until we had no further operations.

Upon the completion of the merger, we adopted the business of Protalix Ltd., which is our wholly-owned subsidiary and operating unit. All references to Protalix for periods after the closing of the merger shall refer to us and Protalix Ltd., collectively. We intend to change our name from Orthodontix, Inc. to Protalix BioTherapeutics, Inc.

Company Overview

We are an emerging clinical stage biopharmaceutical company that is focused on developing and producing recombinant therapeutic proteins that are produced through our proprietary plant cell system. In the biotechnology field, the production or manufacture of recombinant proteins is commonly referred to as the “expression” of such proteins. Recombinant therapeutic proteins are proteins that are produced by different genetically modified organisms following the insertion of the relevant DNA into their genome and are the basis of most biopharmaceutical drugs currently under development. Our sole operating unit, Protalix Ltd., was originally incorporated in Israel as Metabogal Ltd. on December 27, 1993, and, as it changed its focus to the expression of recombinant therapeutic proteins in plant cells, changed its name to Protalix Ltd. on April 26, 2004. Our principal business address is 2 Snunit Street, Science Park, POB 455, Carmiel, Israel 21000, where we operate a research and manufacturing facility. We use our plant cell culture and bioreactor technology for the expression of recombinant therapeutic proteins, and we are currently developing several such biotherapeutic products.

Our patented plant cell system enables the expression in plant cells of specific human genes, most often genes coding for proteins of pharmaceutical or therapeutic value. Once the plant cells produce a therapeutic protein, this protein may be grown on an industrial-scale in our proprietary bioreactor system. Subsequently, the protein is extracted from the cells and purified to a clinical grade. Our system presents a proprietary method for the production of recombinant proteins that we believe

is safe and scaleable and will allow for the cost-effective industrial-scale production of such recombinant human therapeutic proteins. In addition, we believe that our proprietary plant-cell system has a number of advantages over other expression methodologies, as follows:

- The glycosilation of a protein is the addition of a glycan, or sugar, residue structure on the protein which, in certain cases, binds the protein to a target cell and enables the protein's therapeutic function and/or its bioactivity. In certain cases, Protalix's proprietary manufacturing methods for expressing proteins may provide patent protection for the production method and potential market advantage for the proteins produced through our system. Patent protection and potential market advantage may be achieved for a protein as well as the glycosilation structure of the protein;
- Our plant cell expression system is a contained regulatory-compliant bioprocess that significantly reduces the risk of contamination with pathogenic agents, such as viruses, which are ordinarily associated with mammalian expression methodologies; and
- A degree of control of the glycosilation process that is available through our expression system enables the control of the glycosilation process, thereby allowing for the production of highly uniform therapeutic protein products which is necessary for large scale production.

Our lead product candidate, prGCD, is a proprietary plant cell expressed recombinant form of Glucocerebrosidase (GCD) for the treatment of Gaucher Disease, a lysosomal storage disorder in humans. Glucocerebrosidase is an enzyme-based protein, the lack of which is a symptom of Gaucher Disease. Enzymes are proteins that catalyze, or accelerate, chemical reactions in cells. Gaucher Disease is commonly treated through enzyme replacement therapy (ERT), a medical treatment in which an enzyme is replaced in patients in whom the enzyme is lacking or deficient. The only recombinant Glucocerebrosidase currently available on the market and approved worldwide for the treatment of Gaucher Disease is Cerezyme®, which is produced by Genzyme Corporation. According to public reports issued by Genzyme, annual sales of Cerezyme approached $1 billion in 2005 and sales of Cerezyme in 2006 are exceeding 2005 sales. We received approval from the FDA to commence Phase I clinical trials of prGCD under an IND (Investigational New Drug) application in July 2005. The Phase I clinical study was completed in June 2006, and we believe that the data presented in the final clinical report of this trial was promising for proceeding to the next phase of clinical testing. We are currently preparing an application for FDA approval to commence a Phase III pivotal trial of prGCD, which we expect to commence in 2007.

We believe that we have demonstrated the potential of our plant cell manufacturing platform to become a safe and efficacious expression technology for the manufacture or expression of a wide variety of biopharmaceutical products. Accordingly, we are employing a two-pronged business strategy that enables us to pursue our goal of becoming a fully integrated biopharmaceutical company. In addition to our focused development of prGCD, we are using our protein expression technology to develop an innovative proprietary product pipeline. We are evaluating and initiating additional internal research programs through collaboration agreements with academic institutions, such as the Yeda Research and Development Company Limited, the technology transfer arm of Israel's Weizmann Institute of Science. In addition, we continuously review and consider development and commercialization alliances with corporate partners in

specific and identified markets worldwide for specific products or territories in order to enable us to optimize our resources and effectively penetrate target markets. We have recently entered into such an agreement with Teva Pharmaceutical Industries Ltd.

Proprietary Technology

Due to the high cost of protein expression through mammalian cells, many pharmaceutical and biotechnology companies are considering new production technologies. The current industry standard for expression of recombinant therapeutic glycoproteins, proteins that contain sugar residues, is expression in cultured mammalian cells. The cells most often used in connection with mammalian protein expression are Chinese hamster ovary (CHO) cells that are grown in highly sophisticated and costly stainless steel bioreactors. Despite their widespread use, such mammalian systems have a number of disadvantages. The stainless-steel bioreactors used in such systems involve extensive and very rigid monitoring and regulation of environmental conditions, such as temperature, pH levels, and oxygen levels, making such systems expensive and complicated to operate. Mammalian expression systems require large quantities of sophisticated and expensive growth medium. The expression of therapeutic proteins through mammalian systems, in certain cases, produces a mixture of different forms of the glycoprotein requiring complex post-expression modifications to the glycosilation structure of the desired protein. For example, with respect to the expression of prGCD, modifications to the expressed protein are necessary to achieve the sugar residue structure necessary for the expressed protein to have binding qualities for attachment to a target cell, and for the protein to be able to effect the desired bioactivity. Without such modifications, the expressed protein would not be effective in connection with enzyme replacement therapy as it will neither bind with a target cell nor effect the desired bioactivity. Lastly, the mammalian systems present the potential risk of transferring mammalian derived pathogenic agents, such as viruses, resulting in the need for viral inactivation and monitoring for unexpected toxic agents.

Another protein expression methodology is prokaryotic systems, which involve the expression of proteins in a bacterial culture. The industrial-scale production of recombinant proteins through prokaryotic systems is more cost-effective than other expression methodologies. However, prokaryotic expression systems can only be used for the production of simple proteins, such as insulin or growth hormones, because bacterial cultures cannot produce glycoproteins. This is a significant limitation because glycoproteins constitute the majority of newly developed biotherapeutic drugs. In addition, several companies and research institutions have explored the expression of human proteins in genetically-modified organisms, or GMOs, such as transgenic field-grown plants and transgenic animals. However, these alternate techniques may be restricted by environmental risks and by the difficulty in applying current good manufacturing practices (cGMPs) standards of the pharmaceutical industry to these expression technologies.

As an alternative to such expression methodologies, we have developed a novel and proprietary bioreactor system for the expression and manufacture of recombinant proteins that uses plant cells, such as carrot cells, as the platform. Our flexible and disposable bioreactors are uniquely suited for plant cell growth using a simple chemically defined growth medium. The reactors are custom-designed and optimized for plant cell cultures, easy to use, rapidly scalable at a low

cost, require less hands-on maintenance between cycles, and entail very low initial capital investment.

We believe that our plant cell expression system has the following advantages over other expression systems:

- The expression of certain proteins through our proprietary plant cell system does not infringe certain patents that cover the mammalian cell production of such proteins;
- A protein expressed using our system may provide the basis for patents covering both the protein and methods of producing the protein, thereby providing potential market advantage;
- There is significantly reduced risk of disease transmission to humans as our system does not involve the use of mammalian cells or mammalian components;
- The relatively uniform glycosilation pattern of proteins produced in our system enables drug product consistency;
- When compared to other protein production techniques, our system includes simpler production elements, is easily scalable, and requires less capital expenditures and initial capital investments; and
- We expect our system to involve lower operational expenses as it requires minimal personnel training and less hands-on maintenance.

However, we believe that our plant cell expression system faces the following disadvantages:

- The system is novel and is still in the early stages of development and optimization;
- Mammalian cells have been used in connection with recombinant therapeutic protein expression for more than 20 years and are the subject of a wealth of data; similar amounts of data have not been generated for plant cell expression;
- Protein glycosilation is not identical to the natural human glycosilation pattern and its long term effect on human patients is still unknown; and
- There is a need to design custom-made equipment and to generate specific growth media for the plant cells, as this is a new technology that cannot always rely on existing equipment.

We believe, based upon our research and development efforts, that our plant cell expression system is capable of producing “human like” proteins that maintain the amino acid structure of the desired human protein as well as a very similar, but not identical, glycan, or sugar, structure. Our research has demonstrated that by having a glycan structure similar to naturally produced protein, the plant cell expressed proteins maintain the biological activity that characterizes the human protein when tested in the relevant biological assays. Taken together, our research suggests that proteins produced by our plant cell system are likely to mimic the therapeutic functions of the natural human proteins which they are produced to replace.

We have successfully demonstrated the feasibility of our system by producing, on an exploratory, research scale, a variety of therapeutic proteins belonging to different drug classes, such as enzymes, hormones, interferones, monoclonal antibodies and vaccines.

prGCD for the Treatment of Gaucher Disease

Our lead proprietary product candidate, prGCD, is a plant recombinant Glucocerebrosidase enzyme (GCD) for the treatment of Gaucher Disease. In July 2005, we received FDA approval of our IND application for prGCD, allowing us to initiate an FDA-approved clinical development program for prGCD that does not require us to conduct Phase II clinical trials. The Phase I clinical trial was completed in June, 2006. We expect that, based upon the results of such concluded Phase I clinical trial together with the results of certain preclinical studies, we should be able to obtain FDA approval to initiate a pivotal Phase III trial of prGCD for the treatment of Gaucher Disease. We anticipate that we will be able to commence such trial in 2007. However, there can be no assurance that we will obtain FDA approval to initiate such Phase III trial.

Gaucher Disease is the most prevalent lysosomal storage disorder in humans. It is caused by mutations or deficiencies in the gene encoding GCD, a lysosomal enzyme that catalyzes the degradation of glucosylceramide (GlcCer). The normal degradation products of GlcCer are glucose and ceramide that are easily excreted by the cells through normal human processes. The absence of an active GCD enzyme leads to the accumulation of GlcCer in lysosomes of certain white blood cells called macrophages. Macrophages affected by the disease become highly enlarged due to the accumulation of GlcCer and are referred to as “Gaucher cells.” Gaucher cells accumulate in the spleen, liver, lungs, bone marrow and brain. Associated clinical symptoms of Gaucher Disease include enlarged spleen and liver (hepatosplenomegaly), anemia, thrombocytopenia, skeletal deterioration and possible brain damage.

There are three different types of Gaucher Disease, each determined by the level of GCD activity. The associated clinical symptoms of Type I Gaucher Disease include severe enlargement of the spleen and liver, anemia, thrombocytopenia, osteoporosis, skeletal deterioration and bone fractures. Type 1 Gaucher Disease occurs worldwide in all populations; however, it is most prevalent in the Ashkenazi Jewish population (Jewish people of Eastern European ancestry) where it occurs at a rate of 1:450 births. Type 2 Gaucher Disease involves an accumulation of Gaucher cells in the brain leading to acute brain damage and is usually fatal during the first three years of life. Type 2 Gaucher Disease occurs at a rate of 1:100,000 births. Type 3 Gaucher Disease is the chronic neuropathic form of the disease and occurs at a rate of 1:50,000 births. Neurological symptoms of Type 3 Gaucher Disease may include loss of motor control, mental deterioration and myoclonic seizures. Type 3 Gaucher Disease is generally fatal within 20 to 30 years of birth. According to published scientific studies, types 2 and 3 show no ethnic predilection.

Gaucher Disease is currently treated by enzyme replacement therapy (ERT) using recombinant GCD to replace the mutated or deficient natural GCD enzyme. The only recombinant GCD currently available on the market and approved worldwide for the treatment of Gaucher Disease is Cerezyme, produced by Genzyme. There are no known severe side effects to the use of Cerezyme and its approved use over the past decade suggests that it is an effective treatment. According to public reports issued by Genzyme, annual sales of Cerezyme approached $1 billion

in 2005 and sales of Cerezyme in 2006 are exceeding 2005 sales. Cerezyme is expressed in mammalian Chinese hamster ovary (CHO) cells. In order for a GCD enzyme to be effective in connection with enzyme replacement therapy, exposed terminal mannose sugar residues, the structures on the protein that bind to the target cell and facilitate the internalization of the protein into the target cell, must be present on the sugar residue covering the protein in order to permit binding to macrophage mannose receptors, the structures to which the terminal mannose residues attach. Cerezyme production involves sequential complex laboratory de-glycosilation processing in order to modify the drug to expose the terminal mannose residues so they can bind to the macrophage mannose receptors of the target cells, a procedure that increases the production cost of Cerezyme. We believe that the high cost of Cerezyme, which has been reported to cost an average of approximately $200,000 per year per patient, places an economic burden on healthcare systems. Cerezyme is currently used to treat approximately 4,500 patients.

Another much less frequently used drug for the treatment of Gaucher Disease is Zavesca® (miglustat), marketed by Actelion Ltd. Zavesca has been approved for use in the United States by the FDA as an oral treatment. However, it has side effects and the FDA has approved it only for the administration to those patients that cannot be treated through enzyme replacement therapy (ERT) (such as Cerezyme) and, accordingly, have no other treatment alternative. As a result, Zavesca's use has been very limited and Actelion reported sales of Zavesca of approximately $11 million for 2005.

prGCD expression in carrot cells permits intra cellular manipulation of the protein glycosilation process, generating terminal mannose structures *in vivo* directly by the cells. This enables the production of a "ready to use" GCD enzyme, thus precluding the need for the costly post-production de-glycosilation modification required for proteins generated through mammalian cell expression. The prGCD terminal mannose residues on the sugar chains of prGCD facilitate elevated uptake and internalization into the target cells as compared to Cerezyme. Furthermore, when compared to Cerezyme, prGCD displays a superior to equivalent level of the desired enzymatic activity, depending on the biological test used. prGCD is potentially very safe and less expensive to produce as it does not require mammalian-derived components in the manufacturing process. For the foregoing reasons, we believe that prGCD's elevated internalization rates and bioactivity may lead prGCD to become a highly effective, attractive, and cost effective treatment alternative for Gaucher Disease patients; however, there can be no assurance that prGCD will be approved as a treatment of Gaucher Disease.

We have filed process patents, as well as composition of matter patents for prGCD thereby providing us with patent-pending manufacturing methodologies with respect to GCD. We believe that our strong intellectual property position in combination with the potential cost-effectiveness and superior bioactivity of prGCD, if indeed also demonstrated in the anticipated Phase III clinical trial, should allow aggressive penetration and establishment of prGCD as a treatment in this market; however, there can be no assurance that we are correct.

Pipeline Drug Candidates

To further expand our internal drug pipeline, we are taking advantage of our ability to produce recombinant therapeutic proteins in a plant cell system to develop certain additional therapeutic proteins available on the market at a high cost without infringing the method patents or other intellectual property rights of third parties in connection with production of such proteins. In

order to select additional candidates for clinical development, we are testing, in-house and through collaborations with academic partners, several product candidates oriented towards specialty market segments. We have expressed a number of different proteins demonstrating biological activity. We are also exploring drugs in several potential markets, including the following:

PRX-102

We are developing a proprietary alpha Galactosidase enzyme, which is a therapeutic enzyme for the treatment of Fabry disease, a rare genetic lysosomal storage disorder, the symptoms of which involve the accumulation of lipids in the cells of the kidneys, heart and other organs. Fabry disease affects more than 8,000 people globally. We believe that the treatment of Fabry disease is a specialty clinical niche with a high growth potential. Currently there are two drugs available on the market to treat Fabry disease. Fabrazyme®, made by Genzyme, was approved for the treatment of Fabry disease in Europe in 2001 and in the United States in 2003. Another approved drug for the treatment of Fabry disease in the European Union is Replagal® sold by Shire plc.

PRX-111

We are developing two variants of a human fertility hormone targeted at the infertility market. We believe that the market for infertility treatments presents a strong opportunity. We are currently performing further research in order to evaluate the potential of these proteins. To date, we believe that our *in vitro* experiments have demonstrated promising biochemical and cellular results when compared to the currently marketed biotherapeutic proteins used in approved infertility treatments. However, we are performing additional evaluation studies to determine whether it is in our interest to continue the research and development of these hormones.

The Biogeneric Protein Expression Market

Recombinant technologies have become the cornerstone of the modern medical biotechnology industry. There is a strong demand in the market for the discovery and development of recombinant DNA products such as therapeutic proteins, vaccines and antibodies. According to a 2005 report issued by *Datamonitor*, a leading provider of online database and analyses services for key industry sectors, the total market for recombinant technologies in the United States is anticipated to grow to $53 billion by 2010.

As patents relating to various therapeutic proteins expire, pharmaceutical companies seek to produce biogeneric versions of such proteins in order to capture a portion of the market share of the proteins. Biogeneric proteins are the therapeutic equivalents of a referenced protein. Biogeneric drugs face significant barriers to market entry, such as difficulty of developing an effective product and cell culture manufacturing process, strong branded competition, and the complex patent coverage still surrounding many of the recombinant therapeutic proteins with high annual sales. Companies that can demonstrate superior methods of production may take advantage of commercial opportunities in the market for biogeneric products.

We believe that one of our competitive strengths is our ability to use our plant cell expression system to overcome such barriers to market entry. We believe that our system allows us, in certain cases, to produce proteins without infringing method-based patents or other intellectual property rights held by third parties relating to various drug candidates. These factors are important features for differentiation in the biogeneric therapeutic field and allow for the establishment of new production lines for the development of biogeneric products. We anticipate that a number of biogeneric products may be developed in collaboration with large pharmaceutical and biotechnology companies, and we expect to be able to generate up-front milestones and royalty revenue by entering early-stage deals with such partners to develop and scale up their biogeneric and innovative product candidates. We recently entered into a collaboration agreement with Teva Pharmaceutical Industries Ltd. for the development and manufacture of two proteins using our bioreactor system and the potential development and commercialization of products based on such proteins.

Strategic Collaborations

Teva Pharmaceutical Industries

On September 14, 2006, Protalix Ltd. entered into a collaboration and licensing agreement with Teva Pharmaceutical Industries Ltd. for the development and manufacturing of two proteins using our plant cell system. The proteins, aimed at large-sized markets, are not part of our current product development pipeline. Pursuant to the agreement, we will collaborate on the research and development of the two proteins utilizing our plant cell expression system. We will grant to Teva an exclusive license to commercialize the developed products in return for royalty and milestone payments payable upon the achievement of certain pre-defined goals. We will retain certain exclusive manufacturing rights with respect to the active pharmaceutical ingredient of the proteins following the first commercial sale of a licensed product under the agreement and other rights thereafter.

Weizmann Institute of Science/Yeda Research and Development Company Limited

In March, 2006, Protalix Ltd. entered into a Research and License Agreement with the Yeda Research and Development Company Limited, the technology transfer arm of Israel's Weizmann Institute of Science, pursuant to which Yeda is using its technology to develop a next generation of Glucocerebrosidase (GCD) for the treatment of Gaucher Disease. The licensed technology provides a methodology for the rational design of an improved drug for the treatment of Gaucher Disease by enzyme replacement therapy (ERT) based on the 3-dimensional crystal structure of GCD that was solved by certain scientists associated with the Weizmann Institute of Science during their research in recent years. A team of scientists at the Weizmann Institute of Science has attempted to design modifications to the enzyme structure that may lead to development of a second generation enzyme for the treatment of Gaucher Disease. The research activities under the license are also funded by a grant by the Magneton program of the Ministry of Industry and Trade of Israel, a program created to support the transfer of emerging technologies from the academy to the industry. In consideration for Yeda's research, Protalix Ltd. agreed to pay a fixed research budget amount. Yeda has granted Protalix Ltd. a license to use the licensed information for the development, manufacture, production and sale of enzymatically active mutants of GCD and derivatives therefrom for the treatment of Gaucher Disease. We are

responsible for commercializing the products developed under the license. Commencing upon the fifth anniversary of the execution of the agreement and continuing through the 19th anniversary of the agreement, we are obligated to pay certain minimum royalty amounts and varying fixed royalty amounts on net sales of products for the treatment of Gaucher Disease, products for other indications and for sublicensing revenues. Accordingly, we will owe these payment obligations to Yeda even in the event that we fail to generate any sales revenue from these products.

Licensing Arrangements

ICON Genetics- Bayer Innovations

In April 2004, Protalix Ltd. entered into a Collaborative Research Agreement with Icon Genetics AG (which was subsequently acquired by Bayer Corporation) regarding certain proteins and an option to license Icon's amplification technology for utilization in the expression of our products. In connection with such option, Protalix Ltd. entered into a license agreement with Icon on April 12, 2005, pursuant to which we received an exclusive worldwide license to develop, test, use, and commercialize Icon's technology to make certain proteins in our bioreactor platform. In addition, we are entitled to a non-exclusive worldwide license to make and have made other proteins expressed by using Icon's technology in our technology. In consideration for the licenses, we are obligated to pay to Icon development milestone payments and royalties.

Patents and Other Intellectual Property

Our success, competitive position, and future revenues, if any, depend in part on our ability, and that of our licensees, to obtain and successfully leverage intellectual property covering our products and product candidates, know-how, methods, processes, and other technologies, to protect our trade secrets, to prevent others from using our intellectual property, and to operate without infringing the intellectual property of third parties. Our policy is to seek to protect our competitive position by filing United States, Israeli and other foreign patent applications covering our technology, including both new technology and improvements to existing technology. Our patent strategy includes obtaining patents, where possible, on methods of manufacture, compositions of matter and methods of use. We also rely on know-how, continuing technological innovation, licensing and partnership opportunities to develop and maintain our competitive position. Lastly, we monitor third parties for activities that may infringe our intellectual property, as well as the progression of third party patent applications that may cover our products or methods and thus, potentially, interfere with the development of our business. We are aware, for example, of United States patents, and corresponding international counterparts of such patents, owned by third parties that contain claims covering methods of producing GCD. We do not believe that, if any claim of infringement were to be asserted against us based upon such patents, prGCD would be found to infringe any valid claim under such patents. However, there can be no assurance that a court would find in our favor or that, if we choose or are required to seek a license to any one or more of such patents, a license would be available to us on acceptable terms or at all.

Our patent portfolio consists of several patent families (consisting of patents and patent applications) covering our technology. We have been issued patents in the United States, Israel, the EC, Mexico, Poland, Hong Kong, and India that cover our disposable bioreactor system used in the expression of proteins. We have also been issued patents that protect the methods that we use for culturing and harvesting plant cells and/or tissues in consecutive cycles. Another patent family in our patent portfolio covers our system and method for producing glycosilated proteins, including prGCD, in a plant culture, particularly proteins having a high mannose glycosilation. An additional patent family covers a system and method for production of antibodies in a plant cell culture, and antibodies produced in such a system. Lastly, our patent portfolio includes a patent family that covers human glycoprotein hormone and chain splice variants, including isolated nucleic acids encoding these variants. More specifically, this patent portfolio covers a new splice variant of human FSH. There are 28 pending patent applications related to these aspects of our technology.

Virginia Tech Intellectual Properties Inc. has granted us a non-exclusive license to a certain production patent, and continuing applications thereof, including divisions, substitutions, and continuations-in-part (but only to extent that the claims thereof are enabled by disclosure of the parent application); any patents issuing on said applications including reissues, reexaminations and extensions; and any corresponding foreign applications or patents. See “Risk Factors—If Protalix fails to adequately protect or enforce its intellectual property rights or secure rights to patents of others, the value of its intellectual property rights would diminish and its business and competitive position would suffer.”

Manufacturing

Our drug product candidates, including prGCD, must be manufactured in a sterile environment and in compliance with current good manufacturing practices (cGMPs) set by the FDA and other relevant worldwide regulatory authorities. We use our current facility, which has approximately 5,000 sq/ft of clean rooms, built according to industry standards, to develop, process, and manufacture prGCD and other recombinant proteins. The entire protein production process takes place in a controlled environment. We outsource certain services in connection with final manufacturing processes to Teva. We anticipate entering into further internal and partnership programs in the future that will require additional scale-up of our manufacturing capacity. Consequently, we are planning to establish larger scale manufacturing facilities that will satisfy our production needs for the foreseeable future.

Under the terms of certain grants and other benefits granted to us by the Israeli government and entities affiliated with the Israeli government, our technology is subject to certain transfer of technology and manufacturing rights restrictions. For a description of such restrictions, see “Israeli Government Programs.”

Raw Materials and Suppliers

We believe that the raw materials that we require throughout the manufacturing process are widely available from numerous suppliers and are generally considered to be generic industrial biological supplies. We do not rely on a single or unique supplier for the current production of any biotherapeutic proteins in our pipeline.

Development and regulatory approval of our pharmaceutical products are dependent upon our ability to procure active ingredients and certain packaging materials from FDA-approved sources. Since the FDA approval process requires manufacturers to specify their proposed suppliers of active ingredients and certain packaging materials in their applications, FDA approval of a supplemental application to use a new supplier would be required if active ingredients or such packaging materials were no longer available from the specified supplier, which could result in manufacturing delays. From time to time, we intend to identify alternative FDA approved suppliers to ensure continued supply of necessary raw materials.

Competition

The biotechnology and pharmaceutical industries are characterized by rapidly evolving technology and significant competition. Competition from numerous existing companies and others entering the fields in which we operate is intense and expected to increase. Most of these companies have substantially greater research and development, manufacturing, marketing, financial, technological personnel and managerial resources than we do. In addition, many specialized biotechnology companies have formed collaborations with large, established companies to support research, development and commercialization of products that may be competitive with our current and future product candidates and technologies. Acquisitions of competing companies by large pharmaceutical or biotechnology companies could enhance such competitors' financial, marketing and other resources. Academic institutions, governmental agencies and other public and private research organizations are also conducting research activities and seeking patent protection and may commercialize competitive products or technologies on their own or through collaborations with pharmaceutical and biotechnology companies.

We specifically face competition from companies with alternate treatments of Gaucher Disease, as well as companies that are developing other platforms for the production of recombinant therapeutic pharmaceuticals and biogeneric producers in general. We are aware of other companies that are developing alternative technologies to develop and produce protein therapeutics in anticipation of the expiration of certain patent claims covering marketed proteins. Competitors developing alternative expression technologies, including alternate plant-based technologies, include, but are not limited to, Biolex, Inc., Chlorogen, Inc., greenovation Biotech GmbH, Dow, Crucell N.V., Glycofi, Inc. and Shire Pharmaceuticals. Other companies have programs focused on developing competitive products to treat Gaucher Disease and other lysosomal disorders. These companies include Genzyme, Shire Pharmaceuticals, Actelion and Amicus.

Several biogeneric companies are pursuing the opportunity to develop and commercialize follow-on versions of currently marketed biologic products, including growth factors, hormones, enzymes, interferones, and monoclonal antibodies, areas that interest us. These companies include, among others, Novartis/Sandoz, BioGeneriX, Stada, BioPartners and Teva.

Government Regulation

The United States federal government regulates healthcare through various agencies, including but not limited to the following: (i) the FDA, which administers the Federal Food, Drug, and

Cosmetic Act (FDCA), as well as other relevant laws; (ii) the Center for Medicare & Medicaid Services (CMS), which administers the Medicare and Medicaid programs; (iii) the Office of Inspector General (OIG) which enforces various laws aimed at curtailing fraudulent or abusive practices, including by way of example, the Anti-Kickback Law, the Anti-Physician Referral Law, commonly referred to as Stark, the Anti-Inducement Law, the Civil Money Penalty Law, and the laws that authorize the OIG to exclude healthcare providers and others from participating in federal healthcare programs; and (iv) the Office of Civil Rights, which administers the privacy aspects of the Health Insurance Portability and Accountability Act of 1996 (HIPAA). All of the aforementioned are agencies within the Department of Health and Human Services (HHS). Healthcare is also provided or regulated, as the case may be, by the Department of Defense through its TriCare program, the Department of Veterans Affairs, especially through the Veterans Health Care Act of 1992, the Public Health Service within HHS under Public Health Service Act § 340B (42 U.S.C. § 256b), the Department of Justice through the Federal False Claims Act and various criminal statutes, and state governments under the Medicaid and other state sponsored or funded programs and their internal laws regulating all healthcare activities.

Medicare is the federal healthcare program for those who are (i) over 65 years of age, (ii) disabled, (iii) suffering from end-stage renal disease or (iv) suffering from Lou Gehrig's disease. Medicare consists of part A, which covers inpatient costs, part B, which covers services by physicians and laboratories, durable medical equipment and certain drugs, primarily those administered by physicians, and part D, which provides drug coverage for most prescription drugs other than those covered under part B. Medicare also offers a managed care option under part C. Medicare is administered by CMS. In contrast, Medicaid is a state-federal healthcare program for the poor and is administered by the states pursuant to an agreement with the Secretary of Health and Human Services. Most state Medicaid programs cover most outpatient prescription drugs.

The testing, manufacture, distribution, advertising and marketing of drug products are subject to extensive regulation by federal, state and local governmental authorities in the United States, including the FDA, and by similar agencies in other countries. Any product that we develop must receive all relevant regulatory approvals or clearances, as the case may be, before it may be marketed in a particular country.

The regulatory process, which includes overseeing preclinical studies and clinical trials of each pharmaceutical compound to establish its safety and efficacy and confirmation by the FDA that good laboratory, clinical and manufacturing practices were maintained during testing and manufacturing, can take many years, requires the expenditure of substantial resources, and gives larger companies with greater financial resources a competitive advantage over us. Delays or terminations of clinical trials that we undertake would likely impair our development of product candidates. Delays or terminations could result from a number of factors, including stringent enrollment criteria, slow rate of enrollment, size of patient population, having to compete with other clinical trials for eligible patients, geographical considerations and others.

The FDA review process can be lengthy and unpredictable, and we may encounter delays or rejections of our applications when submitted. Generally, in order to gain FDA approval, we must first conduct preclinical studies in a laboratory and in animal models to obtain preliminary

information on a compound and to identify any safety problems. The results of these studies are submitted as part of an IND application that the FDA must review before human clinical trials of an investigational drug can commence.

Clinical trials are normally done in three sequential phases and generally take two to five years or longer to complete. Phase I consists of testing the drug product in a small number of humans, normally healthy volunteers, to determine preliminary safety and tolerable dose range. Phase II usually involves studies in a limited patient population to evaluate the effectiveness of the drug product in humans having the disease or medical condition for which the product is indicated, determine dosage tolerance and optimal dosage and identify possible common adverse effects and safety risks. Phase III consists of additional controlled testing at multiple clinical sites to establish clinical safety and effectiveness in an expanded patient population of geographically dispersed test sites to evaluate the overall benefit-risk relationship for administering the product and to provide an adequate basis for product labeling. Phase IV clinical trials may be conducted after approval to gain additional experience from the treatment of patients in the intended therapeutic indication.

After completion of clinical trials of a new drug product, FDA and foreign regulatory authority marketing approval must be obtained. Assuming that the clinical data support the product's safety and effectiveness for its intended use, a New Drug Application (NDA) is submitted to the FDA for its review. Generally, it takes one to three years to obtain approval. If questions arise during the FDA review process, approval may take a significantly longer period of time. The testing and approval processes require substantial time and effort and we may not receive approval on a timely basis, if at all, or the approval that we receive may be for a narrower indication than we had originally sought, potentially undermining the commercial viability of the product. Even if regulatory approvals are obtained, a marketed product is subject to continual review, and later discovery of previously unknown problems or failure to comply with the applicable regulatory requirements may result in restrictions on the marketing of a product or withdrawal of the product from the market as well as possible civil or criminal sanctions. For marketing outside the United States, we also will be subject to foreign regulatory requirements governing human clinical trials and marketing approval for pharmaceutical products. The requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary widely from country to country.

None of our products under development has been approved for marketing in the United States or elsewhere. We may not be able to obtain regulatory approval for any such products under development in a timely manner, if at all. Failure to obtain requisite governmental approvals or failure to obtain approvals of the scope requested will delay or preclude us, or our licensees or marketing partners, from marketing our products, or limit the commercial use of our products, and thereby would have a material adverse effect on our business, financial condition and results of operations. See "Risk Factors—Protalix may not obtain the necessary U.S. or worldwide regulatory approvals to commercialize its drug candidates which would severely undermine its business by reducing the number of salable products and, therefore, corresponding product revenues."

Israeli Government Programs

The following is a summary of the current principal Israeli tax laws applicable to us and Protalix Ltd., and of the Israeli Government programs from which we benefit. Some parts of this discussion are based on new tax legislation that has not been subject to judicial or administrative interpretation. Therefore, the views expressed in the discussion may not be accepted by the tax authorities in question. The discussion should not be construed as legal or professional tax advice and does not cover all possible tax considerations.

General Corporate Tax Structure in Israel

Israeli companies are generally subject to corporate tax based on their taxable income. This rate was 34% in 2005 and 35% for 2004. Pursuant to a new tax reform plan, this tax rate is scheduled to decline to 31% in 2006, 29% in 2007, 27% in 2008, 26% in 2009 and 25% in 2010 and thereafter. As discussed below, the corporate tax rate is effectively reduced for income derived from an Approved Enterprise.

Law for the Encouragement of Capital Investments, 1959

The Law for the Encouragement of Capital Investments, 1959, known as the Investment Law, provides certain incentives for capital investments in a production facility (or other eligible assets). Generally, an investment program that is implemented in accordance with the provisions of the Investment Law, referred to as an “Approved Enterprise,” is entitled to benefits. These benefits may include cash grants from the Israeli government and tax benefits, based upon, among other things, the location of the facility in which the investment is made or the election of the grantee.

The Investment Law was significantly amended effective April 2005. We will continue to enjoy the tax benefits under the pre-revision provisions of the Investment Law, but if we are granted any new benefits in the future we will be subject to the provisions of the amended Investment Law. Therefore, the following discussion is a summary of the Investment Law prior to its amendment as well as the relevant changes contained in the new legislation.

Under the Investment Law prior to its amendment, a company that wished to receive benefits had to receive an approval from the Investment Center of the Israeli Ministry of Industry, Trade and Labor, or Investment Center. Each certificate of approval for an Approved Enterprise relates to a specific investment program in the Approved Enterprise, delineated both by the financial scope of the investment and by the physical characteristics of the facility or the asset.

An Approved Enterprise may elect to forego any entitlement to the grants otherwise available under the Investment Law and, instead, participate in an alternative benefits program under which the undistributed income from the Approved Enterprise is fully exempt from corporate tax for a defined period of time. Under the alternative package of benefits, a company’s undistributed income derived from an approved enterprise will be exempt from corporate tax for a period of between two and 10 years from the first year of taxable income, depending upon the geographic location within Israel of the Approved Enterprise. Upon expiration of the exemption period, the Approved Enterprise is eligible for the reduced tax rates otherwise applicable under

the Investment Law for any remainder of the otherwise applicable benefits period (up to an aggregate benefits period of either seven or 10 years, depending on the location of the company or its definition as a foreign investors' company). If a company has more than one Approved Enterprise program or if only a portion of its capital investments are approved, its effective tax rate is the result of a weighted combination of the applicable rates. The tax benefits from any certificate of approval relate only to taxable profits attributable to the specific Approved Enterprise. Income derived from activity that is not integral to the activity of the Approved Enterprise must be allocated among the different Approved Enterprises and therefore does not enjoy tax benefits.

A company that has an approved enterprise program may be eligible for further tax benefits if it qualifies as a foreign investor's company. A foreign investor's company eligible for benefits is essentially a company that is more than 25% owned (measured by both share capital, and combined share and loan capital) by non-Israeli residents. A company that qualifies as a foreign investor's company and has an approved enterprise program is eligible for tax benefits for a 10 year benefit period and may enjoy a reduced corporate tax rate of 10% to 25%, depending on the amount of the company's shares held by non-Israeli shareholders.

If a company that has an approved enterprise program is a wholly owned subsidiary of another company, then the percentage of foreign investments is determined based on the percentage of foreign investment in the parent company. The tax rates and related levels of foreign investments are set forth in the following table:

Percent of Foreign Ownership	Rate of Reduced Tax
0-25%	25%
25-49%	25%
49-74%	20%
75-90%	15%
90-100%	10%

In addition, if a company that has an approved enterprise distributes a dividend during the tax benefit period or within 12 years thereafter (or, in the case of a foreign investor's company, without time limitation), the dividend recipient is taxed at the reduced rate of 15% applicable to dividends from approved enterprises.

Our facility in Israel has been granted "Approved Enterprise" status, and we have elected to participate in the alternative benefits program. Under the terms of our Approved Enterprise program, the facility is located in a top priority location, or "Zone A", and, therefore, our income from that Approved Enterprise will be tax exempt for a period of 10 years, commencing with the year in which we first generate taxable income from the relevant Approved Enterprise. The current benefits program may not continue to be available and we may not continue to qualify for its benefits.

A company that has elected to participate in the alternative benefits program and that subsequently pays a dividend out of the income derived from the Approved Enterprise during the

tax exemption period will be subject to corporate tax in respect of the amount distributed at the rate that would have been applicable had the company not elected the alternative benefits program (generally 10% to 25%). If the dividend is distributed within twelve years after the commencement of the benefits period, the dividend recipient is taxed at the reduced withholding tax rate of 15%, or at the lower rate under an applicable tax treaty. After this period, the withholding tax rate is 25%, or at the lower rate under an applicable tax treaty. In the case of a company with a foreign investment level (as defined by the Investment Law) of 25% or more, the twelve-year limitation on reduced withholding tax on dividends does not apply. The company must withhold this tax at its source, regardless of whether the dividend is converted into foreign currency.

The Investment Law also provides that an Approved Enterprise is entitled to accelerated depreciation on its property and equipment that are included in an approved investment program. This benefit is an incentive granted by the Israeli government regardless of whether the alternative benefits program is elected.

The benefits available to an Approved Enterprise are conditioned upon terms stipulated in the Investment Law and regulations and the criteria set forth in the applicable certificate of approval. If Protalix Ltd. does not fulfill these conditions in whole or in part, the benefits can be canceled and Protalix Ltd. may be required to refund the amount of the benefits, linked to the Israeli consumer price index and with the addition of interest. We believe that Protalix Ltd. currently operates in compliance with all applicable conditions and criteria, but there can be no assurance that it will continue to do so. There can be no assurance that any approved enterprise status granted to Protalix Ltd.'s facilities will entitle us to the same benefits to which it is currently entitled.

Pursuant to a recent amendment to the Investment Law, the approval of the Investment Center is required only for Approved Enterprises that receive cash grants. Approved Enterprises that do not receive benefits in the form of governmental cash grants, but only tax benefits, are no longer required to obtain this approval. Instead, these Approved Enterprises are required to make certain investments as specified in the law. These Approved Enterprises may, at their discretion, elect to apply for a pre-ruling from the Israeli tax authorities confirming that they are in compliance with the provisions of the law or Approved Enterprises may claim the benefits offered under the Investment Law in their tax returns (provided they meet the criteria for such tax benefits).

The amended Investment Law specifies certain conditions for an Approved Enterprise to be entitled to benefits. These conditions include:

- the Approved Enterprise's revenues from any single country or a separate customs territory may not exceed 75% of the Approved Enterprise's total revenues; or
- at least 25% of the Approved Enterprise's revenues during the benefits period must be derived from sales into a single country or a separate customs territory with a population of at least 12 million.

There can be no assurance that we will comply with the above conditions in the future or that we will be entitled to any additional benefits under the Investment Law. In addition, it is possible that we may not be able to operate in a way that maximizes utilization of the benefits under the Investment Law.

Encouragement of Industrial Research and Development Law, 1984

In the past, Protalix Ltd. received grants from the Office of the Chief Scientist of the Israeli Ministry of Industry, Trade and Labor, the OCS, for the financing of a portion of our research and development expenditures in Israel. Since inception, Protalix Ltd. received or accrued grants from the OCS in respect of our continuing operations totaling approximately $4.9 million. Protalix Ltd. is required to repay up to 100% of the dollar value of these grants (plus interest equal to the LIBOR rate applied to the grants received on or after January 1, 1999) to the OCS through payments of royalties at a rate of 3% to 6% of revenues generated (depending on the sales period) from an OCS-funded project until the entire amount is repaid, plus interest. As of September 30, 2006, Protalix Ltd. has not paid or accrued royalties. As of September 30, 2006, Protalix Ltd.'s contingent liability to the OCS with respect to grants received was approximately $4.2 million.

Under the Israeli Law for the Encouragement of Industrial Research and Development, 1984 and related regulations, or the Research Law, recipients of grants from the OCS are prohibited from manufacturing products developed using these grants outside of the State of Israel without special approvals. If Protalix Ltd. receives approval to manufacture the products developed with government grants outside of Israel, it will be required to pay an increased total amount of royalties (possibly up to 300% of the grant amounts plus interest), depending on the manufacturing volume that is performed outside of Israel, as well as a possible increased royalty rate.

Additionally, under the Research Law, Protalix Ltd. is prohibited from transferring the OCS financed technologies and related intellectual property rights outside of the State of Israel except under limited circumstances and only with the approval of the Research Committee of the OCS. Protalix Ltd. may not receive the required approvals for any proposed transfer and, if received, Protalix Ltd. may be required to pay the OCS a portion of the consideration that it receives upon any sale of such technology by a non-Israeli entity. The scope of the support received, the royalties that Protalix Ltd. paid, the amount of time that elapsed between the date on which the know-how was transferred and the date on which the grants were received, and the sale price and the form of transaction, will be taken into account in order to calculate the amount of the payment. Approval of the transfer of technology to residents of the State of Israel is required, and may be granted in specific circumstances only if the recipient abides by the provisions of applicable laws, including the restrictions on the transfer of know-how and the obligation to pay royalties in an amount that may be increased. No assurances can be made that consent, if requested, will be granted.

The State of Israel does not own intellectual property rights in technology developed with OCS funding and there is no restriction on the export of products manufactured using technology developed with OCS funding. The technology is, however, subject to transfer of technology and manufacturing rights restrictions as described above. OCS approval is not required for the

export of any products resulting from the research or development or for the licensing of any technology in the ordinary course of business. For a description of such restrictions, please see "Risk Factors—Risks Relating to Our Operations in Israel."

Special Provisions Relating to Taxation under Inflationary Conditions

We are taxed under the Income Tax Law (Inflationary Adjustments), 1985, generally referred to as the Inflationary Adjustments Law. The Inflationary Adjustments Law is highly complex, and represents an attempt to overcome the problems presented to a traditional tax system by an economy undergoing rapid inflation. The provisions that are material to us are summarized below:

- Where a company's equity, as calculated under the Inflationary Adjustments Law, exceeds the depreciated cost of its fixed assets (as defined in the Inflationary Adjustments Law), a deduction from taxable income is permitted equal to this excess multiplied by the applicable annual rate of inflation. The maximum deduction permitted under this provision in any single tax year is 70% of taxable income, with the unused portion permitted to be carried forward, linked to the Israeli consumer price index.
- Where a company's depreciated cost of fixed assets exceeds its equity, then the excess multiplied by the applicable annual rate of inflation is added to taxable income.
- Subject to specified limitations, depreciation deductions carryforwards on fixed assets and losses are adjusted for inflation based on the change in the consumer price index.

Under the Inflationary Adjustments Law, results for tax purposes are measured in real terms, in accordance with changes in the Israeli consumer price index. The difference between the change in the Israeli consumer price index and the exchange rate of Israeli currency in relation to the dollar may in future periods cause significant differences between taxable income and the income measured in dollars as reflected in our consolidated financial statements.

Law for the Encouragement of Industry (Taxes), 1969

We believe that Protalix Ltd. currently qualifies as an "Industrial Company" within the meaning of the Law for the Encouragement of Industry (Taxes), 1969, or the Industry Encouragement Law. The Industry Encouragement Law defines "Industrial Company" as a company resident in Israel that derives 90% or more of its income in any tax year (other than specified kinds of passive income such as capital gains, interest and dividends) from an "Industrial Enterprise" that it owns. An "Industrial Enterprise" is defined as an enterprise whose major activity in a given tax year is industrial production.

The following corporate tax benefits, among others, are available to Industrial Companies:

- amortization of the cost of purchased know-how and patents over an eight-year period for tax purposes;
- accelerated depreciation rates on equipment and buildings;

- under specified conditions, an election to file consolidated tax returns with additional related Israeli Industrial Companies; and
- expenses related to a public offering are deductible in equal amounts over three years.

Eligibility for the benefits under the Industry Encouragement Law is not subject to receipt of prior approval from any governmental authority. It is possible that Protalix Ltd. may fail to qualify or may not continue to qualify as an "Industrial Company" or that the benefits described above will not be available in the future.

Tax Benefits for Research and Development

Under specified conditions, Israeli tax laws allow a tax deduction by a company for research and development expenditures, including capital expenditures, for the year in which such expenditures are incurred. These expenses must relate to scientific research and development projects and must be approved by the OCS. Furthermore, the research and development projects must be for the promotion of the company and carried out by or on behalf of the company seeking such tax deduction. However, the amount of such deductible expenses is reduced by the sum of any funds received through government grants for the finance of such scientific research and development projects. Expenditures not so approved are deductible over a three-year period.

Employees

We believe that our success will greatly depend on our ability, and the ability of our subsidiaries, to identify, attract and retain capable employees. As of December 2006, we had 60 employees. Of our employees, 13 have Ph.D.s in their respective scientific fields. We believe that our relations with these employees are good. Expansion orders issued by the Israeli Ministry of Labor and Welfare make certain industry-wide collective bargaining agreements applicable to us. These agreements affect matters such as cost of living adjustments to salaries, length of working hours and week, recuperation, travel expenses, and pension rights. Otherwise, our employees are not represented by a labor union or otherwise represented under a collective bargaining agreement. See "Risk Factors—Protalix depends upon key employees and consultants in a competitive market for skilled personnel. If Protalix is unable to attract and retain key personnel, it could adversely affect Protalix's ability to develop and market its products." Orthodontix has no employees apart from those employed by Protalix Ltd.

Risk Factors

Investors should carefully consider the risks described below together with the other information included in this Current Report on Form 8-K. Our business, financial condition, and results of operations could be adversely affected by any of these risks. If any of these risks occur, the value of our common stock could decline. Because the business of Protalix Ltd. is our sole operating business, all references to Protalix in the following risk factors for periods after the merger shall refer to us and Protalix Ltd., combined.

Risks Related to Investing in our Common Stock

An investment in our common stock is very speculative and involves a very high degree of risk.

To date, neither we nor Protalix Ltd. has generated revenues from product sales, and Protalix Ltd. has generated only minimal revenues from license agreements. Our accumulated deficit as of December 31, 2004 and 2005, and September 30, 2006, was approximately $3,738,000, $3,813,000 and $3,902,000, respectively; and Protalix Ltd.'s accumulated deficit as of December 31, 2004 and 2005, and September 30, 2006, was approximately $5,376,000, $11,122,000 and $17,048,000, respectively. For the years ended December 31, 2005 and 2004, and the nine months ended September 30, 2006, we had net losses of approximately $160,000, $75,000, and $89,000, respectively, and Protalix Ltd. had net losses of approximately $5,746,000, $2,421,000 and $5,926,000, respectively, primarily as a result of expenses incurred through a combination of research and development activities related to the various technologies under Protalix Ltd.'s control and expenses supporting those activities. Until Protalix Ltd. receives approval from the FDA and other regulatory authorities for its drug candidates, Protalix Ltd. cannot sell its drugs and will not generate product revenues. Therefore, for the foreseeable future, we will have to fund all of our operations and capital expenditures from the net proceeds of equity or debt offerings, cash on hand, licensing fees and grants. Although we plan to pursue additional financings, we may not be able to secure financing when needed or obtain financing on terms satisfactory to us. Our operations are subject to the risks and competition inherent in the establishment of a business enterprise. There can be no assurance that future operations will be profitable. We may not achieve our business objectives and the failure to achieve such goals would have an adverse impact on us.

The market price of our common stock may fluctuate significantly.

The market price of our common stock may fluctuate significantly in response to numerous factors, some of which are beyond our control, such as:

- the announcement of new products or product enhancements by us or our competitors;
- developments concerning intellectual property rights and regulatory approvals;
- variations in our and our competitors' results of operations;
- changes in earnings estimates or recommendations by securities analysts, if our common stock is covered by analysts;
- developments in the biotechnology industry;
- the results of product liability or intellectual property lawsuits;
- future issuances of common stock or other securities;
- the addition or departure of key personnel;

- announcements by us or our competitors of acquisitions, investments or strategic alliances; and
- general market conditions and other factors, including factors unrelated to our operating performance.

Further, the stock market in general, and the market for biotechnology companies in particular, has recently experienced extreme price and volume fluctuations. Continued market fluctuations could result in extreme volatility in the price of our common stock, which could cause a decline in the value of our common stock. Price volatility of our common stock might be worse if the trading volume of our common stock is low. We have not paid, and do not expect to pay, any cash dividends on our common stock as any earnings generated from future operations will be used to finance our operations and as a result, investors will not realize any income from an investment in our common stock until and unless their shares are sold at a profit.

Some or all of the "restricted" shares of our common stock issued to former shareholders of Protalix Ltd. in connection with the merger or held by other of our shareholders may be offered from time to time in the open market pursuant to an effective registration statement or Rule 144, and these sales may have a depressive effect on the market for our common stock. We have undertaken to register for resale substantially all of the outstanding shares of common stock held by previous shareholders of Protalix Ltd. pursuant to contractual obligations of Protalix Ltd.

Because Protalix became public by means of a reverse merger, Protalix may not be able to attract the attention of major brokerage firms.

Additional risks may exist because Protalix became public through a "reverse merger". Security analysts of major investment banking firms may not elect to cover us. Further, investment banking firms may not seek to conduct any secondary offerings of our common stock in the future.

Trading of our common stock is limited and trading restrictions imposed on us by regulatory authorities may further reduce our trading, making it difficult for our shareholders to sell their shares.

Trading of our common stock is currently conducted on the National Association of Securities Dealers, Inc.'s, OTC Bulletin Board, or "OTC BB". The liquidity of our common stock is limited, not only in terms of the number of shares that can be bought and sold at a given price, but may also be adversely affected by delays in the timing of transactions and reduction in security analysts' and the media's coverage of us, if at all.

Currently, there are approximately 47 holders of record and 423 beneficial holders of our common stock. Under the terms of a tax ruling obtained by Protalix Ltd. from the Israeli tax authorities in connection with the merger of Protalix Ltd. into our company, we and Protalix Ltd. are subject to various restrictions and conditions in connection with the issuance of shares for a period commencing upon the closing of the merger through January 1, 2009, including, but not limited to, a requirement that we maintain our holdings of at least 51% of the outstanding shares of Protalix Ltd. and that the shareholders at the time of the closing of the merger maintain

aggregate holdings of at least 51% of our outstanding shares. See “Business—Israeli Government Programs”.

These factors may result in lower prices for our common stock than might otherwise be obtained and could also result in a larger spread between the bid and ask prices for our common stock. In addition, without a large float, our common stock is less liquid than the stock of companies with broader public ownership and, as a result, the trading prices of our common stock may be more volatile. In the absence of an active public trading market, an investor may be unable to liquidate his investment in our common stock. Trading of a relatively small volume of our common stock may have a greater impact on the trading price of our stock than would be the case if our public float were larger. We cannot predict the prices at which our common stock will trade in the future.

Because our common stock may be a “penny stock,” it may be more difficult for investors to sell shares of our common stock, and the market price of our common stock may be adversely affected.

Our common stock may be a “penny stock” if, among other things, the stock price is below $5.00 per share, it is not listed on a national securities exchange or approved for quotation on the American Stock Exchange, the Nasdaq Stock Market or any other national stock exchange or it has not met certain net tangible asset or average revenue requirements. Broker-dealers who sell penny stocks must provide purchasers of these stocks with a standardized risk-disclosure document prepared by the Securities and Exchange Commission. This document provides information about penny stocks and the nature and level of risks involved in investing in the penny-stock market. A broker must also give a purchaser, orally or in writing, bid and offer quotations and information regarding broker and salesperson compensation, make a written determination that the penny stock is a suitable investment for the purchaser, and obtain the purchaser’s written agreement to the purchase. Broker-dealers must also provide customers that hold penny stock in their accounts with such broker-dealer a monthly statement containing price and market information relating to the penny stock. If a penny stock is sold to an investor in violation of the penny stock rules, the investor may be able to cancel its purchase and get its money back.

If applicable, the penny stock rules may make it difficult for investors to sell their shares of our common stock. Because of the rules and restrictions applicable to a penny stock, there is less trading in penny stocks and the market price of our common stock may be adversely affected. Also, many brokers choose not to participate in penny stock transactions. Accordingly, investors may not always be able to resell their shares of our common stock publicly at times and prices that they feel are appropriate.

Directors, executive officers, principal shareholders and affiliated entities own a significant percentage of our capital stock, and they may make decisions that you do not consider to be in the best interests of our shareholders.

As of the closing of the merger, our directors, executive officers, principal shareholders and affiliated entities beneficially owned, in the aggregate, approximately 70% of our outstanding voting securities. As a result, if some or all of them acted together, they would have

the ability to exert substantial influence over the election of our Board of Directors and the outcome of issues requiring approval by our shareholders. This concentration of ownership may have the effect of delaying or preventing a change in control of our company that may be favored by other shareholders. This could prevent transactions in which shareholders might otherwise recover a premium for their shares over current market prices.

Failure to achieve and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and operating results. In addition, current and potential shareholders could lose confidence in our financial reporting, which could have a material adverse effect on the price of our common stock.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. If we cannot provide reliable financial reports or prevent fraud, our operating results could be harmed.

We will be required to document and test our internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, which requires annual management assessments of the effectiveness of our internal controls over financial reporting and a report by our independent registered public accounting firm addressing these assessments. During the course of our testing, we may identify deficiencies and weaknesses which we may not be able to remediate in time to meet the deadline imposed by the Sarbanes-Oxley Act for compliance with the requirements of Section 404. In addition, if we fail to maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. Disclosing deficiencies or weaknesses in our internal controls, failing to remediate these deficiencies or weaknesses in a timely fashion or failing to achieve and maintain an effective internal control environment may cause investors to lose confidence in our reported financial information, which could have a material adverse effect on the price of our common stock.

Compliance with changing regulations concerning corporate governance and public disclosure may result in additional expenses.

There have been changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act, new regulations promulgated by the Commission and rules promulgated by the American Stock Exchange, the other national securities exchanges and the NASDAQ. These new or changed laws, regulations and standards are subject to varying interpretations in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. As a result, our efforts to comply with evolving laws, regulations and standards are likely to continue to result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. Our board members, Chief Executive Officer and Chief Financial Officer could face

an increased risk of personal liability in connection with the performance of their duties. As a result, we may have difficulty attracting and retaining qualified board members and executive officers, which could harm our business. If our efforts to comply with new or changed laws, regulations and standards differ from the activities intended by regulatory or governing bodies, we could be subject to liability under applicable laws or our reputation may be harmed.

We have not yet evaluated our internal controls over financial reporting to determine whether they are in compliance with Section 404 of the Sarbanes-Oxley Act and, accordingly, cannot assure you that these internal controls are in compliance which may be necessary to maintain investor confidence in our financial reporting and interest in our stock.

We are required to comply with the internal control evaluation and certification requirements of Section 404 of the Sarbanes-Oxley Act. We are in the process of determining whether our existing internal controls over financial reporting systems are compliant with Section 404 and, accordingly, cannot assure you yet that these internal controls are in compliance. This process may divert internal resources and will take a significant amount of time and effort to complete. If it is determined that we are not in compliance with Section 404, we may be required to implement new internal control procedures and reevaluate our financial reporting. We may experience higher than anticipated operating expenses as well as higher independent auditor fees during the implementation of these changes and thereafter. Further, we may need to hire additional qualified personnel in order for us to comply with Section 404. If we are unable to implement these changes effectively or efficiently, it could harm our operations, financial reporting or financial results and could result in our being unable to obtain an unqualified report on internal controls from our independent auditors. Our inability to obtain this unqualified report from our independent auditors could adversely affect the confidence investors have in our financial reporting which could adversely impact the price of our stock.

Risks Related to our New Business

Protalix may not obtain the necessary U.S. or worldwide regulatory approvals to commercialize its drug candidates which would severely undermine its business by reducing the number of salable products and, therefore, corresponding product revenues.

Protalix will need FDA approval to commercialize its drug candidates in the U.S. and approvals from foreign regulators to commercialize its drug candidates elsewhere. In order to obtain FDA approval of any of its drug candidates, Protalix must submit to the FDA a New Drug Application, or NDA, demonstrating that the drug candidate is safe for humans and effective for its intended use. This demonstration requires significant research and animal tests, which are referred to as pre-clinical studies, as well as human tests, which are referred to as clinical trials. Satisfaction of the FDA's regulatory requirements typically takes many years, and depends upon the type, complexity and novelty of the drug candidate and requires substantial resources for research, development and testing. Protalix's research and clinical efforts may not result in drugs that the FDA considers safe for humans and effective for indicated uses. After clinical trials are completed, the FDA has substantial discretion in the drug approval process of the drug candidate and may require Protalix to conduct additional pre-clinical and clinical testing or to perform post-marketing studies.

The approval process may also be delayed by changes in government regulation, future legislation or administrative action or changes in FDA policy that occur prior to or during its regulatory review. Delays in obtaining regulatory approvals may:

- delay commercialization of, and Protalix's ability to derive product revenues from, its drug candidates;
- impose costly procedures on Protalix; and
- diminish any competitive advantages that Protalix may otherwise enjoy.

Even if Protalix complies with all FDA requests, the FDA may ultimately reject one or more of its NDAs. Protalix might not obtain regulatory clearance for its drug candidates in a timely manner, if at all. Failure to obtain FDA approval of any of its drug candidates in a timely manner or if at all will severely undermine our business by reducing the number of salable products and, therefore, corresponding product revenues.

In foreign jurisdictions, Protalix must receive approval from the appropriate regulatory authorities before it can commercialize its drug. Foreign regulatory approval processes generally include all of the risks associated with the FDA approval procedures described above. Protalix might not be able to obtain the approvals necessary to commercialize its drug candidates for sale outside the United States in a timely manner, if at all.

Protalix currently has no product revenues, and we will need to raise additional capital to operate its business, the failure of which may force us to reduce or discontinue product development, licensing, sales or marketing efforts.

Until Protalix receives approval from the FDA and other regulatory authorities for its drug candidates, Protalix cannot sell its drugs and will not have product revenues. Therefore, for the foreseeable future, we will have to fund all of our operations and capital expenditures from the net proceeds of equity or debt offerings, cash on hand, licensing fees and grants. We will need additional financing, which may not be available on favorable terms, if at all. Over the next twelve months, Protalix expects to spend a minimum of approximately $5 million on clinical development for its products under development. Based on its current plans and its capital resources, Protalix believes that its cash and cash equivalents will be sufficient to enable it to meet its minimum planned operating needs for at least the next twelve months. However, changes may occur that would consume our existing capital at a faster rate than projected, including, among others, the progress of our research and development efforts, the cost and timing of regulatory approvals and the costs of protecting our intellectual property rights. Following completion of the merger, we may seek additional financing to implement and fund longer-term product development, clinical trial and research and development efforts to the maximum extent of our operating plan, including pre-clinical studies and clinical trials for the drugs in Protalix's pipeline as well as additional drug candidates and other research and development projects. Under the terms of a tax ruling obtained by Protalix Ltd. from the Israeli tax authorities in connection with the merger into our company, we and Protalix Ltd. are subject to various restrictions and conditions in connection with the issuance of shares for a period commencing upon the closing of the merger through January 1, 2009, including, but not limited

to, a requirement that we maintain our holdings of at least 51% of the outstanding shares of Protalix Ltd. and that the shareholders at the time of the closing of the merger maintain aggregate holdings of at least 51% of our outstanding shares. If we are unable to secure additional financing in the future on acceptable terms, or at all, we may be unable to commence or complete planned pre-clinical and clinical trials or obtain approval of Protalix's drug candidates from the FDA and other regulatory authorities. In addition, Protalix may be forced to reduce or discontinue product development or product licensing, reduce or forego sales and marketing efforts and forego attractive business opportunities in order to improve its liquidity to enable it to continue operations. Any additional sources of financing will likely involve the sale of our equity securities, which will have a dilutive effect on shareholders.

Protalix is not currently profitable and may never become profitable.

Protalix expects to incur substantial losses for the foreseeable future and might never become profitable. Protalix also expects to continue to incur significant operating and capital expenditures and anticipates that its expenses will increase substantially in the foreseeable future as Protalix:

- continues to undertake pre-clinical development and clinical trials for its current and new drug candidates;
- seeks regulatory approvals for its drug candidates;
- implements additional internal systems and infrastructure;
- seeks to license in additional technologies to develop; and
- hires additional personnel.

We expect to continue to experience negative cash flow for the foreseeable future as we fund Protalix's operating losses and capital expenditures. As a result, we will need to generate significant revenues in order to achieve and maintain profitability. We may not be able to generate these revenues or achieve profitability in the future. Our failure to achieve or maintain profitability could negatively impact the value of our common stock. Protalix has a limited operating history upon which to base an investment decision.

Protalix's operations have been limited to organizing and staffing its company, acquiring, developing, and securing its proprietary technology and undertaking, through third parties, pre-clinical trials and clinical trials of its principal drug candidates. To date, Protalix has completed Phase I clinical trials only on prGCD and expects to commence preclinical trials of its other drug candidates in the future. These operations provide a limited basis for investors to assess Protalix's ability to commercialize its drug candidates and the advisability of investing in Protalix.

Protalix may be forced to abandon development altogether, which will significantly impair its ability to generate product revenues.

Upon the completion of any clinical trial by Protalix, if at all, the results of these trials might not support the claims sought by Protalix. Further, success in pre-clinical testing and early clinical trials does not ensure that later clinical trials will be successful, and the results of later clinical trials may not replicate the results of prior clinical trials and pre-clinical testing. The clinical trial process may fail to demonstrate that Protalix's drug candidates are safe for humans and effective for indicated uses. Any such failure may cause Protalix to abandon a drug candidate and may delay development of other drug candidates. Any delay in, or termination of, its clinical trials will delay the filing of NDAs with the FDA and, ultimately, Protalix's ability to commercialize its drug candidates and generate product revenues. In addition, certain of Protalix's clinical trials involve a specific patient population. Because of the small sample size, the results of these early clinical trials may not be indicative of future results. If the clinical trials do not support Protalix's drug product claims, the completion of development of such drug candidates may be significantly delayed or Protalix may be forced to abandon development which will significantly impair Protalix's ability to generate product revenues and will materially adversely affect our results of operations.

Even if Protalix successfully completes clinical trials for its product candidates, there are no assurances that Protalix will be able to submit, or obtain FDA approval of, an NDA, the failure to so submit or obtain would hinder or halt Protalix's ability to commercialize its products.

There can be no assurance that, if Protalix's clinical trials for any of its product candidates are successfully completed, Protalix will be able to submit an NDA to the FDA or that any NDA Protalix submits will be approved by the FDA in a timely manner, if at all. After completing clinical trials for a product candidate in humans, a drug dossier is prepared and submitted to the FDA as an NDA in order to allow the FDA to review such drug dossier and to consider a product candidate for approval for commercialization in the United States. If Protalix is unable to submit an NDA with respect to any of its product candidates, or if any NDA Protalix submits is not approved by the FDA, Protalix will be unable to commercialize that product in the United States. The FDA can and does reject NDAs and requires additional clinical trials, even when drug candidates perform well or achieve favorable results in large-scale Phase III clinical trials. If Protalix fails to commercialize any of its product candidates, we may be unable to generate sufficient revenues to continue operations or attain profitability and Protalix's reputation in the industry and our reputation in the investment community would likely be damaged, each of which could cause our stock price to significantly decrease.

Protalix's product candidates will remain subject to ongoing regulatory requirements even if they receive marketing approval, and if Protalix fails to comply with these requirements, it could lose these approvals, and the sales of any approved commercial products could be suspended.

Even if Protalix receives regulatory approval to market a particular product candidate, the product will remain subject to extensive regulatory requirements, including requirements relating

to manufacturing, labeling, packaging, adverse event reporting, storage, advertising, promotion, distribution and record keeping. Even if regulatory approval of a product is granted, the approval may be subject to limitations on the uses for which the product may be marketed or the conditions of approval, or may contain requirements for costly post-marketing testing and surveillance to monitor the safety or efficacy of the product, which could negatively impact Protalix or its collaboration partners by reducing revenues or increasing expenses, and cause the approved product candidate not to be commercially viable. In addition, as clinical experience with a drug expands after approval, typically because it is used by a greater number and more diverse group of patients after approval than during clinical trials, side effects and other problems may be observed after approval that were not seen or anticipated during pre-approval clinical trials or other studies. Any adverse effects observed after the approval and marketing of a product candidate could result in limitations on the use of or withdrawal of any approved products from the marketplace. Absence of long-term safety data may also limit the approved uses of our products, if any. If we fail to comply with the regulatory requirements of the FDA and other applicable United States and foreign regulatory authorities, or previously unknown problems with any approved commercial products, manufacturers or manufacturing processes are discovered, Protalix could be subject to administrative or judicially imposed sanctions or other setbacks, including the following:

- Restrictions on the products, manufacturers or manufacturing processes;
- Warning letters;
- Civil or criminal penalties, fines and/or injunctions;
- Product seizures or detentions;
- Import or export bans or restrictions;
- Voluntary or mandatory product recalls and related publicity requirements;
- Suspension or withdrawal of regulatory approvals;
- Total or partial suspension of production; and
- Refusal to approve pending applications for marketing approval of new products or supplements to approved applications.

If Protalix or its collaborators are slow to adapt, or are unable to adapt, to changes in existing regulatory requirements or adoption of new regulatory requirements or policies, marketing approval for Protalix's product candidates may be lost or cease to be achievable, resulting in decreased revenue from milestones, product sales or royalties, which would have a material adverse effect on our results of operations.

If Protalix fails to adequately protect or enforce its intellectual property rights or secure rights to patents of others, the value of its intellectual property rights would diminish and its business and competitive position would suffer.

Protalix's success, competitive position, and future revenues, if any, depend in part on its ability, and that of its licensees, to obtain and successfully leverage intellectual property covering its products and product candidates, know-how, methods, processes, and other

If the results of Protalix's clinical trials do not support its drug candidate claims, the completion of development of such drug candidates may be significantly delayed or

technologies, to protect its trade secrets, to prevent others from using Protalix's intellectual property and to operate without infringing the intellectual property rights of third parties. For a description of Protalix's intellectual property and policy with respect to protecting its intellectual property, see "Business—Patents and Other Intellectual Property".

With respect to intellectual property rights, Protalix cannot predict:

- the degree and range of protection any patents will afford Protalix against competitors, including whether third parties will find ways to invalidate or design around its own or licensed patents;
- if and when patents will issue;
- whether or not others will obtain patents claiming aspects similar to those covered by its own or licensed patents and patent applications; or
- whether it will need to initiate litigation or administrative proceedings that may be costly whether it wins or loses.

If patent rights covering Protalix's products and methods are not sufficiently broad, they may not provide Protalix with any protection against competitors with similar products and technologies. Furthermore, if the United States Patent and Trademark Office or foreign patent offices issue patents to Protalix or its licensors, others may challenge the patents or design around the patents, or the patent office or the courts may invalidate the patents. Thus, any patents Protalix owns or licenses from or to third parties may not provide any protection against its competitors.

Protalix is aware of United States patents, and corresponding international counterparts of such patents, owned by third parties that contain claims related to methods of producing Glucocerebrosidase. If any claim for infringement is asserted against Protalix based upon such patents, there can be no assurance that a court would find in Protalix's favor or that, if Protalix chooses or is required to seek a license to any one or more of such patents, a license would be available to Protalix on acceptable terms, or at all.

Furthermore, the life of Protalix's patents is limited. The basic platform patent will expire in 2016. If patents issue from other currently submitted patent applications, those patents will expire between 2023 and 2025.

If Protalix infringes the intellectual property rights of third parties it could be prevented from selling products, forced to pay damages and defend against litigation.

If Protalix's products, methods, processes, and other technologies infringe the intellectual property rights of other parties, it could incur substantial costs and it may have to:

- obtain licenses, which may not be available on commercially reasonable terms, if at all;
- redesign its products or processes to avoid infringement;

- stop using the subject matter claimed in the patents held by others, which could cause it to lose the use of one or more of its drug candidates;
- pay damages; or
- defend litigation or administrative proceedings which may be costly whether Protalix wins or loses, and which could result in a substantial diversion of its management resources.

Protalix has not received to date any claims of infringement by any third parties. However, as its drug candidates progress into clinical trials and commercialization, if at all, the public profile of Protalix and its drug candidates may be raised and generate such claims. Any claims of infringement asserted against Protalix, whether or not successful, may have a material adverse effect on Protalix.

Clinical trials are very expensive, time-consuming and difficult to design and implement and, as a result, we may suffer delays or suspensions in future trials which would have a material adverse effect on our ability to generate revenues.

Human clinical trials are very expensive and difficult to design and implement, in part because they are subject to rigorous regulatory requirements. The clinical trial process is also time-consuming. Protalix estimates that clinical trials of its current drug candidates will take at least several years to complete. Furthermore, failure can occur at any stage of the trials, and Protalix may encounter problems that cause it to abandon or repeat clinical trials. The commencement and completion of clinical trials may be delayed by several factors, including:

- unforeseen safety issues;
- determination of dosing issues;
- lack of effectiveness or efficacy during clinical trials;
- failure of third party suppliers to perform final manufacturing steps for the drug substance;
- slower than expected rates of patient recruitment;
- inability to monitor patients adequately during or after treatment;
- inability or unwillingness of medical investigators and institutional review boards to follow Protalix's clinical protocols; and
- lack of sufficient funding to finance the clinical trials.

Protalix may suffer delays in future clinical trials. In addition, Protalix or the FDA may suspend its clinical trials at any time if it appears that Protalix is exposing participants to unacceptable health risks or if the FDA finds deficiencies in Protalix's IND submissions or the conduct of these trials. Any suspension of clinical trials will have a material adverse effect on us.

If physicians and patients do not accept and use Protalix's drugs, its ability to generate revenue from sales of its products will be materially impaired.

Even if the FDA approves Protalix's drug candidates for commercialization, physicians and patients may not accept and use such candidates. Future acceptance and use of Protalix's products will depend upon a number of factors including:

- perceptions by members of the health care community, including physicians, about the safety and effectiveness of Protalix's drugs;
- pharmacological benefit and cost-effectiveness of Protalix's products relative to competing products;
- availability of reimbursement for its products from government or other healthcare payers;
- effectiveness of marketing and distribution efforts by Protalix and its licensees and distributors, if any; and
- the price at which Protalix sells its products.

Because we expect sales of Protalix's current drug candidates, if approved, to generate substantially all of our revenues for the foreseeable future, the failure of any of these drugs to find market acceptance would harm our business and could require us to seek additional financing.

The manufacture of Protalix's products is an exacting and complex process, and if Protalix or one of its materials suppliers encounter problems manufacturing its products, our business could suffer.

The FDA and foreign regulators require manufacturers to register manufacturing facilities. The FDA and foreign regulators also inspect these facilities to confirm compliance with cGMP or similar requirements that the FDA or foreign regulators establish. Protalix or its materials suppliers may face manufacturing or quality control problems causing product production and shipment delays or a situation where Protalix or the supplier may not be able to maintain compliance with the FDA's cGMP requirements, or those of foreign regulators, necessary to continue manufacturing our drug substance. Drug manufacturers are subject to ongoing periodic unannounced inspections by the FDA, the United States Drug Enforcement Agency and corresponding foreign standards to ensure strict compliance with cGMP requirements and other governmental regulations and corresponding foreign standards. Any failure to comply with cGMP requirements or other FDA or foreign regulatory requirements could adversely affect Protalix's clinical research activities and Protalix's ability to market and develop its products. Protalix's current facility has not been audited by the FDA and such approval may not be granted in the future.

Protalix relies on third parties for final processing of its prGCD candidate, which exposes Protalix to a number of risks that may delay development, regulatory approval and commercialization of Protalix's products or result in higher product costs.

Protalix has no experience in the final filling and freeze drying steps of the drug manufacturing process. Protalix has entered into a contract with Teva to perform the final manufacturing steps for its prGCD drug candidate in connection with its clinical trials. If any of Protalix's drug candidates receive FDA approval, Protalix will rely on Teva or other third-party contractors to perform the final manufacturing steps for its drugs on a commercial scale. Protalix may be unable to identify manufacturers and replacement manufacturers on acceptable terms or at all because the number of potential manufacturers is limited and the FDA must approve any replacement manufacturer and any such third party manufacturers might be unable to formulate and manufacture Protalix's drugs in the volume and of the quality required to meet its clinical needs and commercial needs. If Protalix engages any contract manufacturers, such manufacturers may not perform as agreed or may not remain in the contract manufacturing business for the time required to supply its clinical trials or to successfully produce, store and distribute its products. Each of these risks could delay Protalix's clinical trials, the approval, if any, of Protalix's drug candidates by the FDA, or the commercialization of Protalix's drug candidates or result in higher costs or otherwise deprive Protalix of potential product revenues.

Protalix has no experience selling, marketing, or distributing products, and, as a result, it might not be able to effectively market and sell its products, which would have a material adverse effect on us.

While Protalix intends to have a role in the commercialization of its products, Protalix currently has no sales, marketing or distribution capabilities. Protalix's future success depends, in part, on its ability to enter into and maintain collaborative relationships with other companies having sales, marketing and distribution capabilities, the collaborator's strategic interest in the products under development and such collaborator's ability to successfully market and sell any such products. Protalix intends to pursue additional collaborative arrangements regarding the sales and marketing of its products; however, Protalix might not be able to establish or maintain such collaborative arrangements, or if such arrangements are made, Protalix's counterparties might not have effective sales and marketing forces. To the extent that Protalix decides not to, or is unable to, enter into collaborative arrangements with respect to the sales and marketing of its proposed products, significant capital expenditures, management resources and time will be required to establish and develop an in-house marketing and sales force with technical expertise. Protalix may not be able to establish or maintain relationships with third party collaborators or develop in-house sales and distribution capabilities. To the extent that Protalix depends on third parties for marketing and distribution, any revenues it receives will depend upon the efforts of such third parties, as well as the terms of its agreements with such third parties, which cannot be predicted at this early stage of its development. As a result, Protalix might not be able to market and sell its products in the United States or overseas, which would have a material adverse effect on us.

Protalix's strategy, in many cases, is to enter into collaboration agreements with third parties with respect to its products and Protalix may require additional collaboration

agreements. If Protalix fails to enter into these agreements or if Protalix or the third parties do not perform under such agreements, it could impair Protalix's ability to commercialize its products.

Protalix's strategy for the completion of the required development and clinical testing of a number of its products and for the marketing and commercialization of products, in many cases, depends upon entering into collaboration arrangements with pharmaceutical companies to market, commercialize and distribute its products. To date, Protalix has entered into an agreement with Teva, which relates to the development of two proteins, and licensing by Teva of such proteins in consideration for royalties and milestone payments.

If Protalix or any of its partners breach or terminate the agreements that make up such collaboration arrangements or such partners otherwise fail to conduct their collaboration-related activities in a timely manner or if there is a dispute about their obligations, Protalix may need to seek other partners or may have to develop its own internal sales and marketing capability for its current and future products. Accordingly, Protalix may need to enter into additional collaboration agreements, and our success may depend upon obtaining additional collaboration partners. In addition, we may depend on our collaborators' expertise and dedication of sufficient resources to develop and commercialize our proposed products.

We may, in the future, grant to collaboration partners rights to license and commercialize pharmaceutical products developed under collaboration agreements. Under these arrangements, our collaboration partners may control key decisions relating to the development of the products. The rights of our collaboration partners would limit our flexibility in considering alternatives for the commercialization of our products. If we fail to successfully develop these relationships or if our collaboration partners fail to successfully develop or commercialize any of our products, it may delay or prevent us from developing or commercializing our products in a competitive and timely manner and would have a material adverse effect on the commercialization of our products. See "Risk Factors—Protalix has no experience selling, marketing, or distributing products, and, as a result, it might not be able to effectively market and sell its products, which would have a material adverse effect on us."

Developments by competitors may render Protalix's products or technologies obsolete or non-competitive.

We will compete against fully integrated pharmaceutical companies and smaller companies that are collaborating with larger pharmaceutical companies, academic institutions, government agencies and other public and private research organizations. In addition, many of these competitors, either alone or together with their collaborative partners, operate larger research and development programs, and have substantially greater financial resources than we do, as well as significantly greater experience in:

- developing drugs;
- undertaking pre-clinical testing and human clinical trials;
- obtaining FDA and other regulatory approvals of drugs;

- formulating and manufacturing drugs; and
- launching, marketing and selling drugs.

Genzyme and Actelion currently sell proprietary compounds for the treatment of Gaucher Disease. In addition, companies pursuing different but related fields represent substantial competition. Many of these organizations have substantially greater capital resources, larger research and development staffs and facilities, longer drug development history, more experience in obtaining regulatory approvals, and greater manufacturing and marketing capabilities than we do. These organizations also compete with us to attract qualified personnel, parties for acquisitions, joint ventures, and other collaborations.

If Protalix cannot meet requirements under its license agreements, it could lose the rights to its products.

Protalix has signed licensing agreements with third parties to maintain the intellectual property rights to certain of our products under development. Presently, Protalix has licensed rights from Icon (Bayer), Virginia Tech, and Yeda. These agreements require Protalix to make payments and satisfy performance obligations in order to maintain its rights under these licensing agreements. All of these agreements last either throughout the life of the patents, or with respect to other licensed technology, for a number of years after the first commercial sale of the relevant product.

In addition, Protalix is responsible for the cost of filing and prosecuting certain patent applications and maintaining certain issued patents licensed to Protalix. If Protalix does not meet its obligations under its license agreements in a timely manner, it could lose the rights to its proprietary technology.

Finally, Protalix may be required to obtain licenses to patents or other intellectual property rights of third parties in connection with the development and use of its products and technologies. Licenses required under any such patents or intellectual property rights might not be made available on terms acceptable to Protalix, if at all.

If Protalix is unable to successfully manage its growth, its business may be harmed.

In addition to its own internally developed drug candidates, Protalix seeks to review, proactively, opportunities to license advance recombinant DNA products such as therapeutic proteins, vaccines, and antibodies that are strategic and have value-creating potential to take advantage of and leverage its development know-how. Protalix is also actively pursuing additional drug candidates to acquire for development. Such additional drug candidates may significantly increase Protalix's capital requirements and place further strain on or otherwise adversely affect the development of Protalix's existing drug candidates. Alternatively, Protalix may be required to hire more employees, further increasing the size of its organization and related expenses. If Protalix is unable to manage its growth effectively, Protalix may not efficiently use its resources, which may delay the development of its drug candidates and negatively impact its business, results of operations, and financial condition.

Protalix depends upon key employees and consultants in a competitive market for skilled personnel. If Protalix is unable to attract and retain key personnel, it could adversely affect Protalix's ability to develop and market its products.

Protalix is highly dependent upon the principal members of its management team, as well as its scientific advisory board members, consultants, and collaborating scientists. Many of these people have been involved in the formation of Protalix (or have otherwise been involved with Protalix) for many years, have played integral roles in the progress of Protalix, and Protalix believes that they will continue to provide value to Protalix. A loss of any of these personnel may have a material adverse effect on aspects of Protalix's business and clinical development and regulatory programs. As of September 30, 2006, Protalix had employment agreements with seven key employees and officers expiring at will and terminable by either party upon prior notice ranging from 30 to 90 days. Although these employment agreements generally include non-competition covenants, the applicable non-compete provisions can be difficult and costly to monitor and enforce. The loss of any of these persons' services would adversely affect Protalix's ability to develop and market its products and obtain necessary regulatory approvals. Further, Protalix does not maintain key-man life insurance.

Protalix's future success also will depend in part on the continued service of its key scientific and management personnel and its ability to identify, hire, and retain additional personnel, including marketing and sales staff. Protalix experiences intense competition for qualified personnel, and the existence of non-competition agreements between prospective employees and their former employers may prevent Protalix from hiring those individuals or subject Protalix to suit from their former employers.

While Protalix attempts to provide competitive compensation packages to attract and retain key personnel, some of its competitors are likely to have greater resources and more experience than Protalix has, making it difficult for Protalix to compete successfully for key personnel.

Protalix may enter into distribution arrangements and marketing alliances, which could require it to give up rights to its product candidates.

Protalix may rely on third-party distributors to distribute its products or enter into marketing alliances to sell its products. Protalix may not be successful in entering into distribution arrangements and marketing alliances with third parties. Protalix's failure to successfully develop a marketing and sales team or to enter into these arrangements on favorable terms could delay or impair its ability to commercialize its product candidates and could increase its costs of commercialization. Protalix's dependence on distribution arrangements and marketing alliances to commercialize its product candidates will subject Protalix to a number of risks, including:

- Protalix may be required to relinquish important rights to its products or product candidates;
- Protalix may not be able to control the amount and timing of resources that its distributors or collaborators may devote to the commercialization of its product candidates;

- Protalix's distributors or collaborators may experience financial difficulties;
- Protalix's distributors or collaborators may not devote sufficient time to the marketing and sales of Protalix's products thereby exposing Protalix to potential expenses in terminating such distribution agreements; and
- business combinations or significant changes in a collaborator's business strategy may adversely affect a collaborator's willingness or ability to complete its obligations under any arrangement.

Protalix may need to enter into additional co-promotion arrangements with third parties where its own sales force is neither well situated nor large enough to achieve maximum penetration in the market. Protalix may not be successful in entering into any co-promotion arrangements, and the terms of any co-promotion arrangements may not be favorable to Protalix. In addition, if Protalix enters into co-promotion arrangements or markets and sells additional products directly, Protalix may need to further expand its sales force and incur additional costs.

If Protalix fails to enter into arrangements with third parties in a timely manner or if it fails to perform, it could adversely affect sales of our products. Protalix and any of its third-party collaborators must also market Protalix's products in compliance with federal, state, and local laws relating to the providing of incentives and inducements. Violation of these laws can result in substantial penalties.

Protalix relies on confidentiality agreements that could be breached and may be difficult to enforce, which could result in third parties using Protalix's intellectual property to compete against it.

Although Protalix believes that it takes reasonable steps to protect its intellectual property, including the use of agreements relating to the non-disclosure of confidential information to third parties, as well as agreements that purport to require the disclosure and assignment to Protalix of the rights to the ideas, developments, discoveries, and inventions of its employees and consultants while Protalix employs them, the agreements can be difficult and costly to enforce. Although Protalix seeks to obtain these types of agreements from its contractors, consultants, advisors, and research collaborators, to the extent that they apply or independently develop intellectual property in connection with any of Protalix's projects, disputes may arise as to the intellectual property rights to this type of information. If a dispute arises, a court may determine that the right belongs to a third party, and enforcement of Protalix's rights can be costly and unpredictable. In addition, Protalix relies on trade secrets and proprietary know-how that it will seek to protect in part by confidentiality agreements with its employees, contractors, consultants, advisors or others. Despite the protective measures Protalix employs, it still faces the risk that:

- these agreements may be breached;
- these agreements may not provide adequate remedies for the applicable type of breach;
- Protalix's trade secrets or proprietary know-how will otherwise become known;

- Protalix's competitors will independently develop similar technology; or
- Protalix's competitors will independently discover our proprietary information and trade secrets.

Under current U.S. and Israeli law, Protalix may not be able to enforce employees' covenants not to compete and therefore may be unable to prevent its competitors from benefiting from the expertise of some of its former employees.

Protalix has entered into non-competition agreements with all of its employees. These agreements prohibit Protalix's employees, if they cease working for Protalix, from competing directly with Protalix or working for Protalix's competitors for a limited period. Under current U.S. and Israeli law, Protalix may be unable to enforce these agreements, and it may be difficult for Protalix to restrict its competitors from gaining the expertise its former employees gained while working for Protalix. If Protalix cannot enforce the non-compete agreements with its employees, Protalix may be unable to prevent its competitors from benefiting from the expertise of its former employees.

Protalix may incur substantial liabilities and may be required to limit commercialization of its products in response to product liability lawsuits.

The clinical testing of, marketing, and use of Protalix's products exposes Protalix to product liability claims in the event that the use or misuse of those products causes injury, disease or results in adverse effects. Use of Protalix's products in clinical trials, as well as commercial sale, could result in product liability claims. In addition, sales of Protalix's products through third party arrangements could subject Protalix to product liability claims. Protalix carried clinical trial liability insurance for its Phase I clinical trial of prGCD with coverages of up to $3 million per occurrence and $3 million in the aggregate, an amount we consider reasonable and customary relating to such Phase I clinical trial. However, this insurance coverage includes various deductibles, limitations and exclusions from coverage, and in any event might not fully cover any potential claims. Protalix will need to obtain additional clinical trial liability coverage prior to initiating additional clinical trials. Protalix expects to obtain product liability insurance coverage before commercialization of its proposed products; however, the insurance is expensive and insurance companies may not issue this type of insurance when Protalix needs it. Protalix may not be able to obtain adequate insurance in the future at an acceptable cost. Any product liability claim, even one that was not in excess of Protalix's insurance coverage or one that is meritless and/or unsuccessful, could adversely affect Protalix's cash available for other purposes, such as research and development. In addition, the existence of a product liability claim could affect the market price of our common stock.

Protalix expects the healthcare industry to face increased scrutiny over reimbursement and healthcare reform, which could adversely impact how much or under what circumstances healthcare providers will prescribe or administer Protalix's products.

In both the United States and other countries, sales of Protalix's products will depend in part upon the availability of reimbursement from third party payors, which include government health administration authorities, managed care providers, and private health insurers. Third

party payors are increasingly challenging the price and examining the cost effectiveness of medical products and services.

Increasing expenditures for healthcare have been the subject of considerable public attention in the United States. Both private and government entities are seeking ways to reduce or contain healthcare costs. Numerous proposals that would effect changes in the United States healthcare system have been introduced or proposed in Congress and in some state legislatures, including reductions in the cost of prescription products and changes in the levels at which consumers and healthcare providers are reimbursed for purchases of pharmaceutical products. For example, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 and the implementing regulations thereunder impose new requirements for the distribution and pricing of prescription drugs which could reduce reimbursement of prescription drugs for healthcare providers and insurers. Some of our proposed products may be reimbursed differently than the corresponding API. Specifically, Medicare provides limited drug coverage under part B for drugs that are administered by physicians on an outpatient basis. Reimbursement for drugs covered under Medicare part B is set by a restrictive formula. Medicare part B, however, does not cover drugs that a patient may self-administer, other than cancer drugs which come in two versions—physician administered and self-administered. Most drugs not covered under part B are covered under part D and prices for those drugs are negotiated between private insurers, known as Prescription Drug Plans, and the drug manufacturer. Although we cannot predict the full effect on our business of the implementation of this legislation, we believe that legislation that reduces reimbursement for our products could adversely impact how much or under what circumstances healthcare providers will prescribe or administer our products. This could materially and adversely impact our business by reducing our ability to generate revenue, raise capital, obtain additional collaborators and market our products. In addition, we believe the increasing emphasis on managed care in the United States has and will continue to put pressure on the price and usage of pharmaceutical products, which may adversely impact product sales.

We are subject to federal anti-kickback laws and regulations, the failure with which to comply could have adverse consequences to us.

There are extensive federal and state laws and regulations prohibiting fraud and abuse in the healthcare industry that can result in significant criminal and civil penalties. These federal laws include: the anti-kickback statute, which prohibits certain business practices and relationships, including the payment or receipt of remuneration for the referral of patients whose care will be paid by Medicare or other federal healthcare programs; the physician self-referral prohibition, commonly referred to as the Stark Law; the anti-inducement law, which prohibits providers from offering anything to a Medicare or Medicaid beneficiary to induce that beneficiary to use items or services covered by either program; the False Claims Act, which prohibits any person from knowingly presenting or causing to be presented false or fraudulent claims for payment by the federal government, including the Medicare and Medicaid programs, and; the Civil Monetary Penalties Law, which authorizes the United States Department of Health and Human Services to impose civil penalties administratively for fraudulent or abusive acts.

Sanctions for violating these federal laws include criminal and civil penalties that range from punitive sanctions, damage assessments, money penalties, imprisonment, denial of

Medicare and Medicaid payments, or exclusion from the Medicare and Medicaid programs, or both. As federal and state budget pressures continue, federal and state administrative agencies may also continue to escalate investigation and enforcement efforts to root out waste and to control fraud and abuse in governmental healthcare programs. Private enforcement of healthcare fraud has also increased, due in large part to amendments to the civil False Claims Act in 1986 that were designed to encourage private persons to sue on behalf of the government. A violation of any of these federal and state fraud and abuse laws and regulations could have a material adverse effect on our liquidity and financial condition. An investigation into the use by physicians of any of our products, once commercialized, may dissuade physicians from either purchasing or using them, and could have a material adverse effect on our ability to commercialize those products.

Risks Relating to Our Operations in Israel

Potential political, economic and military instability in the State of Israel, where the majority of Protalix's senior management and its research and development facilities are located, may adversely affect our results of operations.

Protalix's office and research and development facilities are located in the State of Israel. Political, economic and military conditions in Israel may directly affect Protalix's business. Since the State of Israel was established in 1948, a number of armed conflicts have occurred between Israel and its Arab neighbors. Any hostilities involving Israel or the interruption or curtailment of trade between Israel and its present trading partners, or a significant downturn in the economic or financial condition of Israel, could affect adversely our operations. Ongoing and revived hostilities or other Israeli political or economic factors could harm Protalix's operations and product development and cause our revenues to decrease. Furthermore, several countries, principally those in the Middle East, still restrict business with Israel and Israeli companies. These restrictive laws and policies may limit seriously Protalix's ability to sell its products in these countries.

Although Israel has entered into various agreements with Egypt, Jordan, and the Palestinian Authority, there has been an increase in unrest and terrorist activity, which began in September 2000 and has continued with varying levels of severity into 2006. The recent election of representatives of the Hamas movement to a majority of seats in the Palestinian Legislative Council has resulted in an escalation in violence among Israel, the Palestinian Authority, and other groups. In July and August 2006, significant fighting took place between Israel and the Hezbollah in Lebanon, resulting in rockets being fired from Lebanon up to 50 miles into Israel. Protalix's facilities are located in northern Israel, are in range of rockets that were fired recently from Lebanon into Israel and suffered minimal damages during one of the rocket attacks. In the event that Protalix's facilities are damaged as a result of hostile action, its operations may be materially adversely affected.

Protalix's operations may be disrupted by the obligations of its personnel to perform military service.

Many of Protalix's male employees in Israel, including members of senior management, are obligated to perform one month (in some cases more) of annual military reserve duty until

they reach age 42 and, in the event of a military conflict, could be called to active duty. Protalix's operations could be disrupted by the absence of a significant number of Protalix's employees related to military service or the absence for extended periods of military service of one or more of its key employees. A disruption could materially adversely affect Protalix's business.

The tax benefits available to Protalix require it to meet several conditions and may be terminated or reduced in the future, which would increase Protalix's taxes.

Protalix is able to take advantage of tax exemptions and reductions resulting from the "Approved Enterprise" status of its facilities in Israel. To remain eligible for these tax benefits, Protalix must continue to meet certain conditions, including making specified investments in property and equipment (of NIS 5.4 million), and financing at least 30% of such investments with share capital. If Protalix fails to meet these conditions in the future, the tax benefits will be canceled and Protalix may be required to refund any tax benefits it already has enjoyed. As of September 30, 2006, Protalix has not utilized any of such tax benefits. These tax benefits are subject to investment policy by the Israeli Government Investment Center and may not be continued in the future at their current levels or at any level. In recent years the Israeli government has reduced the benefits available and has indicated that it may further reduce or eliminate some of these benefits in the future. The termination or reduction of these tax benefits or Protalix's inability to qualify for additional "Approved Enterprise" approvals may increase Protalix's tax expenses in the future, which would reduce our expected profits. Additionally, if Protalix increases its activities outside of Israel, for example, by future acquisitions, its increased activities generally may not be eligible for inclusion in Israeli tax benefit programs.

The government grants Protalix has received for certain research and development expenditures restrict its ability to manufacture products and transfer technologies outside of Israel and require Protalix to satisfy specified conditions. If Protalix fails to satisfy these conditions, it may be required to refund grants previously received together with interest and penalties.

Protalix's research and development efforts have been financed, in part, through grants that it has received from the Office of the Chief Scientist of the Israeli Ministry of Industry, Trade or OCS. Protalix, therefore, must comply with the requirements of the Israeli Law for the Encouragement of Industrial Research and Development, 1984 and related regulations, or the Research Law.

Under the Research Law, the discretionary approval of an OCS committee is required for any transfer of technology developed with OCS funding. Such restriction may impair Protalix Ltd.'s ability to outsource manufacturing, engage in change-of-control transactions or otherwise transfer its technology developed with government grants outside of the State of Israel. Protalix Ltd. has no current intention to manufacture or transfer technologies out of the State of Israel. The restrictions will continue to apply even after Protalix Ltd. has repaid the full amount of royalties payable for the grants.

Further, if Protalix. Ltd. fails to comply with any of the conditions imposed by the OCS, it may be required to refund any grants received together with interest and penalties, and may be

subject to criminal charges. In recent years, the government of Israel has accelerated the rate of repayment of OCS grants and may further accelerate them in the future. In addition, the Israeli government has, from time to time, discussed reducing or eliminating the availability of these grants. There can be no assurance that the Israeli government's support of such grants will continue.

OCS approval is not required for the export of any products resulting from the research or development, or for the licensing of the technology in the ordinary course of business. Protalix may not receive the required approvals for any proposed transfer. Such approvals, if granted, may be subject to the following additional restrictions:

- Protalix may be required to pay the OCS a portion of the consideration it receives upon any sale of such technology by an entity that is not Israeli. The scope of the support received, the royalties that were paid by Protalix, the amount of time that elapsed between the date on which the know-how was transferred and the date on which the grants were received, as well as the sale price, will be taken into account in order to calculate the amount of the payment; and
- the transfer of manufacturing rights could be conditioned upon an increase in the royalty rate and payment of increased aggregate royalties (up to 300% of the amount of the grant plus interest, depending on the percentage of the manufacturing that is foreign).

These restrictions may impair Protalix's ability to sell its technology assets or to outsource manufacturing outside of Israel. Protalix has no current intent to manufacture or transfer technologies out of Israel. The restrictions will continue to apply even after Protalix has repaid the full amount of royalties payable for the grants.

Investors may have difficulties enforcing a U.S. judgment, including judgments based upon the civil liability provisions of the U.S. federal securities laws against Protalix, its executive officers and directors or asserting U.S. securities laws claims in Israel.

Many of Protalix's directors and officers are not residents of the United States and some of their assets and Protalix's assets are located outside the United States. Service of process upon Protalix's non-U.S. resident directors and officers and enforcement of judgments obtained in the United States against Protalix, some of its directors and executive officers may be difficult to obtain within the United States. Protalix has been informed by its legal counsel in Israel that it may be difficult to assert claims under U.S. securities laws in original actions instituted in Israel or obtain a judgment based on the civil liability provisions of U.S. federal securities laws. Israeli courts may refuse to hear a claim based on a violation of U.S. securities laws against Protalix or its officers and directors because Israel is not the most appropriate forum to bring such a claim. In addition, even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not U.S. law is applicable to the claim. If U.S. law is found to be applicable, the content of applicable U.S. law must be proved as a fact which can be a time-consuming and costly process. Certain matters of procedure will also be governed by Israeli law. There is little binding case law in Israel addressing the matters described above.

Israeli courts might not enforce judgments rendered outside Israel which may make it difficult to collect on judgments rendered against Protalix. Subject to certain time limitations, an Israeli court may declare a foreign civil judgment enforceable only if it finds that:

- the judgment was rendered by a court which was, according to the laws of the state of the court, competent to render the judgment;
- the judgment may no longer be appealed;
- the obligation imposed by the judgment is enforceable according to the rules relating to the enforceability of judgments in Israel and the substance of the judgment is not contrary to public policy; and
- the judgment is executory in the state in which it was given.

Even if these conditions are satisfied, an Israeli court will not enforce a foreign judgment if it was given in a state whose laws do not provide for the enforcement of judgments of Israeli courts (subject to exceptional cases) or if its enforcement is likely to prejudice the sovereignty or security of the State of Israel. An Israeli court also will not declare a foreign judgment enforceable if:

- the judgment was obtained by fraud;
- there is a finding of lack of due process;
- the judgment was rendered by a court not competent to render it according to the laws of private international law in Israel;
- the judgment is at variance with another judgment that was given in the same matter between the same parties and that is still valid; or
- at the time the action was brought in the foreign court, a suit in the same matter and between the same parties was pending before a court or tribunal in Israel.

Properties

Protalix's manufacturing facility and executive offices, which are leased for a period ending in April, 2009, are located in Carmiel, Israel. Protalix has the option to extend the lease for an additional five-year period. The facilities contain approximately 1,300 square meters of laboratory and office space and are leased at a rate of approximately $9,000 per month. The facilities are equipped with the requisite laboratory services required to conduct Protalix's business, and we believe that the existing facilities are adequate to meet Protalix's needs for the foreseeable future.

Legal Proceedings

We are not involved in any material legal proceedings.

Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of Protalix Ltd.'s financial condition and results of operations together with Protalix Ltd.'s financial statements and the related notes appearing at the end of this report. Some of the information contained in this discussion and analysis or set forth elsewhere in this report, including information with respect to Protalix Ltd.'s plans and strategy for Protalix Ltd.'s business and related financing, includes forward-looking statements that involve risks and uncertainties. You should read the "Risk Factors" section of this report for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

The discussion and analysis of Protalix Ltd.'s financial condition and results of operations are based on Protalix Ltd.'s financial statements, which Protalix Ltd. has prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires Protalix Ltd. to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported revenues and expenses during the reporting periods. On an ongoing basis, Protalix Ltd. evaluates such estimates and judgments, including those described in greater detail below. Protalix Ltd. bases its estimates on historical experience and on various other factors that Protalix Ltd. believes are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The following discussion and analysis excludes the impact of Orthodontix's financial condition and results of operations because they were not material for any of the periods presented. Specifically, for the years ended December 31, 2005, 2004 and 2003, Orthodontix had no revenue, expenses consisting solely of general and administrative expenses (i.e., legal, accounting and other professional fees) in the amount of $93,295, $165,582 and $147,385, respectively, and other income (i.e., amounts earned from investing available cash in a money market account) in the amount of $18,364, $5,512 and $6,671, respectively. During the nine months ended September 30, 2006, Orthodontix had no revenue, and expenses consisted solely of general and administrative expenses in the amount of $164,843 and other income in the amount of $75,787. Orthodontix's balance sheet as of September 30, 2006 consisted solely of total current assets equal to $837,825 ($825,702 of which consisted of cash and cash equivalents) and total liabilities equal to $12,150. During these periods, Orthodontix had no sources of cash and its sole use of cash was payment of the aforementioned professional fees and other costs associated with complying with Orthodontix's reporting obligations under the rules and regulations promulgated by the SEC and consummating the merger with Protalix.

Overview

Protalix Ltd. is an emerging clinical stage biopharmaceutical company that is developing and producing recombinant therapeutic proteins which are expressed through its proprietary plant cell system. Recombinant therapeutic proteins are proteins that are produced by different genetically modified organisms following the insertion of the relevant DNA into their genome and are the basis of most biopharmaceutical drugs currently under development. Protalix Ltd. is leveraging its plant cell culture and bioreactor technology for the production of recombinant therapeutic proteins, and it is currently developing several such biotherapeutic products. Protalix Ltd.'s patented plant cell system enables the expression in plant cells of specific human genes, most often genes coding for proteins of pharmaceutical or therapeutic value. Once the plant cells produce a therapeutic protein, such protein may be grown on an industrial scale in Protalix Ltd.'s proprietary bioreactor system. Subsequently, the protein is extracted from the cells and purified to a clinical grade. Protalix Ltd.'s system presents a proprietary method for the production of recombinant proteins which we believe is safe and scaleable and may allow for the cost-effective industrial scale production of such recombinant human therapeutic proteins. In addition, Protalix believes that its plant-cell system has a number of advantages over other expression methodologies, as follows:

- The glycosilation structure and proprietary manufacturing methods of certain of the expressed proteins can provide patent protection and potential market advantage;
- Protalix Ltd.'s plant cell expression system is a contained regulatory-compliant bioprocess which significantly reduces the risk of contamination with pathogenic agents, such as viruses, which are ordinarily associated with mammalian production processes; and
- The control of the glycosilation process which is available through Protalix Ltd.'s system enables the production of highly uniform therapeutic protein products.

Protalix Ltd.'s lead product candidate, prGCD, is a proprietary plant cell expressed recombinant Glucocerebrosidase enzyme-based protein for the treatment of Gaucher Disease. Genzyme Corporation currently dominates the market for the treatment of Gaucher Disease with reported sales approaching $1 billion for 2006. In July 2005, Protalix Ltd. received FDA approval of its IND for prGCD, allowing it to initiate an FDA-approved clinical development program for prGCD which does not require Protalix Ltd. to conduct Phase II clinical trials. The Phase I clinical trial was completed in June 2006. Protalix Ltd. expects that, based upon the results of such concluded Phase I clinical trial, together with the results of certain preclinical studies, it should be able to obtain FDA approval to initiate a pivotal Phase III trial of prGCD for the treatment of Gaucher Disease, although there can be no assurance that Protalix will get such approval. Protalix Ltd. anticipates that it will be able to commence such trial in 2007.

Protalix Ltd. believes that it has demonstrated the potential of its plant cell manufacturing platform to become a safe and efficacious expression technology for the manufacturing of a wide variety of biopharmaceutical products. Accordingly, Protalix Ltd. is employing a two-pronged business strategy that enables it to pursue its goal of becoming a fully integrated biopharmaceutical company. In addition to its development of prGCD, Protalix Ltd. is using its protein expression technology to develop an innovative proprietary product pipeline. Protalix

Ltd. is evaluating and initiating additional internal research programs through collaboration agreements with academic institutions, such as the Yeda Research and Development Company Limited, the technology transfer arm of the Weizmann Institute of Science. In addition, Protalix Ltd. continuously reviews and considers development and commercialization alliances with corporate partners in specific and identified markets worldwide for specific products or territories in order to enable Protalix Ltd. to optimize its resources and effectively penetrate target markets. Protalix has recently entered into such an agreement with Teva Pharmaceutical Industries Ltd.

Since its inception in December 1993, Protalix Ltd. has generated significant losses in connection with the research and development of its technology, including the clinical development of prGCD, and has accumulated a deficit equal to $17.0 million. Since it does not generate revenue from any of its product candidates, Protalix Ltd. expects to continue to generate losses in connection with the continued clinical development of prGCD and the research and development activities relating to its technology and other drug candidates, including PRX 102 and PRX 111. Such research and development activities are budgeted to expand over time and will require further resources if Protalix Ltd. is to be successful. As a result, Protalix believes that its operating losses are likely to be substantial over the next several years. Protalix Ltd. will need to obtain additional funds to further develop its research and development programs.

Results of Operation

While Protalix Ltd.'s significant accounting policies are more fully described in Note 2 to Protalix Ltd.'s financial statements appearing at the end of this Current Report on Form 8-K. Protalix Ltd. believes that these accounting policies are critical for one to fully understand and evaluate Protalix Ltd.'s financial condition and results of operations.

Revenue

Protalix Ltd. has not generated any substantial revenue since its inception. To date, Protalix Ltd. has funded its operations primarily through the sale of equity securities. If Protalix Ltd.'s development efforts result in clinical success, regulatory approval and successful commercialization of Protalix Ltd.'s products, Protalix Ltd. could generate revenue from sales of Protalix Ltd.'s products.

Research and Development Expense

Protalix Ltd. expects its research and development expense to increase as it continues to develop its product candidates. Research and development expense consists of:

- internal costs associated with research and development activities;
- payments made to third party contract research organizations, contract manufacturers, investigative sites, and consultants;
- manufacturing development costs;
- personnel-related expenses, including salaries, benefits, travel, and related costs for the personnel involved in the research and development;
- activities relating to the advancement of product candidates through preclinical studies and clinical trials; and

- facilities and other allocated expenses, which include direct and allocated expenses for rent and maintenance of facilities, as well as laboratory and other supplies.

These costs and expenses are partially funded by grants received by Protalix Ltd. from the OCS. See “Business—Encouragement of Industrial Research and Development Law, 1984.” There can be no assurance that Protalix Ltd. will continue to receive grants from the OCS in amounts sufficient for its operations, if at all.

Protalix Ltd. expects its research and development expenditures to increase most significantly in the near future in connection with the anticipated commencement of the Phase III clinical trial for prGCD. In addition, Protalix Ltd. intends to consider establishing a new manufacturing facility which would meet the FDA requirements for the manufacture of its product candidates, which would increase Protalix Ltd.’s capital expenditures significantly. Protalix Ltd. intends to continue to hire new employees, in research and development, manufacturing and administration, in order to meet its operation plans.

Protalix Ltd. has multiple research and development projects ongoing at any one time. Protalix Ltd. utilizes its internal resources, employees, and infrastructure across multiple projects and tracks time spent by employees on specific projects. Protalix Ltd. is required to do so by the OCS in order to qualify for the grants it receives for its different projects. Protalix Ltd. expenses research and development costs as incurred. Protalix Ltd. believes that significant investment in product development is a competitive necessity and plans to continue these investments in order to realize the potential of its product candidates. From its inception in December 1993 through September 30, 2006, Protalix Ltd. has incurred a gross research and development expense in the aggregate of $15.4 million, which includes salaries and related expenses equal to $6.1 million (of which stock-based compensation was $1.3 million), subcontractors expenses equal to $2.6 million, and expenses relating to materials and consumables equal to $2.3 million. These expenses were partially offset by grants received from the OCS equal to $4.9 million.

Protalix Ltd. believes that its cash balance as of the date of the merger is sufficient to satisfy all its capital needs for the next twelve months.

The successful development of Protalix Ltd.’s product candidates is subject to numerous risks, uncertainties, and other factors, which are discussed in detail in the section entitled “Risk Factors”. Beyond the next twelve months, Protalix Ltd. cannot reasonably estimate or know the nature, timing and costs of the efforts that will be necessary to complete the remainder of the development of, or the period, if any, in which material net cash inflows may commence from prGCD, PRX 102, and PRX 111 or any of Protalix Ltd.’s other development efforts. This is due to the numerous risks and uncertainties associated with the duration and cost of clinical trials which vary significantly over the life of a project as a result of differences arising during clinical development, including:

- the time needed for the research phase prior to preclinical and clinical trials;
- completion of such preclinical and clinical trials;

- receipt of necessary regulatory approvals;
- the number of clinical sites included in the trials;
- the length of time required to enroll suitable patients;
- the number of patients that ultimately participate in the trials;
- adverse medical events or side effects in treated patients;
- lack of comparability with complementary technologies;
- obtaining capital necessary to fund operations, including the research and development efforts; and
- the results of clinical trials.

Protalix Ltd.'s expenditures are subject to additional uncertainties, including the terms and timing of regulatory approvals, and the expense of filing, prosecuting, defending and enforcing any patent claims or other intellectual property rights. Protalix Ltd. may obtain unexpected results from its clinical trials. Protalix Ltd. may elect to discontinue, delay or modify clinical trials of some product candidates or focus on others. A change in the outcome of any of the foregoing variables with respect to the development of a product candidate could mean a significant change in the costs and timing associated with the development of that product candidate. For example, if the FDA or other regulatory authorities were to require Protalix Ltd. to conduct clinical trials beyond those which it currently anticipates will be required for the completion of the clinical development of a product candidate, or if Protalix Ltd. experiences significant delays in enrollment in any of its clinical trials, Protalix Ltd. could be required to expend significant additional financial resources and time on the completion of clinical development. Drug development may take several years and millions of dollars in development costs. If Protalix Ltd. does not obtain or maintain regulatory approval for its products, its financial condition and results of operations will be substantially harmed.

General and Administrative Expense

General and administrative expense consists primarily of salaries and other related costs, including stock-based compensation expense, for persons serving in Protalix Ltd.'s executive, finance, accounting and administration functions. Other general and administrative expense includes facility-related costs not otherwise included in research and development expense, costs associated with industry and trade shows and professional fees for legal and accounting services. Protalix Ltd. expects that its general and administrative expenses will increase as it adds additional personnel and becomes subject to the reporting obligations applicable to public companies in the United States. From its inception in December 1993 through September 30, 2006, Protalix Ltd. has spent $7.3 million on general and administrative expense, including stock-based compensation expense of $3.2 million for options granted to its employees and consultants.

Financial Expense and Income

Financial Expense and Income consists of the following:

- interest earned on Protalix Ltd.'s cash and cash equivalents;
- interest expense on short term bank credit and loan;
- expense or income resulting from fluctuations of the New Israeli Shekel, which a portion of Protalix Ltd.'s assets and liabilities are denominated in, against the United States Dollar and other foreign currencies.

Stock-based compensation

Until December 31, 2005, Protalix Ltd. accounted for employee stock-based compensation in accordance with Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), and related interpretations. Under APB 25, compensation expense is based on the difference, if any, on the date of the grant, between the fair value of Protalix Ltd.'s ordinary shares and the exercise price. In addition, in accordance with FAS No. 123 "Accounting for Stock-Based Compensation" ("SFAS 123"), Protalix Ltd. disclosed pro forma data assuming it had accounted for employee share option grants using the fair value-based method defined in SFAS 123.

As to options granted in consideration of services granted by consultants, Protalix Ltd. applies EITF 96-18 "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services".

As of January 1, 2006, Protalix Ltd. adopted SFAS No. 123 (Revised 2004), "Share-Based Payment" ("SFAS 123(R)"), using the modified prospective method. This new standard requires measurement of stock-based compensation cost for all stock-based awards at the fair value on the grant date and recognition of stock-based compensation over the service period for awards that Protalix Ltd. expects will vest. The fair value of stock options is determined based on the number of shares granted and the price of Protalix Ltd.'s ordinary shares, and calculated based on the Black-Scholes valuation model, which is consistent with Protalix Ltd.'s valuation techniques previously utilized for options in footnote disclosures required under SFAS 123, as amended by SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure." Protalix Ltd. recognizes such value as expense over the service period, net of estimated forfeitures, using the accelerated method under SFAS 123(R). Due to its adoption of SFAS 123(R), Protalix Ltd. no longer has employee stock-based compensation awards subject to variable accounting treatment. The cumulative effect of Protalix Ltd.'s adoption of SFAS 123(R), as of January 1, 2006 was not material.

The following table illustrates the pro forma effect on loss and loss per share assuming Protalix Ltd. had applied the fair value recognition provisions of SFAS 123 to its stock-based employee compensation:

	Year ended December 31,			Period from December 27, 1993 through December 31,	Nine months Ended September 30,
	2003	2004	2005	2005	2005
	(In thousands, except per share data)				
Loss as reported	$ (646)	$ (2,421)	$ (5,746)	$ (11,122)	$ (3,816)
Add: stock based employee compensation expense included in the reported loss	61	149	509	732	350
Deduct: stock-based employee compensation expense determined under fair value method	(67)	(170)	(539)	(788)	(370)
Pro forma loss	$ (652)	$ (2,442)	$ (5,776)	$ (11,178)	$ (3,836)
Loss per share:					
Basic as reported	$ (2.10)	$ (7.86)	$ (18.67)		$ (12.40)
Basic – pro forma	$ (2.12)	$ (7.93)	$ (18.76)		$ (12.46)
Diluted – as reported	$ (2.10)	$ (7.86)	$ (18.67)		$ (12.40)
Diluted – pro forma	$ (2.12)	$ (7.93)	$ (18.76)		$ (12.46)

The fair value of options granted to employees during 2003, 2004, and 2005 was $389,000, $0, and $939,000, respectively. The fair value of each option granted is estimated on the date of grant using the Black–Scholes option-pricing model, with the following weighted average assumptions:

	2003	2005
Dividend yield	0%	0%
Expected volatility	59.00%	54.00%
Risk-free interest rate	3.28%	3.83%
Expected life – in years	6.00	5.70

Protalix Ltd. had multiple classes of stock before the conversion of all preferred shares into ordinary shares in September 2006. Through December 31, 2005, Protalix Ltd. considered the three commonly used methods described by the AICPA practice aid “Valuation of Privately-Held Company Equity Securities Issued as Compensation” and determined that the Probability-Weighted Expected Return Method to be the appropriate method. Protalix Ltd. chose this method because it is forward-looking and incorporates future economic events and outcomes into the determination of value at the time of calculation. The method is limited, as are all forward-looking methods, in that it relies on a number of assumptions.

Under the Probability-Weighted Expected Return Method, the value of the ordinary shares is estimated based upon an analysis of future values for the enterprise assuming various future outcomes. Share value is based upon the probability-weighted present value of expected future

investment returns, considering each of the possible future outcomes available to the enterprise, as well as the rights of each share class. Although the future outcomes considered in any given valuation model will vary based upon the enterprise's facts and circumstances, common future outcomes modeled might include an initial public offering, merger or sale, dissolution, or continued operation as a viable private enterprise.

The Probability-Weighted Expected Return Method analysis presents value afforded to shareholders under four possible scenarios for the Company. Three of the scenarios assume a shareholder realization, either through an initial public offering, sale, merger or liquidation. The last scenario assumes operations continue as a private company and no realization transaction occurs. Fair value calculations of Protalix Ltd.'s ordinary shares were performed for dates close to the dates on which it issued preferred shares to third parties. Protalix Ltd. considered the issuance price of each series of preferred shares to third parties in the calculation of the fair value of the ordinary shares. For each of the first three realization scenarios, estimated future and present values for each of the share classes were calculated utilizing assumptions which consisted of the following:

- expected pre-money value at the realization date;
- standard deviation around the above pre-money value;
- expected date of the realization scenario occurring;
- standard deviation around the expected realization scenario occurrence date (in days); and
- an appropriate risk-adjusted discount rate.

SFAS 123(R) allows companies to estimate the expected term of the option rather than simply using the contractual term of an option. Because of lack of data on past option exercises of Protalix Ltd.'s employees, the expected term of the options could not be based on historic exercise patterns. Accordingly, Protalix Ltd. adopted the simplified method as stipulated in SAB 107, according to which companies which cannot provide a good estimation regarding their options' expected life, may calculate the expected term as the average between the vesting date and the expiration date, assuming the option was granted as a "plain vanilla" option.

SAB 107 defines "plain vanilla share options" as those having the following characteristics:

- Share options are granted at the money;
- Exercisability is conditional only on performing service through the vesting date;
- If an employee terminates service prior to vesting, the employee forfeits the share options;
- If an employee terminates service after vesting, the employee has a limited period of time (typically 30-90 days) to exercise the share options; and
- Share options are nontransferable and nonhedgeable

All of the outstanding options of Protalix Ltd. were granted at an exercise price that was lower than the then share price. Accordingly, Protalix Ltd. assumed that the exercise period will on average be shorter than the average period between the vesting and the expiration of the options.

However, due to the lack of information regarding exercise behavior and recognizing the approach to be conservative, Protalix Ltd. implemented the methodology proposed above for the calculation of the expected term for all grants including those which were “in the money”.

In performing the valuation, Protalix Ltd. assumed an expected 0% dividend yield in the previous years and in the next years. Protalix Ltd. does not have a dividend policy and given the development stage of the Company, dividends are not expected in the foreseeable future. SFAS 123(R) stipulates a number of factors that should be considered when estimating the expected volatility, including the implied volatility of traded options, historical volatility and the period that the shares of the company are being publicly traded. As Protalix Ltd. does not have any traded shares or options, the expected volatility figures used in this valuation have been calculated by using the historical volatility of traded shares of similar companies. In addition, Protalix Ltd. examined the standard deviation of shares of additional biotechnology companies that engage in research of cells and other relevant developments. Protalix Ltd. found that the standard deviation of the shares of comparable companies was in the range of 40%-60% over periods of three to six years. The volatility used for each grant differed based on its expected term. For the term of each grant of options by Protalix Ltd., the historical volatility was calculated based upon the overall trading history of the common stock of comparable companies.

Risk–Free Rate Methodology

The risk free rate has been based on the implied yield of U.S. federal reserve zero–coupon government bonds. The remaining term of the bonds used for each valuation was equal to the expected term of the grant. This methodology has been applied to all grants valued by Protalix Ltd.

Rationale

SFAS 123(R) requires the use of a risk–free interest rate based on the implied yield currently available on zero–coupon government issues of the country in whose currency the exercise price is expressed, with a remaining term equal to the expected life of the option being valued. This requirement has been applied for all grants valued as part of this report.

Nine Months Ended September 30, 2006 Compared to Nine Months Ended September 30, 2005

Revenues

Revenues were $150,000 for the nine months ended September 30, 2005. The revenues were generated in connection with the achievement by Protalix Ltd. of development milestones under a research and development program between Protalix Ltd. and Ferring Pharmaceuticals. The program with Ferring Pharmaceuticals was completed, and $150,000 of development milestones payments payable to Protalix Ltd. in connection therewith were made, by the end of fiscal year 2005. No revenues were recorded during the nine months ended September 30, 2006.

Research and Development Expenses

Research and development expenses were $4.8 million for the nine months ended September 30, 2006, an increase of $1.6 million, or 50%, from $3.2 million for the nine months ended September 30, 2005. The increase resulted primarily from the increase of $900,000 in development expenses related to salaries for personnel involved in research and development and related materials and general development expenses. The increase was partially offset by $723,000 due to the receipt of grants by Protalix Ltd. from the OCS equal to $1.5 million during the nine months ended on September 30, 2006, as compared to the receipt of grants equal to $787,000 during the nine months ended September 30, 2005.

Protalix Ltd. expects Research and Development expenses to continue to increase as it enters into a more advanced stage of clinical trials for Protalix Ltd.'s product candidates, especially with respect to the expected phase III trial for prGCD.

General and Administrative Expenses

General and administrative expenses were $2.8 million for the nine months ended September 30, 2006, an increase of $1.3 million, or 87%, from $1.5 million for the nine months ended September 30, 2005. The increase resulted primarily from a $1.1 million increase in share-based compensation, resulting from additional stock option awards in the nine months ended September 30, 2006.

Financial Expenses and Income

Financial income was $73,000 for the nine months ended on September 30, 2006, an increase of $35,000, or 92%, compared to $38,000 the nine months ended September 30, 2005. The increase resulted primarily from a higher balance of cash and cash equivalents Protalix Ltd. had during these periods, primarily the result of the proceeds generated from the sale of Preferred Shares in December 2005 and September 2006, which resulted in higher interest income.

Year Ended December 31, 2005 Compared to Year Ended December 31, 2004

Revenues

Revenues were $150,000 for the year ended December 31, 2005, a decrease of $280,000, or 65%, from $430,000 for the year ended December 31, 2004. The revenues were generated in connection with the achievement by Protalix Ltd. of development milestones under its research and development program with Ferring Pharmaceuticals. The decrease resulted primarily from Protalix Ltd.'s achievement of more significant development milestones under the program during the year 2004 as compared to the year 2005, resulting in the receipt by Protalix Ltd. of higher milestone payments during the year 2004.

Research and Development Expenses

Research and development expenses were $4.7 million for the year ended December 31, 2005, an increase of $2.2 million, or 88%, from $2.5 million for the year ended December 31, 2004. The

increase resulted primarily from an increase of $1.2 million in development expenses related to salaries and related consulting and materials associated with the development of prGCD. The increase was incurred in connection with the higher costs associated with the end of Protalix Ltd.'s preclinical trials and with the initiation of Phase I clinical trials by Protalix Ltd. during 2005. In addition, Protalix Ltd. incurred a $498,000 increase in share based compensation. The increase was partially offset by a $362,000 increase in grant funds received by Protalix Ltd. from the OCS; Protalix Ltd. received grants equal to $935,000 during the year ended December 31, 2005 as compared to the receipt of grants equal to $573,000 during the year ended December 31, 2004.

General and Administrative Expenses

General and Administrative expenses were $2.1 million for the year ended December 31, 2005, an increase of $1.3 million, or 175%, from $807,000 for the year ended December 31, 2004. The difference resulted primarily from a $1.1 million increase in share based compensation.

Financial Expenses and Income

Financial income was $43,000 for the year ended December 31, 2005, compared to expense of $4,000 for the year ended December 31, 2004. The increase resulted primarily from the higher balance of cash and cash equivalents held by Protalix Ltd. during such periods and the incurrence by Protalix Ltd. of interest expense in connection with a $1.0 million loan.

Year Ended December 31 2004 compared to Year Ended December 31, 2003

Revenues

Revenues were $430,000 for the year ended December 31, 2004, an increase of $180,000, or 72%, from $250,000 for the year ended December 31, 2003. The revenues were generated in connection with the achievement by Protalix Ltd. of development milestones under its research and development program with Ferring Pharmaceuticals. The increase resulted primarily from the achievement by Protalix Ltd. of more significant development milestones under the program during the year 2004 as compared to the year 2003, resulting in the receipt by Protalix Ltd. of higher milestone payments during the year 2004.

Research and Development Expenses

Research and development expense was $2.5 million for the year ended December 31, 2004, an increase of $1.8 million, or 269%, from $668,000 for the year ended December 31, 2003. The increase resulted primarily from an increase of $1.3 million in development expenses related to salaries and related consulting and materials associated with preclinical trials commenced by Protalix Ltd. during 2004. The increase was offset by $144,000 due to the receipt of grants by Protalix Ltd. from the OCS equal to $573,000 during the year ended December 31, 2004, as compared to the receipt of grants equal to $429,000 during the year ended December 31, 2003.

General and Administrative Expenses

General and Administrative expenses were $807,000 for the year ended December 31, 2004, an increase of $204,000, or 33%, from $603,000 for the year ended December 31, 2004. The increase resulted primarily from a natural growth in the operations of Protalix Ltd. between the periods, including an increase of $144,000 of salaries and related expenses incurred in connection with the hiring of new employees during the year ended December 31, 2004.

Financial Expenses and Income

Financial income was $4,000 and $3,000 for the year ended December 31, 2004 and 2003, respectively.

Source of Liquidity

As a result of its significant research and development expenditures and the lack of any approved products to generate product sales revenue, Protalix Ltd. has not been profitable and has generated operating losses since its inception. To date, Protalix Ltd. has funded its operations primarily with proceeds equal to $30.3 million from the sale of convertible preferred and ordinary stock through September 30, 2006.

The following table summarizes Protalix Ltd.'s funding sources:

Security	Year	Number of Shares	Amount(1)
Ordinary Shares	1996-2000	307,813(2)	$ 1,100,000
Series A Convertible Preferred Shares	2001	190,486	$ 2,000,000
Series B Convertible Preferred Shares(3)	2004-2005	117,477	$ 4,500,000
Series C Convertible Preferred Shares(4)	2005	90,264	$ 7,700,000
Ordinary Shares(5)	2006	163,774	$15,000,000

(1) Represents gross proceeds.

(2) Includes the issuance of ordinary shares to founders.

(3) During 2005, 16,954 Series B Preferred Shares were converted on a 1:1 basis, into Series C Preferred Shares for no consideration. Also in connection with such funding, warrants to purchase 2,967 Series B Preferred Shares were issued for no additional consideration with a total exercise price of $0.1 million. As of the closing date of the merger, 2,751 of such warrants were exercised for net proceeds to Protalix Ltd. equal to approximately $96,000 and 216 of such warrants have been forfeited.

(4) In connection with such funding, warrants to purchase an additional 145,099 Series C Preferred Shares were granted to the investors for no additional consideration with a total exercise price equal to $9.0 million. As of the closing date of the merger, 86,613 of such warrants were exercised for net proceeds to Protalix Ltd. equal to $8.7 million, 55,410 were assumed by our company and 3,076 expired.

(5) In connection with such funding, warrants to purchase 57,691 ordinary shares of Protalix Ltd. were issued for no additional consideration with a total exercise price equal to $5 million.

On September 11, 2006, all Preferred Shares were converted into ordinary shares on a 1:1 basis.

As of September 30, 2006, Protalix Ltd. had cash and cash equivalents of $15.6 million. In addition, at the closing of the merger, Protalix Ltd. received $8.7 million as a result of the exercise of outstanding warrants. Protalix Ltd.'s cash and investment balances are held in a variety of interest-bearing instruments. Wherever possible, Protalix Ltd. seeks to minimize the potential effects of concentration and degrees of risk. Protalix Ltd. maintains cash balances with financial institutions in excess of insured limits. Protalix Ltd. does not anticipate any losses with respect to such cash balances.

Cash Flows

Net cash used in operations was $3.3 million and $2.3 million for the nine months ended September 30, 2006 and 2005, respectively. The net loss for the nine months ended September 30, 2006 of $5.9 million resulted primarily from non-cash charges for share-based compensation of $2.3 million and depreciation of $314,000.

Net cash used in investing activities for the nine months ended September 30, 2006, was $712,000 and consisted primarily of purchase of property and equipment.

Net cash provided by financing activities for the nine months ended September 30, 2006, was $14.9 million, consisting of net proceeds from the sale of ordinary shares.

Net cash used in operations was $3.2 million and $1.8 million for the years ended December 31, 2005 and 2004, respectively. The net loss for 2005 of $5.7 million was mainly offset by $1.9 million of non-cash share based compensation and depreciation equal to $311,000.

Net cash used in investing activities for the year ended December 31, 2005 was $900,000 and consisted primarily of $844,000 for purchases of property and equipment.

Net cash provided from financing activities for 2005 was $7.4 million, which consisted primarily of net proceeds of $8.4 million from the sale of Series C Preferred Shares, which was partially offset by the redemption of a $1.0 million loan.

Funding Requirements

Protalix Ltd. expects to incur losses from operations for the foreseeable future. Protalix Ltd. expects to incur increasing research and development expenses, including expenses related to the hiring of personnel and additional clinical trials. Protalix Ltd. expects that general and administrative expenses will also increase as Protalix Ltd. expands its finance and administrative staff, adds infrastructure, and incurs additional costs related to being a public company in the United States, including the costs of directors' and officers' insurance, investor relations programs, and increased professional fees. Protalix Ltd.'s future capital requirements will depend on a number of factors, including the continued progress of its research and development of product candidates, the timing and outcome of clinical trials and regulatory approvals, the costs involved in preparing, filing, prosecuting, maintaining, defending, and enforcing patent claims and other intellectual property rights, the acquisition of licenses to new products or compounds, the status of competitive products, the availability of financing, and Protalix Ltd.'s success in developing markets for its product candidates.

Protalix Ltd. believes that its existing cash and cash equivalents and short-term investments will be sufficient to enable us to fund Protalix Ltd.'s operating expenses and capital expenditure requirements at least for the next twelve months. Protalix Ltd. has based this estimate on assumptions that may prove to be wrong or subject to change, and Protalix Ltd. may be required to use its available capital resources sooner than it currently expects. Because of the numerous risks and uncertainties associated with the development and commercialization of its product

candidates, Protalix is unable to estimate the amounts of increased capital outlays and operating expenditures associated with its current and anticipated clinical trials.

Protalix Ltd.'s future capital requirements will depend on many factors, including the progress and results of its clinical trials, the duration and cost of discovery and preclinical development, and laboratory testing and clinical trials for Protalix Ltd.'s product candidates, the timing and outcome of regulatory review of Protalix Ltd.'s product candidates, the number and development requirements of other product candidates that Protalix Ltd. pursues, and the costs of commercialization activities, including product marketing, sales, and distribution.

Protalix Ltd. does not anticipate that it will generate product revenues for at least the next several years. In the absence of additional funding, Protalix Ltd. expects continuing operating losses to result in increases in Protalix Ltd.'s cash used in operations over the next several years. To the extent that Protalix Ltd.'s capital resources are insufficient to meet its future capital requirements, Orthodontix will need to finance its future cash needs through public or private equity offerings, debt financings, or corporate collaboration and licensing arrangements. Neither Orthodontix nor Protalix Ltd. currently has any commitments for future external funding. Orthodontix and Protalix Ltd. may need to raise additional funds more quickly if one or more of Protalix Ltd.'s assumptions prove to be incorrect or if Protalix Ltd. chooses to expand its product development efforts more rapidly than it presently anticipates, and Orthodontix and Protalix Ltd. may decide to raise additional funds even before Protalix Ltd. needs them if the conditions for raising capital are favorable. Orthodontix and Protalix Ltd. may seek to sell additional equity or debt securities or obtain a bank credit facility. The sale of additional equity or debt securities may result in dilution to Orthodontix's shareholders. The incurrence of indebtedness would result in increased fixed obligations and could also result in covenants that would restrict Orthodontix's operations. Additional equity or debt financing, grants, or corporate collaboration and licensing arrangements may not be available on acceptable terms, if at all. If adequate funds are not available, Orthodontix may be required to delay, reduce the scope of or eliminate its research and development programs, reduce its planned commercialization efforts or obtain funds through arrangements with collaborators or others that may require us to relinquish rights to certain product candidates that we might otherwise seek to develop or commercialize independently.

Effects of Inflation and Currency Fluctuations

Inflation generally affects Protalix Ltd. by increasing its cost of labor and clinical trial costs. Protalix Ltd. does not believe that inflation has had a material effect on its results of operations during the years ended December 31, 2003, 2004 or 2005, or the nine months ended September 30, 2006.

Currency fluctuations could affect Protalix Ltd. by increased or decreased costs mainly for goods and services acquired outside of Israel. Protalix Ltd. does not believe currency fluctuations have had a material effect on Protalix Ltd.'s results of operations during the years ended December 31, 2003, 2004 or 2005, or the nine months ended September 30, 2006.

Off-Balance Sheet Arrangements

Protalix Ltd. has no off-balance sheet arrangements as of December 31, 2004, 2005 and September 30, 2006. See Note 5 of the financial Statements for a full description of certain contingent royalty payments.

Recently Issued Accounting Pronouncements

In June 2006, the FASB issued FASB Interpretation (FIN) No. 48 “Accounting for Uncertainty in Income Taxes”, an interpretation of FASB Statement 109. FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting, and disclosing in the financial statements tax positions taken or expected to be taken on a tax return, including a decision whether to file or not to file in a particular jurisdiction. FIN 48 is effective for fiscal years beginning after December 15, 2006 (January 1, 2007 for Protalix Ltd.). If there are changes in net assets as a result of application of FIN 48, these will be accounted for as an adjustment to retained earnings. Protalix Ltd. is currently assessing the impact of FIN 48 on its financial position and results of operations.

In September 2006, the Financial Accounting Standards Board (the “FASB”) issued Statement of Financial Accounting Standard No. 157, “Fair Value Measurements” (FAS 157). FAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of FAS 157 are effective commencing upon the fiscal year beginning after September 1, 2008. Protalix Ltd. is currently evaluating the impact of the provisions of FAS 157 on its financial position and results of operations.

In September 2006, the SEC released Staff Accounting Bulletin (SAB) No. 108, “Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements”, which provides interpretive guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment. Protalix Ltd. is required to initially apply SAB No. 108 during fiscal year 2007. Protalix Ltd. is currently evaluating the impact of the provisions of FAS 158 on its financial position and results of operations.

Security Ownership of Certain Beneficial Owners and Management

The following tables set forth information, as of the closing date of the merger, regarding beneficial ownership of our common stock to the extent known to us by:

(i) each person who is known by us to own beneficially more than 5% of our common stock;

(ii) each director;

(iii) our Chief Executive Officer and our two most highly compensated officers other than our Chief Executive Officer who served in such capacities in 2005 (collectively, the "Named Executive Officers"); and

(iv) all of our directors and Named Executive Officers collectively.

Except as otherwise noted, each person has sole voting and investment power as to his or her shares. Unless otherwise noted, we believe that all persons named in the table have sole voting and investment power with respect to all shares of our common stock beneficially owned by them.

For purposes of these tables, a person is deemed to be the beneficial owner of securities that can be acquired by such person within 60 days from the date hereof upon exercise of options, warrants and convertible securities. Each beneficial owner's percentage ownership is determined by assuming that options, warrants and convertible securities that are held by such person (but not those held by any other person) and that are exercisable within 60 days from the date hereof have been exercised.

Security Ownership of 5% Beneficial Owners

Title of Class	Name and Address or Number in Group	Amount and Nature of Beneficial Ownership	Percentage of Class (%)
Common Stock	Biocell Ltd. (1)	14,466,319(7)	23.42
Common Stock	Pontifax G.P. Ltd. (2)	5,394,436(8)	8.39
Common Stock	Techno-Rov Holdings (1993) Ltd. (3)	6,186,046(9)	10.01
Common Stock	Marathon Investments Ltd. (4)	6,556,381(10)	10.61
Common Stock	Frost Gamma Investment Trust (5)	9,766,273(11)	15.27
Common Stock	Yoseph Shaaltiel, Ph.D. (6)	3,188,431(12)	5.14

(1) The address is Moshe Aviv Tower, 7 Jabotinsky Street, Ramat Gan, Israel.

(2) The address of Pontifax (Israel) L.P. and Pontifax (Cayman) L.P. is 8 Hamanofim St. Herzliya 46725, Israel.

(3) The address is Alrov Tower, 46 Rothschild Blvd., Tel Aviv.

(4) The address is 7 Hanagar Street, Holon, Israel.

(5) The address is 4400 Biscayne Blvd., Miami, Florida 33137.

(6) The address is c/o Orthodontix, Inc., 2 Snunit Street, Science Park, POB 455, Carmiel, Israel, 21000.

(7) Biocell Ltd.'s investment and voting decisions are made collectively by its Board of Directors.

(8) Consists of 2,575,843 shares of our common stock held by Pontifax (Cayman) L.P., 1,378,278 of which shares are owned of record and 1,197,565 of which shares are issuable upon exercise of options that are exercisable within 60 days of the closing date of the merger and 2,818,593 shares of our common stock held by Pontifax (Israel) L.P., 1,508,169 of which shares are owned of record and 1,310,424 of which shares are issuable upon exercise of options that are exercisable within 60 days of the closing date of the merger. Pontifax (Cayman) L.P. and Pontifax (Israel) L.P. are governed by Pontifax Management L.P. Pontifax G.P. Ltd. is the general partner of Pontifax Management L.P. Pontifax G.P. Ltd.'s investment and voting decisions are made collectively by its Board of Directors.

(9) Mr. Amos Bar-Shalev is the manager of Techno-Rov Holdings (1993) Ltd. and has the power to control its investment decisions.

(10) Marathon Investments Ltd.'s investment and voting decisions are made collectively by its Board of Directors.

(11) Includes warrants to purchase 2,157,302 shares of common stock issuable upon exercise of outstanding warrants exercisable within 60 days of the closing date of the merger. Frost Gamma, L.P. is the sole and exclusive beneficiary of Frost Gamma Investments Trust. Dr. Phillip Frost is the sole limited partner of Frost Gamma, L.P. The general partner of Frost Gamma, L.P. is Frost Gamma, Inc. and the sole shareholder of Frost Gamma, Inc. is Frost-Nevada Corporation. Dr. Frost is also the sole shareholder of Frost-Nevada Corporation. Does not include options to purchase 1,937,708 shares of common stock issued to Dr. Frost with vesting periods that commence upon the listing of our common stock on the American Stock Exchange, if at all.

(12) The address is c/o Orthodontix, Inc., 2 Snunit Street, Science Park, POB 455, Carmiel, Israel, 21000. Includes 244,324 shares of our common stock issuable upon exercise of outstanding options within 60 days after the closing date of the Merger, held by Dr. Shaaltiel.

Security Ownership of Board of Directors and Management

Title of Class	Name and Address or Number in Group	Amount and Nature of Beneficial Ownership	Percentage of Class (%)
Common Stock	Eli Hurvitz	5,394,436(1)	8.39
Common Stock	Yoseph Shaaltiel, Ph.D.	3,188,431(2)	5.14
Common Stock	Phillip Frost, M.D.	9,766,273(3)	15.27
Common Stock	Jane H. Hsiao, Ph.D., MBA	1,134,060(4)	1.83
Common Stock	David Aviezer, Ph.D., MBA	930,020(5)	1.48
Common Stock	Zeev Bronfeld	14,466,319(6)	23.42
Common Stock	Amos Bar-Shalev	6,186,046(7)	10.01
Common Stock	Sharon Toussia-Cohen	6,556,381(8)	10.61
Common Stock	Eyal Sheratzki	14,466,319(9)	23.42
Common Stock	Pinhas Barel Buchris	—	—
Common Stock	Einat Brill Almon, Ph.D.	125,827(10)	*
Common Stock	Yossi Maimon	—	—
Common Stock	All Executive Officers and Directors as a group (12 persons)	47,747,793(11)	70.21

* less than 1%.

The address for all holders listed herein is c/o Orthodontix, Inc., 2 Snunit Street, Science Park, POB 455, Carmiel, Israel, 21000.

(1) Consists of 2,575,843 shares of our common stock held by Pontifax (Cayman) L.P., 1,378,278 of which shares are owned of record and 1,197,565 of which shares are issuable upon exercise of options that are exercisable within 60 days of the closing date of the merger and 2,818,593 shares of our common stock held by Pontifax (Israel) L.P., 1,508,169 of which shares are owned of record and 1,310,424 of which shares are issuable upon exercise of options that are exercisable within 60 days of the closing date of the merger. Mr. Hurvitz disclaims beneficial ownership of these shares.

(2) Includes 244,324 shares of our common stock issuable upon exercise of outstanding options within 60 days after the closing date of the Merger, held by Dr. Shaaltiel.

(3) Includes 7,608,971 shares of common stock and 2,157,302 shares of common stock issuable upon exercise of outstanding warrants owned by Frost Gamma Investments Trust exercisable within 60 days of the closing date of the merger. Does not include options to purchase 1,937,708 shares of common stock issued to Dr. Frost with vesting periods that commence upon the listing of our common stock on the American Stock Exchange, if at all. Frost Gamma, L.P. is the sole and exclusive beneficiary of Frost Gamma Investments Trust. Dr. Frost is the sole limited partner of Frost Gamma, L.P. The general partner of Frost Gamma, L.P. is Frost Gamma, Inc. and the sole shareholder of Frost Gamma, Inc. is Frost-Nevada Corporation. Dr. Frost is also the sole shareholder of Frost-Nevada Corporation.

(4) Includes 258,355 shares of our common stock issuable upon exercise of outstanding warrants held by Dr. Hsiao. Does not include options to purchase 387,542 shares of common stock issued to Dr. Hsiao with vesting periods that commence upon the listing of our common stock on the American Stock Exchange, if at all.

(5) Includes 930,020 shares of common stock issuable upon exercise of outstanding options within 60 days after the closing date of the merger, held by Dr. Aviezer.

(6) Consists of 14,466,319 shares of our common stock held by Biocell Ltd. Mr. Bronfeld is a director and Chief Executive Officer of Biocell. Mr. Bronfeld disclaims beneficial ownership of these shares.

(7) Consists of 6,186,046 shares of our common stock held by Techno-Rov Holdings (1993) Ltd. Mr. Bar-Shalev is the manager and has the power to control its investment decisions. Mr. Bar-Shalev disclaims beneficial ownership of these shares.

(8) Consists of 6,556,381 shares of our common stock held by Marathon Investments Ltd. Mr. Toussia-Cohen is a director and Chief Executive Officer of Marathon Investments Ltd. Mr. Toussia-Cohen disclaims beneficial ownership of these shares.

(9) Consists of 14,466,319 shares of our common stock held by Biocell Ltd. Mr. Sheratzki is the Chairman of the Board of Biocell. Mr. Sheratzki disclaims beneficial ownership of these shares.

(10) Consists of 125,827 shares of our common stock issuable upon exercise of outstanding options within 60 days after the closing date of the merger, held by Dr. Brill Almon.

(11) Includes of 6,223,817 shares of our common stock issuable upon exercise of warrants or options, as applicable, within 60 days after the closing date of the merger.

Directors and Executive Officers

Our directors and executive officers, their ages and positions as of the closing date of the merger, are as follows:

Name	Age	Position
Directors		
Eli Hurvitz	74	Chairman of the Board
David Aviezer, Ph.D., MBA	42	Director, President and Chief Executive Officer
Yoseph Shaaltiel, Ph.D.	53	Director and Executive VP, Research and Development
Zeev Bronfeld(1)	55	Director
Amos Bar-Shalev(2)(3)	53	Director
Sharon Toussia-Cohen(1)(2)	47	Director
Eyal Sheratzki(1)	38	Director
Pinhas Barel Buchris(2)(3)	56	Director
Phillip Frost, M.D.	70	Director
Jane H. Hsiao, Ph.D., MBA(3)	59	Director
Executive Officers		
Einat Brill Almon, Ph.D.	47	Vice President, Product Development
Yossi Maimon	37	Chief Financial Officer, Treasurer and Secretary

(1) Member of Nominating Committee

(2) Member of Audit Committee

(3) Member of Compensation Committee

David Aviezer, Ph.D., MBA. Dr. Aviezer has served as Protalix Ltd.'s Chief Executive Officer since 2002 and is a member of our board of directors. Dr. Aviezer has over a decade of experience in biotechnology management, advancing products from early-stage research up to their regulatory approval and commercialization. Prior to joining Protalix Ltd., from 1996 to 2002, he served as General Manager of ProChon Biotech Ltd., an Israeli company focused on orthopedic disorders. Previously Dr. Aviezer was a visiting scientist at the Medical Research Division of American Cyanamid, a subsidiary of Wyeth (NYSE:WEY), in New York. Dr. Aviezer is the recipient of the Clore Foundation Award and the J.F. Kennedy Scientific Award. He holds a Ph.D. in Molecular Biology and Biochemistry from the Weizmann Institute of Science and an M.B.A. from the Bar Ilan University Business School.

Yoseph Shaaltiel, Ph.D. Dr. Shaaltiel founded Protalix Ltd. in 1993 and currently serves as a member of our Board of Directors and Vice President, Research and Development. Prior to establishing Protalix Ltd., from 1988 to 1993, Dr. Shaaltiel was a Research Associate at the MIGAL Technological Center. He also served as Deputy Head of the Biology Department of the Biological and Chemical Center of the Israeli Defense Forces and as a Biochemist at Makor Chemicals Ltd. Dr. Shaaltiel was a Postdoctoral Fellow at the University of California at Berkeley and at Rutgers University in New Jersey. He has co-authored over 40 articles and abstracts on plant biochemistry and holds seven patents. Dr. Shaaltiel received his Ph.D. in Plant Biochemistry from the Weizmann Institute of Science, an Ms.C. in Biochemistry from the Hebrew University, and a B.Sc. in Biology from the Ben Gurion University.

Einat Brill Almon, Ph.D. Dr. Almon joined Protalix Ltd. in December 2004 and has served as its Vice President, Product Development since then. Dr. Almon has many years of experience in

the management of life science projects and companies, including biotechnology and agrobiotech, with direct experience in clinical, device and scientific software development, as well as a strong background and work experience in Intellectual Property. Prior to joining Protalix Ltd., from 2001 to 2004, she served as Director of R&D and IP of Biogenics Ltd, a company that developed an autologous platform for tissue based protein drug delivery. Biogenics, based in Israel, is a wholly-owned subsidiary of Medgenics Inc. Dr. Almon has trained as a biotechnology patent agent at leading IP firms in Israel. Dr. Almon holds a Ph.D. and an M.Sc. in molecular biology of cancer research from the Weizmann Institute of Science, a B.Sc. from the Hebrew University and has carried out Post-Doctoral research at the Hebrew University in the area of plant molecular biology.

***Yossi Maimon, CPA*.** Yossi Maimon has served as our Vice President and Chief Financial Officer since he joined Protalix Ltd. in 2006. Prior to joining Protalix, from 2002 to 2006, he served as the Chief Financial Officer of Colbar LifeScience Ltd., a biomaterial company focusing on aesthetics, where he led all of the corporate finance activities, fund raisings, and legal aspects of Colbar including the sale of Colbar to Johnson and Johnson. Prior to that, from 2000 to 2002, he served as the Chief Financial Officer of Way2Call Communications, Ltd., an Israeli start up company in the telecommunications field, where he led the fund raising efforts, accounting issues, and business development activities. Prior to that, from 1998 to 2000, he served as the controller of PEC, a United States company publicly traded on the New York Stock Exchange, where he was responsible for reporting and compliance with the SEC and led the process of delisting and merging PEC into Discount Investment Bank. Mr. Maimon has a B.A. in accounting from the City University of New York and an M.B.A. from Tel Aviv University, and he is a Certified Public Accountant in the United States (New York State) and Israel.

Board of Directors

Eli Hurvitz. Mr. Hurvitz serves as Chairman of Protalix Ltd.'s board of directors and has served as a director of Protalix Ltd. since 2005. Mr. Hurvitz has served as Chairman of the Board of Teva since April 2002. Previously, he served as Teva's President and Chief Executive Officer for over 25 years and has been employed at Teva in various capacities for over 40 years. He serves as Chairman of the Board of The Israel Democracy Institute (IDI), Chairman of the Board of NeuroSurvival Technologies Ltd. (a private company) and a director of Vishay Intertechnology. He served as Chairman of the Israel Export Institute from 1974 through 1977 and as the President of the Israel Manufacturers Association from 1981 through 1986. He served as Chairman of the Board of Bank Leumi Ltd. from 1986 through 1987. He was a director of Koor Industries Ltd. from 1997 through 2004 and a member of the Belfer Center for Science and International Affairs at the John F. Kennedy School of Government at Harvard University from 2002 through 2005. He received his B.A. in Economics and Business Administration from the Hebrew University in 1957.

Phillip Frost, M.D. Dr. Frost has served as a director of Protalix Ltd. since 2006. Dr. Phillip Frost was named the Vice Chairman of the Board of Teva in January 2006 when Teva acquired IVAX Corporation. Dr. Frost had served as Chairman of the Board of Directors and Chief Executive Officer of IVAX Corporation since 1987. Dr. Frost was named Chairman of the Board of Ladenburg Thalman & Co., Inc., an American Stock Exchange-listed investment

banking and securities brokerage firm, in July 2006 and has been a director of Ladenburg Thalman since March 2005. He was Chairman of the Department of Dermatology at Mt. Sinai Medical Center of Greater Miami, Miami Beach, Florida from 1972 to 1986. Dr. Frost was Chairman of the Board of Directors of Key Pharmaceuticals, Inc. from 1972 until the acquisition of Key Pharmaceuticals by Schering Plough Corporation in 1986. He serves on the Board of Regents of the Smithsonian Institution, a member of the Board of Trustees of the University of Miami, a Trustee of each of the Scripps Research Institutes, the Miami Jewish Home for the Aged, and the Mount Sinai Medical Center and is Vice Chairman of the Board of Governors of the American Stock Exchange. Dr. Frost is also a director of Continucare Corporation, an American Stock Exchange-listed provider of outpatient healthcare and home healthcare services, Northrop Grumman Corp., a New York Stock Exchange-listed global defense and aerospace company, Castle Brands, Inc., an American Stock Exchange-listed developer and marketer of alcoholic beverages, and Cellular Technical Services, Inc., a provider of products and services for the telecommunications industry. Dr. Frost received a B.A. in French Literature from the University of Pennsylvania and an M.D. from the Albert Einstein College of Medicine.

Jane H. Hsiao, Ph.D., MBA. Dr. Hsiao has served as a director of Protalix Ltd. since 2006. Dr. Hsiao served as the Vice Chairman-Technical Affairs of IVAX Corporation from 1995 to January 2006, when Teva acquired IVAX. Dr. Hsiao served as IVAX's Chief Technical Officer since 1996, and as Chairman, Chief Executive Officer and President of IVAX Animal Health, IVAX's veterinary products subsidiary, since 1998. From 1992 until 1995, Dr. Hsiao served as IVAX's Chief Regulatory Officer and Assistant to the Chairman. Dr. Hsiao served as Chairman and President of DVM Pharmaceuticals from 1998 through 2006 and is also a director of Cellular Technical Services Company, Inc., a provider of products and services for the telecommunications industry. Dr. Hsiao received a B.S. in Pharmacy from the National Taiwan University and a Ph.D. in Pharmaceutical Chemistry from the University of Illinois, Chicago.

Zeev Bronfeld. Mr. Bronfeld has served as a director of Protalix Ltd. since 1996. Mr. Bronfeld brings to Protalix vast experience in management and value building of biotechnology companies. Mr. Bronfeld is an experienced businessman who is involved in a number of biotechnology companies. He is a co-founder of Biocell Ltd., an Israeli publicly traded holding company specializing in biotechnology companies and has served as its chief executive officer since 1986. Mr. Bronfeld currently serves as a director of Biocell Ltd., Nasvax Ltd., D. Medical Industries Ltd., and Biomedix Incubator Ltd., all of which are public companies traded on the Tel Aviv Stock Exchange. Mr. Bronfeld is also a director of each of the following privately-held companies: Meitav Technological Incubator Ltd., Innovetica Ltd., Ecocycle Israel Ltd., Contipi Ltd., Nilimedix Ltd., G-Sense Ltd., and L.N. Innovative Technologies. Mr. Bronfeld holds a B.A. in Economics from the Hebrew University of Jerusalem.

Amos Bar-Shalev. Mr. Bar-Shalev has served as a director of Protalix Ltd. since 2005. Mr. Bar-Shalev brings to Protalix extensive experience in managing technology companies. Currently Mr. Bar-Shalev is the President of 1andOne Technology, and manages the Technorov portfolio. Until recently he was the Managing Director of TDA Israel, a management company of the TGF (Templeton Tadiran) Fund. Mr. Bar-Shalev was Vice President of Eurofund and a senior analyst at Teuza. He has served on the board of directors of many companies, such as Schema, ScitexVision, MessageVine, Objet, Idanit and ART. Mr. Bar-Shalev holds a B.Sc. in Electrical

Engineering from the Technion, Israel and an M.B.A. from the Tel Aviv University. He holds the highest award from the Israeli Air Force for technological achievements.

***Sharon Toussia-Cohen*.** Mr. Toussia-Cohen has served as a director of Protalix Ltd. since 2004. Mr. Toussia-Cohen is the president, chief executive officer and a director of Marathon Investments, an Israeli publicly-traded company since 2004. During the period from 1996 to 2002, he served as the chief executive officer of the Aleppo Group and also as Managing Director of Israel's Airport City Project. From the years 2002 through 2004, Mr. Toussia-Cohen was a partner and Managing Director of the Tiv Taam Group and from the years 2004 through 2006 he was the chief executive officer and a director of ISRI Investments Ltd. Mr. Toussia-Cohen currently serves on the Board of Directors of Bioview, an Israeli company traded on the Tel Aviv Stock Exchange, and several privately-held companies including Nanomotion, Margan Business Development Ltd., Pegasus, Chromat Ltd., and Yeulit. Mr. Toussia-Cohen is certified in Bank Management by the First International Bank of Israel and at the Republic National Bank of New York. He was also the co-owner and director of a strategic consulting firm in Israel. Mr. Toussia-Cohen holds a Bachelor's degree in Economics and Political Science and an M.B.A. from the Hebrew University in Jerusalem.

***Eyal Sheratzki*.** Mr. Sheratzki has served as a director of Protalix Ltd. since 2005. Mr. Sheratzki has served as a director of Ituran Location & Control, a publicly-traded company quoted on the Nasdaq, since 1995 and as a co-chief executive officer since 2003. Prior to such date, he served as an alternate chief executive officer of Ituran from 2002 through 2003 and as Vice President of Business Development from 1999 through 2002. Mr. Sheratzki also serves as a director of Moked Ituran Ltd. and of Ituran's subsidiaries. From 1994 to 1999 he served as the chief executive officer of Moked Services, Information and Investments Ltd. and as legal advisor to several of Ituran's affiliated companies. Mr. Sheratzki holds LL.B and LL.M degrees from Tel Aviv University School of Law and an Executive M.B.A. degree from Kellogg University.

Pinhas Barel Buchris. Mr. Buchris has served as a director of Protalix since December 2006. Mr. Buchris is currently a Venture Partner at Apax Partners and is a Managing Director of Tamares Capital Ltd., both of which positions he has held since 2002. From 2002 to the present, Mr. Buchris has been engaged, from time to time, as an independent consultant and advisor for several high-tech companies and security-based organizations. From 1974 through 2001, Mr. Buchris served in the Israeli Defense Forces where he achieved the rank of Brigadier General (retired). From 1997 through 2001, he led the Israeli Defense Force's largest technology information gathering unit, the Central Unit of Technology Intelligence. Mr. Buchris currently serves on the Board of Directors of Bezeq the Israeli Telecommunications Corp. Ltd., an Israeli company traded on the Tel Aviv Stock Exchange, and several privately-held companies including Tamares Israel Investments Ltd., Tamares Capital Ltd., Global Medical Networks, and AGN Knafaim Holdings Ltd. Mr. Buchris holds a B.Sc. in Computer Science from the Technion Technology Institute of Haifa, Israel, and an MBA from the Israeli extension of Derby University, United Kingdom. Mr. Buchris has also completed an Executive Finance program and an Advanced Directors program at the Israeli Management Center as well as an Advanced Management program at Harvard University. In 1993, Mr. Buchris was awarded the Israel Defense Prize, one of the most prestigious awards in Israel.

Executive Compensation

The following table sets forth a summary for the fiscal years ended December 31, 2005 and 2004, respectively, of the cash and non-cash compensation awarded, paid or accrued by Protalix Ltd. to our Named Executive Officers. There were no restricted stock awards, long-term incentive plan payouts or other compensation paid during fiscal years 2005 and 2004 by Protalix Ltd. to the Named Executive Officers, except as set forth below. During such periods the Named Executive Officers were not employees of Orthodontix. All currency amounts are expressed in U.S. dollars.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Award(s) ($)	Option Award(s) ($)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compen-sation ($)(1)	Total ($)
David Aviezer, Ph.D., MBA (2)	2005	198,890	75,000	—	272,879	—	—	—	546,769
President and CEO	2004	161,409	20,000	—	147,124	—	—	—	328,533
Yoseph Shaaltiel, Ph.D.	2005	120,855	8,022	—	4,077	—	—	40,283	173,237
Executive Vice President, Research and Development	2004	96,809	—	—	5,302	—	—	32,269	134,380
Einat Brill Almon, Ph.D.	2005	79,818	3,915	—	67,824	—	—	26,605	178,162
Vice President, Product Development	2004	2,316	—	—	—	—	—	772	3,088

(1) Includes employer contributions to pension and/or insurance plans and other miscellaneous payments.

(2) Dr. Aviezer served as Protalix Ltd.'s Chief Executive Officer on a consultancy basis, until September 2006, pursuant to a Consulting Services Agreement between Protalix Ltd. and Agenda Biotechnology Ltd., a company wholly-owned by Dr. Aviezer.

Yossi Maimon joined Protalix Ltd. as Chief Financial Officer on October 15, 2006 and is Protalix Ltd.'s most recently hired senior executive. Although Mr. Maimon is not included in the Summary Compensation Table because he was not an executive officer of Protalix Ltd. during fiscal year 2005, information about his employment agreement is included under "Employment Agreements and Change in Control Arrangements."

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information with respect to the Named Executive Officers concerning equity awards granted by Protalix Ltd. as of December 31, 2005. During such period the Named Executive Officers were not employees of Orthodontix. All share amounts represent ordinary shares of Protalix Ltd. In connection with the merger, the share amounts were subsequently converted into shares of Orthodontix's common stock at a ratio of approximately 61 shares of Orthodontix's common stock for every one ordinary share of Protalix Ltd. No officer of Orthodontix received compensation during the year ended December 31, 2005.

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
David Aviezer, Ph.D.	19,670	6,557	—	7.35	8/1/2013	—	—	—	—
Yoseph Shaaltiel, Ph.D.	4,000	—	—	0.01NIS	6/30/2011	—	—	—	—
Einat Brill Almon, Ph.D.	1,030	3,089	—	24.36	8/1/2013	—	—	—	—

The following table sets forth information with respect to compensation of directors of Protalix during fiscal year 2005. No director of Orthodontix received compensation during fiscal year 2005. All currency amounts are expressed in U.S. dollars.

Name	Fees Earned or Paid in Cash ($)	Stock Award ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Eli Hurvitz (1)	24,549	855,388	—	—	—	—	879,936
Zeev Bronfeld	—	—	—	—	—	—	—
Amos Bar-Shalev	—	—	—	—	—	—	—
Sharon Toussia-Cohen	—	—	—	—	—	—	—
Eyal Sheratzki	—	—	—	—	—	—	—
Alon Dumanis, Ph.D. (2)	—	—	—	—	—	—	—
Phillip Frost, M.D. (3)	—	—	—	—	—	—	—
Jane H. Hsiao, Ph.D., MBA (3)	—	—	—	—	—	—	—

(1) Represents amounts paid to Pontifax Management Company, Ltd. pursuant to a management consulting agreement.

(2) Dr. Dumanis ceased to serve as a director of Protalix Ltd. in December 2006.

(3) Dr. Frost and Dr. Hsiao did not serve as directors of Protalix Ltd. during fiscal year 2005.

Employment Agreements and Change in Control Arrangements

David Aviezer, Ph.D., MBA. Dr. Aviezer originally served as Protalix Ltd.'s Chief Executive Officer on a consultancy basis pursuant to a Consulting Services Agreement between Protalix Ltd. and Agenda Biotechnology Ltd., a company wholly-owned by Dr. Aviezer. On September 11, 2006, Protalix entered into an employment agreement with Dr. Aviezer pursuant to which he agreed to be employed as Protalix Ltd.'s President and Chief Executive Officer, which agreement supersedes the Consultancy Services Agreement. Protalix Ltd. agreed to pay Dr. Aviezer a monthly base salary equal to NIS 80,000 (approximately $19,000) and an annual bonus at the Board's discretion. The monthly salary is subject to cost of living adjustments from time to time. Dr. Aviezer is eligible to receive a substantial bonus in the event of certain public

offerings or acquisition transactions, which bonus shall be at the discretion of the Board and is not payable solely with respect to the merger, and certain specified bonuses in the event Protalix achieves certain specified milestones. In connection with the employment agreement, in addition to other options already held by Dr. Aviezer, Protalix Ltd. granted to Dr. Aviezer options to purchase 16,000 ordinary shares of Protalix Ltd. at an exercise price equal to $59.40 per share, which we assumed as options to purchase 977,297 shares of our common stock at $0.97 per share. Such options vest quarterly retroactively from June 1, 2006, over a four year period. The employment agreement is terminable by either party on 90 days' written notice for any reason and we may terminate the agreement for cause without notice. Dr. Aviezer is entitled to be insured by Protalix Ltd. under a Manager's Policy in lieu of severance, company contributions towards vocational studies, annual recreational allowances, a company car, and a company phone. Dr. Aviezer is entitled to 24 working days of vacation. All stock options that have not vested as of the date of termination shall be deemed to have expired.

Yoseph Shaaltiel, Ph.D. Dr. Shaaltiel founded Protalix Ltd. in 1993 and currently serves as its Executive Vice President, Research and Development. Dr. Shaaltiel entered into an employment agreement with Protalix Ltd. September 1, 2001. Pursuant to the employment agreement, Protalix Ltd. agreed to pay Dr. Shaaltiel a monthly base salary equal to $7,000, subject to annual cost of living adjustments. His current salary is $10,600 per month. The employment agreement is terminable by Protalix Ltd. on 90 days' written notice for any reason and we may terminate the agreement for cause without notice. Dr. Shaaltiel is entitled to be insured by Protalix Ltd. under a Manager's Policy in lieu of severance, company contributions towards vocational studies, annual recreational allowances, a company car, and a company phone. Dr. Shaaltiel is entitled to 24 working days of vacation.

Einat Brill Almon, Ph.D. Dr. Brill Almon joined Protalix Ltd. as its Vice President, Product Development, pursuant to an employment agreement effective on December 19, 2004 by and between Protalix Ltd. and Dr. Brill Almon. Pursuant to the employment agreement, Protalix Ltd. agreed to pay Dr. Brill Almon a monthly base salary equal to NIS 28,000 (approximately $6,575). Her current salary is NIS 35,000 per month (approximately $8,235). The monthly salary is subject to cost of living adjustments from time to time. She is also entitled to certain specified bonuses in the event that Protalix achieves certain specified clinical development milestones within specified timelines. In connection with the employment agreement, Protalix agreed to grant to Dr. Brill Almon options to purchase 7,919 ordinary shares of Protalix Ltd. at exercise prices equal to $24.36 and $59.40 per share, which we assumed as options to purchase 483,701 shares of our common stock at $0.40 and $0.97 per share. The options shall vest over four years. The employment agreement is terminable by either party on 60 days' written notice for any reason and we may terminate the agreement for cause without notice. Dr. Brill Almon is entitled to be insured by Protalix Ltd. under a Manager's Policy in lieu of severance, company contributions towards vocational studies, annual recreational allowances, a company car, and a company phone at up to NIS 1,000 per month. Dr. Brill Almon is entitled to 22 working days of vacation. All stock options that have not vested as of the date of termination shall be deemed to have expired.

Yossi Maimon. Mr. Maimon joined Protalix Ltd. as its Chief Financial Officer on pursuant to an employment agreement effective as of October 15, 2006 by and between Protalix Ltd. and Mr.

Maimon. Pursuant to the employment agreement, Protalix Ltd. agreed to pay Mr. Maimon a monthly base salary equal to NIS 45,000 (approximately $10,600) and an annual discretionary bonus and additional discretionary bonuses in the event Protalix achieves significant financial milestones, subject to the Board's sole discretion. The monthly salary is subject to cost of living adjustments from time to time. In connection with the employment agreement, Protalix agreed to grant to Mr. Maimon options to purchase 10,150 ordinary shares of Protalix Ltd. at an exercise price equal to $59.40 per share, which we assumed as options to purchase 619,972 shares of our common stock at $0.97 per share. The first 25% of such options shall vest on the first anniversary of the grant date and the remainder shall vest quarterly in twelve equal increments. The employment agreement is terminable by either party on 60 days' written notice for any reason and we may terminate the agreement for cause without notice. Mr. Maimon is entitled to be insured by Protalix Ltd. under a Manager's Policy in lieu of severance, company contributions towards vocational studies, annual recreational allowances, a company car, and a company phone. Mr. Maimon is entitled to 24 working days of vacation. All stock options that have not vested as of the date of termination shall be deemed to have expired.

Stock Option Plan

Immediately prior to the closing of the merger, Protalix Ltd. had outstanding options to purchase 88,001 ordinary shares under its employee stock option plan. Pursuant to the terms of Merger Agreement, we assumed all of the outstanding obligations under such plan and, accordingly, we anticipate issuing approximately 5,375,174 shares of our common stock upon the exercise of such options in lieu of shares of Protalix Ltd. under our 2006 Stock Incentive Plan.

Our Board of Directors and a majority of our shareholders approved our 2006 Stock Incentive Plan on December 13, 2006. We have reserved 9,741,655 shares of our common stock for issuance, in the aggregate, under the 2006 Stock Incentive Plan, subject to adjustment for a stock split or any future stock dividend or other similar change in our common stock or our capital structure. No shares of our common stock have been granted under the 2006 Stock Incentive Plan; however, we anticipate issuing options to purchase approximately 5,375,174 shares of common stock under this plan in connection with the merger.

2006 Stock Incentive Plan

Our 2006 Stock Incentive Plan provides for the grant of stock options, restricted stock, restricted stock units, stock appreciation rights and dividend equivalent rights, collectively referred to as "awards." Stock options granted under the 2006 Stock Incentive Plan may be either incentive stock options under the provisions of Section 422 of the Internal Revenue Code, or non-qualified stock options. Incentive stock options may be granted only to employees. Awards other than incentive stock options may be granted to employees, directors and consultants. The 2006 Stock Incentive Plan is also in compliance with the provisions of the Israeli Income Tax Ordinance New Version, 1961 (including as amended pursuant to Amendment 132 thereto) and is intended to enable us to grant awards to grantees who are Israeli residents as follows: (i) awards to employees pursuant to Section 102 of the Tax Ordinance (definition refers only to employees, office holders and directors of our company or a related entity excluding those who are considered "Controlling Shareholders" pursuant to the Tax Ordinance); and (ii) awards to non-employees pursuant to Section 3(I) of the Tax Ordinance. In accordance with the terms and

conditions imposed by the Tax Ordinance, grantees who receive awards under the 2006 Stock Incentive Plan may be afforded certain tax benefits in Israel as described below.

Our Board of Directors or the compensation committee, referred to as the "plan administrator," will administer our 2006 Stock Incentive Plan, including selecting the grantees, determining the number of shares to be subject to each award, determining the exercise or purchase price of each award, and determining the vesting and exercise periods of each award.

The exercise price of stock options granted under the 2006 Stock Incentive Plan must be equal to at least 100% of the fair market value of our common stock on the date of grant; however, in certain circumstances, grants may be made at a lower price to Israeli grantees who are residents of the State of Israel. If, however, incentive stock options are granted to an employee who owns stock possessing more than 10% of the voting power of all classes of our stock or the stock of any parent or subsidiary of our company, the exercise price of any incentive stock option granted must equal at least 110% of the fair market value on the grant date and the maximum term of these incentive stock options must not exceed five years. The maximum term of all other awards must not exceed 10 years. The plan administrator will determine the exercise or purchase price (if any) of all other awards granted under the 2006 Stock Incentive Plan.

Under the 2006 Stock Incentive Plan, incentive stock options and options to Israeli grantees may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised during the lifetime of the participant only by the participant. Other awards shall be transferable by will or by the laws of descent or distribution and to the extent and in the manner authorized by the plan administrator by gift or pursuant to a domestic relations order to members of the participant's immediate family. The 2006 Stock Incentive Plan permits the designation of beneficiaries by holders of awards, including incentive stock options.

In the event the service of a participant in the 2006 Stock Incentive Plan is terminated for any reason other than cause, disability or death, the participant may exercise awards that were vested as of the termination date for a period ending upon the earlier of twelve months or the expiration date of the awards unless otherwise determined by the plan administrator.

In the event of a corporate transaction or a change of control, all awards will terminate unless assumed by the successor corporation. Unless otherwise provided in a participant's award agreement, in the event of a corporate transaction for the portion of each award that is assumed or replaced, then such award will automatically become fully vested and exercisable immediately upon termination of a participant's service if the participant is terminated by the successor company or us without cause within twelve months after the corporate transaction. For the portion of each award that is not assumed or replaced, such portion of the award will automatically become fully vested and exercisable immediately prior to the effective date of the corporate transaction so long as the participant's service has not been terminated prior to such date.

In the event of a change in control, except as otherwise provided in a participant's award agreement, following a change in control (other than a change in control that also is a corporate transaction) and upon the termination of a participant's service without cause within twelve

months after a change in control, each award of such participant that is outstanding at such time will automatically become fully vested and exercisable immediately upon the participant's termination.

Under our 2006 Stock Incentive Plan, a corporate transaction is generally defined as:

- a merger or consolidation in which we are not the surviving entity, except for the principal purpose of changing our company's state of incorporation;
- the sale, transfer or other disposition of all or substantially all of our assets;
- the complete liquidation or dissolution of our company;
- any reverse merger in which we are the surviving entity but our shares of common stock outstanding immediately prior to such merger are converted or exchanged by virtue of the merger into other property, whether in the form of securities, cash or otherwise, or in which securities possessing more than forty percent (40%) of the total combined voting power of our outstanding securities are transferred to a person or persons different from those who held such securities immediately prior to such merger; or
- acquisition in a single or series of related transactions by any person or related group of persons of beneficial ownership of securities possessing more than fifty percent (50%) of the total combined voting power of our outstanding securities but excluding any such transaction or series of related transactions that the plan administrator determines not to be a corporate transaction (provided however that the plan administrator shall have no discretion in connection with a corporate transaction for the purchase of all or substantially all of our shares unless the principal purpose of such transaction is changing our company's state of incorporation).

Under our 2006 Stock Incentive Plan, a change of control is defined as:

- the direct or indirect acquisition by any person or related group of persons of beneficial ownership of securities possessing more than fifty percent (50%) of the total combined voting power of our outstanding securities pursuant to a tender or exchange offer made directly to our shareholders and which a majority of the members of our board (who have generally been on our board for at least twelve months) who are not affiliates or associates of the offeror do not recommend shareholders accept the offer, or
- a change in the composition of our board over a period of twelve months or less, such that a majority of our board members ceases, by reason of one or more contested elections for board membership, to be comprised of individuals who were previously directors of our company;

Unless terminated sooner, the 2006 Stock Incentive Plan will automatically terminate in 2016. Our Board of Directors has the authority to amend, suspend or terminate our 2006 Stock Incentive Plan. No amendment, suspension or termination of the 2006 Stock Incentive Plan shall adversely affect any rights under awards already granted to a participant. To the extent

necessary to comply with applicable provisions of federal securities laws, state corporate and securities laws, the Internal Revenue Code, the rules of any applicable stock exchange or national market system, and the rules of any non-U.S. jurisdiction applicable to awards granted to residents therein (including the Tax Ordinance), we shall obtain shareholder approval of any such amendment to the 2006 Stock Incentive Plan in such a manner and to such a degree as required.

Impact of Israeli Tax Law

The awards granted to employees pursuant to Section 102 of the Tax Ordinance under the 2006 Stock Incentive Plan may be designated by us as approved options under the capital gains alternative, or as approved options under the ordinary income tax alternative.

To qualify for these benefits, certain requirements must be met, including registration of the options in the name of a trustee. Each option, and any shares of common stock acquired upon the exercise of the option, must be held by the trustee for a period commencing on the date of grant and deposit into trust with the trustee and ending 24 months thereafter.

Under the terms of the capital gains alternative, we may not deduct expenses pertaining to the options for tax purposes.

Under the 2006 Stock Incentive Plan, we may also grant to employees options pursuant to Section 102(c) of the Tax Ordinance that are not required to be held in trust by a trustee. This alternative, while facilitating immediate exercise of vested options and sale of the underlying shares, will subject the optionee to the marginal income tax rate of up to 50% as well as payments to the National Insurance Institute and health tax on the date of the sale of the shares or options. Under the 2006 Stock Incentive Plan, we may also grant to non-employees options pursuant to Section 3(I) of the Tax Ordinance. Under that section, the income tax on the benefit arising to the optionee upon the exercise of options and the issuance of common stock is generally due at the time of exercise of the options.

These options shall be further subject to the terms of the tax ruling that has been obtained by Protalix Ltd. from the Israeli tax authorities in connection with the merger. Under the tax ruling, the options issued by us in connection with the assumption of Section 102 options previously issued by Protalix Ltd. under the capital gains alternative shall be issued to a trustee, shall be designated under the capital gains alternative and the issuance date of the original options shall be deemed the issuance date for the assumed options for the calculation of the respective holding period.

Compensation of Directors

We intend to pay each non-management director a participation fee of $500 for each regular and special meeting of our board of directors attended and to award each such director stock options granted under Protalix's employee stock option plan. Prior to the merger, Protalix compensated only certain of its directors, which compensation was limited to the granting of options under its Employee Stock Option Plan. Our board of directors will review director compensation annually and adjust it according to then current market conditions and good business practices.

Certain Relationships and Related Transactions, and Director Independence

On March 17, 2005, Protalix entered into a Management Services Agreement with Pontifax Management Company, Ltd. in connection with the purchase of Protalix's Series B Preferred Shares by the Pontifax Funds. Pursuant to the Management Services Agreement, Mr. Hurvitz serves as a member of the Board of Directors of Protalix. Further, Protalix agreed not to designate a permanent chairman of the Board of Directors until Pontifax Management Company chose to nominate Mr. Hurvitz as the Chairman of the Board in 2006. In consideration for Mr. Hurvitz's services, Protalix is required to pay Pontifax Management Company a fee equal to $3,000 per month plus required taxes on such payment. In addition, in connection with the execution of the Management Services Agreement, Protalix issued to Pontifax options to purchase a number of Series B Preferred Shares equal to 3.5% of the then outstanding share capital with an exercise price equal to the par value of the shares. Lastly, upon the appointment of Mr. Hurvitz as Chairman of the Board of Directors, Protalix issued to Pontifax additional warrants for Series B Preferred Shares equal to 3.76% of the then outstanding share capital of Protalix. In connection with the merger, we assumed the Management Services Agreement and all options granted under the Management Services Agreement have been converted into options to purchase 3,384,502 shares of our common stock. Under the terms of the assumed Management Services Agreement, we are obligated only to use our best efforts to nominate Mr. Hurvitz for election to our Board of Directors which remains subject to the review and approval of the Nominating Committee of the Board of Directors and the entire Board of Directors, as applicable.

On September 14, 2006, Protalix entered into a collaboration and licensing agreement with Teva Pharmaceutical Industries Ltd. for the development and manufacturing of two proteins, using its plant cell system. Mr. Hurvitz, the Chairman of Protalix's Board of Directors is the Chairman of Teva's Board of Directors; and Dr. Frost, one of our directors, is the Vice Chairman of Teva's Board of Directors. Pursuant to the agreement, Protalix will collaborate on the research and development of the two proteins utilizing its plant cell expression system. Protalix will grant to Teva an exclusive license to commercialize the developed products in return for royalty and milestone payments payable upon the achievement of certain pre-defined goals. Protalix will retain certain exclusive manufacturing rights with respect to the active pharmaceutical ingredient of the proteins following the first commercial sale of a licensed product under the agreement and other rights thereafter.

Corporate Governance and Independent Directors

Orthodontix currently trades its shares on the National Association of Securities Dealers, Inc.'s, OTC Bulletin Board, or "OTCBB". Accordingly, we are not required to have an audit, compensation or nominating committee. However, we have submitted a listing application to list our shares on the American Stock Exchange under the proposed ticker symbol "PLXB". Although we cannot assure you that we will be successful in listing our shares with the American Stock Exchange, in compliance with the listing requirements of the American Stock Exchange, we have begun operating within a comprehensive plan of corporate governance for the purpose of defining responsibilities, setting high standards of professional and personal conduct and assuring compliance with such responsibilities and standards. We currently regularly monitor developments in the area of corporate governance to ensure we will be in compliance with the

standards and regulations required by the American Stock Exchange. A summary of our corporate governance measures follows:

Independent Directors

- We believe a majority of the members of our Board of Directors are independent from management. When making determinations from time to time regarding independence, the Board of Directors will reference the listing standards adopted by the American Stock Exchange as well as the independence standards set forth in the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated by the SEC under that Act. In particular, our Audit Committee periodically evaluates and reports to the Board of Directors on the independence of each member of the Board. We anticipate our audit committee will analyze whether a director is independent by evaluating, among other factors, the following:

    1. Whether the member of the Board of Directors has any material relationship with us, either directly, or as a partner, shareholder or officer of an organization that has a relationship with us;
    2. Whether the member of the Board of Directors is a current employee of our company or our subsidiaries or was an employee of our company or our subsidiaries within three years preceding the date of determination;
    3. Whether the member of the Board of Directors is, or in the three years preceding the date of determination has been, affiliated with or employed by (i) a present internal or external auditor of our company or any affiliate of such auditor, or (ii) any former internal or external auditor of our company or any affiliate of such auditor, which performed services for us within three years preceding the date of determination;
    4. Whether the member of the Board of Directors is, or in the three years preceding the date of determination has been, part of an interlocking directorate, in which any of our executive officers serve on the compensation committee of another company that concurrently employs the member as an executive officer;
    5. Whether the member of the Board of Directors receives any compensation from us, other than fees or compensation for service as a member of the Board of Directors and any committee of the Board of Directors and reimbursement for reasonable expenses incurred in connection with such service and for reasonable educational expenses associated with Board of Directors or committee membership matters;
    6. Whether an immediate family member of the member of the Board of Directors is a current executive officer of our company or was an

executive officer of our company within three years preceding the date of determination;

7. Whether an immediate family member of the member of the Board of Directors is, or in the three years preceding the date of determination has been, affiliated with or employed in a professional capacity by (i) a present internal or external auditor of ours or any of our affiliates, or (ii) any former internal or external auditor of our company or any affiliate of ours which performed services for us within three years preceding the date of determination; and

8. Whether an immediate family member of the member of the Board of Directors is, or in the three years preceding the date of determination has been, part of an interlocking directorate, in which any of our executive officers serve on the compensation committee of another company that concurrently employs the immediate family member of the member of the Board of Directors as an executive officer.

The above list is not exhaustive and we anticipate that the Audit Committee will consider all other factors which could assist it in its determination that a director will have no material relationship with us that could compromise that director's independence.

Under these standards, our Board of Directors has determined that Dr. Hsiao and Messrs. Bar-Shalev, Toussia-Cohen and Buchris are considered "independent" pursuant to the rules of the American Stock Exchange and Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended. In addition, our Board has determined that at least two of these members of the Board of Directors are able to read and understand fundamental financial statements and have substantial business experience that results in their financial sophistication, qualifying them for membership on any audit committee we form. Our Board of Directors has also determined that Dr. Hsiao and Messrs. Bronfeld, Bar-Shalev, Toussia-Cohen, Sheratzki and Buchris are "independent" pursuant to the rules of the American Stock Exchange.

- Our non-management directors hold formal meetings, separate from management, at least two times per year.
- We have no formal policy regarding attendance by our directors at annual shareholders meetings, although we encourage such attendance and anticipate most of our directors will attend these meetings. Last year all directors attended Protalix's annual shareholder meeting and Orthodontix's annual shareholder meeting.

Audit Committee

- We require that all Audit Committee members possess the required level of financial literacy and at least one member of the Committee meet the current standard of requisite financial management expertise as required by the American Stock Exchange and applicable SEC rules and regulations. Messrs. Toussia-Cohen, Buchris and Bar-Shalev have been appointed by the Board of Directors to serve on the Audit Committee.

- Messrs. Toussia-Cohen and Bar-Shalev qualify as “audit committee financial experts” under the applicable rules of the Securities and Exchange Commission. In making the determination as to these individuals’ status as audit committee financial experts, our board of directors determined they have accounting and related financial management expertise within the meaning of the aforementioned rules, as well as the listing standards of the American Stock Exchange.
- Our Audit Committee operates under a formal charter that governs its duties and conduct.
- All members of the Audit Committee are independent from our executive officers and management.
- Our independent registered public accounting firm reports directly to the Audit Committee.
- Our Audit Committee meets with management and representatives of our registered public accounting firm prior to the filing of officers’ certifications with the SEC to receive information concerning, among other things, effectiveness of the design or operation of our internal controls over financial reporting, as required by section 404 of the Sarbanes-Oxley Act of 2002.
- Our Audit Committee has adopted a Policy for Reporting Questionable Accounting and Auditing Practices and Policy Prohibiting Retaliation against Reporting employees to enable confidential and anonymous reporting of improper activities to the Audit Committee.

Compensation Committee

- Our Compensation Committee operates under a formal charter that governs its duties and conduct.
- All members of the Compensation Committee are independent from our executive officers and management. Messrs. Buchris and Bar-Shalev and Dr. Hsiao have been appointed by the Board of Directors to serve on the Compensation Committee.

Nominating Committee

- Our Nominating Committee operates under a formal charter that governs its duties and conduct.
- All members of the Nominating Committee will be independent from our executive officers and management. Messrs. Toussia-Cohen, Bronfeld and Shervatzki have been appointed by the Board of Directors to serve on the Nominating Committee.

Code of Business Conduct and Ethics

- We have adopted a Code of Business Conduct and Ethics that includes provisions ranging from restrictions on gifts to conflicts of interest. All of our employees and directors are bound by this Code of Business Conduct and Ethics. Violations of our Code of Business Conduct and Ethics may be reported to the Audit Committee.
- The Code of Business Conduct and Ethics includes provisions applicable to all of our employees, including senior financial officers and members of our Board of Directors. We anticipate posting this Code of Business Conduct and Ethics on our website (http://www.Protalix.com/). We intend to post amendments to or waivers from any such Code of Business Conduct and Ethics.

Personal Loans to Executive Officers and Directors

- We currently prohibit extensions of credit in the form of a personal loan to or for our directors and executive officers.

Communications with the Board of Directors

- Anyone who has a concern about our conduct, including accounting, internal accounting controls or audit matters, may communicate directly with the Audit Committee. These communications may be confidential or anonymous, and may be mailed, e-mailed, submitted in writing or reported by phone. All of these concerns will be forwarded to the appropriate directors for their review, and will be simultaneously reviewed and addressed by our Chief Financial Officer in the same way that we address other concerns.

Recent Sales of Unregistered Securities

The below discussion of recent sales of unregistered securities is expressed in ordinary shares of Protalix Ltd. In the Merger, each ordinary share of Protalix Ltd. was converted into approximately 61 shares of Orthodontix's common stock. All currencies are expressed in U.S. dollars.

During the fourth quarter of fiscal year 2006, Protalix Ltd. issued 165,117 of its ordinary shares, and warrants to purchase 57,758 ordinary shares, to a group of private investors in exchange for $15,122,988, in the aggregate.

In December 2005, Protalix Ltd. issued 27,778 of its Series C Preferred Shares, and warrants to purchase 23,428 Series C Preferred Shares, to a group of private investors in exchange for $2,360,632, in the aggregate.

In July 2005, Protalix Ltd. issued 62,486 of its Series C Preferred Shares, and warrants to purchase 52,698 Series C Preferred Shares, to a group of private investors in exchange for $5,309,833, in the aggregate.

In February 2005, Protalix Ltd, issued 16,954 of its Series B Preferred Shares, and warrants to purchase 13,563 Series B Preferred Shares, to a group of private investors in exchange for $1,000,000, in the aggregate. In connection with this issuance, additional warrants to purchase 55,410 Series B Preferred Shares were granted to the investor for no consideration, in lieu of certain management services to be granted to Protalix Ltd. In July 2005 these shares and warrants were converted to Series C Preferred Shares and warrants to purchase Series C Preferred Shares for no additional consideration.

In October 2004, Protalix Ltd. issued 100,523 of its Series B Preferred Shares to a group of private investors in exchange for $3,500,000, in the aggregate.

In the fourth quarter of 2006, all of Protalix's outstanding Preferred Shares were converted into ordinary shares on a one-to-one basis.

We believe that the securities sold in these transactions were exempt from registration under the Securities Act in reliance upon Section 4(2) or Regulation S of the Securities Act.

From November, 2003 through November, 2006, Protalix Ltd. issued options under its Stock Option Plan to approximately 60 employees, consultants, and directors to purchase up to an aggregate total of 126,615 of its ordinary shares under its employee share option plan, of which 88,001 are currently outstanding. (in exchange for which we have assumed options to issue 5,375,174 shares of our common stock). The exercise prices per share ranged from ($0.002) to $59.40. As of December 2006, options to purchase 29,800 shares of Protalix Ltd.'s ordinary shares have been exercised by employees, consultants, and a director of Protalix Ltd. No consideration was paid to Protalix Ltd. by any recipient of any of the foregoing options for the grant of such options. We believe that the securities sold in these transactions were exempt from registration under the Securities Act in reliance upon Rule 701 or Regulation S of the Securities Act.

Indemnification of Directors and Officers

We indemnify our directors and officers to the maximum extent permitted by Florida law for the costs and liabilities of acting or failing to act in an official capacity. We also have purchased insurance in the aggregate amount of $1,000,000 for our directors and officers against all of the costs of such indemnification or against liabilities arising from acts or omissions of the insured person in cases where we may not have power to indemnify the person against such liabilities. Such policy will be in a run-off "tail" coverage phase as of the merger effective date and will covering those individuals who were our officers and directors prior to the merger for a period of six-years after such individual resigned his/her position with our company.

In addition, we have entered into indemnification agreements with each of our executive officers and directors, to provide them with the maximum indemnification allowed under our bylaws and applicable Florida law, including indemnification for all judgments and expenses incurred as the result of any lawsuit in which such person is named as a defendant by reason of being our director, officer or employee, to the extent indemnification is permitted by the laws of

Florida. We believe that the indemnification agreements will enhance our ability to continue to attract and retain qualified individuals to serve as directors and officers.

Protalix Ltd.'s articles of association allow it to exculpate, indemnify, and insure its office holders to the fullest extent permitted by Israeli law. Accordingly, Protalix Ltd. has entered into indemnification agreements with each of its officers and directors undertaking to indemnify them to the fullest extent permitted by law, including with respect to liabilities resulting from the merger. This indemnification is limited to events determined as foreseeable by the Board of Directors based on the activities of Protalix Ltd., and to an amount determined by the Board of Directors as reasonable under the circumstances.

Protalix Ltd. further purchased and maintains directors and officers liability insurance policy coverage in the aggregate amount of $3,000,000. Such policy will be in a run-off phase as of the merger effective date. In addition, we maintain additional directors and officers liability insurance policy coverage in the aggregate amount of $20,000,000.

As of the date of hereof, no claims for directors and officers' liability insurance have been filed under this policy and Protalix Ltd. is not aware of any pending or threatened litigation or proceeding involving any of the directors or officers of Protalix Ltd. in which indemnification is sought.

Under the merger agreement we have undertaken to fulfill and honor in all respects the obligations of Protalix Ltd. pursuant to any indemnification agreements between Protalix Ltd. and its directors in effect immediately prior to the closing of the merger. We further agreed that any provision of Protalix Ltd.'s charter documents in relation to exculpation and indemnification of officers and directors of Protalix Ltd. will not be amended, repealed, or otherwise modified in any manner that would adversely affect the rights thereunder of individuals who, immediately prior to the closing of the merger, were directors, officers, employees or agents of Company, unless such modification is required by any applicable law.

Under Israeli law, an Israeli company may not exculpate an office holder from liability for a breach of the duty of loyalty of the office holder. An Israeli company may exculpate an office holder in advance from liability to the company, in whole or in part, for a breach of duty of care (other than in the event that such liability arises out of a prohibited dividend or distribution) but only if a provision authorizing such exculpation is inserted in its articles of association. Protalix Ltd.'s articles of association include such a provision.

An Israeli company may indemnify an office holder in respect of certain liabilities either in advance of an event or following an event provided a provision authorizing such indemnification is inserted in its articles of association. Protalix Ltd.'s articles of association contain such an authorization. An undertaking provided in advance by an Israeli company to indemnify an office holder with respect to a financial liability imposed on or incurred by him or her in favor of another person pursuant to a judgment, settlement or arbitrator's award approved by a court 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 events and amount or criteria. In addition, a company may indemnify an office holder against the following liabilities incurred for acts performed as an office holder:

- 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, such as a criminal penalty, 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; and
- 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 a crime that does not require proof of criminal intent.

An Israeli company may insure an office holder against the following liabilities incurred for acts performed as an office holder:

- a breach of duty of loyalty to the company, to the extent that the office holder acted in good faith and had a reasonable basis to believe that the act would not be detrimental to the interests of the company;
- a breach of duty of care to the company or to a third party; and
- a financial liability imposed on the office holder in favor of a third party in respect of an act performed in his or her capacity as an office holder.

An Israeli company may not indemnify or insure an office holder against any of the following:

- a breach of duty of loyalty, except to the extent that the office holder acted in good faith and had a reasonable basis to believe that the act would not be detrimental to the interests of the company;
- a grossly negligent or intentional violation of an office holder's duty of care;
- an act or omission committed with intent to derive illegal personal benefit; or
- a fine levied against the office holder.

Under the Israeli law, exculpation, indemnification, and insurance of office holders must be approved by the board of directors of Protalix Ltd. and, in respect of directors of Protalix Ltd., by us as the sole shareholder of Protalix Ltd.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, or the Securities Act, may be permitted to our directors and officers pursuant to the foregoing provisions, or otherwise, we have been advised that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable.

Items 3.02. Unregistered Sales of Equity Securities.

The disclosure set forth in Item 2.01 to this Current Report is incorporated into this item by reference.

Item. 5.01. Changes in Control of Registrant.

The disclosure set forth in Item 2.01 to this Current Report is incorporated into this item by reference.

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

The disclosure set forth in Item 2.01 to this Current Report is incorporated into this item by reference.

Prior to the closing of the merger, our board of directors was composed of Glenn L. Halpryn, Curtis Lockshin, Alan J. Weisberg and Noah M. Silver. At the closing of the merger, in accordance with our by-laws for filling newly-created board vacancies, these directors appointed Mr. Eli Hurvitz, Dr. Yoseph Shaaltiel, Mr. Zeev Bronfeld, Mr. Eyal Sheratzky, Mr. Amos Bar-Shalev, Mr. Sharon Toussia-Cohen, Mr. Pinhas Barel Buchris, Dr. Phillip Frost, Dr. Jane Hsiao and Dr. David Aviezer, all of whom are directors of Protalix Ltd., to our board of directors, and the former directors resigned. All directors hold office until the next annual meeting of shareholders and the election and qualification of their successors.

Prior to the closing of the merger, Glenn L. Halpryn was our President, Secretary, and Chief Executive Officer, and Alan J. Weisberg was our Acting Chief Financial and Accounting Officer. Mr. Halpryn and Mr. Weisberg resigned from all of the offices that they held effective as of the closing of the merger.

At the closing of the merger, our board of directors appointed the following persons to serve in the offices set forth immediately after their names: Dr. David Aviezer, President and Chief Executive Officer and Mr. Yossi Maimon, CPA, Vice President, Chief Financial Officer, Treasurer and Secretary. Officers serve at the discretion of our board of directors.

Item 5.06. Change in Shell Company Status.

The disclosure set forth in Item 2.01 to this Current Report is incorporated into this item by reference. As a result of the completion of the merger, we believe we are no longer a Shell

Company as that term is defined in Rule 405 of the Securities Act and Rule 126-2 of the Exchange Act.

Item 9.01. Financial Statements and Exhibits.

(a) Financial statements of business acquired.

(b) Pro forma financial information.

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The amounts are stated in U.S. dollars ($)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and shareholders of

PROTALIX LTD.

(A development stage company)

We have audited the accompanying balance sheets of Protalix Ltd. (a development stage company) (hereafter — the "Company") as of December 31, 2004 and 2005, and the related statements of operations, changes in shareholder's equity and cash flows for each of the three years in the period ended December 31, 2005 and for the period from December 27, 1993 (date of Company's incorporation) through December 31, 2005. These financial statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Company's Board of Directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the Company as of December 31, 2004 and 2005, and the results of its operations, changes in shareholder's equity and cash flows for each of the three years in the period ended December 31, 2005 and for the period from December 27, 1993 (date of incorporation) through December 31, 2005, in conformity with accounting principles generally accepted in the United States.

/s/Kesselman & Kesselman
Kesselman & Kesselman
Certified Public Accountant (Isr.)
A member of PricewaterhouseCoopers
International Limited

Tel-Aviv, Israel
December 27, 2006

PROTALIX LTD.

(A development stage company)

BALANCE SHEETS
(U.S. dollars in thousands)

	December 31, 2004	December 31, 2005	September 30, 2006 (Unaudited)
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$ 1,477	$ 4,741	$ 15,621
Accounts receivable	666	254	833
Total current assets	2,143	4,995	16,454
FUNDS IN RESPECT OF EMPLOYEE RIGHTS UPON RETIREMENT	132	195	268
PROPERTY AND EQUIPMENT, NET	1,680	2,035	2,285
Total assets	$ 3,955	$ 7,225	$ 19,007

	December 31, 2004	December 31, 2005	September 30, 2006 (Unaudited)
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable and accruals:			
Trade	$ 591	$ 426	$ 757
Other	655	419	544
Total current liabilities	1,246	845	1,301
LONG-TERM LIABILITIES:			
Loan	1,028		
Liability for employee rights upon retirement	206	285	388
Total long-term liabilities	1,234	285	388
COMMITMENTS			
Total liabilities	2,480	1,130	1,689
SHAREHOLDERS' EQUITY:			
Convertible preferred shares of NIS 0.01 par value:			
Authorized — as of December 31, 2004 and 2005 - 390,486 and 773,532 shares, respectively and no shares as of September 30, 2006 (unaudited);			
Issued and outstanding — as of December 31, 2004 and 2005 - 291,009 and 398,227, respectively, and no shares as of September 30, 2006 (unaudited)	1	1	
Ordinary Shares of NIS 0.01 par value:			
Authorized — as of December 31, 2004 and 2005 and September 30, 2006 (unaudited), 1,899,514, 1,516,468 and 2,290,000 shares respectively;			
Issued and outstanding — as of December 31, 2004 and 2005 and September 30, 2006 (unaudited); 307,813, 307,813 and 870,661 shares, respectively	1	1	2
Additional paid-in capital	6,849	16,188	32,985
Warrants		1,027	1,379
Deficit accumulated during the development stage	(5,376)	(11,122)	(17,048)
Total shareholders' equity	1,475	6,095	17,318
Total liabilities and shareholders' equity	$ 3,955	$ 7,225	$ 19,007

The accompanying notes are an integral part of the financial statements.

(Continued — 1)

PROTALIX LTD.

(A development stage company)
STATEMENTS OF OPERATIONS
(U.S. dollars in thousands, except shares and per share amounts)

	Year ended December 31,			Period from December 27, 1993* through December 31, 2005	Nine months ended September 30,		Period from December 27, 1993* through September 30, 2006
	2003	2004	2005		2005	2006	
					(Unaudited)		(Unaudited)
REVENUES	$ 250	$ 430	$ 150	$ 830	$ 150		$ 830
COST OF REVENUES	51	120	35	206	35		206
GROSS PROFIT	199	310	115	624	115		624
RESEARCH AND DEVELOPMENT EXPENSES -	668	2,493	4,708	10,664	3,215	$ 4,759	15,423
less — grants	(429)	(573)	(935)	(3,365)	(787)	(1,510)	(4,875)
	239	1,920	3,773	7,299	2,428	3,249	10,548
GENERAL AND ADMINISTRATIVE EXPENSES	603	807	2,131	4,471	1,541	2,787	7,258
OPERATING LOSS	643	2,417	5,789	11,146	3,854	6,036	17,182
FINANCIAL EXPENSES (INCOME) — NET	3	4	(43)	(24)	(38)	(73)	(97)
NET LOSS BEFORE CHANGE IN ACCOUNTING PRINCIPLE	646	2,421	5,746	11,122	3,816	5,963	17,085
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE						(37)	(37)
NET LOSS FOR THE PERIOD	$ 646	$ 2,421	$ 5,746	$ 11,122	$ 3,816	$ 5,926	$ 17,048

(Continued — 1)

PROTALIX LTD.

(A development stage company)

STATEMENTS OF OPERATIONS
(U.S. dollars in thousands, except share and per share amounts)

	Year ended December 31,			Nine months ended September 30,	
	2003	2004	2005	2005	2006
				(Unaudited)	
NET LOSS PER ORDINARY SHARE — BASIC:					
Prior to cumulative effect of change in accounting principle	$ 2.10	$ 7.86	$ 18.67	$ 12.40	$ 17.27
Cumulative effect of change in accounting principle					$ (0.11)
	$ 2.10	$ 7.86	$ 18.67	$ 12.40	$ 17.16
NET LOSS PER ORDINARY SHARE — DILUTED:					
Prior to cumulative effect of change in accounting principle	$ 2.10	$ 7.86	$ 18.67	$ 12.40	$ 17.27
Cumulative effect of change in accounting principle					$ (0.11)
	$ 2.10	$ 7.86	$ 18.67	$ 12.40	$ 17.16
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES USED IN COMPUTING LOSS PER ORDINARY SHARE:					
Basic	307,813	307,813	307,813	307,813	345,364
Diluted	307,813	307,813	307,813	307,813	345,364

* Incorporation date, see Note 1a.

The accompanying notes are an integral part of the financial statements.

PROTALIX LTD.
(A development stage company)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(U.S. dollars in thousands)

	Ordinary shares	Convertible preferred shares	Ordinary shares	Convertible preferred shares	Warrants	Additional paid in capital	Deficit accumulated during development stage	Total
	Number of shares		Amount					
Beginning balance — December 27, 1993*								
Changes during the period from December 27, 1993 through December 31, 2002:								
Ordinary and convertible preferred A shares issued for cash (net of issuance costs of $124)	307,813	190,486	$ 1	**	—	$ 2,305	—	$ 2,306
Share based compensation	—	—	—	—	—	109	—	109
Net Loss	—	—	—	—	—	—	$ (2,309)	(2,309)
Balance at December 31, 2002	307,813	190,486	1	—	—	2,414	(2,309)	106
Changes during 2003:								
Additional consideration for Convertible A preferred shares (net of issuance costs of $38)	—	—	—	—	—	612	—	612
Share based compensation	—	—	—	—	—	222	—	222
Net Loss	—	—	—	—	—	—	(646)	(646)
Balance at December 31, 2003	307,813	190,486	1	—	—	3,248	(2,955)	294
Changes during 2004:								
Convertible preferred B shares issued for cash (net of issuance costs of $216)	—	100,523	—	1	—	3,283	—	3,284
Share based compensation	—	—	—	—	—	318	—	318
Net Loss	—	—	—	—	—	—	(2,421)	(2,421)
Balance at December 31, 2004	307,813	291,009	1	1	—	6,849	(5,376)	1,475
Changes during 2005:								
Convertible preferred B and C shares and warrants issued for cash (net of issuance costs of $192)	—	107,218	—	**	$ 1,027	7,452	—	8,479
Share based compensation	—	—	—	—	—	1,887	—	1,887
Net Loss	—	—	—	—	—	—	(5,746)	(5,746)
Balance at December 31, 2005	307,813	398,227	1	1	1,027	16,188	(11,122)	6,095
Changes during the nine month period ended September 30, 2006 (unaudited):								
Ordinary shares and warrants issued for cash (net of issuance costs of $139)	163,774	—	—	**	352	14,509	—	14,861
Exercise of options granted to non—employees	—	847	—	**	—	30	—	30
Share based compensation	—	—	—	—	—	2,295	—	2,295
Conversion of convertible preferred shares into ordinary shares, see Note 6b	399,074	(399,074)	1	(1)	—	—	—	—
Net Loss	—	—	—	—	—	—	(5,963)	(5,963)
Change in accounting principle	—	—	—	—	—	(37)	37	—
Balance at September 30, 2006 (unaudited)	870,661	—	$ 2	—	$ 1,379	$ 32,985	$ (17,048)	$ 17,318

* Incorporation date, see Note 1a.

** Represents an amount less than $1.

The accompanying notes are an integral part of the financial statements.

(Continued — 1)

PROTALIX LTD.
(A development stage company)
STATEMENTS OF CASH FLOWS
(U.S. dollars in thousands)

	Year ended December 31,			Period from December 27, 1993* through December 31, 2005	Nine months ended September 30,		Period from December 27, 1993* through September 30, 2006
	2003	2004	2005		2005 (Unaudited)	2006 (Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:							
Net Loss	$ (646)	$ (2,421)	$ (5,746)	$ (11,122)	$ (3,816)	$ (5,926)	$ (17,048)
Adjustments required to reconcile net loss to net cash used in operating activities							
Income and expenses not involving cash							
Cumulative effect of change in accounting principle	—	—	—	—	—	(37)	(37)
Share based compensation	222	297	1,887	2,515	1,337	2,295	4,810
Depreciation	62	123	311	678	226	314	992
Interest in respect of loan	2	26	(28)	—	19	—	—
Changes in accrued liability for employee rights upon retirement	45	67	79	285	52	103	388
Loss (gain) on amounts funded in respect of employee rights upon retirement		2	(4)	(40)	—	5	(35)
Changes in operating assets and liabilities:							
Decrease (increase) in accounts receivable	43	(534)	412	(254)	174	(579)	(833)
Increase (decrease) in accounts payable and accrual	(113)	691	(117)	804	(243)	523	1,327
Net cash used in operating activities	$ (385)	$ (1,749)	$ (3,206)	$ (7,134)	$ (2,251)	$ (3,302)	$ (10,436)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Purchase of property and equipment	(184)	(1,291)	(844)	(2,645)	(664)	(639)	(3,284)
Investment grant received in respect of fixed assets	—	—	—	38	—	—	38
Amount funded in respect of employee rights upon retirement	(42)	(48)	(83)	(295)	(46)	(85)	(380)
Amount paid in respect of employee rights upon retirement	—	3	24	140	2	7	147
Net cash used in investing activities	$ (226)	$ (1,336)	$ (903)	$ (2,762)	$ (708)	$ (717)	$ (3,479)

(Continued — 2)

PROTALIX LTD.
(A development stage company)

STATEMENTS OF CASH FLOWS
(U.S. dollars in thousands)

	Year ended December 31,			Period from December 27, 1993 through December 31,	Nine months ended September 30,		Period from December 27, 1993 through September 30,
	2003	2004	2005	2005	2005 (Unaudited)	2006 (Unaudited)	2006 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES:							
Loan and convertible bridge loan received	$ 1,000	$ 800	—	$ 2,145	—	—	$ 2,145
Repayment of loan	—	—	$ (1,000)	(1,000)	—	—	(1,000)
Issuance of shares and warrants	612	2,546	8,373	13,492	$ 6,039	$ 14,869	28,361
Exercise of options	—	—	—	—	—	30	30
Net increase (decrease) in short-term bank credit	45	(45)	—	—	—	—	—
Net cash provided by financing activities	1,657	3,301	7,373	14,637	6,039	14,899	29,536
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,046	216	3,264	4,741	3,080	10,880	15,621
BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	215	1,261	1,477	—	1,477	4,741	—
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 1,261	$ 1,477	$ 4,741	$ 4,741	$ 4,557	$ 15,621	$ 15,621

PROTALIX LTD.
(A development stage company)
STATEMENTS OF CASH FLOWS
(U.S. dollars in thousands)

	Year ended December 31,			Period from December 27, 1993* through December 31, 2005	Nine months ended September 30,		Period from December 27, 1993* through September 30, 2006
	2003	2004	2005		2005 (Unaudited)	2006 (Unaudited)	(Unaudited)
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION:							
CASH PAID DURING THE YEAR FOR -							
interest	$ 2	$ 2	$ 65	$ 80	$ 1	**	$ 80
Supplementary information on investing and financing activities not involving cash flows:							
Conversion of convertible bridge loan into shares		800		1,145			1,145
Purchase of property and equipment	$ 15	284	$ 106	106	92	31	31
Issuance cost setoff against accounts and accruals — other		121	15	15	30	23	23
Consultants' and director credit balance converted into shares		80		80			80
Issuance cost paid by a grant of options		$ 21		$ 21			21
Conversion of convertible preferred shares into ordinary shares						$ 13,651	$ 13,651

* Incorporation date, see Note 1a.

** Represents an amount less than $1.

The accompanying notes are an integral part of the financial statements.

PROTALIX LTD.
(A development stage company)
NOTES TO FINANCIAL STATEMENTS
U.S. dollars in thousands

NOTE 1 — SIGNIFICANT ACCOUNTING POLICIES:

a. Operation.

Protalix Ltd. (the "Company") was incorporated on December 27, 1993 under the laws of the State of Israel, and, since its inception, has been engaged in the biotechnology field and more recently in the development of protein based medicines in particular, using genetically engineered plant-based cultures. The Company's business is located in Carmiel, Israel.

The Company is engaged in research and development in the biotechnology field developing plant-derived human proteins, with its main product, prGCD, being a plant-derived protein used as a treatment for Gaucher Disease. The Company has completed Phase I of a clinical study on prGCD, is exempt from Phase II, and expects to initiate a pivotal Phase III clinical trial in 2007.

During the years 2003 to 2005, the Company was a party to a research and development services contract with a pharmaceutical company pursuant to which the Company agreed to provide certain research and development services. The Company earned total revenues of $830 throughout the duration of the contract in consideration for the performance of such services. The contract expired in the first quarter of 2005, and since that time, the Company has not provided any further research and development services for third parties. The Company's plan of operations is to commercialize the results of its research and development efforts, not to provide research and development services.

The Company has been in the development stage since its inception. The Company's successful completion of its development program and its transition to profitable operations is dependent upon obtaining necessary regulatory approvals from the United States Food and Drug Administration ("FDA") prior to selling its products within the U.S., and foreign regulatory approvals must be obtained to sell its products internationally. There can be no assurance that the Company's products will receive regulatory approvals, and a substantial amount of time may pass before the Company achieves a level of sales adequate to support the Company's operations, if at all. The Company will also incur substantial expenditures in connection with the regulatory approval process and it will need to raise additional capital during the developmental period. Obtaining marketing approval will be directly dependent on the Company's ability to implement the necessary regulatory steps required to obtain marketing approval in the U. S. and other countries and the success of the Company's clinical trials. The Company cannot predict the outcome of these activities.

The Company currently does not have sufficient resources to complete the commercialization of any of its proposed products. Based on its current cash resources and commitments, the Company believes it should be able to maintain its current planned development activities and the corresponding level of expenditures for at least the next 12 months, although no assurance can be given that it will not need additional cash prior to such time. Unexpected increases in general and administrative expenses and research and development expenses may cause the Company to seek additional financing during the next 12 months.

PROTALIX LTD.
(A development stage company)
NOTES TO FINANCIAL STATEMENTS
U.S. dollars in thousands

NOTE 1 — SIGNIFICANT ACCOUNTING POLICIES (continued)**:**

On August 21, 2006, the Company entered into a merger agreement (the "Merger Agreement") with Orthodontix, Inc., a publicly-held shell company ("Orthodontix"). Dr. Frost, a controlling shareholder of Orthodontix, and other additional investors (the "Frost Group") were the principal investors in a private offering of the Company's ordinary shares which closed on September 14, 2006. See Note 6h.

Under the terms of the Merger Agreement, the shareholders of Protalix will own in excess of 99% of the outstanding capital stock of Orthodontix. The merger is subject to customary covenants and several additional conditions to closing. See Note 10e for information regarding the tax ruling issued by the Israeli tax authorities in connection with the proposed merger.

The merger will be accounted for as a reverse acquisition and a recapitalization.

b. Basis of presentation

The financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP") and Statement of Financial Accounting Standards ("SFAS") No. 7 "Accounting and Reporting by Development Stage Enterprises". The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The financial statements and these notes to the financial statements are expressed in U.S. dollars ("$" or "dollar"), in thousands, except for the per share amounts.

c. Functional currency

The currency of the primary economic environment in which the operations of the Company are conducted is the dollar. The Company is currently in the development stage with no significant source of revenues, therefore the Company considered the currency of the primary economic environment to be the currency in which the Company expended cash. Most of the Company's expenses and capital expenditures are incurred in dollars, and a significant source of the Company's financing has been provided in U.S. dollars.

Since the dollar is the functional currency, monetary items maintained in currencies other than the dollar are remeasured using the rate of exchange in effect at the balance sheet dates and non-monetary items are remeasured at historical exchange rates. Revenue and expense items are remeasured at the average rate of exchange in effect during the period in which they occur. Foreign currency translation gains or losses are recognized in the statement of operations.

PROTALIX LTD.
(A development stage company)
NOTES TO FINANCIAL STATEMENTS
U.S. dollars in thousands

NOTE 1 — SIGNIFICANT ACCOUNTING POLICIES (continued)**:**

d. Unaudited Interim Results

The accompanying balance sheet as of September 30, 2006, the statements of operations and cash flows for the nine months ended September 30, 2006 and 2005, and the statement of changes in shareholders' equity for the nine months ended September 30, 2006 are unaudited.

The unaudited interim financial statements have been prepared on the same basis as the annual financial statements except for the first time application of SFAS No. 123(R) "Share-Based Payments" ("SFAS 123(R)") as of January 1, 2006 and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company's financial position as of September 30, 2006 and the results of operations and cash flows for the nine months ended September 30, 2006 and 2005.

The financial data and other information disclosed in these notes to the financial statements related to such nine month periods are unaudited. The results for the nine months ended September 30, 2006 are not necessarily indicative of the results to be expected for the year ending December 31, 2006 or for any other interim period or for any future year.

e. Cash equivalents

The Company considers all short term, highly liquid investments, which include short-term deposits with original maturities of three months or less from the date of purchase, that are not restricted as to withdrawal or use and are readily convertible to known amounts of cash, to be cash equivalents.

f. Property and equipment:

1) Property and equipment are stated at cost, net of accumulated depreciation and amortization.

2) The assets are depreciated by the straight-line method, on basis of their estimated useful lives at the following annual rates:

	%
Laboratory equipment	20
Furniture	7 — 10
Computer equipment	33

Leasehold improvements are amortized by the straight-line method over the term of the lease, plus optional renewals period that is expected to be used, which are generally shorter than the estimated useful life of the improvements.

PROTALIX LTD.
(A development stage company)
NOTES TO FINANCIAL STATEMENTS
U.S. dollars in thousands

NOTE 1 — SIGNIFICANT ACCOUNTING POLICIES (continued)**:**

g. Impairment of Long-Lived Assets

SFAS No. 144 “Accounting for the Impairment or Disposal of Long-Lived Assets” (“SFAS 144”), requires that long-lived assets, including definite life intangible assets to be held and used or disposed of by an entity, be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Under SFAS 144, if the sum of the expected future cash flows (undiscounted and without interest charges) of the long-lived assets is less than the carrying amount, the Company must recognize an impairment loss and write down the assets to their estimated fair values.

h. Deferred income taxes

Deferred taxes are determined utilizing the assets and liabilities method based on the estimated future tax effects of differences between the financial accounting and tax bases of assets and liabilities under the applicable tax laws. Deferred tax balances are computed using the tax rates expected to be in effect when those differences reverse. A valuation allowance in respect of deferred tax assets is provided if, based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The Company has provided a full valuation allowance with respect to its deferred tax assets.

Paragraph 9(f) of SFAS 109 “Accounting for Income Taxes”, prohibits the recognition of deferred tax liabilities or assets that arise from differences between the financial reporting and tax bases of assets and liabilities that are measured from the local currency into dollars using historical exchange rates, and that result from changes in exchange rates or indexing for tax purposes. Consequently, the abovementioned differences were not reflected in the computation of deferred tax assets and liabilities.

i. Revenue Recognition

Revenue generated from research and development services is recognized upon performance of the services and when persuasive evidence of an arrangement exists, the price is fixed or determinable, and collection is reasonably assured.

Revenue from the performance milestone payments in connection with research and development agreements is recognized upon achievement of the milestones as specified in the agreement, provided payment is proportionate to the effort expended as measured by the ratio of costs expended to the total estimated development costs.

j. Research and development costs

Research and development costs are expensed as incurred and consist primarily of personnel, facilities, equipment and supplies for research and development activities. Grants received from the Office of the Chief Scientist of the Ministry of Industry and Trade of Israel and other

PROTALIX LTD.
(A development stage company)
NOTES TO FINANCIAL STATEMENTS
U.S. dollars in thousands

NOTE 1 — SIGNIFICANT ACCOUNTING POLICIES (continued)**:**

research foundations are recognized when the grant becomes receivable, provided there is reasonable assurance that the Company will comply with the conditions attached to the grant and there is reasonable assurance the grant will be received. The grant is deducted from the related research and development expenses as the costs are incurred. See also Note 5(a).

In connection with purchase of assets, amounts assigned to intangible assets to be used in a particular research and development project that has not reached technological feasibility and has no alternative future use, are charged to in-process research and development costs at the purchase date.

k. Comprehensive loss

The Company has no other comprehensive loss components other than loss for the reported periods.

l. Concentration of credit risks

Financial instruments that subject the Company to credit risk consist primarily of cash and cash equivalents in dollars, which are deposited in major financial institutions in Israel.

m. Share-based compensation

Prior to January 1, 2006, the Company accounted for employee share-based compensation under the intrinsic value model in accordance with Accounting Principles Board Opinion No. 25 “Accounting for Stock Issued to Employees” (“APB 25”) and related interpretations. Under APB 25, compensation expense is based on the difference, if any, on the date of the grant of a stock option, between the fair value of the shares underlying the option and the exercise price of the option. In addition, in accordance with SFAS No. 123 “Accounting for Stock-Based Compensation” (“SFAS 123”), which was issued by the Financial Accounting Standards Board (“FASB”), the Company disclosed pro forma data assuming it had accounted for employee share option grants using the fair value-based method defined in SFAS 123.

In December 2004, the FASB issued the SFAS 123R which addresses the accounting for share-based payment transactions in which a company obtains employee services in exchange for (a) equity instruments of a company or (b) liabilities that are based on the fair value of a company’s equity instruments or that may be settled by the issuance of such equity instruments. In March 2005, the Securities and Exchange Commission (“SEC”) issued Staff Accounting Bulletin No. 107 (“SAB 107”) regarding the SEC’s interpretation of SFAS 123R.

SFAS 123R eliminates the ability to account for employee share-based payment transactions using APB 25, and requires instead that such transactions be accounted for using the grant-date fair value based method. SFAS 123R is effective as of the annual reporting period that begins after June 15, 2005. SFAS 123R applies to all awards granted or modified after the effective date

PROTALIX LTD.
(A development stage company)
NOTES TO FINANCIAL STATEMENTS
U.S. dollars in thousands

NOTE 1 — SIGNIFICANT ACCOUNTING POLICIES (continued)**:**

of the standard. In addition, compensation cost for the unvested portion of previously granted awards that remain outstanding on the effective date shall be recognized on or after the effective date, as the related services are rendered, based on the awards' grant-date fair value as previously calculated for the pro forma disclosure under SFAS 123.

The Company adopted SFAS 123R as of January 1, 2006, using the modified prospective application transition method, as permitted by SFAS 123R. Under such transition method, the Company's financial statements for periods prior to the effective date of SFAS 123R have not been restated.

SFAS 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from initial estimates. Stock-based compensation expense was recorded net of estimated forfeitures for the nine months ended September 30, 2006, such that expense was recorded only for those stock-based awards that are expected to vest. Under APB 25, to the extent awards were forfeited prior to vesting, the corresponding previously recognized expense was reversed in the period of forfeiture. Upon adoption of SFAS 123R, for the nine months ended September 30, 2006, the Company recorded a cumulative adjustment to account for the expected forfeitures of stock-based awards granted prior to January 1, 2006, for which the Company previously recorded an expense. The adoption of SFAS 123R resulted in a cumulative benefit from accounting change in the amount of $37 in 2006.

The fair value of stock options granted with service conditions was determined using the Black-Scholes valuation model, which is consistent with the valuation techniques previously utilized by the Company for options in footnote disclosures required under SFAS 123, as amended by SFAS No. 148 "Accounting for Stock-Based Compensation — Transition and Disclosure." Such value is recognized as an expense over the service period, net of estimated forfeitures, using the graded method under SFAS 123R.

The Black-Scholes model takes into account a number of valuation parameters. See also Note 6.

The following table illustrates the pro forma effect on net loss and net loss per ordinary share assuming the Company had applied the fair value recognition provisions of SFAS 123 to its share-based employee compensation:

PROTALIX LTD.
(A development stage company)
NOTES TO FINANCIAL STATEMENTS
U.S. dollars in thousands

NOTE 1 — SIGNIFICANT ACCOUNTING POLICIES (continued)**:**

	Year ended December 31,			Period from December 27, 1993 through December 31, 2005	Nine months ended September 30, 2005 (Unaudited)
	2003	2004	2005		
	(Dollars in thousands, except per share data)				
Net loss as reported	($ 646)	($ 2,421)	($ 5,746)	($ 11,122)	($ 3,816)
Add: share based employee Compensation expense included in the reported net loss	61	149	509	732	350
Deduct: share-based employee compensation expense determined under fair value method	(67)	(170)	(539)	(788)	(370)
Pro forma net loss	($ 652)	($ 2,442)	($ 5,776)	($ 11,178)	($ 3,836)
Net loss per ordinary share:					
Basic — as reported	($ 2.10)	($ 7.86)	($ 18.67)		($ 12.40)
Basic — pro forma	($ 2.12)	($ 7.93)	($ 18.76)		($ 12.46)
Diluted — as reported	($ 2.10)	($ 7.86)	($ 18.67)		($ 12.40)
Diluted — pro forma	($ 2.12)	($ 7.93)	($ 18.76)		($ 12.46)

The fair value of options granted to employees during fiscal years 2005, 2004 and 2003 was $939, $0, and $389, respectively. The Company estimated the fair value of each option on the date of grant using the Black-Scholes option-pricing model, with the following weighted average assumptions:

	2005	2003
Dividend yield	0%	0%
Expected volatility	54%	59%
Risk-free interest rate	3.83%	3.28%
Expected life – in years	5.7	6.0

When stock options are granted as consideration for services provided by consultants and other non-employees, the transaction is accounted for based on the fair value of the consideration received or the fair value of the stock options issued, whichever is more reliably measurable, pursuant to the guidance in EITF 96-18 “Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling Goods or Services”. The fair value of the options granted is recalculated over the related service period and is recognized over the respective service period using the straight-line method.

PROTALIX LTD.
(A development stage company)
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NOTE 1 — SIGNIFICANT ACCOUNTING POLICIES (continued)**:**

n. Net Loss per share ("LPS")

Basic and diluted LPS is computed by dividing net loss by the weighted average number of ordinary shares outstanding for each period.

Convertible preferred shares were not taken into account in the computation of the basic LPS since the holders of the convertible preferred shares do not have a contractual obligation to share in the losses of the Company.

Convertible preferred shares, options, and warrants were not included in the computation of diluted LPS because the effect would be anti-dilutive.

The total weighted average number of ordinary shares related to the convertible preferred shares has been excluded from the calculations of diluted loss per share were 190,486, 209,214, and 338,045 for the years 2003, 2004, and 2005, respectively.

o. Accounting Pronouncements

Recently Issued Accounting Pronouncements:

1) In June 2006, the FASB issued FASB Interpretation (FIN) No. 48 "Accounting for Uncertainty in Income Taxes" ("FIN 48"), an interpretation of FASB Statement 109. FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return, including a decision whether to file or not to file in a particular jurisdiction. FIN 48 is effective for fiscal years beginning after December 15, 2006 (January 1, 2007 for the Company). If there are changes in net assets as a result of application of FIN 48, these will be accounted for as an adjustment to retained earnings. The Company is currently assessing the impact of FIN 48 on its financial position and results of operations.

2) In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of SFAS 157 are effective for the fiscal year beginning September 1, 2008. The Company is currently evaluating the impact of the provisions of SFAS 157 on its financial position and results of operations.

3) In September 2006, the SEC released Staff Accounting Bulletin (SAB) No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" ("SAB 108"), which provides interpretive guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment. The Company is required to initially apply SAB 108 during fiscal year 2007. The Company is currently evaluating the impact of the provisions of SAB 108 on its financial position and results of operations.

PROTALIX LTD.
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NOTE 2 — PROPERTY AND EQUIPMENT:

a. Composition of property and equipment grouped by major classifications, and changes, is as follows:

	December 31,	
	2004	2005
	In thousands	
Laboratory equipment	$ 766	$ 1,039
Furniture and computer equipment	90	129
Leasehold improvements	988	1,342
	1,844	2,510
Less – accumulated depreciation and amortization	(164)	(475)
	$ 1,680	$ 2,035

b. Depreciation and amortization in respect of property and equipment totaled $62, $123, and $311, for the years ended December 2003, 2004, and 2005, respectively.

NOTE 3 — LOANS:

a. In connection with a research and development services arrangement entered into with a third party, as discussed in Note 1a, the Company issued a debenture to the same third party with a face amount equal to $1,000. The debenture bore interest at the annual rate of EURIBOR plus 0.75%, and matured on March 31, 2004. In the event of default upon the maturity of the loan, the debenture was convertible into 127,690 convertible preferred A shares of the Company. However, the debenture was not convertible at the third party's option at any time prior to an event of default. The maturity date of the debenture was March 31, 2004, which was subsequently extended to December 31, 2004, and later to January, 2006. In December 2005, the Company paid the loan in full.

b. **Bridge loan**

In 2004, the Company signed a convertible bridge loan agreement with a shareholder of the Company, with a principal amount of $800. The loan bore interest at an annual rate of LIBOR plus 1%. The loan was convertible into convertible preferred A shares until December 31, 2004 at the same terms and conditions of the first investment transaction by new investors after the date of the loan. In the event that the Company did not close any new investment transaction until December 31, 2004, the convertible bridge loan was convertible into convertible preferred A shares upon terms and conditions that were to be settled on that date. In October 2004, the Company entered into a share purchase agreement with new investors and the convertible bridge loan was converted into convertible preferred B shares. See Note 6d.

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NOTE 4 — LIABILITY FOR EMPLOYEE RIGHTS UPON RETIREMENT

Israeli labor laws and agreements require severance payments upon dismissal of an employee or upon termination of employment in other circumstances. The severance pay liability of the Company, which reflects the undiscounted amount of the liability as if it were payable at each balance sheet date, is calculated based upon length of service and the latest monthly salary (one month's salary for each year worked). The Company's liability for severance pay required by Israeli law is covered by the purchase of insurance policies in the employees' names, by deposits with financial institutions, and by accrual. The accrued severance pay liability is presented as a long-term liability. The amounts funded are presented separately as employee rights upon retirement funded.

The Company contributed in fiscal years 2003, 2004, and 2005 to the insurance companies, in respect to its severance obligations to employees, $42, $48, and $83, respectively.

The Company expects to contribute $128 to insurance companies for the year ended December 31, 2006 (includes $85 contributed in the nine months ended September 30, 2006), in respect to its severance obligations to employees.

Severance expenses totaled $45, $72, and $104 for the fiscal years ended December 31, 2003, 2004, and 2005, respectively.

Loss (gain) on employee severance pay funds in respect of employee severance obligations totaled $0, $2, and $(4) for the fiscal years ended December 31, 2003, 2004, and 2005, respectively.

During the 10-year period following September 30, 2006, the Company expects to pay future benefits only to one of its employees upon his normal retirement age, which is anticipated to amount to $41 during 2010. This amount was determined based on the employee's current salary rates and the number of service years that will be accumulated upon his retirement date. This expectation does not include additional amounts that might be paid to employees that will cease working with the Company before their normal retirement age.

NOTE 5 — COMMITMENTS:

a. Royalty commitments:

1) The Company is obligated to pay royalties to the Office of the Chief Scientist on proceeds from the sale of products developed from research and development activities for which the Office of the Chief Scientist partially funded by way of grants. At the time the grants were received, successful development of the related projects was not assured.

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NOTE 5 — COMMITMENTS (continued)**:**

In the case of failure of a project that was partly financed as described above, the Company is not obligated to pay any such royalties or repay funding from the Office of the Chief Scientist.

Under the terms of the Company's funding arrangements with the Office of the Chief Scientist, royalties of 3% to 6% are payable on the sale of products developed from projects funded by the Office of the Chief Scientist, which payments shall not exceed, in the aggregate, 100% of the amount of the grant received by the Company (dollar linked), since January 1, 2001, with the addition of an annual interest rate based on LIBOR. In addition, if the Company receives approval to manufacture the products developed with government grants outside of Israel, it will be required to pay an increased total amount of royalties (possibly up to 300% of the grant amounts plus interest), depending on the manufacturing volume that is performed outside of Israel, as well as a possible increased royalty rate.

At December 31, 2005 and September 30, 2006, the maximum royalty amount payable by the Company under these funding arrangements is $3,200 and $4,200, respectively (without interest). However, as of December 31, 2005 and September 30, 2006, no royalty payments are accrued as the Company has not earned any revenues from the sale of products.

2) The Company is obligated under several research and license agreements to pay royalties at variable rates from its future revenues and obligated to pay fees under certain milestone agreements.

b. The Company has entered into sub-contracting agreements with several clinical and pre-clinical service providers, both in Israel and in the U.S., in connection with its primary product development process. As of September 30, 2006, total liabilities under said agreements amount to approximately $1,600.

c. The Company entered into operating lease agreement for its facilities, effective until 2010. The Company has the option to extend the agreement for another five-year period. Under this lease, the monthly rental payment is approximate $9. The future minimum lease payments required in each of the next five years under the operating lease for premises are as follows: 2006 — $108, 2007 — $108, 2008 — $108 and 2009 — $27. Lease expenses totaled $19, $103, and $101 for the fiscal years ended December 31, 2003, 2004, and 2005, respectively.

d. In July 2004, the Company entered into three-year lease agreements in connection with Company vehicles. The monthly lease fees aggregate approximately $5. The expected lease payments for the three months ended December 31, 2006 and for the fiscal years 2007, 2008, and 2009 are $24, $102, $101, and $29, respectively.

e. In March 2005, the Company entered into an agreement with a consultant. Pursuant to the agreement, the Company pays the consultant a monthly consulting fee of $10 which will be increased to $20 upon the initiation of a Phase III study of the Company's lead product candidate, prGCD. To date, the Company has completed Phase I of a clinical study of prGCD. The agreement is for a period ending nine months after the consummation of the study.

PROTALIX LTD.
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NOTE 5 — COMMITMENTS (continued)**:**

f. On September, 14, 2006, the Company entered into a collaboration and licensing agreement with Teva Pharmaceutical Industries Ltd. ("Teva") for the development and manufacturing of two proteins, using its plant cell system. Mr. Hurvitz, the Chairman Board of Directors of the Company is the Chairman of Teva's Board of Directors, and Dr. Frost, one the Company's directors, is the Vice Chairman of Teva's Board of Directors. Pursuant to the agreement, the Company will collaborate on the research and development of the two proteins utilizing its plant cell expression system. The Company will grant to Teva an exclusive license to commercialize the developed products in return for royalty and milestone payments payable upon the achievement of certain pre-defined goals. The Company will retain certain exclusive manufacturing rights with respect to the active pharmaceutical ingredient of the proteins following the first commercial sale of a licensed product under the agreement and other rights thereafter.

NOTE 6 — SHARE CAPITAL:

a. Ordinary Shares

Each ordinary share is entitled to one vote. The holders of ordinary shares are also entitled to receive dividends whenever funds are legally available and when and if declared by the Board of Directors. Since inception, no dividends have been declared. See b below with respect to the conversion of all convertible preferred shares into ordinary shares.

b. Convertible Preferred Shares

The convertible preferred shares conferred the following rights upon their holders:

1) The holders of the convertible preferred shares had the right to convert the convertible preferred shares into ordinary shares on a 1:1 basis

   The conversion price for the preferred C shares was subject to adjustment.

   In certain events, if the Company issued shares at a price per share less than the original price per share of the convertible preferred stock, the conversion price would have been reduced accordingly. In any event, the conversion ratio will not be reduced below the par value of the shares, NIS 0.01.

2) Voting rights in shareholders' meetings.

3) In the event of any liquidation of the Company or in the event of a deemed liquidation (as defined in the applicable share purchase agreement), all assets and/or surplus funds of the Company legally available for distribution to the shareholders by reason of their ownership of shares would have been distributed among the shareholders in accordance with the terms and conditions set forth in the Company's articles of association. In such event, the convertible preferred shareholders would have been entitled to receive in preference to the ordinary shareholders, the return of their investment in addition to a 6% interest rate per annum and certain other adjustments.

PROTALIX LTD.
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NOTE 6 — SHARE CAPITAL (continued)**:**

4) The convertible preferred shares were entitled to receive dividends, on a pro rata, pari passu, as converted basis out of any assets legally available, as and when declared by the Board of Directors.

As of September 11, 2006, all of the preferred shareholders have converted their convertible preferred shares into ordinary shares on a 1:1 basis, thereby waiving any and all right and privileges associated with the convertible preferred shares. In addition, all outstanding warrants and options of the Company are exercisable into ordinary shares.

c. The number of shares options and warrants as of December 31, 2004 and 2005, and September 30, 2006 (unaudited) is composed as follows:

	Number of shares					
	Authorized			Issued		
	September 30, 2006 (unaudited)	December 31, 2005	December 31, 2004	September 30, 2006 (unaudited)	December 31, 2005	December 31, 2004
Ordinary shares of NIS 0.01 par value	2,290,000	1,516,468	1,899,514	870,661	307,813	307,813
Total Ordinary shares	2,290,000	1,516,468	1,899,514	870,661	307,813	307,813
Preferred A shares of NIS 0.01 par value		190,486	190,486		190,486	190,486
Preferred B shares of NIS 0.01 par value		183,046	200,000		100,523	100,523
Preferred C shares of NIS 0.01 par value		400,000			107,218	
Total convertible preferred shares		773,532	390,486		398,227	291,009

	Number of warrants and options		
	September 30, 2006 (unaudited)	December 31, 2005	December 31, 2004
Ordinary shares of NIS 0.01 par value	341,130	97,954	74,219
Total Ordinary shares	341,130	97,954	74,219
Preferred A shares of NIS 0.01 par value			
Preferred B shares of NIS 0.01 par value		2,967	2,967
Preferred C shares of NIS 0.01 par value		116,399	
Total convertible preferred shares		119,366	2,967

PROTALIX LTD.
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NOTES TO FINANCIAL STATEMENTS (continued)
U.S. dollars in thousands

NOTE 6 — SHARE CAPITAL (continued)**:**

d. In October 2004, the Company entered into a share purchase agreement with shareholders of the Company and other third parties for the issuance of 100,523 convertible preferred B shares for total consideration of approximately $3,300 (net of issuance costs of $216). Pursuant to the agreement, the investors invested $2,700 in exchange for convertible preferred B shares of the Company. In addition, a convertible bridge loan in the amount of $800 from a shareholder of the Company was converted into convertible preferred B shares under the same terms and conditions as the other investors.

e. In February 2005, the Company entered into a share purchase agreement with an investor pursuant to which 16,954 convertible preferred B shares were issued for consideration of $900 (net of issuance costs of $71). In addition to the convertible preferred B shares, the Company also granted to the investor fully detachable warrants, which vested immediately and were exercisable over a period of 24 months. The warrants entitled the investor to purchase an additional 13,563 convertible preferred B shares at a purchase price per share of $95.85.

The Company estimated the fair value of the warrants by using a Black-Scholes option-pricing model to be $82.85. The fair value of the warrants was based on the following assumptions: dividend yield of 0% for all years; expected volatility of 48%; risk-free interest rates of 3.4%; and expected life of two years. For accounting purposes, the proceeds from the sale of the convertible preferred B shares were allocated to the convertible preferred B shares and the warrants on a pro rata basis, based on the relative fair values of the convertible preferred B shares and the warrants. The portion of the proceeds allocated to the warrants has been reflected as warrants.

The convertible preferred B shares and warrants were converted into convertible preferred C shares and warrants on a 1:1 basis in July 2005 together with a subsequent financing as agreed with the investor in the share purchase agreement.

f. In July 2005, the Company entered into a share purchase agreement with shareholders of the Company and third parties, pursuant to which 62,486 convertible preferred C shares were issued for consideration of $5,200 (net of issuance costs of $108).

In addition, each investor received warrants to purchase a number of convertible preferred C shares equal to up to 50% of its original amount of investment, at an exercise price of $100.76 per share (represents in aggregate 26,349 warrants). The first warrant is exercisable from the closing date until 14 business days after the date of commencement of the Company’s Phase III clinical study. In the event an investor exercises more than 50% of its first warrant, such investor shall be granted an option to purchase a number of convertible preferred C shares, with an aggregate exercise price equal to the amount of exercise of such investor’s first warrant, at a price of $100.76 per share. The second warrant shall be exercisable from the date of the exercise of the first warrant for four years.

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NOTES TO FINANCIAL STATEMENTS (continued)
U.S. dollars in thousands

NOTE 6 — SHARE CAPITAL (continued)**:**

The Company estimated the fair value of the warrants using the Black-Scholes option-pricing model to be approximately $686. The fair value of the warrants was based on the following weighted average assumptions: dividend yield of 0% for all years; expected volatility of 45%; risk-free interest rates of 3.6%; and expected life of 1.75 to 2.47 years. For accounting purposes, the proceeds from the sale of the convertible preferred C shares were allocated to the convertible preferred C shares and the warrants on a pro rata basis, based on the relative fair values of the convertible preferred C shares and the warrants. The portion of the proceeds allocated to the warrants has been reflected as warrants.

g. In December 2005, the Company entered into a share purchase agreement with shareholders of the Company and third parties, pursuant to which 27,778 convertible preferred C shares of NIS 0.01 par value each were issued for consideration of $2,300 (net of issuance costs of $12.467).

Pursuant to the share purchase agreement, the investors were entitled to all of the rights and preferences included in the share purchase agreement that was signed in July 2005. See f above.

At the closing date, the Company granted the investors warrants, on the same terms and conditions as mentioned in f above.

The Company estimated the fair value of the warrants using the Black-Scholes option-pricing model to be approximately $279. The fair value of the warrants was based on the following assumptions: dividend yield of 0% for all years; expected volatility of 48%; risk-free interest rates of 4.4%; and expected life of 0.48-1.97 years. For accounting purposes, the proceeds from the sale of the convertible preferred C shares were allocated to the convertible preferred C shares and the warrants on a pro rata basis, based on the relative fair values of the convertible preferred C shares and the warrants. The portion of the proceeds allocated to the warrants has been reflected as warrants.

h. In August 2006, the Company entered into a share purchase agreement with investors pursuant to which 163,774 ordinary shares were issued for consideration of $15,000. In case of a merger as described in Note 1a, those shares shall be converted into shares of Orthodontix so that, together with the shareholders of Orthodontix prior to the merger, the investors shall hold 15% of the issued and outstanding share capital of Orthodontix upon the closing of the merger, calculated on a fully diluted basis immediately after the closing of the merger.

In addition, the Company issued to the investors warrants to purchase an additional 57,691 ordinary shares of the Company, at an exercise price of $91.59 per share. The fair value of the warrants estimated using the Black-Scholes option-pricing model is U.S.$ 356,000. The fair value of the warrants was based on the following assumptions: dividend yield of 0% for all years; expected volatility of 37%; risk-free interest rates of 5%; and expected life of 0.25 years. For accounting purposes, the proceeds from the sale of the ordinary

PROTALIX LTD.
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NOTES TO FINANCIAL STATEMENTS (continued)
U.S. dollars in thousands

NOTE 6 — SHARE CAPITAL (continued)**:**

shares were allocated to the ordinary shares and warrants on a pro rata basis, based on the relative fair values of the ordinary shares and the warrants. The portion of the proceeds allocated to the warrants has been reflected as warrants.

The warrants, to the extent not exercised or expired prior to the closing of the merger, shall be exchangeable into warrants to purchase, in the aggregate, a number of ordinary shares equal to 5% of the shares of Orthodontix calculated on a fully-diluted basis immediately after the closing of the merger. In the event that the warrants are exercised prior to the closing of the merger, the holders of the shares issued in connection therewith shall be entitled to receive a similar number of a similar number of shares of common stock of Orthodontix.

Upon the closing of the merger, the warrants shall be terminated and Orthodontix shall issue new warrants to the investors with an exercise price per share equal to $106.67 divided by the aggregate number of outstanding shares of common stock of Orthodontix, on a fully diluted basis, calculated immediately after the closing, and will expire within one month.

Upon the closing of the merger, Orthodontix will issue to Dr. Frost and/or certain of his associates or affiliated entities that have or will provide services to the merged company options to acquire a number of shares equal to 3.5% of the issued and outstanding shares of common stock of Orthodontix calculated on a fully diluted basis immediately after the closing of the merger. The options shall vest ratably over a period of 2.5 years in connection with future services and are exercisable until the end of 10 years from the date of grant.

i. See Note 10b with respect to the deposit of the consideration in connection with the exercise of warrants.

j. Options to employees and consultants:

1) In June 2000, the Board of Directors approved the grant of options to purchase 5,714 ordinary shares to a consultant in return for consulting services provided. The exercise price is the par value of the shares. According to the option agreement as amended, the options vested immediately and are exercisable from the grant date until the end of 2005.

The Company estimated the fair value of the options on the date of grant using the Black-Scholes option-pricing model to be approximately $35, and was based on the following assumptions: dividend yield of 0%; expected volatility of 50%; risk-free interest rates of 7%; and expected lives of four years.

In June 2005, the Company’s Board of Directors modified the terms of these options by extending the life of the options, until the earlier of an IPO or the end of 2008. At the date of modification all of the options were fully vested.

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NOTES TO FINANCIAL STATEMENTS (continued)
U.S. dollars in thousands

NOTE 6 — SHARE CAPITAL (continued)**:**

Modifications to the terms of an award are treated as an exchange of the original award for a new award, incurring additional compensation cost for that incremental value. The incremental value is measured by the difference between (a) the fair value of the modified option and (b) the value of the old option immediately before its terms are modified. The modification had no effect on the accounting records of the Company.

2) In July 2001, the Company's Board of Directors approved the grant of 4,000 options to an employee, which is also a related party of the Company. Each option may be exercised into one ordinary share at par value. The options vested immediately on the date of grant.

The Company estimated the fair value of the options on the date of grant using the Black-Scholes option-pricing model to be approximately $42 and was based on the following assumptions: dividend yield of 0%; expected volatility of 50%; risk-free interest rates of 5%; and expected lives of eight years.

3) In January 1999, the Company's Board of Directors approved the grant of 6,300 options to the former chairman of the Board of Directors at an exercise price of $6.19 per share. Each option may be exercised into one ordinary share par value. The options are fully vested and exercisable in three equal parts until the end of 2006, 2007, and 2008.

The Company estimated the fair value of the options on the date of grant using a Black-Scholes option-pricing model to be approximately $27 based on the following assumptions: dividend yield of 0%; expected volatility of 50%; risk-free interest rates of 3.5%; and expected lives of six years.

In March 2005, the Company's Board of Directors modified the terms of the options by extending the life of the options, until the earlier of an IPO or the end of 2008. At the date of modification, all of the options were fully vested.

Modification of the terms of an award are treated as an exchange of the original award for a new award, incurring additional compensation cost for that incremental value. The incremental value is measured by the difference between (a) the fair value of the modified option and (b) the value of the old option immediately before its terms are modified. The modification had no effect on the accounting records of the Company.

4) In August 2003, the Company's Board of Directors approved a share option plan pursuant to which up to 60,307 ordinary shares are available for options to be granted to the Company's employees, consultants, directors, and service providers. With regard to employees, office holders, and directors of the Company, the share option plan is subject to the terms stipulated by Section 102 of the Israeli Income

PROTALIX LTD.
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U.S. dollars in thousands

NOTE 6 — SHARE CAPITAL (continued)**:**

Tax Ordinance. For non-employees, the share option plan is subject to Section 3(i) of the Israeli Income Tax Ordinance. In May 2005, the Company's Board of Directors approved the allotment of an additional 59,693 ordinary shares under the share option plan.

Under the share option plan, options were granted as follows:

a) In November 2001, 13,715 options were granted to the former chairman of the Company's Board of Directors, with an exercise price of $10.499 per share. Each option may be exercised into one ordinary share. The options vest as follows:

11,428 options vest over 24 months in equal tranches from the date of grant.

2,287 options vested according to specified performance milestones which were achieved in September 2003.

Each option is exercisable over a three-year period commencing on the applicable vesting date.

The Company estimated the fair value of the options on the date of grant using the Black-Scholes option-pricing model to be approximately $51 based on the following assumptions: dividend yield of 0%; expected volatility of 50%; risk-free interest rates of 2%; and expected lives of three years.

In March 2005, the Company's Board of Directors modified the terms of these options by extending the life of the options, until the earlier of an IPO or the end of 2008. At the date of modification all of the said options were fully vested.

Modifications of the terms of an award are treated as an exchange of the original award for a new award, incurring additional compensation cost for that incremental value. The incremental value amounting to $24 is measured by the difference between (a) the fair value of the modified option and (b) the value of the old option immediately before its terms are modified.

b) In December 2003, the Company issued options to purchase 26,226 ordinary shares to the Chief Executive Officer of the Company, with an exercise price of $7.35 per share. The options vest as follows: 25% within one year from the date of grant, with the remainder vesting in 12 equal quarterly tranches over 36 months. Each option is exercisable over a 10-year period commencing on the vesting date.

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NOTES TO FINANCIAL STATEMENTS (continued)
U.S. dollars in thousands

NOTE 6 — SHARE CAPITAL (continued)**:**

The Company estimated the fair value of the options on the date of grant using the Black-Scholes option-pricing model to be approximately $498, and was based on the following assumptions: dividend yield of 0%; expected volatility of 59.35%; risk-free interest rates of 3.28%; and expected lives of 5.6 years.

c) On December 8, 2003, the Company issued options to purchase 20,366 ordinary shares to employees of the Company at an exercise price of $7.35 per share; 9,987 of the options vested immediately; and 10,379 options vest in four equal yearly tranches commencing in December 2004.

Each option is exercisable over a 10-year period commencing on the vesting date.

The Company estimated the fair value of the options on the date of grant using the Black-Scholes option-pricing model to be approximately $389 and was based on the following weighted average assumptions: dividend yield of 0%; expected volatility of 59%; risk-free interest rates of 3.28%; and expected lives of six years.

d) In June 2005, the Company issued options to purchase 14,088 and 5,273 ordinary shares to employees, at an exercise price of $.7.34 and $24.36 per share, respectively. Each option is exercisable for one ordinary share. The options are to be divided into 13 batches, with the first batch constituting 25% of the options and the balance of the options being divided equally over the remaining 12 batches. The vesting period differs for each employee and some of the batches vested on the grant date.

The options are exercisable over a 10-year period commencing on the date of grant.

The Company estimasted the fair value of the options on the date of grant using the Black- Scholes option-pricing model to be approximately $718 and $221, respectively, and was based on the following weighted average assumptions: dividend yield of 0% for all years; expected volatility of 54%; risk-free interest rates of 3.83%; and expected life of 5.7 years.

e) On March 27, 2005, the Company issued options to purchase 8,238 ordinary shares to a consultant as consideration for consulting services, exercisable for NIS 0.01.

The aggregate number of options granted to the consultant is equal to the aggregate number of ordinary shares constituting 1% of the lower of (i) the issued and outstanding share capital of the Company, on an as-converted fully-diluted basis, on the date of the full exercise of the options; or (ii) the issued

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NOTE 6 — SHARE CAPITAL (continued)**:**

and outstanding share capital of the Company, on an as-converted, fully-diluted basis, on such date as the Company value equals $100,000. As a consequence of the anti dilution effect of up to 1%, the Company has reserved and additional 2,659 options to purchase ordinary shares at the same terms and conditions.

These options vest in 16 equal installments on a quarterly basis, over a period of 45 months, with the first installment vesting on the date of grant. The options are exercisable over a 10-year period commencing on the date of grant. The estimated fair value of these options, estimated by the services to be rendered, is approximately $1,000.

f) In September 2006, the Company's shareholders approved the grant of options to purchase 16,000 ordinary shares to the Chief Executive Officer of the Company, at an exercise price of $59.40 per share. Each option may be exercised for one ordinary share.

The options vest in 16 equal installments on a quarterly basis, over a four-year period, commencing on June 1, 2006.

The Company estimated the fair value of the options on the date of grant using the Black-Scholes option-pricing model to be approximately $856, and was based on the following assumptions: dividend yield of 0%; expected volatility of 43%; risk-free interest rates of 4.6%; and expected lives of 5.8 years.

In September 2006, the Chief Executive Officer of the Company entered into an employment agreement with the Company.

g) In August 2006, the Company issued options to purchase 9,900 ordinary shares to its employees at an exercise price of $59.40 per share. The options vest in 16 equal quarterly tranches over a four-year period.

The options are exercisable over a 10-year period commencing on the date of grant. The Company estimated the fair value of the options on the date of grant using the Black-Scholes option-pricing model to be approximately $547, and was based on the following weighted average assumptions: dividend yield of 0% for all years; expected volatility of 45%; risk-free interest rates of 4.91%; and expected life of six years.

h) In September 2006, the Company issued to its Chief Financial Officer options to purchase 10,150 ordinary shares with an exercise price of $59.40 per share. The options vest over a four-year period and are exercisable for a seven-year period commencing on the date of grant.

PROTALIX LTD.
(A development stage company)
NOTES TO FINANCIAL STATEMENTS (continued)
U.S. dollars in thousands

NOTE 6 — SHARE CAPITAL (continued)**:**

The Company estimated the fair value of the options, estimated using the Black-Scholes option-pricing model to be approximately 560 and was based on the following assumptions: dividend yield of 0% for all years; expected volatility of 45%; risk-free interest rates of 4.91%; and expected life of six years.

5) In January 2005, the Company issued to service providers options to purchase 1,063 and 1,904 convertible preferred B shares exercisable from the day of the closing date of the transaction set forth in the share purchase agreement entered into at such time with certain investors (see Note 6d) for periods of between 18 and 30 months, respectively. The options are exercisable at $.0348 per share. During 2006, 847 options were exercised into shares.

   The Company estimated fair value of said options on the date of the grant using Black–Scholes option pricing model to be approximately $5 and $16 for the 1,063 and 1,904 options respectively, based on the following assumptions: dividend yield 0%, expected volatility 29% and 37% respectively, risk free interest 2.90% and 3.27% respectively and expected lives of 1.17 and 2.17 years.

   The fair value of the options were charged against additional paid in capital as issuance expenses.

6) In March 2005 as part of a management services agreement with the investor mentioned in Note 6e, the Company granted to the investor options to purchase 26,710 convertible preferred C shares.

   The options vest as follows: 12.5% on their grant date and additional 12.5% of the options vest at the end of each three month period thereafter. The exercise price of each option is NIS 0.01.

   The estimated fair value of the options on the date of grant was approximately $1,445.

   In January 2006, Mr. Eli Hurvitz was nominated as the Chairman of the Board of Directors. In connection with the management services agreement described above and with this nomination, the investor was granted additional options to purchase an additional 28,700 convertible preferred B shares. The options are exercisable at par value and vest as follows: 10% of the options vest at the date of the appointment and an additional 10% of the options vest at the end of each three month period thereafter. The exercise price of each option is NIS 0.01.

   The estimated fair value of the options on the date of grant was approximately $2,124.

PROTALIX LTD.
(A development stage company)
NOTES TO FINANCIAL STATEMENTS (continued)
U.S. dollars in thousands

NOTE 6 — SHARE CAPITAL (continued)**:**

The options granted in connection with the appointment of Mr. Hurvitz provide for full acceleration of vesting of these options within 60 days prior to a merger. Upon the acceleration of the vesting provisions, unrecognized compensation costs related to these options shall be recognized. As at September 30, 2006, the unrecognized compensation cost was approximately $2.0 million. On September 11, 2006, the Company entered into a merger agreement with Orthodontix, see note 1a. However, as of September 30, 2006, the merger has not been closed and is still subject to further approvals. Therefore, as of September 30, 2006, the Company had not accelerated the vesting provisions of Mr. Hurvitz's options.

On December 12, 2006, the Company's Board of Directors approved the cancellation of the acceleration and the expiration of these options.

k. A summary of share option plans, shares of restricted shares and related information, under all of the Company's equity incentive plans for the fiscal years ended December 31, 2003, 2004, and 2005, and for the nine months ended September 30, 2006 are as follows :

	Year ended December 31,						Nine months ended September 30, 2006 (Unaudited)	
	2003		2004		2005			
	Number of options	Weighted Average Exercise Price	Number Of options	Weighted average exercise price	Number Of Options	Weighted average exercise price	Number Of options	Weighted average exercise price
Outstanding at beginning of period	29,729	6.16	76,321	6.89	77,186	7.95	127,631	6.40
Granted	46,592	7.35	2,967	34.80	54,309	4.27	67,409	31.77
Forfeited			2,102	7.35	3,864	7.34	443	24.19
Exercised							847	34.80
Outstanding at end of period	76,321	6.89	77,186	7.95	127,631	6.40	193,750	15.06
Exercisable at end of period	38,782	6.44	52,757	8.22	86,055	6.86	113,353	5.89

PROTALIX LTD.
(A development stage company)
NOTES TO FINANCIAL STATEMENTS (continued)
U.S. dollars in thousands

NOTE 6 — SHARE CAPITAL (continued)**:**

The following tables summarize information concerning outstanding and exercisable options under share option plans as of December 31, 2005 and September 30, 2006:

	December 31, 2005			
	Options outstanding		Options exercisable	
Exercise prices	Number of options outstanding at end of year	Weighted average remaining contractual life	Number of options outstanding at end of year	Weighted average remaining contractual life
$ *	44,662	5.21	24,614	4.73
$ 6.19	6,300	3.00	6,300	3.00
$ 7.35	54,714	8.22	37,223	8.22
$10.50	13,715	3.00	13,715	3.00
$24.36	5,273	9.41	1,236	9.41
$34.80	2,967	0.93	2,967	0.93
	127,631		86,055	

* Represents an amount equal to less than $0.01.

	September 30, 2006			
	Options outstanding (Unaudited)		Options exercisable (Unaudited)	
Exercise prices	Number of options outstanding at end of period	Weighted average remaining contractual life	Number of options outstanding at end of period	Weighted average remaining contractual life
$ *	76,021	4.06	44,785	4.06
$ 6.19	6,300	2.25	6,300	2.25
$ 7.35	54,577	7.47	43,652	7.47
$10.50	13,715	2.25	13,715	2.25
$24.36	5,183	8.66	2,286	8.66
$34.80	1,904	0.54	1,904	0.54
$59.40	36,050	9.83	711	9.83
	193,750		113,353	

* Represents an amount equal to less than $0.01.

PROTALIX LTD.
(A development stage company)
NOTES TO FINANCIAL STATEMENTS (continued)
U.S. dollars in thousands

NOTE 6 — SHARE CAPITAL (continued)**:**

l. The following table illustrates the share-based compensation effect on the statement of operations:

	Year ended December 31,			Period from December 27, 1993 through December 31,	Nine months ended September 30,		Period from December 27, 1993 through September 30,
	2003	2004	2005	2005	2005	2006	2006
					(Unaudited)		(Unaudited)
Research and development expenses	98	194	692	1,483	510	511	1,543
General and administrative expenses	124	103	1,195	1,032	827	1,784	3,267
	222	297	1,887	2,515	1,337	2,295	4,810

m. See Note 10a for information regarding the exercise of options in respect of employees and consultants after September 30, 2006.

NOTE 7 — TAXES ON INCOME:

a. Measurement of results for tax purposes under the Income Tax (Inflationary Adjustments) Law, 1985 (hereafter — the inflationary adjustments law)

Under the Israeli Inflationary Adjustments Law, 1985, results for tax purposes are measured in real terms, having regard to the changes in the consumer price index. The Company is taxed under this law.

b. Tax rates

The income of the Company (other than income from "approved enterprises" (see c. below) is taxed in Israel at the regular rate. Through December 31, 2003, the corporate tax was 36%. In July 2004, Amendment No. 140 to the Income Tax Ordinance was enacted. One of the provisions of this amendment is that the corporate tax rate is to be gradually reduced from 36% to 30%. In August 2005, a further amendment (No. 147) was published, which makes a further revision to the corporate tax rates prescribed by Amendment No. 140. As a result of the aforementioned amendments, the corporate tax rates for 2004 and thereafter are as follows: 2004 – 35%, 2005 – 34%, 2006 – 31%, 2007 – 29%, 2008 – 27%, 2009 – 26% and for 2010 and thereafter – 25%.

PROTALIX LTD.
(A development stage company)
NOTES TO FINANCIAL STATEMENTS (continued)
U.S. dollars in thousands

NOTE 7 – TAXES ON INCOME(continued)**:**

c. The Law for the Encouragement of Capital Investments, 1959 (hereinafter - - the law)

The Company has been granted "Approved Enterprise" status under the Law for the Encouragement of Capital Investments, 1959. Income derived from the Approved Enterprise during a period of 10 years from the year in which the enterprise first realizes taxable income is tax exempt, provided that the maximum period to which it is restricted by the law has not elapsed.

The Company has an "Approved Enterprise" plan from 2004. The plan expires in 2017.

If the Company subsequently pays a dividend out of income derived from the "Approved Enterprise" during the tax exemption period, it will be subject to tax on the amount distributed, including any company tax on these amounts, at the rate which would have been applicable had such income not been exempted (25%).

The entitlement to the above benefits is conditional upon the Company fulfilling the conditions stipulated by the law, regulations published thereunder, and the instruments of approval for the specific investment in an approved enterprise. In the event of failure of the Company to comply with these conditions, the benefits may be cancelled and the Company may be required to refund the amount of the benefits, in whole or in part, with the addition of interest. The Investment Center is currently reviewing the Company's final implementation report and, as a result, the Company has not yet received a final implementation approval with respect to its "Approved Enterprise" from the investment Center. Additionally, given the Company's significant amount of net operating losses and the limitation mentioned above to the benefit period, the Company cannot predict when it would be able to enjoy the tax benefits described above, if at all.

d. Tax losses carried forward to future years

The Company has no current tax provision due to its accumulated losses, which result in net operating loss carryforwards. At December 31, 2005, the Company had approximately $6,700 of net operating loss carryforwards that are available to reduce future taxable income.

PROTALIX LTD.
(A development stage company)
NOTES TO FINANCIAL STATEMENTS (continued)
U.S. dollars in thousands

NOTE 7 – TAXES ON INCOME (continued)**:**

e. Deferred income taxes:

The components of the Company's net deferred tax asset at December 31, 2005 and 2004 were as follows:

	December 31,	
	2004	2005
	U.S. dollars in thousands	
In respect of:		
R&D expenses	$ 84	$ 499
Property and equipment	24	21
Holiday and recreation pay	23	33
Severance pay obligation	52	71
Net operating loss carryforwards	4,368	6,669
Valuation allowance	(4,551)	(7,293)
	—	—

f. Reconciliation of the theoretical tax expense to actual tax expense

The main reconciling item, between the statutory tax rate of the Company and the effective rate is the non-recognition of tax benefits from carryforward tax losses due to the uncertainty of the realization of such tax benefits (see above).

g. Tax assessments

In accordance with the Income Tax Ordinance, as of December 31, 2005, all of the Company's tax assessments through tax year 2001 are considered final.

PROTALIX LTD.
(A development stage company)
NOTES TO FINANCIAL STATEMENTS (continued)
U.S. dollars in thousands

NOTE 8 — SUPPLEMENTARY FINANCIAL STATEMENT INFORMATION:

Balance sheets:

	December 31,	
	2004	2005
	U.S. dollars in thousands	
a. Accounts receivable:		
Institutions	$ 220	$ 49
Income receivable	100	
State of Israel (see note 5a)	322	178
Prepaid expenses	15	22
Sundry	9	5
	$ 666	$ 254
b. Accounts payable and accruals – other:		
Payroll and related expenses	$ 112	$ 118
Provision for vacation and recreation pay	68	107
Accrued expenses	191	84
In respect of purchase of property and Equipment	284	106
Other		4
	$ 655	$ 419

PROTALIX LTD.
(A development stage company)
NOTES TO FINANCIAL STATEMENTS (continued)
U.S. dollars in thousands

NOTE 8 — SUPPLEMENTARY FINANCIAL STATEMENT INFORMATION (continued):

Statement of operations:

	Year ended December 31,			Period from December 27, 1993 through December 31, 2005
	2003	2004	2005	
	U.S. dollars in thousands			
c. Research and development expenses — net:				
Payroll and related expenses	$ 300	$ 940	$ 1,602	$ 4,378
Subcontractors	24	714	926	1,769
Materials and consumables	102	298	720	1,613
Rent, insurance and maintenance	42	188	325	675
Professional fees	53	81	473	814
Patent registration	54	39	201	388
Depreciation	*53	99	249	577
Other	40	134	212	450
	668	2,493	4,708	10,664
Less – grants (see Note 5a)	429	573	935	3,365
	$ 239	$ 1,920	$ 3,773	$ 7,299

* Including $28 in respect of impairment of leasehold improvement that are not expected to be used in the future.

d. Administrative and general expenses:				
Payroll and related expenses	79	$ 223	$ 380	$ 1,006
Management and consulting fees	321	326	1,327	2,102
Rent, insurance and maintenance	4	27	42	207
Professional fees	108	98	147	467
Depreciation	*9	24	62	101
Other	82	109	173	588
	$ 603	$ 807	$ 2,131	$ 4,471

* Including $3 in respect of impairment of leasehold improvement that are not expected to be used in the future.

PROTALIX LTD.
(A development stage company)
NOTES TO FINANCIAL STATEMENTS (continued)
U.S. dollars in thousands

NOTE 9 — RELATED PARTY — TRANSACTIONS:

	Year ended December 31,			Period from December 27, 1993* through December 31, 2005
	2003	2004	2005	
	US $ in thousands			
a. Management and consulting fees to the chairman of the Board	$ 60	$ 96	$ 89	$ 315
b. capital raising commission to the chairman of the Board	$ 33			$ 33

c. With respect as to options granted to the Chief Executive Officer of the Company and to a shareholder, see Notes 6(j)4b, 6(j)4f and 6(j)2.

d. In March 2005, in addition to a share purchase agreement (see Note 6e), the Company entered into a management services agreement with the investor. The monthly management fees amount to $3. The management agreement shall be in full force as long as Mr. Hurvitz serves as a member of the Board of Directors. As to options granted to the investor, see Note 6(j)6.

NOTE 10 — SUBSEQUENT EVENTS:

a. During the months of October through December 2006, certain former employees, consultants and an officer of the Company exercised options and warrants for 38,004 ordinary shares for aggregate consideration of approximately $367.

b. After September 30, 2006, certain warrant holders deposited approximately $8,660 representing the total exercise price for warrants exercisable for 86,613 ordinary shares, into a trustee account. Upon the closing of the merger, these amounts shall be released from the trust account and transferred to the Company in consideration for the issuance of the ordinary shares underlying the warrants. See Note 1a.

c. On December 12, 2006, the Company's Board of Directors approved the proposed merger transaction. See note 1a.

d. See Note 6(j)6 with respect to the cancellation of the acceleration and the expiration of options granted to the Chairman of the Board of Directors.

e. In connection with a tax ruling agreement granted by the Israeli tax authorities after September 30, 2006, the Company and certain of its shareholders consented to restrictions, over specified periods after the closing of the merger, on the sale of common stock of Orthodontix by the shareholders, the retention of minimum percentages of the capital stock of Orthodontix by such shareholders, and the retention of minimum percentages of the capital stock of Othodontix by the Company Protalix.

PROTALIX LTD.
(A development stage company)
NOTES TO FINANCIAL STATEMENTS (continued)
U.S. dollars in thousands

NOTE 10 — SUBSEQUENT EVENTS (continued)**:**

In addition, Orthodontix and the Company have agreed to limit the extent of issuance of share capital to third parties after the closing of the merger. Orthodontix and the Company have also agreed that, over a two-year period, most of the Company's activities shall be directed towards research and development, and most of its expenses would be incurred in Israel. Any consideration received and to be received by Orthodontix and the Company in connection with share issuances shall be invested in the research and development activities of the Company.

Orthodontix, Inc.
Pro Forma Unaudited Financial Statements
As of September 30, 2006
and
For the Nine-Months Ended September 30, 2006 and the Year Ended December 31, 2005

The following unaudited pro forma consolidated financial statements ("pro forma statements") give effect to the reverse merger of Protalix Ltd. by Orthodontix, Inc. and are based on the estimates and assumptions set forth herein and in the notes to such statements.

In August 2006, Orthodontix, Inc. ("Orthodontix"), Protalix Acquisition Co. Ltd. (the "Acquisition Subsidiary"), and Protalix Ltd. ("Protalix") entered into a Merger Agreement and Plan of Reorganization (the "Agreement").

The Agreement provides for the merger of the Acquisition Subsidiary with and into Protalix, with Protalix remaining as the surviving entity after the merger (the "Merger"), whereby the shareholders of Protalix will receive common stock of Orthodontix in exchange for their ordinary shares of Protalix.

The transaction is being accounted for as a reverse acquisition and a recapitalization. Protalix is the acquirer for accounting purposes.

The following unaudited pro forma financial information gives effect to the above. The unaudited pro forma financial information was prepared from (1) Orthodontix's unaudited historical financial statements included in its Quarterly Report on Form 10-QSB for quarterly period ended September 30, 2006 and (2) Protalix's audited historical financial statements for the year ended December 31, 2005 and Protalix's unaudited balance sheet as of September 30, 2006 and the unaudited statement of operations for the nine months ended September 30, 2006, attached to this Current Report on Form 8-K. The unaudited pro forma consolidated financial information and accompanying notes should be read in conjunction with the historical financial statements and the related notes thereto of Protalix and Orthodontix.

The unaudited pro forma consolidated balance sheet at September 30, 2006 gives effect to the Merger as of September 30, 2006. The unaudited pro forma consolidated statement of operations for the year ended December 31, 2005 and the nine months ended September 30, 2006 gives effect to the above transaction as of January 1, 2005.

The unaudited pro forma consolidated financial information is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if the transaction had been consummated at the dates indicated, nor is it necessarily indicative of the future operating results of financial position or the consolidated companies.

Orthodontix, Inc.
(A development stage company)
Unaudited Pro Forma Consolidated Balance Sheet
As of September 30, 2006
U.S. dollars in thousands

	Orthodontix	Protalix	(1)	Adjustment (2)	Consolidated
Assets					
Current Assets					
Cash and cash equivalents	$ 826	$ 15,621	(400)	8,660	$ 24,718
Prepaid expenses	12	11			23
Accounts Receivable		822			822
Total Current Assets	**838**	**16,454**	**(400)**	**8,660**	**25,563**
FUNDS IN RESPECT OF EMPLOYEE RIGHTS UPON RETIREMENT	**—**	**268**			268
PROPERTY AND EQUIPMENT, NET	**—**	**2,285**			2,285
Total Assets	**$ 838**	**$ 19,007**	**(400)**	**8,660**	**$ 28,116**
Liabilities and Stockholders' Equity					
Current Liabilities					
Accounts payable, Trade	$ 11	$ 757			$ 768
Accounts payable — related parties	1	—			1
Accounts payable, Other	—	544			544
Total Current Liabilities	**12**	**1,301**	**—**	**—**	**1,313**
LIABILITY FOR EMPLOYEE RIGHTS UPON RETIREMENT	—	388			388
Stockholders' Equity					
Common stock	1	2	68		71
Additional paid-in capital	4,727	32,985	(4,370)	9,687	43,040
Warrants		1,379	—	(1,027)	352
Accumulated deficit	(3,902)	(17,048)	3,902		(17,048)
Total Stockholders' Equity	**826**	**17,318**	**400**	**8,660**	**26,415**
Total Liabilities and Stockholders' Equity	**$ 838**	**$ 19,007**	**(400)**	**8,660**	**$ 28,116**

(1) Adjustment to reflect the reclassification within equity to present the exchange of shares in the Merger with a resulting 61,785,765 ordinary shares outstanding (Protalix stockholders (61,198,679 ordinary shares) and Orthodontix stockholders (583,086 ordinary shares)). The adjustment also reflects the elimination of Orthodontix's accumulated deficit. The transaction is accounted for as a reverse merger and recapitalization.

(2) Adjustment to reflect the aggregate exercise of 86,613 of Protalix warrants for an aggregate amount of $8,660 which were exercised immediately prior to giving effect to the merger with Orthodontix. Any remaining unexercised warrants of Protalix were forfeited by the holders, resulting in an adjustment of $1,027 to additional paid-in capital. Protalix warrants that were granted to certain investors led by Dr. Frost were exchanged into warrants of Orthodontix, concurrent with the merger transaction.

Orthodontix, Inc.
(A development stage company)
Unaudited Pro Forma Consolidated Statement of Operations
For the Nine-Months Ended September 30, 2006
U.S. dollars in thousands

	Orthodontix	Protalix	For the Nine Months Ended September 30, 2006 Adjustments (1)	Consolidated
Revenues	$ —	$ —		$ —
Cost of Revenues	—	—		—
Gross Profit	**—**	**—**	**—**	**—**
Research and Development expenses	—	4,759		4,759
Less — Grants	—	(1,510)		(1,510)
	—	**3,249**	**—**	**3,249**
General and administrative expenses	165	2,787	560	3,512
Loss from Operations	**(165)**	**(6,036)**	**(560)**	**(6,761)**
Financial income	28	73		101
Other Income	48	—		48
Net Loss Before change in accounting principle	**$ (89)**	**$(5,963)**	**$(560)**	**$(6,612)**
Cumulative effect of change in accounting principle	0	37		37
Net Loss for the period	**$ (89)**	**$(5,926)**	**$(560)**	**$(6,575)**

(1) Adjustment to reflect additional compensation costs associated with stock options granted to directors, employees and consultants in connection with the closing of the Merger Agreement.

Orthodontix, Inc.
(A development stage company)
Unaudited Pro Forma Consolidated Statement of Operations
For the Year Ended December 31, 2005
U.S. dollars in thousands

	Orthodontix	Protalix	Adjustments (1)	Consolidated
Revenues	$ —	$ 150		$ 150
Cost of Revenues	—	35		35
Gross Profit	**—**	**115**	**—**	**115**
Research and Development expenses	—	4,708		4,708
Less — Grants	—	(935)		(935)
	—	**3,773**	**—**	**3,773**
General and administrative expenses	93	2,131	747	2,971
Loss from Operations	**(93)**	**(5,789)**	**(747)**	**(6,629)**
Financial income	14	43		57
Other Income	4	—		4
Net Loss Before change in accounting principle	**$(75)**	**$(5,746)**	**$(747)**	**$(6,568)**
Cumulative effect of change in accounting principle	0	0		0
Net Loss for the period	**$(75)**	**$(5,746)**	**$(747)**	**$(6,568)**

(1) Adjustment to reflect additional compensation costs associated with stock options granted to directors, employees and consultants in connection with the closing of the Merger Agreement.

(d) Exhibits

4.1	Form of Warrant.
10.1	2006 U.S. Stock Incentive Plan.
10.2	Employment Agreement between Protalix Ltd. and Yoseph Shaaltiel, dated as of September 1, 2004.
10.3	Employment Agreement between Protalix Ltd. and Einat Almon, dated as of December 19, 2004.
10.4	Employment Agreement between Protalix Ltd. and David Aviezer, dated as of September 11, 2006.
10.5	Employment Agreement between Protalix Ltd. and Yossi Maimon, dated as of October 15, 2006.
10.6	License Agreement entered into as of April 12, 2005, by and between Icon Genetics AG and Protalix Ltd.†
10.7	Research and License Agreement between Yeda Research and Development Company Limited and Protalix Ltd. dated as of March 15, 2006.†
10.8	Agreement between Teva Pharmaceutical Industries Ltd. and Protalix Ltd., dated September 14, 2006.†
10.9	Lease Agreement between Protalix Ltd. and Angel Science Park (99) Ltd., dated as of October 28, 2003 as amended on April 18, 2005.
10.10	Merger Agreement and Plan of Reorganization made and entered into as of August 21, 2006, by and among Orthodontix, Inc, Protalix Acquisition Co., Ltd. and Protalix Ltd.

† Portions of this exhibit were omitted and have been filed separately with the Secretary of the Securities and Exchange Commission pursuant to the Registrant's application requesting confidential treatment under Rule 406 of the Securities Act.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ORTHODONTIX, INC.
(Registrant)

Date: January 4, 2007

By: /s/ David Aviezer
Name: David Aviezer, Ph.D.
Title: President and
Chief Executive Officer

Exhibit 4.1

THIS WARRANT AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE ISRAELI SECURITIES LAW, 1968, AS AMENDED, THE U.S. SECURITIES ACT OF 1933, AS AMENDED OR UNDER ANY APPLICABLE U.S. STATE SECURITIES LAWS (COLLECTIVELY, THE "SECURITIES LAWS"). THEY MAY NOT BE OFFERED FOR SALE, SOLD, CONVEYED, TRANSFERRED, PLEDGED, GIFTED, ASSIGNED, ENCUMBERED OR OTHERWISE DISPOSED OF UNLESS (1) REGISTERED UNDER SUCH SECURITIES LAWS, OR (2) PURSUANT TO AVAILABLE EXEMPTIONS FROM REGISTRATION FROM SUCH SECURITIES LAWS AND THE RULES PROMULGATED THEREUNDER, PROVIDED THAT THE HOLDER DELIVERS TO THE COMPANY AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY, CONFIRMING THE AVAILABILITY OF SUCH EXEMPTION. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

ORTHODONTIX, INC.

WARRANT

To purchase
_____ Shares of Common Stocks (subject to adjustment) of
ORTHODONTIX, INC. (the "**Company**")
at a per share price and subject to the terms detailed below
VOID AFTER 17:00 p.m. Eastern Standard Time
on the last day of the Warrant Period (as defined below)

December __, 2006

THIS IS TO CERTIFY THAT, Frost Gamma Investments Trust (the "**Holder**"), is entitled to purchase from the Company, at an aggregate purchase price equal to US$_____, an aggregate of _____ (subject to adjustment as set forth herein) fully paid and non-assessable shares of Common Stock of the Company, nominal value US$.001 per share (the "**Warrant Stock**"), at an exercise price equal to US$1.504 per Warrant Stock (the "**Exercise Price**") as may be adjusted hereunder, during the period (the "**Warrant Period**") commencing the execution hereof and for one month thereafter, all subject to the terms and conditions set forth herein. The Warrant Stock shall have the same rights, preferences and privileges attached to the Common Stock of the Company, nominal value US$.001 per stock (the "**Common Stock**").

1. EXERCISE OF WARRANT

1.1. Cash Exercise of Warrant. This Warrant may be exercised from time to time or at any time during the Warrant period by presentation and surrender thereof to the Company at its principal office or at such other office or agency as it may designate from time to time, accompanied by:

1.1.1. A duly executed notice of exercise, in the form attached hereto as Exhibit A (the "**Exercise Notice**"); and

1.1.2. Payment to the Company, for the account of the Company, of the aggregate Exercise Price for the number of Warrant Stock specified in the applicable Exercise Notice, payable in immediately available funds by wire transfer to the following bank account at Bank Hapoalim, branch 615, account number 113323 or by banker's check or by any other means of payment agreed upon between the Company and the Holder. The Exercise Price will be paid in United States Dollars.

1.2. Partial Exercise, Etc. If this Warrant should be exercised in part only, the Company shall, upon surrender of this Warrant for cancellation, execute and deliver a new Warrant evidencing the rights of the Holder to purchase the balance of the Warrant Stock purchasable hereunder.

1.3. Issuance of Warrant Stock Upon Cash Exercise. Upon presentation and surrender of this Warrant accompanied by a duly executed Exercise Notice and the payment of the applicable aggregate Exercise Price pursuant to Section 1.1 above, the Company shall promptly (i) issue to the Holder the Warrant Stock to which the Holder is entitled; and (ii) deliver to the Holder the share certificate(s) evidencing such Warrant Stock. Upon receipt by the Company of this Warrant, the applicable Exercise Notice and the applicable aggregate Exercise Price, the Holder shall be deemed to be the holder of record of the Warrant Stock issuable upon such exercise, notwithstanding that the stock transfer books of the Company shall then be closed or that certificates representing such stock shall not then be actually delivered to the Holder.

1.4. Fractional Stock. No fractions of shares shall be issued in connection with the exercise of this Warrant, and the number of shares issued shall be rounded up to the nearest whole number.

1.5. Taxes. The Holder acknowledges that the grant of the Warrant, the issue of the Warrant Stock and the execution and/or performance of this Warrant may have tax consequences to the Holder and that the Company is not able to ensure or represent to the Holder the nature and extent of such tax consequences. The Company shall pay all of the applicable taxes and other charges payable by the Company in connection with the issuance of the Warrant Stock and the preparation and delivery of share certificates pursuant to this Section 1 in the name of the Holder (such as documentary stamp or similar issue or transfer taxes in respect of the issue or delivery of shares of Common Stock on exercise of this Warrant), but shall not pay any taxes payable by the Holder by virtue of the holding, issuance, exercise or sale of this Warrant or the Warrant Stock by the Holder and the Holder shall indemnify the Company, without derogating from the Holder's obligation to pay such amounts, for any and all charges or payments as aforesaid, which may be deducted at source or set-off from any amounts payable to the Holder (including, without limitation, dividends, consideration for the sale of stock or from any other source), at the Company's absolute and sole discretion, subject to applicable law.

1.6. Additional Documents. The Holder will sign any and all documents required by law, the Company's Articles of Association and/or any agreement to which the Company is a

party or by which it bound, to facilitate the issuance of stock upon exercise of this Warrant.

1.7. Loss or Destruction of Warrant. Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and (in the case of loss, theft or destruction) of reasonably expenses reimbursement and satisfactory indemnification, and upon surrender and cancellation of this Warrant, if mutilated, the Company will execute and deliver a new Warrant of like tenor and date.

2. RESERVATION OF STOCK; PRESERVATION OF RIGHTS OF HOLDER

2.1. Reservation of Stock. The Company hereby agrees that, at all times prior to the expiration or exercise of this Warrant, it will maintain and reserve, free from pre-emptive or similar rights, such number of authorized but unissued Common Stock so that this Warrant may be exercised without additional authorization of Common Stock after giving effect to all other warrants, convertible securities and other rights to acquire shares of the Company.

2.2. Preservation of Rights. The Company will not, by amendment of its organizational documents or through reorganization, recapitalization, consolidation, merger, dissolution, transfer of assets, issue or sale of securities or any other voluntary act, avoid or seek to avoid the observance or performance of any of the covenants, stipulations, conditions or terms to be observed or performed hereunder, but will at all times in good faith assist in the carrying out of all the provisions hereof and in taking of all such actions and making all such adjustments as may be necessary or appropriate in order to fulfill the provisions hereof.

3. ADJUSTMENT

3.1. Adjustments. The number of Warrant Stock purchasable upon the exercise of this Warrant and the payment of the Exercise Price shall be subject to adjustment from time to time or upon exercise as provided in this Section 3.

3.2. Bonus Stock. In the event that during the Warrant Period the Company shall distribute a dividend or stock pursuant to a reclassification of its stock capital to all of the stockholders of the Company (i.e., bonus shares), then this Warrant shall represent the right to acquire, in addition to the number of Warrant Stock indicated in the caption of this Warrant, the amount of such bonus shares and/or to receive the stock dividends, without payment of any additional consideration therefor, to which the Holder would have been entitled had this Warrant been exercised prior to the distribution of the stock dividends or the bonus shares.

3.3. Consolidation and Division. In the event that during the Warrant Period the Company consolidates its stock capital into stock of greater par value, or subdivides them into stock of lesser par value, then the number of Warrant Stock to be allotted on exercise of this Warrant after such consolidation or subdivision shall be reduced or increased accordingly, as the case may be, such increase or decrease, as the case may be, to become effective immediately after the opening of business on the day following the day

upon which such subdivision or combination becomes effective, and in each case the Exercise Price shall be adjusted appropriately such that the aggregate consideration hereunder to the Company shall not change.

3.4. Capital Reorganization. In the event that during the Warrant Period a reorganization of the stock capital of the Company is effected (other than subdivision, combination or reclassification provided for elsewhere in this Section 3) and the Common Stock are exchanged for other securities of the Company, then, as part of such reorganization, provision shall be made so that the Holder shall be entitled to purchase upon exercise of this Warrant such kind and number of stock or other securities of the Company to which the Holder would have been entitled had this Warrant been exercised prior to such reorganization, and such that the aggregate consideration to the Company hereunder shall not change.

4. NOTICE OF CERTAIN EVENTS

If at any time during the Warrant Period (i) there shall be any capital reorganization or reclassification of the stock capital of the Company or any other event set forth in Section 3 above; or (ii) there shall be a voluntary or involuntary dissolution, liquidation or winding up of the Company, then, in any one or more of said events, the Company shall deliver to the Holder prior written notice thereof, including the date on which (a) a record shall be taken in connection with such event and (b) the consummation date of such event. Such written notice shall be delivered to the Holder at least thirty (30) days prior to the consummation of the applicable event and not less than thirty (30) days prior to the record date in respect thereto (subject to the provisions of Section 7 herein).

5. NOTICE OF ADJUSTMENTS

Whenever an adjustment pursuant to Section 3 above is effected, the Company shall promptly compute such adjustment and deliver to the Holder a certificate setting forth the number of Warrant Stock (or any other securities) for which this Warrant is exercisable and the Exercise Price as a result of such adjustment, a brief statement of the facts requiring such adjustment and the computation thereof and when such adjustment has or will become effective.

6. RIGHTS OF THE HOLDER

The Holder acknowledges that the Warrant Stock shall be subject to such certain rights, privileges, restrictions and limitations as set forth in this Warrant and the Articles of Association of the Company, as may be amended from time to time, and that, as a result, *inter alia*, of such limitations, it may be difficult or impossible for the Holder to realize his investment and/or to sell or otherwise transfer the Warrant Stock. The Holder further acknowledges that the Company's stock are not listed for trading and therefore the sale and transfer thereof may be subject to further limitations. This Warrant shall not entitle the Holder, by virtue hereof, to any voting rights or other rights as a stockholder of the Company, except for the rights expressly set forth herein.

7. TERMINATION

Notwithstanding anything to the contrary, this Warrant and all the rights conferred hereby shall terminate and expire upon the aforementioned time on the last day of the Warrant Period.

8. MISCELLANEOUS

8.1. Entire Agreement; Amendment. This Warrant sets forth the entire understanding of the parties with respect to the subject matter hereof and supersedes all existing agreements among them concerning such subject matter. All article and section headings herein are inserted for convenience only and shall not modify or affect the construction or interpretation of any provision of this Warrant. No modification or amendment of this Warrant will be valid unless executed in writing by the Company and the Holder.

8.2. Waiver. No failure or delay on the part of any of the parties in exercising any right, power or privilege hereunder and/or under any applicable laws or the exercise of such right or power in a manner inconsistent with the provisions of this Warrant or applicable law shall operate as a waiver thereof. Any waiver must be evidenced in writing signed by the party against whom the waiver is sought to be enforced.

8.3. Successors and Assigns; Assignment. Except as otherwise expressly limited herein, this Warrant shall inure to the benefit of, be binding upon, and be enforceable by the Holder and its respective successors, assigns, and administrators. The Holder represents and warrants to the Company that the Warrant Stock, if and when purchased by the Holder, are for the Holder's own account and for investment purposes only and not with a view for resale or transfer and that all the rights pertaining to the Warrant Stock, by law or equity, shall be purchased and possessed by the Holder for the Holder exclusively. Holder may not assign, transfer, pledge or otherwise encumber or dispose any of the rights, privileges, or obligations set forth in, arising under, or created by this Warrant, other than in accordance with the Articles of Association of the Company, applicable law and any other contractual undertaking of the Holder, including any lock up undertaking. In any event no assignment or transfer of the Warrant or the Warrant Stock may be effected if any such assignment or transfer may render the Company a public company or require, as a result thereof, the Company to file any registration statement, prospectus reports or documents with the US Securites and Exchange Commission or any Stock Exchange or other similar institution in any jurisdiction.

8.4. Notices. Any notice required or permitted to be given to a party pursuant to the provisions of this Warrant will be in writing and will be effective and deemed delivered to such party on the earliest of the following: (a) all notices and other communications delivered in person or by courier service shall be deemed to have been delivered as of actual delivery thereof; or, (b) those given by facsimile transmission shall be deemed delivered on the following business day after transmission, with confirmed transmission thereof; or (c) all notices and other communications sent by registered mail (or air mail if the posting is international) shall be deemed given seven (7) days after posting.

8.5. Severability. If any provision of this Warrant is held to be unenforceable, this Warrant shall be considered divisible and such provision shall be deemed inoperative to the extent it is deemed unenforceable, and in all other respects this Warrant shall remain in full force and effect; provided, however, that if any such provision may be made enforceable by limitation thereof, then such provision shall be deemed to be so limited and shall be enforceable to the maximum extent permitted by applicable law.

8.6. Counterparts. This Warrant may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument. Facsimile signatures of a party shall be binding as evidence of such party's agreement hereto and acceptance hereof.

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IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized.

Dated: 31 December, 2006

ORTHODONTIX, INC.

By: _____
Name: David Aviezer, Ph.D.
Title: Chief Executive Officer

Exhibit A

Exercise Notice

Date: _____

To: ORTHODONTIX, INC.

The undersigned, pursuant to the provisions set forth in the Warrant to which this Exercise Notice is attached (the "**Warrant**"), hereby elects to purchase _____ of the Warrant Stock (as such term is defined in the Warrant) pursuant to Section 1.1 of the Warrant, and herewith makes payment of _____, representing the full Exercise Price for such stock as provided for in such Warrant.

Signature:

Address: _____

_____

_____

Exhibit 10.1

PROTALIX BIOTHERAPEUTICS, INC.

2006 STOCK INCENTIVE PLAN

1. Purposes of the Plan. The purposes of this Plan are to attract and retain the best available personnel, to provide additional incentives to Employees, Directors and Consultants and to promote the success of the Company's business.

2. Definitions. The following definitions shall apply as used herein and in the individual Award Agreements except as defined otherwise in an individual Award Agreement. In the event a term is separately defined in an individual Award Agreement, such definition shall supercede the definition contained in this Section 2.

(a) "3(I) Option" means Award granted under Section 3(I).

(b) "102 Option" means Award granted under Section 102.

(c) "Administrator" means the Board or any of the Committees appointed to administer the Plan.

(d) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 promulgated under the Exchange Act.

(e) "Applicable Laws" means the legal requirements relating to the Plan and the Awards under applicable provisions of federal securities laws, state corporate and securities laws, the Code, the rules of any applicable stock exchange or national market system, and the rules of any non-U.S. jurisdiction applicable to Awards granted to residents therein.

(f) "Assumed" means that pursuant to a Corporate Transaction either (i) the Award is expressly affirmed by the Company or (ii) the contractual obligations represented by the Award are expressly assumed (and not simply by operation of law) by the successor entity or its Parent in connection with the Corporate Transaction with appropriate adjustments to the number and type of securities of the successor entity or its Parent subject to the Award and the exercise or purchase price thereof which at least preserves the compensation element of the Award existing at the time of the Corporate Transaction as determined in accordance with the instruments evidencing the agreement to assume the Award.

(g) "Award" means the grant of an Option, SAR, Dividend Equivalent Right, Restricted Stock, Restricted Stock Unit or other right or benefit under the Plan.

(h) "Award Agreement" means the written agreement evidencing the grant of an Award executed by the Company and the Grantee, including any amendments thereto.

(i) "Board" means the Board of Directors of the Company.

(j) "Cause" means, with respect to the termination by the Company or a Related Entity of the Grantee's Continuous Service, that such termination is for "Cause" as such term (or word of like import) is expressly defined in a then-effective written agreement between the

Grantee and the Company or such Related Entity, or in the absence of such then-effective written agreement and definition, is based on, in the determination of the Administrator, the Grantee's: (i) performance of any act or failure to perform any act in bad faith which is materially detrimental to the Company or a Related Entity as reasonably determined in good faith by a unanimous decision of members of the Board entitled to vote thereon; (ii) dishonesty, intentional misconduct or material breach of any agreement with the Company or a Related Entity; (iii) commission of a crime involving dishonesty, breach of trust, or physical or emotional harm to any person; (iv) embezzlement of funds of the Company or a Related Entity; (v) ownership, direct or indirect (i.e., by means of a holding company or family member), of an interest in a person or entity (other than a minority interest in a publicly traded company) in competition with the products or services of the Company or a Related Entity, including those products or services contemplated in a plan adopted by the Board; (vi) any breach of the Grantee's fiduciary duties or duties of care to the Company or a Related Entity (except for conduct taken in good faith); (vii) any material failure to carry out a reasonable and legitimate directive of the Board; or (viii) any material breach of an Employee's undertakings of confidentiality and non competition.

(k) "Change in Control" means a change in ownership or control of the Company effected through either of the following transactions:

(i) the direct or indirect acquisition by any person or related group of persons (other than an acquisition from or by the Company or by a Company-sponsored employee benefit plan or by a person that directly or indirectly controls, is controlled by, or is under common control with, the Company) of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities pursuant to a tender or exchange offer made directly to the Company's stockholders which a majority of the Continuing Directors who are not Affiliates or Associates of the offeror do not recommend such stockholders accept, or

(ii) a change in the composition of the Board over a period of twelve (12) months or less such that a majority of the Board members (rounded up to the next whole number) ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who are Continuing Directors.

(l) "Code" means the Internal Revenue Code of 1986, as amended.

(m) "Committee" means any committee composed of members of the Board appointed by the Board to administer the Plan.

(n) "Common Stock" means the common stock of the Company.

(o) "Company" means Protalix BioTherapeutics, Inc., a Florida corporation, or any successor entity that adopts the Plan in connection with a Corporate Transaction.

(p) "Consultant" means any person (other than an Employee or a Director, solely with respect to rendering services in such person's capacity as a Director) who is engaged by the Company or any Related Entity to render consulting or advisory services to the Company or such Related Entity.

(q) "Continuing Directors" means members of the Board who either (i) have been Board members continuously for a period of at least twelve (12) months or (ii) have been Board members for less than twelve (12) months and were elected or nominated for election as Board members by at least a majority of the Board members described in clause (i) who were still in office at the time such election or nomination was approved by the Board.

(r) "Continuous Service" means that the provision of services to the Company or a Related Entity in any capacity of Employee, Director or Consultant is not interrupted or terminated. In jurisdictions requiring notice in advance of an effective termination as an Employee, Director or Consultant, Continuous Service shall be deemed terminated upon the actual cessation of providing services to the Company or a Related Entity notwithstanding any required notice period that must be fulfilled before a termination as an Employee, Director or Consultant can be effective under Applicable Laws. A Grantee's Continuous Service shall be deemed to have terminated either upon an actual termination of Continuous Service or upon the entity for which the Grantee provides services ceasing to be a Related Entity. Continuous Service shall not be considered interrupted in the case of (i) any approved leave of absence, (ii) transfers among the Company, any Related Entity, or any successor, in any capacity of Employee, Director or Consultant, or (iii) any change in status as long as the individual remains in the service of the Company or a Related Entity in any capacity of Employee, Director or Consultant (except as otherwise provided in the Award Agreement). An approved leave of absence shall include sick leave, military leave, or any other authorized personal leave. For purposes of each Incentive Stock Option granted under the Plan, if such leave exceeds three (3) months, and reemployment upon expiration of such leave is not guaranteed by statute or contract, then the Incentive Stock Option shall be treated as a Non-Qualified Stock Option on the day three (3) months and one (1) day following the expiration of such three (3) month period.

(s) "Corporate Transaction" means any of the following transactions, provided, however, that the Administrator shall determine under parts (iv) and (v) whether multiple transactions are related, and its determination shall be final, binding and conclusive:

(i) a merger or consolidation in which the Company is not the surviving entity, except for a transaction the principal purpose of which is to change the state in which the Company is incorporated;

(ii) the sale, transfer or other disposition of all or substantially all of the assets of the Company;

(iii) the complete liquidation or dissolution of the Company;

(iv) any reverse merger or series of related transactions culminating in a reverse merger (including, but not limited to, a tender offer followed by a reverse merger) in which the Company is the surviving entity but (A) the shares of Common Stock outstanding immediately prior to such merger are converted or exchanged by virtue of the merger into other property, whether in the form of securities, cash or otherwise, or (B) in which securities possessing more than forty percent (40%) of the total combined voting power of the Company's outstanding securities are transferred to a person or persons different from those who held such

securities immediately prior to such merger or the initial transaction culminating in such merger; or

(v) acquisition in a single or series of related transactions by any person or related group of persons (other than the Company or by a Company-sponsored employee benefit plan) of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities but excluding any such transaction or series of related transactions that the Administrator determines shall not be a Corporate Transaction (provided however that the Administrator shall have no discretion in connection with a Corporate Transaction for the purchase of all or substantially all of the shares of the Company unless the principal purpose of such transaction is to change the state in which the Company is incorporated).

(t) "Covered Employee" means an Employee who is a "covered employee" under Section 162(m)(3) of the Code.

(u) "Director" means a member of the Board or the board of directors of any Related Entity.

(v) "Disability" means as defined under the long-term disability policy of the Company or the Related Entity to which the Grantee provides services regardless of whether the Grantee is covered by such policy. If the Company or the Related Entity to which the Grantee provides service does not have a long-term disability plan in place, "Disability" means that a Grantee is unable to carry out the responsibilities and functions of the position held by the Grantee by reason of any medically determinable physical or mental impairment for a period of not less than ninety (90) consecutive days. A Grantee will not be considered to have incurred a Disability unless he or she furnishes proof of such impairment sufficient to satisfy the Administrator in its discretion.

(w) "Dividend Equivalent Right" means a right entitling the Grantee to compensation measured by dividends paid with respect to Common Stock.

(x) "Employee" means any person, including an Officer or Director, who is in the employ of the Company or any Related Entity, subject to the control and direction of the Company or any Related Entity as to both the work to be performed and the manner and method of performance. The payment of a director's fee by the Company or a Related Entity shall not be sufficient to constitute "employment" by the Company.

(y) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(z) "Fair Market Value" means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on one or more established stock exchanges or national market systems, including without limitation the American Stock Exchange, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on the principal exchange or system on which the

Common Stock is listed (as determined by the Administrator) on the date of determination (or, if no closing sales price or closing bid was reported on that date, as applicable, on the last trading date such closing sales price or closing bid was reported), as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(ii) If the Common Stock is regularly quoted on an automated quotation system (including the OTC Bulletin Board) or by a recognized securities dealer, its Fair Market Value shall be the closing sales price for such stock as quoted on such system or by such securities dealer on the date of determination, but if selling prices are not reported, the Fair Market Value of a share of Common Stock shall be the mean between the high bid and low asked prices for the Common Stock on the date of determination (or, if no such prices were reported on that date, on the last date such prices were reported), as reported in The Wall Street Journal or such other source as the Administrator deems reliable; or

(iii) In the absence of an established market for the Common Stock of the type described in (i) and (ii), above, the Fair Market Value thereof shall be determined by the Administrator in good faith.

(aa) "Grantee" means an Employee, Director or Consultant who receives an Award under the Plan.

(bb) "Incentive Stock Option" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

(cc) "Israeli Employee" means Employees, office holders of the Company or a Related Company ("Nosei Misra" — as such term is defined in the Israeli Companies Law 1999) and Directors (excluding those who are considered a "Controlling Shareholder" pursuant to Section 32(9) of the Tax Ordinance or otherwise excluded by the Tax Ordinance).

(dd) "Israeli Grantee" means Grantees who are residents of the State of Israel or those who are deemed to be residents of the State of Israel for the payment of tax (whether such grantee is entitled to the tax benefits under Section 102 or not).

(ee) "ITA" means Israeli Tax Authorities.

(ff) "Non-Employee" means Consultants or any other person who is not an Israeli Employee.

(gg) "Non-Qualified Stock Option" means an Option not intended to qualify as an Incentive Stock Option.

(hh) "Non-Trustee 102 Option" shall mean a 102 Option granted pursuant to Section 102(c) of the Tax Ordinance and not held in trust by the Trustee.

(ii) "Officer" means a person who is an officer of the Company or a Related Entity within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(jj) "Option" means an option to purchase Shares pursuant to an Award Agreement granted under the Plan.

(kk) "Parent" means a "parent corporation", whether now or hereafter existing, as defined in Section 424(e) of the Code.

(ll) "Performance-Based Compensation" means compensation qualifying as "performance-based compensation" under Section 162(m) of the Code.

(mm) "Plan" means this 2006 Stock Incentive Plan.

(nn) "Related Entity" means any Parent or Subsidiary of the Company. With respect to Israeli Grantees of 102 Options, the definition shall further include any entity permitted under Section 102 (a) of the Tax Ordinance.

(oo) "Replaced" means that pursuant to a Corporate Transaction the Award is replaced with a comparable stock award or a cash incentive program of the Company, the successor entity (if applicable) or Parent of either of them which preserves the compensation element of such Award existing at the time of the Corporate Transaction and provides for subsequent payout in accordance with the same (or a more favorable) vesting schedule applicable to such Award. The determination of Award comparability shall be made by the Administrator and its determination shall be final, binding and conclusive.

(pp) "Restricted Stock" means Shares issued under the Plan to the Grantee for such consideration, if any, and subject to such restrictions on transfer, rights of first refusal, repurchase provisions, forfeiture provisions, and other terms and conditions as established by the Administrator.

(qq) "Restricted Stock Units" means an Award which may be earned in whole or in part upon the passage of time or the attainment of performance criteria established by the Administrator and which may be settled for cash, Shares or other securities or a combination of cash, Shares or other securities as established by the Administrator.

(rr) "Rule 16b-3" means Rule 16b-3 promulgated under the Exchange Act or any successor thereto.

(ss) "SAR" means a stock appreciation right entitling the Grantee to Shares or cash compensation, as established by the Administrator, measured by appreciation in the value of Common Stock.

(tt) "Section 3(I)" means section 3(I) of the Tax Ordinance as may be amended from time to time.

(uu) "Section 102" means section 102 of the Tax Ordinance as may be amended from time to time.

(vv) "Share" means a share of the Common Stock.

(ww) "Subsidiary" means a "subsidiary corporation", whether now or hereafter existing, as defined in Section 424(f) of the Code.

(xx) "Tax Ordinance" means the Israeli Income Tax Ordinance [New Version], 1961 (including as amended pursuant to Amendment 132 thereto) and to the extent not specifically indicated hereunder also the rules, regulations and orders or procedures promulgated thereunder from time to time, as amended or replaced from time to time.

(yy) "Trustee" means any individual appointed by the Company to serve as trustee and approved by the ITA, in accordance with the provisions of Section 102(a) of the Tax Ordinance and the regulations promulgated thereunder.

(zz) "Trustee 102 Option" means a 102 Option granted pursuant to Section 102(b) of the Tax Ordinance and held in trust by the Trustee for the benefit of an Israeli Grantee.

3. Stock Subject to the Plan.

(a) Subject to the provisions of Section 10, below, the maximum aggregate number of Shares which may be issued pursuant to all Awards (including Incentive Stock Options) under the Plan is 9,233,798 Shares. The Shares to be issued pursuant to Awards may be authorized, but unissued, or reacquired Common Stock.

(b) Any Shares covered by an Award (or portion of an Award) which is forfeited, canceled or expires (whether voluntarily or involuntarily) shall be deemed not to have been issued for purposes of determining the maximum aggregate number of Shares which may be issued under the Plan. Shares that actually have been issued under the Plan pursuant to an Award shall not be returned to the Plan and shall not become available for future issuance under the Plan, except that if unvested Shares are forfeited, or repurchased by the Company at the lower of their original purchase price or their Fair Market Value at the time of repurchase, such Shares shall become available for future grant under the Plan. To the extent not prohibited by the listing requirements of The American Stock Exchange (or other established stock exchange or national market system on which the Common Stock is traded) and Applicable Law, any Shares covered by an Award which are surrendered (i) in payment of the Award exercise or purchase price (including pursuant to the "net exercise" of an option pursuant to Section 7(b)(v)) or (ii) in satisfaction of tax withholding obligations incident to the exercise of an Award shall be deemed not to have been issued for purposes of determining the maximum number of Shares which may be issued pursuant to all Awards under the Plan, unless otherwise determined by the Administrator.

4. Administration of the Plan.

(a) Plan Administrator.

(i) Administration with Respect to Directors and Officers. With respect to grants of Awards to Directors or Employees who are also Officers or Directors of the Company, the Plan shall be administered by (A) the Board or (B) a Committee designated by the Board, which Committee shall be constituted in such a manner as to satisfy the Applicable Laws and to permit such grants and related transactions under the Plan to be exempt from

Section 16(b) of the Exchange Act in accordance with Rule 16b-3. Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board.

(ii) Administration With Respect to Consultants and Other Employees. With respect to grants of Awards to Employees or Consultants who are neither Directors nor Officers of the Company, the Plan shall be administered by (A) the Board or (B) a Committee designated by the Board, which Committee shall be constituted in such a manner as to satisfy the Applicable Laws. Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. The Board may authorize one or more Officers to grant such Awards and may limit such authority as the Board determines from time to time.

(iii) Administration With Respect to Covered Employees. Notwithstanding the foregoing, grants of Awards to any Covered Employee intended to qualify as Performance-Based Compensation shall be made only by a Committee (or subcommittee of a Committee) which is comprised solely of two or more Directors eligible to serve on a committee making Awards qualifying as Performance-Based Compensation. In the case of such Awards granted to Covered Employees, references to the "Administrator" or to a "Committee" shall be deemed to be references to such Committee or subcommittee.

(iv) Administration With Respect to Israeli Grantees. With respect to grants of Awards to Israeli Grantees, the Plan shall be administered by (A) the Board or (B) a Committee or one or more Officers designated by the Board, which Committee or Officers shall be constituted or appointed in such a manner as to satisfy the ITA and the Applicable Laws applicable to Awards for Israeli Grantees. Once appointed, such Committee or Officer shall continue to serve in its/his/her designated capacity until otherwise directed by the Board.

(v) Administration Errors. In the event an Award is granted in a manner inconsistent with the provisions of this subsection (a), such Award shall be presumptively valid as of its grant date to the extent permitted by the Applicable Laws.

(b) Powers of the Administrator. Subject to Applicable Laws and the provisions of the Plan (including any other powers given to the Administrator hereunder), and except as otherwise provided by the Board, the Administrator shall have the authority, in its discretion:

(i) to select the Employees, Directors and Consultants to whom Awards may be granted from time to time hereunder;

(ii) to determine whether and to what extent Awards are granted hereunder;

(iii) to determine the number of Shares or the amount of other consideration to be covered by each Award granted hereunder;

(iv) to approve forms of Award Agreements for use under the Plan;

(v) to determine the terms and conditions of any Award granted hereunder;

(vi) to amend the terms of any outstanding Award granted under the Plan, provided that any amendment that would adversely affect the Grantee's rights under an outstanding Award shall not be made without the Grantee's written consent, provided, however, that an amendment or modification that may cause an Incentive Stock Option to become a Non-Qualified Stock Option shall not be treated as adversely affecting the rights of the Grantee. The reduction of the exercise price of any Option awarded under the Plan and the base appreciation amount of any SAR awarded under the Plan shall not be subject to stockholder approval and canceling an Option or SAR at a time when its exercise price or base appreciation amount (as applicable) exceeds the Fair Market Value of the underlying Shares, in exchange for another Option, SAR, Restricted Stock, or other Award shall not be subject to stockholder approval and shall be at the discretion of the Administrator;

(vii) to construe and interpret the terms of the Plan and Awards, including without limitation, any notice of award or Award Agreement, granted pursuant to the Plan;

(viii) to grant Awards to Employees, Directors and Consultants employed outside the United States on such terms and conditions different from those specified in the Plan as may, in the judgment of the Administrator, be necessary or desirable to further the purpose of the Plan; and

(ix) to designate Awards as 102 Options (whether through a trustee or not) or 3(I) Options subject to the limitations under the ITA or any other Applicable Law and to determine the type and route of the Trustee 102 Options.

(x) to take such other action, not inconsistent with the terms of the Plan, as the Administrator deems appropriate.

The express grant in the Plan of any specific power to the Administrator shall not be construed as limiting any power or authority of the Administrator; provided that the Administrator may not exercise any right or power reserved to the Board. Any decision made, or action taken, by the Administrator or in connection with the administration of this Plan shall be final, conclusive and binding on all persons having an interest in the Plan.

(c) Indemnification. In addition to such other rights of indemnification as they may have as members of the Board or as Officers or Employees of the Company or a Related Entity, members of the Board and any Officers or Employees of the Company or a Related Entity to whom authority to act for the Board, the Administrator or the Company is delegated shall be defended and indemnified by the Company to the extent permitted by law on an after-tax basis against all reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any claim, investigation, action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any Award granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by the Company) or paid by them in satisfaction of a judgment in any such claim, investigation, action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such claim, investigation, action, suit or proceeding that such person is liable for

gross negligence, bad faith or intentional misconduct; provided, however, that within thirty (30) days after the institution of such claim, investigation, action, suit or proceeding, such person shall offer to the Company, in writing, the opportunity at the Company's expense to defend the same.

5. Eligibility. Awards other than Incentive Stock Options may be granted to Employees, Directors and Consultants. Incentive Stock Options may be granted only to Employees of the Company or a Parent or a Subsidiary of the Company. An Employee, Director or Consultant who has been granted an Award may, if otherwise eligible, be granted additional Awards. Awards may be granted to such Employees, Directors or Consultants who are residing in non-U.S. jurisdictions as the Administrator may determine from time to time, provided however that Awards to Israeli Grantees under Section 102 or Section 3(I) of the Tax Ordinance shall be subject to Section 20 below.

The Company does not warrant that the Plan will be recognized by the income tax authorities in any jurisdiction or that future changes will not be made to the provisions of applicable laws or rules or regulations which are promulgated from time to time thereunder, or that any exemption or benefit currently available, whether by the ITA pursuant to Section 102 or otherwise, will not be abolished.

6. Terms and Conditions of Awards.

(a) Types of Awards. The Administrator is authorized under the Plan to award any type of arrangement to an Employee, Director or Consultant that is not inconsistent with the provisions of the Plan and that by its terms involves or might involve the issuance of (i) Shares, (ii) cash or (iii) an Option, a SAR, or similar right with a fixed or variable price related to the Fair Market Value of the Shares and with an exercise or conversion privilege related to the passage of time, the occurrence of one or more events, or the satisfaction of performance criteria or other conditions. Such awards include, without limitation, Options, SARs, sales or bonuses of Restricted Stock, Restricted Stock Units or Dividend Equivalent Rights, and an Award may consist of one such security or benefit, or two (2) or more of them in any combination or alternative.

(b) Designation of Award. Each Award shall be designated in the Award Agreement. In the case of an Option, the Option shall be designated as either an Incentive Stock Option or a Non-Qualified Stock Option and with respect to Israeli Grantees may be further designated as 102 Options or 3(I) Options under the Tax Ordinance subject to the qualifications described in Section 20 below. However, notwithstanding such designation, an Option will qualify as an Incentive Stock Option under the Code only to the extent the $100,000 dollar limitation of Section 422(d) of the Code is not exceeded. The $100,000 limitation of Section 422(d) of the Code is calculated based on the aggregate Fair Market Value of the Shares subject to Options designated as Incentive Stock Options which become exercisable for the first time by a Grantee during any calendar year (under all plans of the Company or any Parent or Subsidiary of the Company). For purposes of this calculation, Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of the Shares shall be determined as of the grant date of the relevant Option.

(c) Conditions of Award. Subject to the terms of the Plan, the Administrator shall determine the provisions, terms, and conditions of each Award including, but not limited to, the Award vesting schedule, repurchase provisions, rights of first refusal, forfeiture provisions, form of payment (cash, Shares, or other consideration) upon settlement of the Award, payment contingencies, and satisfaction of any performance criteria. The performance criteria established by the Administrator may be based on any one of, or combination of, the following: (i) increase in share price, (ii) earnings per share, (iii) total stockholder return, (iv) operating margin, (v) gross margin, (vi) return on equity, (vii) return on assets, (viii) return on investment, (ix) operating income, (x) net operating income, (xi) pre-tax profit, (xii) cash flow, (xiii) revenue, (xiv) expenses, (xv) earnings before interest, taxes and depreciation, (xvi) economic value added and (xvii) market share. The performance criteria may be applicable to the Company, Related Entities and/or any individual business units of the Company or any Related Entity. Partial achievement of the specified criteria may result in a payment or vesting corresponding to the degree of achievement as specified in the Award Agreement.

(d) Acquisitions and Other Transactions. The Administrator may issue Awards under the Plan in settlement, assumption or substitution for, outstanding awards or obligations to grant future awards in connection with the Company or a Related Entity acquiring another entity, an interest in another entity or an additional interest in a Related Entity whether by merger, stock purchase, asset purchase or other form of transaction.

(e) Deferral of Award Payment. The Administrator may establish one or more programs under the Plan to permit selected Grantees the opportunity to elect to defer receipt of consideration upon exercise of an Award, satisfaction of performance criteria, or other event that absent the election would entitle the Grantee to payment or receipt of Shares or other consideration under an Award. The Administrator may establish the election procedures, the timing of such elections, the mechanisms for payments of, and accrual of interest or other earnings, if any, on amounts, Shares or other consideration so deferred, and such other terms, conditions, rules and procedures that the Administrator deems advisable for the administration of any such deferral program.

(f) Separate Programs. The Administrator may establish one or more separate programs under the Plan for the purpose of issuing particular forms of Awards to one or more classes of Grantees on such terms and conditions as determined by the Administrator from time to time.

(g) Individual Limitations on Awards.

(i) Individual Limit for Options and SARs. The maximum number of Shares with respect to which Options and SARs may be granted to any Grantee in any calendar year shall be 9,233,798 Shares. Shares which shall not count against the limit set forth in the previous sentence. The foregoing limitations shall be adjusted proportionately in connection with any change in the Company's capitalization pursuant to Section 10, below. To the extent required by Section 162(m) of the Code or the regulations thereunder, in applying the foregoing limitations with respect to a Grantee, if any Option or SAR is canceled, the canceled Option or SAR shall continue to count against the maximum number of Shares with respect to which Options and SARs may be granted to the Grantee. For this purpose, the repricing of an Option

(or in the case of a SAR, the base amount on which the stock appreciation is calculated is reduced to reflect a reduction in the Fair Market Value of the Common Stock) shall be treated as the cancellation of the existing Option or SAR and the grant of a new Option or SAR.

(ii) Individual Limit for Restricted Stock and Restricted Stock Units. For awards of Restricted Stock and Restricted Stock Units that are intended to be Performance-Based Compensation, the maximum number of Shares with respect to which such Awards may be granted to any Grantee in any calendar year shall be 9,233,798 Shares. The foregoing limitation shall be adjusted proportionately in connection with any change in the Company's capitalization pursuant to Section 10, below.

(iii) Deferral. If the vesting or receipt of Shares under an Award is deferred to a later date, any amount (whether denominated in Shares or cash) paid in addition to the original number of Shares subject to such Award will not be treated as an increase in the number of Shares subject to the Award if the additional amount is based either on a reasonable rate of interest or on one or more predetermined actual investments such that the amount payable by the Company at the later date will be based on the actual rate of return of a specific investment (including any decrease as well as any increase in the value of an investment).

(h) Early Exercise. The Award Agreement may, but need not, include a provision whereby the Grantee may elect at any time while an Employee, Director or Consultant to exercise any part or all of the Award prior to full vesting of the Award. Any unvested Shares received pursuant to such exercise may be subject to a repurchase right in favor of the Company or a Related Entity or to any other restriction the Administrator determines to be appropriate.

(i) Term of Award. The term of each Award shall be the term stated in the Award Agreement, provided, however, that the term of an Incentive Stock Option shall be no more than ten (10) years from the date of grant thereof. However, in the case of an Incentive Stock Option granted to a Grantee who, at the time the Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary of the Company, the term of the Incentive Stock Option shall be five (5) years from the date of grant thereof or such shorter term as may be provided in the Award Agreement.

(j) Transferability of Awards. Incentive Stock Options or Options to Israeli Grantees may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Grantee, only by the Grantee. Other Awards shall be transferable (i) by will and by the laws of descent and distribution and (ii) during the lifetime of the Grantee, to the extent and in the manner authorized by the Administrator. Notwithstanding the foregoing, the Grantee may designate one or more beneficiaries of the Grantee's Award in the event of the Grantee's death on a beneficiary designation form provided by the Administrator.

(k) Time of Granting Awards. The date of grant of an Award shall for all purposes be the date on which the Administrator makes the determination to grant such Award, or such other date as is determined by the Administrator.

7. Award Exercise or Purchase Price, Consideration and Taxes.

(a) Exercise or Purchase Price. The exercise or purchase price, if any, for an Award shall be as follows:

(i) In the case of an Incentive Stock Option:

(A) granted to an Employee who, at the time of the grant of such Incentive Stock Option owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary of the Company, the per Share exercise price shall be not less than one hundred ten percent (110%) of the Fair Market Value per Share on the date of grant; or

(B) granted to any Employee other than an Employee described in the preceding paragraph, the per Share exercise price shall be not less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

(ii) In the case of Awards intended to qualify as Performance-Based Compensation, the exercise or purchase price, if any, shall be not less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

(iii) In the case of other Awards, such price as is determined by the Administrator. Notwithstanding the foregoing, with respect to Israeli Grantees, unless otherwise restricted or has an adverse effect on the Company or a Related Company, such price shall be equal to the price per share paid in the most recent financing round consummated prior to the date of grant of the respective Award discounted by no less than 30%.

(iv) Notwithstanding the foregoing provisions of this Section 7(a), in the case of an Award issued pursuant to Section 6(d), above, the exercise or purchase price for the Award shall be determined in accordance with the provisions of the relevant instrument evidencing the agreement to issue such Award.

(b) Consideration. Subject to Applicable Laws, the consideration to be paid for the Shares to be issued upon exercise or purchase of an Award including the method of payment, shall be determined by the Administrator. In addition to any other types of consideration the Administrator may determine, the Administrator is authorized to accept as consideration for Shares issued under the Plan the following:

(i) cash;

(ii) check;

(iii) surrender of Shares or delivery of a properly executed form of attestation of ownership of Shares as the Administrator may require which have a Fair Market Value on the date of surrender or attestation equal to the aggregate exercise price of the Shares as to which said Award shall be exercised;

(iv) with respect to Options, payment through a broker-dealer sale and remittance procedure pursuant to which the Grantee (A) shall provide written instructions to a Company designated brokerage firm to effect the immediate sale of some or all of the purchased Shares and remit to the Company sufficient funds to cover the aggregate exercise price payable for the purchased Shares and (B) shall provide written directives to the Company to deliver the certificates for the purchased Shares directly to such brokerage firm in order to complete the sale transaction; or

(v) with respect to Options, payment through a "net exercise" such that, without the payment of any funds, the Grantee may exercise the Option and receive the net number of Shares equal to (i) the number of Shares as to which the Option is being exercised, multiplied by (ii) a fraction, the numerator of which is the Fair Market Value per Share (on such date as is determined by the Administrator) less the Exercise Price per Share, and the denominator of which is such Fair Market Value per Share (the number of net Shares to be received shall be rounded down to the nearest whole number of Shares);

(vi) any combination of the foregoing methods of payment.

The Administrator may at any time or from time to time, by adoption of or by amendment to the standard forms of Award Agreement described in Section 4(b)(iv), or by other means, grant Awards which do not permit all of the foregoing forms of consideration to be used in payment for the Shares or which otherwise restrict one or more forms of consideration.

(c) Taxes. No Shares shall be delivered under the Plan to any Grantee or other person until such Grantee or other person has made arrangements acceptable to the Administrator for the satisfaction of any non-U.S., federal, state, or local income and employment tax withholding obligations, including, without limitation, obligations incident to the receipt of Shares. Upon exercise or vesting of an Award the Company shall withhold or collect from the Grantee an amount sufficient to satisfy such tax obligations, including, but not limited to, by surrender of the whole number of Shares covered by the Award sufficient to satisfy the minimum applicable tax withholding obligations incident to the exercise or vesting of an Award.

8. Exercise of Award.

(a) Procedure for Exercise; Rights as a Stockholder.

(i) Any Award granted hereunder shall be exercisable at such times and under such conditions as determined by the Administrator under the terms of the Plan and specified in the Award Agreement provided however that the standard vesting schedule for Israeli Grantees shall be as set forth in Section 20.

(ii) An Award shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Award by the person entitled to exercise the Award and full payment for the Shares with respect to which the Award is exercised has been made, including, to the extent selected, use of the broker-dealer sale and remittance procedure to pay the purchase price as provided in Section 7(b).

(b) Exercise of Award Following Termination of Continuous Service. In the event of termination of a Grantee's Continuous Service for any reason other than Cause, Disability or death, such Grantee may, but only within twelve (12) months from the date of such termination (or such longer or shorter period as specified in the Award Agreement but in no event later than the expiration date of the term of such Award as set forth in the Award Agreement), exercise the portion of the Grantee's Award that was vested at the date of such termination or such other portion of the Grantee's Award as may be determined by the Administrator. To the extent that the Grantee's Award was unvested at the date of termination, or if Grantee does not exercise the vested portion of the Grantee's Award within the time specified herein, the Award shall terminate.

(c) Exercise of Award Following Termination of Continuous Service for Cause. In the event of termination of a Grantee's Continuous Service for Cause, such Grantee may, but only within fourteen (14) days from the date of such termination (or such longer or shorter period as specified in the Award Agreement but in no event later than the expiration date of the term of such Award as set forth in the Award Agreement), exercise the portion of the Grantee's Award that was vested at the date of such termination or such other portion of the Grantee's Award as may be determined by the Administrator. To the extent that the Grantee's Award was unvested at the date of termination, or if Grantee does not exercise the vested portion of the Grantee's Award within the time specified herein, the Award shall terminate.

(d) Disability of Grantee. In the event of termination of a Grantee's Continuous Service as a result of his or her Disability, such Grantee may, but only within twelve (12) months from the date of such termination (or such longer or shorter period as specified in the Award Agreement but in no event later than the expiration date of the term of such Award as set forth in the Award Agreement), exercise the portion of the Grantee's Award that was vested at the date of such termination or such other portion of the Grantee's Award as may be determined by the Administrator. To the extent that the Grantee's Award was unvested at the date of termination, or if Grantee does not exercise the vested portion of the Grantee's Award within the time specified herein, the Award shall terminate.

(e) Death of Grantee. In the event of a termination of the Grantee's Continuous Service as a result of his or her death, or in the event of the death of the Grantee during the post-termination exercise periods following the Grantee's termination of Continuous Service specified in this Section 8, above, the Grantee's estate or a person who acquired the right to exercise the Award by bequest or inheritance may exercise the portion of the Grantee's Award that was vested as of the date of termination or such other portion of the Grantee's Award as may be determined by the Administrator, within twelve (12) months from the date of death (or such longer or shorter period as specified in the Award Agreement but in no event later than the expiration of the term of such Award as set forth in the Award Agreement). To the extent that, at the time of death, the Grantee's Award was unvested, or if the Grantee's estate or a person who acquired the right to exercise the Award by bequest or inheritance does not exercise the vested portion of the Grantee's Award within the time specified herein, the Award shall terminate.

(f) The holder of an Option shall have none of the rights of a stockholder with respect to the Shares subject to the Option until such shares are transferred to the holder (or the Trustee, if applicable) upon the exercise of the Option.

9. Conditions Upon Issuance of Shares.

(a) If at any time the Administrator determines that the delivery of Shares pursuant to the exercise, vesting or any other provision of an Award is or may be unlawful under Applicable Laws, the vesting or right to exercise an Award or to otherwise receive Shares pursuant to the terms of an Award shall be suspended until the Administrator determines that such delivery is lawful and shall be further subject to the approval of counsel for the Company with respect to such compliance. The Company shall have no obligation to effect any registration or qualification of the Shares under federal or state laws or other Applicable Laws.

(b) As a condition to the exercise of an Award, the Company may require the person exercising such Award make such representations and warranties which, in the opinion of the Company, are required to ensure that such exercise, or a subsequent sale or disposition of any Shares obtained upon such exercise, does not contravene any Applicable Law, including *inter alia*, representations and warranties at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required by any Applicable Laws.

(c) Unless otherwise set forth in an Award Agreement, Shares issued to a Grantee or the Trustee, as applicable, shall be subject to such restrictions as required by the appropriate securities' law and in the event that the Company's shares shall be registered for trading in any public market, Grantee's rights to sell the Shares may be subject to certain limitations (including a lock-up period), as will be requested by the Company or its underwriters, and the Grantee by executing an Award Agreement unconditionally agrees and accepts any such limitations and undertakes to further execute any agreement as may be requested by the Company or its underwriters from time to time.

10. Adjustments Upon Changes in Capitalization. Subject to any required action by the stockholders of the Company, the number of Shares covered by each outstanding Award, and the number of Shares which have been authorized for issuance under the Plan but as to which no Awards have yet been granted or which have been returned to the Plan, the exercise or purchase price of each such outstanding Award, the maximum number of Shares with respect to which Options and SARs may be granted to any Grantee in any calendar year, as well as any other terms that the Administrator determines require adjustment shall be proportionately adjusted for (i) any increase or decrease in the number of issued Shares resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Shares, or similar transaction affecting the Shares, (ii) any other increase or decrease in the number of issued Shares effected without receipt of consideration by the Company, or (iii) any other transaction with respect to Common Stock including a corporate merger, consolidation, acquisition of property or stock, separation (including a spin-off or other distribution of stock or property), reorganization, liquidation (whether partial or complete) or any similar transaction; provided, however that conversion of any convertible securities of the Company shall not be deemed to have been

“effected without receipt of consideration.” In connection with the foregoing adjustments, the Administrator may, in its discretion, prohibit the exercise of Awards during certain periods of time. Except as the Administrator determines, no issuance by the Company of shares of any class, or securities convertible into shares of any class, shall affect, and no adjustment by reason hereof shall be made with respect to, the number or price of Shares subject to an Award.

11. Corporate Transactions and Changes in Control.

(a) Termination of Award to Extent Not Assumed in Corporate Transaction. Effective upon the consummation of a Corporate Transaction, all outstanding Awards under the Plan shall terminate. However, all such Awards shall not terminate to the extent they are Assumed in connection with the Corporate Transaction.

(b) Acceleration of Award Upon Corporate Transaction or Change in Control.

(i) Corporate Transaction. Except as provided otherwise in an individual Award Agreement, in the event of a Corporate Transaction and:

(A) for the portion of each Award that is Assumed or Replaced, then such Award (if Assumed), the replacement Award (if Replaced), or the cash incentive program (if Replaced) automatically shall become fully vested, exercisable and payable and be released from any repurchase or forfeiture rights (other than repurchase rights exercisable at Fair Market Value) for all of the Shares (or other consideration) at the time represented by such Assumed or Replaced portion of the Award, immediately upon termination of the Grantee’s Continuous Service if such Continuous Service is terminated by the successor company or the Company without Cause within twelve (12) months after the Corporate Transaction; and

(B) for the portion of each Award that is neither Assumed nor Replaced, such portion of the Award shall automatically become fully vested and exercisable and be released from any repurchase or forfeiture rights (other than repurchase rights exercisable at Fair Market Value) for all of the Shares (or other consideration) at the time represented by such portion of the Award, immediately prior to the specified effective date of such Corporate Transaction, provided that the Grantee’s Continuous Service has not terminated prior to such date.

(ii) Change in Control. Except as provided otherwise in an individual Award Agreement, following a Change in Control (other than a Change in Control which also is a Corporate Transaction) and upon the termination of the Continuous Service of a Grantee if such Continuous Service is terminated by the Company or Related Entity without Cause within twelve (12) months after a Change in Control, each Award of such Grantee which is at the time outstanding under the Plan automatically shall become fully vested and exercisable and be released from any repurchase or forfeiture rights (other than repurchase rights exercisable at Fair Market Value), immediately upon the termination of such Continuous Service.

(c) Effect of Acceleration on Incentive Stock Options. Any Incentive Stock Option accelerated under this Section 11 in connection with a Corporate Transaction or Change in Control shall remain exercisable as an Incentive Stock Option under the Code only to the extent the $100,000 dollar limitation of Section 422(d) of the Code is not exceeded.

12. Effective Date and Term of Plan. The Plan shall become effective upon the earlier to occur of its adoption by the Board or its approval by the stockholders of the Company. It shall continue in effect for a term of ten (10) years unless sooner terminated. Subject to Section 17, below, and Applicable Laws, Awards may be granted under the Plan upon its becoming effective.

13. Amendment, Suspension or Termination of the Plan.

(a) The Board may at any time amend, suspend or terminate the Plan; provided, however, that no such amendment shall be made without the approval of the Company's stockholders to the extent such approval is required by Applicable Laws**,** or if such amendment would lessen the stockholder approval requirements of Section 4(b)(vi) or this Section 13(a).

(b) No Award may be granted during any suspension of the Plan or after termination of the Plan.

(c) No suspension or termination of the Plan (including termination of the Plan under Section 11, above) shall adversely affect any rights under Awards already granted to a Grantee.

14. Reservation of Shares.

(a) The Company, during the term of the Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

(b) The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

15. No Effect on Terms of Employment/Consulting Relationship. The Plan shall not confer upon any Grantee any right with respect to the Grantee's Continuous Service, nor shall it interfere in any way with his or her right or the right of the Company or any Related Entity to terminate the Grantee's Continuous Service at any time, with or without Cause, and with or without notice. The ability of the Company or any Related Entity to terminate the employment of a Grantee who is employed at will is in no way affected by its determination that the Grantee's Continuous Service has been terminated for Cause for the purposes of this Plan.

16. No Effect on Retirement and Other Benefit Plans. Except as specifically provided in a retirement or other benefit plan of the Company or a Related Entity, Awards shall not be deemed compensation for purposes of computing benefits or contributions under any retirement plan of the Company or a Related Entity, and shall not affect any benefits under any other benefit plan of any kind or any benefit plan subsequently instituted under which the availability or amount of benefits is related to level of compensation. The Plan is not a "Retirement Plan" or "Welfare Plan" under the Employee Retirement Income Security Act of 1974, as amended.

17. Stockholder Approval. The grant of Incentive Stock Options under the Plan shall be subject to approval by the stockholders of the Company within twelve (12) months before or after the date the Plan is adopted excluding Incentive Stock Options issued in substitution for outstanding Incentive Stock Options pursuant to Section 424(a) of the Code. Such stockholder approval shall be obtained in the degree and manner required under Applicable Laws. The Administrator may grant Incentive Stock Options under the Plan prior to approval by the stockholders, but until such approval is obtained, no such Incentive Stock Option shall be exercisable. In the event that stockholder approval is not obtained within the twelve (12) month period provided above, all Incentive Stock Options previously granted under the Plan shall be exercisable as Non-Qualified Stock Options.

18. Unfunded Obligation. Grantees shall have the status of general unsecured creditors of the Company. Any amounts payable to Grantees pursuant to the Plan shall be unfunded and unsecured obligations for all purposes, including, without limitation, Title I of the Employee Retirement Income Security Act of 1974, as amended. Neither the Company nor any Related Entity shall be required to segregate any monies from its general funds, or to create any trusts, or establish any special accounts with respect to such obligations. The Company shall retain at all times beneficial ownership of any investments, including trust investments, which the Company may make to fulfill its payment obligations hereunder. Any investments or the creation or maintenance of any trust or any Grantee account shall not create or constitute a trust or fiduciary relationship between the Administrator, the Company or any Related Entity and a Grantee, or otherwise create any vested or beneficial interest in any Grantee or the Grantee's creditors in any assets of the Company or a Related Entity. The Grantees shall have no claim against the Company or any Related Entity for any changes in the value of any assets that may be invested or reinvested by the Company with respect to the Plan.

19. Construction. Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

20. Israeli Grantees. This Section shall apply only to Israeli Grantees and is intended to enable the Company to grant Awards under the Plan pursuant and subject to Section 102 and Section 3(I) of the Tax Ordinance. Accordingly, the Plan is designated to comply with the Tax Ordinance and the rules, regulations and orders or procedures promulgated thereunder from time to time, as amended or replaced from time to time and shall be submitted to the ITA as required thereunder.

In any case of contradiction, whether explicit or implied, between the provisions of this Section and the Plan, the provisions set out in this Section shall prevail unless the Administrator decides otherwise to ensure compliance with the Tax Ordinance and other Applicable Laws.

(a) Eligibility. 102 Options may be granted only to Israeli Employees. Non-Employees may only be granted 3(I) Options. The grant of an Award hereunder shall neither entitle the Grantee to participate nor disqualify the Israeli Grantee from participating in, any

other grant of Awards pursuant to the Plan or any other option or stock plan of the Company or any Related Company.

(b) Grant of Awards in Trust

(i) Grants Made Under Section 102.

The Company may designate 102 Options as Trustee 102 Options or Non-Trustee 102 Options. The designation of Non-Trustee 102 Options and Trustee 102 Options shall be subject to the terms and conditions set forth in Section 102 of the Tax Ordinance and the regulations promulgated thereunder.

(ii) Grant of Trustee 102 Options.

(1) The grant of the Trustee 102 Options shall be made under the Plan and shall be conditional upon the approval of the Plan by the ITA. Trustee 102 Options may be granted at any time after the passage of thirty (30) days following the delivery by the Company to the ITA of a notice pertaining to the appointment of the Trustee and the adoption of the Plan, unless otherwise determined by the ITA. Options which shall be granted pursuant to Section 102 and/or any Shares issued upon exercise of such Options and/or other shares received subsequently following any realization of rights, shall be issued to the Trustee. Each Israeli Grantee in respect of whom a Trustee 102 Option is granted and held in trust by the Trustee shall be referred to as a "beneficial optionee" hereunder.

(2) Trustee 102 Option(s) may either be classified as Capital Gain Option(s) or Ordinary Income Option(s):

(A) Trustee 102 Option(s) elected and designated by the Company to qualify under the capital gain tax treatment in accordance with the provisions of Section 102(b)(2) shall be referred to herein as "Capital Gain Option(s)" or "CGO".

(B) Trustee 102 Option(s) elected and designated by the Company to qualify under the ordinary income tax treatment in accordance with the provisions of Section 102(b)(1) shall be referred to herein as "Ordinary Income Option(s)" or "OIO".

(3) The Company's election of the type of Trustee 102 Options as CGO or OIO granted to Employees (the "Election") shall be appropriately filed with the ITA 30 days before the date of grant of a Trustee 102 Option, unless otherwise determined by the ITA. Such Election shall become effective beginning the first date of grant of a Trustee 102 Option under this Plan and shall remain in effect until the end of the year following the year during which the Company first granted Trustee 102 Options. The Election shall obligate the Company to grant only the type of Trustee 102 Option it has elected, and shall apply to all Israeli Grantees who were granted Trustee 102 Options during the period indicated herein or therein, all in accordance with the provisions of Section 102(g) of the Tax Ordinance. Notwithstanding, such Election shall not prevent the Company from granting Non-Trustee 102 Options simultaneously.

(4) All Trustee 102 Options must be held in trust by and issued on the name of the Trustee, as described below.

(5) With respect to Trustee 102 Options, the provisions of the Plan and/or an Award Agreement shall be subject to the provisions of Section 102 and the ITA's permit, and the said provisions and permit shall be deemed an integral part of this Section and of the Award Agreement for the respective Grantees thereof. Any provision of Section 102 and/or the said permit which is necessary in order to receive and/or to keep any tax benefit pursuant to Section 102, which is not expressly specified in the Plan or the Award Agreement, shall be considered binding upon the Company and the Israeli Grantee.

(iii) Issuance to Trustee.

(1) All Trustee 102 Options granted under the Plan and/or any Shares allocated or issued upon exercise of such Trustee 102 Options and/or other and all rights deriving from or in connection therewith, including, without limitation, in accordance with Section 10 above or any bonus shares or stock dividends issued in connection therewith shall be granted by the Company to the Trustee, and the Trustee shall hold each such Trustee 102 Option and the Shares issued upon exercise thereof in trust for such period of time as required by Section 102 or any regulations, rules or orders or procedures promulgated thereunder (the "Holding Period"), for the benefit of the Grantees in respect of whom such Trustee 102 Option was granted. All certificates representing Shares issued to the Trustee under the Plan shall be deposited with the Trustee, and shall be held by the Trustee until such time that such Shares are released from the Trust as herein provided.

(2) In event the requirements for Trustee 102 Options are not met for any reason whatsoever, then the Trustee 102 Options may be treated as Non-Trustee 102 Options, all in accordance with the provisions of Section 102 and regulations promulgated thereunder.

(3) With respect to any Trustee 102 Option, subject to the provisions of Section 102 and any rules or regulations or orders or procedures promulgated thereunder, an Israeli Grantee shall not be entitled to sell or release from Trust the Trustee 102 Option, the Shares received upon the exercise of such Option and/or any right deriving from or in connection therewith, including, without limitation, in accordance with Section 10 above or any bonus shares or stock dividends issued in connection therewith, until the later of: (i) the lapse of the Holding Period required under Section 102, and (ii) the vesting of such Options set forth in the respective Award Agreement (such later date being hereinafter referred to as the "Release Date"). Notwithstanding the foregoing, if such sale or release occurs during the Holding period, the provisions of Section 102 and the rules or regulations promulgated thereunder shall apply and any expenses and/or tax consequences therefrom shall be borne by the Israeli Grantee.

(4) Subject to the terms hereof, at any time after the Release Date with respect to any Trustee 102 Options or Shares the following shall apply:

(A) Trustee 102 Options granted, and/or Shares or rights issued to the Trustee shall continue to be held by the Trustee, on behalf of the beneficial optionee. From and after the Release Date, upon the written request of any beneficial optionee, the Trustee shall release from the Trust the Trustee 102 Options granted, and/or the Shares or rights issued, on behalf of such beneficial optionee, by executing and delivering to the Company such instrument(s) as the Company may require, giving due notice of such release to such beneficial optionee, provided, however, that the Trustee shall not so release any such Trustee 102 Options and/or Shares and/or rights to such beneficial optionee unless the latter, prior to, or concurrently with, such release, provides the Trustee with evidence, satisfactory in form and substance to the Trustee, that all taxes, if any, required to be paid upon such release have, in fact, been paid.

(B) Alternatively, from and after the Release Date, upon the written instructions of the beneficial optionee to sell any Shares and rights issued upon exercise of Trustee 102 Options, the Trustee shall use its best efforts to effect such sale and shall transfer such Shares to the purchaser thereof concurrently with the receipt, or after having made suitable arrangements to secure the payment, of the purchase price in such transactions. The Trustee shall withhold from such proceeds any and all taxes required to be paid in respect of such sale, shall remit the amount so withheld to the appropriate tax authorities and shall pay the balance thereof directly to the beneficial optionee, reporting to such beneficial optionee and to the Company the amount so withheld and paid to said authorities.

(C) Notwithstanding the foregoing, in the event the underwriters of securities of the Company impose restrictions on the transferability of the Shares during a lock-up period, the beneficial optionee shall not be entitled to release from Trust the Trustee 102 Options granted and/or the Shares issued and/or to instruct the Trustee to effect a sale of same, for as long as the restrictions are in effect. In the event the Trustee 102 Options granted and/or the Shares issued have been released from trust the restrictions imposed on the transferability of same shall nevertheless apply to said optionee's Trustee 102 Options and/or Shares in the same manner. Consequently, the Israeli Grantee shall sign any documents required in order to effect the restrictions, for as long as the restrictions are in effect.

(D) Upon receipt of the Award, the Israeli Grantee will sign an undertaking to release the Trustee from any liability in respect of any action or decision duly taken and bona fide executed in relation with the Plan, or any Option or Share or rights granted to same thereunder. The Trustee may establish additional terms and conditions in connection with Awards held in trust by the Trustee.

(iv) Grant of Non-Trustee 102 Options

(1) Awards granted pursuant to this subsection are intended to constitute Non-Trustee 102 Options and shall be subject to the general terms and conditions of the Plan and Section 20, except for provisions of the Plan applying to Trustee 102 Awards or Options under a different tax law or regulation.

(2) With respect to Non-Trustee 102 Options, if the Grantee ceases to be employed by or of service to the Company or a Related Company, the Grantee may be required to extend to the Company a security or guarantee for the payment of tax due at the time of sale of Shares or other rights, all in accordance with the provisions of Section 102 and the rules, regulation or orders promulgated thereunder.

(v) Grants Made Under Section 3(I). Awards granted pursuant to this subsection are intended to constitute 3(I) Options and shall be subject to the general terms and conditions of the Plan and Section 20 thereof, except for said provisions of the Plan applying to Awards under a different tax law or regulation. The Administrator may choose to deposit the Awards granted pursuant to Section 3(I) of the Tax Ordinance with a trustee. In such event, said trustee shall hold such Option in trust, until exercised by the Grantee, pursuant to the Company's instructions from time to time. If determined by the Administrator, the trustee shall be responsible for withholding any taxes to which a Grantee become liable upon the exercise of Options.

(c) Award Agreement. Without derogating from the powers of the Administrator under the Plan, the Administrator shall adopt the form of Award Agreement for Israeli Grantees in form acceptable by the ITA and in compliance with the Tax Ordinance. The Award Agreement shall further indicate the type of Options (102, 3(I), Trustee, Non-Trustee etc.) granted thereunder.

(d) Vesting. Without derogating from the terms of any Award Agreement or the discretionary authority of the Administrator, the standard vesting for Options to Israeli Grantees shall be as follows:

(i) Twenty five percent (25%) of the Options granted under each Award Agreement shall vest on the end of the first year of Continuous Service following the vesting commencement date determined by the Administrator and if not specified the date of the grant of an Option (the "First Anniversary"); and

(ii) The remaining 75% of the Options shall vest on a quarterly basis over a period of three years commencing as of the First Anniversary in twelve (12) equal portions subject to Continuous Service of the Grantee.

(e) With respect to all Shares (in contrast to unexercised Options) allocated or issued upon the exercise of Options by the Israeli Grantee, the Grantee shall be entitled to receive dividends in accordance with the quantity of such Shares, subject however to any applicable taxation on distribution of dividends. Subject to the Tax Ordinance and any restrictions imposed by the Trustee or the ITA, during the period in which Shares are held by the Trustee on behalf of the Israeli Grantee, the cash dividends paid with respect thereto shall be paid directly to the Grantee after deduction of withholding tax applicable thereto.

(f) Without derogating from anything in the Plan, to the extent permitted by Applicable Laws, any tax consequences, attributable to the Israeli Grantee, arising from the grant or exercise of any Option, from the payment for Shares covered thereby or from any other event or act (of the Company, a Related Company, the Trustee or the Grantee), hereunder, shall be

borne solely by the Grantee. The Company and/or or a Related Company and/or the Trustee shall withhold taxes according to the requirements under the Applicable Laws, rules, and regulations, including withholding taxes at source. Furthermore, to the extent permitted by Applicable Law, the Grantee shall agree to indemnify the Company and/or a Related Company and/or the Trustee and hold them harmless against and from any and all liability for any such tax or interest or penalty thereon, including without limitation, liabilities relating to the necessity to withhold, or to have withheld, any such tax from any payment made to the Grantee. The Administrator and/or the Trustee shall not be required to release any Share certificate to a Grantee until all required payments have been fully made.

(g) The Plan, to the extent applicable to Israeli Grantees, shall be governed by and construed and enforced in accordance with the laws of the State of Israel applicable to contracts made and to be performed therein, without giving effect to the principles of conflict of laws. The competent courts of Tel-Aviv, Israel shall have sole jurisdiction in any matters pertaining to Israeli Grantees.

Exhibit 10.2

[Translation from Hebrew]

EMPLOYMENT AGREEMENT

Made and executed in Tel Aviv, this 1st day of September, 2001

BETWEEN: **Metabogal Ltd. (corporate no. 51-190328-8)**
Of the Kiryat Shmona Industrial Zone
(hereinafter: "**the Company**")

of the one part

AND: **Dr. Yoseph Shaaltiel (I.D. 05174848-1)**
Of: Beit Hillel
(hereinafter: "**the Employee**" or "**the R&D Director**")

of the other part

WHEREAS The Company is engaged in biotechnology; and

WHEREAS The Employee is desirous of working for the Company in the position of the Company's R&D Director; and

WHEREAS The Company is desirous of employing the Employee in the position of the Company's R&D Director, all pursuant and subject to the provisions hereinafter contained;

It is therefore declared, stipulated and agreed between the parties as follows:

1. **Preamble, Appendices and interpretation**

1.1 The preamble and the Appendices hereto constitute an integral part thereof and are to be read as one with the remaining clauses thereof.

1.2 The headings to the clauses are for ease of reference only and are not to be applied in the interpretation of this Agreement.

2. **Declarations of the parties**

The parties declare and acknowledge as follows:

2.1 This Agreement is personal and special, and regulates the relationship between the Company and the Employee and no general or special collective agreement will therefore apply to the Employee.

2.2 This Agreement encompasses all the payments and/or benefits and/or other conditions of any kind whatsoever to which the Employee is entitled from the Company.

2.3 No custom between the Company and other employees (if any) or practice will apply to the relationship between the Employee and the Company unless expressly adopted by this Agreement and to the extent so adopted. If the Company grants the Employee in a certain case or cases, any benefit or payment that has not been specified in this Agreement – the grant thereof will not create a custom between the parties or obligate the Company in any other or additional cases.

3. **Description of the position**

It is hereby agreed that the Employee will work at and be employed by the Company in the position of the Company's R&D Director.

4. **Undertakings of the Employee**

4.1 The Employee undertakes to devote all his working time, energies, skills, knowledge and experience to his work in the Company, to work loyally for the Company and use his best efforts to advance the Company's business and affairs.

4.2 The Employee undertakes not, for the duration of his employment with the Company, to engage, directly or indirectly, in any other or additional work or employment, either during or after working hours, for consideration or otherwise, unless he receives the prior written consent of the Company and approval thereto.

4.3 The Employee will not accept in connection with his employment at the Company any consideration or benefit whatsoever from any party, including from customers or suppliers of the Company, either directly or indirectly.

4.4 The Employee undertakes to notify the Company immediately of any matter or thing in which he has a personal interest or that could constitute a conflict of interest with his work at the Company.

5. **Salary**

5.1 The Employee's salary will be $7,000 (seven thousand dollars) gross per month[1] which will be paid to him by the 9th of each month in respect of the preceding month (hereinafter: "**the Salary**").

5.2 The Salary will be linked, without any capped limit, to the Cost of Living Index ("Tosefet Hayoker") that will be fixed from time to time pursuant to the provisions of the general agreements in the economy regarding the Cost of Living Index (hereinafter: "**the Updated Salary**").

5.3 The Board of Directors of the Company will discuss the terms of the Employee's Salary once a year.

6. **Manager's Insurance**

6.1 The Company will preserve the continuity of the Employee's managers insurance policy (or – the Company will acquire manager's insurance for the Employee), as it did, immediately prior to the execution of this Agreement. Calculation of the contributions to the pension insurance plan will be made based on the gross monthly Salary.

The contributions to the pension insurance plan will be as follows:

8.3% for severance compensation – to be contributed by and at the expense of the Company.

[1] $7,000 will be translated into new Israeli shekels on the date of the execution of this Agreement.

5% for provident payments –	to be contributed by and at the expense of the Company.
5% for provident payments –	to be deducted, with the consent of the R&D Director, from the monthly Salary and contributed at his expense.
2.5% for working disability allowance -	to be contributed by and at the expense of the Company.

6.2 The manager's insurance policy will be owned by the Company from the date of the Employee commencing his employment, and will pass to the Employee's ownership in the event of a termination of the employer-employee relationship between the Company and the Employee, provided such termination has not occurred in the circumstances set out in clause 13.2 hereof.

6.3 Should the working relationship between the Employee and the Company come to an end in the circumstances set out in clause 13.2 hereof, all the sums accrued according to the manager's insurance policy before the commencement of his employment with the Company, will be transferred to the Employee from the manager's insurance save that out of the sums that have accrued from the date of the commencement of his employment with the Company there will be transferred to the Employee from the manager's insurance, the sums that have accrued in respect of the Employee's contributions only, and the amounts that have accrued on account of severance pay only, will be refunded to the Company.

7. **Study fund**

The Employer will set aside for the Employee's benefit in a Clal **Study** fund (hereinafter: "**the Study Fund**") on account of the Employer 7.5% of the amount of the monthly Salary as existing from time to time (hereinafter: "**the Employer's Contribution**"), up to the ceiling recognized by the income tax authorities. The Employee will contribute to the **Study** Fund, in addition to the Employer's contributions, 2.5% of his monthly Salary as existing from time to time (hereinafter: "**the Employee's Contributions to the StudyFund**").

The Employee hereby agrees to the Employer deducting from his monthly Salary, the Employee's contribution to the Study Fund. The Employee's signature on this Employment Agreement will be tantamount to the giving of irrevocable instructions to the Employer.

8. **Working hours**

8.1 The Employee hereby declares and acknowledges that he is employed by the Company in management positions, that his work and position in the Company require a special method of personal trust and that the terms of his employment do not allow the Company to supervise his work and rest hours, and, therefore, the Work and Rest Hours Law, 5711-1951 does not apply to him.

8.2 The Employee hereby declares and acknowledges that he is aware and agrees that his employment with the Company will require him to work also at hours outside the usual working hours and he undertakes to work overtime in accordance with the Company's requirements and pursuant to the needs of the work. The

Employee's Salary has been set taking into account that stated above, and he will not be entitled to any additional payment for working overtime.

9. **Fringe Benefits**

9.1 Vacation leave

The R&D Director will be entitled to 24 vacation days per year, and proportionately for part of the year. In reckoning the vacation days, Saturdays and Festivals will not be taken into account. The date of the vacation will be arranged between the R&D Director and the Company's management. The Company will pay the R&D Director on the annual vacation days his Salary in full and all the benefits and ancillary fringe benefits. The vacation days may be accumulated up to a maximum of 48 days or may be encashed, at the discretion of the R&D Director.

9.2 Sick leave

The Employee will be entitled to 30 calendar days sick leave per year. The sick leave may be accumulated in accordance with the law. For the duration of the Employee's sickness – until the expiration of the sick leave to which the Employee is entitled, the Company will pay the R&D Director the monthly Salary in full and all the benefits and accompanying fringe benefits from the first day of sickness, less disability allowance payments that will be paid by the insurance company in respect of the sick leave to which the Employee is entitled. Sick leave may not be redeemed in cash.

9.3 Vacation allowance

The Employee will be entitled to payment of vacation allowance pursuant to the provisions of the Extension Order regarding the Employee's participation in vacation costs and holiday, according to the Collective Agreements Law, 5717-1957 or any other law in substitution therefor, for 12 vacation days per year.

10. **Cellular telephone**

The Employee is entitled to a cellular telephone of the Company and the maintenance and user expenses will be borne by the Company.

11. **Company Vehicle**

11.1 The Company will provide the Employee with a suitable vehicle matching the requirements of his position (_____), in which an automatic fuelling device will be installed (of the type prescribed by the Company). The class of the vehicle, engine capacity and year of manufacture will be at the Company's absolute discretion. The Company may change the vehicle in the Employee's possession from time to time, at its discretion.

11.2 The vehicle will be owned by the Company and the Company will bear all the maintenance and user costs thereof. The Employee's family members will be entitled to use the vehicle after working hours, and at weekends.

12. **Expenses**

The Employee will be entitled to reimbursement of expenses incurred by him in connection with his position in the Company pursuant to the Company's procedures as set from time to time, against appropriate receipts being furnished. Reimbursement of the expenses will be made on the payment date of the Salary in respect of receipts provided by the Employee to Accounts by the 20th of each preceding month, for the month in which the Salary will be paid.

13. **Term of the Agreement**

13.1 This Agreement will enter into effect as of the execution hereof, and is made for an indefinite period and may be brought to an end by the Company's Board of Directors, by prior notice of not less than 90 days. Notwithstanding the foregoing it is hereby agreed, that the Employee will not be entitled to give a notice of the termination of his employment according to this Agreement before 33 months have elapsed from the date of the execution thereof. It is hereby further agreed that notwithstanding the foregoing, the Company reserves the right to dismiss the Employee immediately, provided that the Company pays him prior notice redemption monies.

13.2 Notwithstanding the foregoing the Company will be entitled to terminate this Agreement, without any prior notice, upon the occurrence of one or more of the following events:

13.2.1 The Employee has been convicted of an infamous offence;

13.2.2 The Employee has betrayed his position with the Company or has breached his fiduciary duty towards it;

13.2.3 The Employee has breached his Confidentiality duty towards the Company;

13.2.4 The Employee has wilfully caused or wilfully assisted others to cause damage to the Company or its property.

13.3 Where the Employee has been dismissed by the Company in the circumstances set out in clause 13.2 above, the Company may immediately terminate payment of the Employee's Salary and payment of the fringe benefits and immediately cease providing a vehicle and cellular telephone to the Employee's use, in which case the Employee will not be entitled to receive any sum from the Company except as stated in clause 6.3 above.

13.4 The Employee undertakes, upon the termination of his employment with the Company, for any reason whatsoever, to hand over his position in an orderly fashion and fully co-operate with such person as the Company will instruct, and hand over to the Company all the documents, information, equipment and material that has reached him or that has been prepared by him in connection with his employment at the Company.

14. **Confidentiality**

14.1 The Employee hereby declares and acknowledges that he is aware that the information and knowledge of any kind whatsoever that has been or will be conveyed to him and/or which has or will reach his knowledge during the course

of and/or consequent upon his employment with the Company, and in particular the information relating to the Company's business, its know-how, technology, suppliers, customers and the like are highly confidential and of great value to the Company, and constitute professional and trade secrets of the Company and the disclosure thereof could cause damages and losses to the Company.

14.2 The Employee undertakes to keep absolutely secret all the information and knowledge that has been or will be given to him and/or which will reach his knowledge during the course of and/or in consequence of his employment with the Company and which pertain to the Company in any manner or form, including technical or professional knowledge of the Company, trading and financial know-how, its engagements with suppliers, customers, contractors for its business, its plans, etc., and not to disclose the same to any other person or persons, nor enable the disclosure thereof by others, directly or indirectly, except in the scope of, or for the sake of, his employment in the Company, either during the period of his employment with the Company as well as after the termination, for any reason whatsoever, of his employment with the Company, without any limitation in time, with the exception of information which he is under a duty to disclose by law and information that has fallen into the public domain, otherwise than by reason of any act or omission of the Employee.

15. **Non-competition**

The Employee undertakes that unless he receives the prior written consent of the Company, during the entire term of the existence of the employer-employee relationship between him and the Company and for a period of 24 months thereafter, for any reason whatsoever, he will not work for nor take part in the position of R&D Director or in a like position, directly or indirectly, in any business, whether incorporated or unincorporated, that competes with the Company or its business, all within the area of the State of Israel.

In addition the Employee undertakes that for a period of 24 months after the date of expiration of his employment with the Company, not to turn to or have any business connection whatsoever with any person or entity who, on the date of the termination of the Employee's employment, were customers and/or suppliers of the Company, or were in negotiations with the Company in connection with the carrying out of any business with it and/or the Company's employees and/or contractors and/or advisors, all this with the object of carrying out, directly or indirectly, any act which could interfere with the relationship between the Company and any of the parties mentioned above.

For the avoidance of any doubt the Employee's undertaking for non-competition contained in this clause is in addition to the Employee's undertaking to keep confidentiality mentioned in clause 14 above, and the amount of the Employee's Salary has, *inter alia*, been set on reliance on this undertaking and constitutes appropriate consideration for such undertaking.

For the purpose of this clause 15 – "directly or indirectly" includes engaging as an independent owner, shareholder, partner, manager, agent, employee, clerk or advisor.

16. **Intellectual property**

16.1 In this Agreement, the expression “development” means, any idea and/or invention and/or design and/or plan and/or document and/or software and/or computer programs of any kind whatsoever and/or process and/or system and/or procedure, all these including all and any accompanying documentation or annexed thereto, on any media whatsoever and including all the versions and copies thereof and everything stated and pertaining thereto or resulting therefrom, that have been developed and/or written and/or created by the Employee during the period of the employment, whether alone or together with others, in their entirety or in part.

16.2 It is agreed and declared that the developments are the Company’s full and exclusive property and that the Employee has no right therein whatsoever. For the avoidance of any doubt, the Employee hereby transfers and assigns to the Company all of his rights, including, but without derogating from the generality of that stated, the right of ownership which he has or will have, alone or jointly with others, in all the developments, whether they are registrable as a patent or protectable as copyright, or protectable as intellectual or material property in any other way.

16.3 For the avoidance of any doubt it is stated that the Company will be entitled to use and market the developments and also make changes and/or translations and/or derivative works thereof without the need of the Employee’s licence and without his being entitled by reason thereof to any consideration and the Company will further be entitled not to distribute any such developments and/or not to name the Employee as the originator of such development, if it is generally publicized.

16.4 The Employee will not be entitled to any payment or other consideration in respect of the developments in addition to regular Salary in respect of the period of his employment in the Company. This undertaking serves an agreement with respect to section 134 of the Patents Law, 5727-1967.

16.5 In connection with any one of the developments which are the Company’s property and/or which has been conferred upon it as stated above, the Employee undertakes to convey all information and particulars and also, at the Company’s request, to promptly sign any document, including a specific transfer of ownership to the Company and effect any act that is reasonably required in order to enable the Company to register a patent, copyright or other protection, in any country whatsoever, or to realize its rights in any other way.

This undertaking is in addition to and does not derogate from any other right of the Company by law.

17. **Miscellaneous**

17.1 This Agreement is subject to the approval by the Board of Directors of the Company and be of no binding effect on the Company until such approval has been received.

17.2 This Agreement encompasses the agreement between the parties and no negotiations, statement, representation, undertaking or agreement, if at all, whether in writing or by word of mouth, expressly or impliedly between the parties prior to the signature of this Agreement, will be of any effect.

17.3 With the exception of the matters for which it has been expressly provided that the Company will gross up the tax payments, it is hereby agreed that the Employee will bear all taxes and other compulsory payments that will apply to him in respect of all the amounts that will be paid to him under this Agreement and in respect of all the benefits and/or advantages that will be conferred upon him, and the Company will deduct from his Salary the amount of any tax and/or other compulsory payment the deduction of which is required by any law.

17.4 No conduct by any of the parties will be deemed to be a waiver of any of that party's rights hereunder or under any law and/or as a waiver or consent on its part to any breach or non-performance of any condition whatsoever unless such waiver, consent, delay, variation, cancellation or addition has been made or given expressly and in writing.

17.5 No modification to this Agreement will be of any effect nor may any of the conditions thereof be varied without a written document bearing the signature of the parties. For the avoidance of any doubt it is clarified that none of the conditions of this Agreement may be varied by way of conduct, custom, and the like.

17.6 The addresses of the parties for the purposes of this Agreement are as set out below:

The Company –
The Employee –

Any notice that will be sent by registered mail by one party to the other according to the above address will be deemed to have been received by the addressee from the time of being posted in an Israeli Post Office, and if served personally – from the time of its service and, if despatched by fax, at the end of the transmission thereof.

In witness whereof the parties have set their hands:

/s/ Zeev Bronfeld	/s/ Yoseph Shaaltiel
The Company	The Employee
Metabogal Ltd.	

Exhibit 10.3

[Translation from Hebrew]

EMPLOYMENT AGREEMENT

Made and executed this 19th day of December, 2004

BETWEEN: **Protalix Ltd.**
Of 2 Snonit Road, Science Park, P.O.B. 455, Carmiel 20100
(hereinafter: "**the Company**")

of the one part

AND: **Dr. Einat Almon (I.D. 55614481)**
Of: 10 Hadass St., Timrat,
(hereinafter: "**the Employee**")

of the other part

WHEREAS The Company is engaged in biotechnology; and

WHEREAS The Employee is desirous of working in the position of Senior Director of Product Development in the field of biotechnology ("**the Position**"); and

WHEREAS The Employee declares that she has the know-how, skills and experience required in order to fulfill the Position pursuant to the terms of this Agreement; and

WHEREAS On reliance on the Employee's declarations and undertakings contained in this Agreement, the Company is desirous of employing the Employee, and the Employee is desirous of being employed by the Company in the Position, pursuant to the terms contained in this Agreement;

It is therefore declared, stipulated and agreed between the parties as follows:

1. **Preamble, Appendices and interpretation**

1.1 The preamble and the Appendices hereto constitute an integral part thereof and are to be read as one with the remaining clauses thereof.

1.2 The headings to the clauses are for ease of reference only and are not to be applied in the interpretation of this Agreement.

2. **Declarations of the parties**

The parties declare and acknowledge as follows:

2.1 This Agreement is personal and special, and regulates the relationship between the Company and the Employee and no general or special collective agreement will therefore apply to the Employee.

2.2 This Agreement encompasses all the payments and/or benefits and/or other conditions of any kind whatsoever to which the Employee is entitled from the Company in connection with her employment.

2.3 No custom between the Company and other employees (if any) or practice will apply to the relationship between the Employee and the Company unless

expressly adopted by this Agreement and to the extent so adopted. If the Company grants the Employee in a certain case or cases, any benefit or payment that has not been specified in this Agreement – the grant thereof will not create a custom between the parties or obligate the Company in any other or additional cases.

3. **Description of the position**

3.1 It is hereby agreed that the Employee will work at and be employed by the Company in the position of Senior Director of Product Development in the field of biotechnology, on a full-time basis; the Position will include:

3.1.1 The identification, absorption and development of new protein to be used as products in and by the Company;

3.1.2 Pre-clinical and clinical development of enzymes to treat Gaucher disease;

3.1.3 Working with the FDA and clinical researchers;

3.1.4 Responsibility for managing the Company's patents portfolio with the patent editor; and

3.1.5 The carrying out of any other task or assignment required in connection with the performance of the Position by the Employee, in accordance with the CEO's decision.

3.2 The Employee will, in her work in the Company, be subordinate to the CEO of the Company; participate at the discretion of the CEO, in discussions pertaining to tracking the methods of operating in the Company, to the extent they pertain to her Position and acting in accordance with the Company policy and procedures, as prevailing from time to time.

4. **Undertakings of the Employee**

4.1 The Employee undertakes to devote all her working time for the purpose of performing the Position, to the extent of the work stated in clause 3.1 above, and will apply all her energies, skills, knowledge and experience to her employment in the Company, carry out her work in the Company professionally, devotedly and diligently, faithfully act vis-à-vis the Company and use her best endeavours to promote the business and affairs of the Company.

4.2 The Employee undertakes not, for the duration of her employment with the Company, to engage, directly or indirectly, in any other or additional work or employment, either during or after working hours, for consideration or otherwise, unless she receives the prior written consent and approval of the CEO at his discretion.

4.3 The Employee will not accept in connection with her employment at the Company any consideration or benefit whatsoever from any party, including from customers or suppliers of the Company, either directly or indirectly.

4.4 The Employee undertakes to notify the Company immediately of any matter or thing in which she has a personal interest or that could constitute a conflict of interest with her work at the Company.

5. **Salary and bonuses**

5.1 The Employee's salary during the period of her employment with the Company will be NIS. 28,000 (twenty-eight thousand shekels) (gross) per month that will be paid to her by the 10th of each month in respect of the preceding month (hereinafter: "**the Salary**"). The Salary consists of any increment that it is obligatory or usually paid to employees at the Employee's grade and status. It is clarified that any benefit, contribution or bonus to which the Employee will be entitled pursuant to the terms of this Agreement will be computed on the basis of the Salary only, without any benefit, contribution or bonus being taken into account or included in, the Salary.

5.2 In addition, if (and only if) any of the circumstances set out in clauses 5.2.1 and 5.2.3 hereof apply, will the Employee receive bonuses as prescribed in those clauses, as follows:

5.2.1 A bonus in the sum of US$15,000 for each new protein that will, after passing initial and successful due diligence investigation, be integrated by means of the Employee in the Company's development program (if at all);

5.2.2 A bonus in the sum of US$10,000 upon commencement of Phase III of the development of the enzyme to treat Gaucher disease (if at all);

5.2.3 A bonus in the sum of US$30,000 for approval as a medication by the FDA of the protein developed by the Company to treat Gaucher disease (if at all).

6. **Discussion of Grade and Salary**

6.1 Six months after the date of the commencement of the Employee's employment a discussion will be held with the Employee pertaining to her appointment as Vice-President of the Company, including the terms of her employment derivative therefrom (VP).

6.2 As from the second year of the Employee's employment, at the end of each year during the term of this Agreement, a discussion will be held on the amount of the Employee's salary, and the possibility of the Employee's advancement in salary by the Company will be considered, that promotion, *inter alia*, to be weighed in light of the Company's condition, compliance with the Company's goals, employee's skills, performance and devotion to the work.

6.3 It is hereby clarified that notwithstanding the stated in this clause 6, the definition of the Employee as Vice-President and/or change in the terms of her employment as stated in clause 6.1 and/or the advancement of the Employee in her salary as stated in clause 6.2 will be at the sole discretion of the Company, and the Company assumes no obligation whatsoever to promote the Employee in the Position and/or in Salary as stated in these clauses.

7. **Manager's and work disability insurance**

7.1 The Company will contribute in respect of a manager's insurance policy for the benefit of the Employee amounts to the extent of 8.3% of the monthly salary in respect of severance compensation and 5% of the monthly salary in respect of provident savings payments. The Employee hereby agrees that the Company will deduct from her monthly salary and remit to the above policy contributions in the

sum of 5% of the monthly salary on account of the Employee, in respect of provident pay. It is further agreed that the Company will make contributions at its expense to the Employee's work disability insurance policy, in the sum of 2.5% of the Salary.

7.2 The manager's insurance policy will be owned by the Company from the date of the Employee commencing her employment. In the event of a severance of the employer-employee relationship between the Company and the Employee, the Employee will be entitled to assign such insurance policy, including the severance pay fund therein, into her name, provided such termination has not occurred in the circumstances set out in clause 15.2 hereof, in which case and subject to any law, the Company will be exempt from releasing to the Employee the monies that have been contributed at the expense of the Company to such insurance policy, and it will not be bound to instruct the insurance company or the severance compensation fund, as appropriate, to pay the Employee such monies.

8. **Study fund**

The Employer will contribute to a Study fund in favour of the Employee 7.5% of the amount of the monthly Salary at the expense of the Company and 2.5% of the amount of the monthly salary at the expense of the Employee. The Employee hereby agrees to the making of the contributions from her salary by the Company as stated for purposes of the Study fund.

9. **Granting of options**

Subject to the conditions contained in this clause 9, the Company will grant the Employee options to acquire ordinary shares of the Company at the rate of 0.5% (half a percent) of the issued share capital of the Company as of the date of this Agreement, pursuant to the Company's option plan as applicable from time to time. Notwithstanding that stated, the allotment will be subject to the approval of the Board of Directors of the Company, and the signature of an option agreement between the Employee and the Company, to the Company's satisfaction. If such options are granted, the exercise price thereof will be as determined by the Board of Directors, and they will vest gradually over a four (4) year vesting period, pursuant to the conditions that will be set in the option agreement or such option plan, and will be subject to all the remaining conditions of the option plan, option agreement and the law.

10. **Working hours**

10.1 The Employee hereby declares and acknowledges that she is employed by the Company in an executive position, that her work and position in the Company require a special method of personal trust and that the terms of her employment do not allow the Company to supervise her work and rest hours, and, therefore, the Work and Rest Hours Law, 5711-1951 does not apply to her.

10.2 The Employee hereby declares and acknowledges that she is aware and agrees that her employment with the Company will require her to work also at hours outside the usual working hours and may include trips inside and out of Israel, and she undertakes to work overtime and take such trips in accordance with the Company's requirements and pursuant to the needs of the work. It is agreed and stated that the Employee's salary has been set taking into account that stated

above, and she will not be entitled to any additional payment beyond that expressly provided in this Agreement for working overtime and for such trips.

11. **Fringe Benefits**

11.1 Vacation leave

The Employee will be entitled to 22 vacation days per year, and proportionately for part of the year. In reckoning the vacation days, Saturdays and Festivals will not be taken into account. The date of the vacation will be arranged between the Employee and the Company's CEO. The Company will pay the Employee on the annual vacation days her Salary in full and all the benefits and ancillary fringe benefits. The vacation days may be accumulated up to a maximum of 44 days, but may not be redeemed in cash by the Employee except (and without derogating from any of the Company's rights pursuant to this Agreement and/or at law) in the case of termination of the employer-employee relationship (in which case the Employee will be entitled to encash the vacation days that have accrued in her favor, but in no event for more than such period of 44 days).

11.2 Vacation allowance

The Employee will be entitled to payment of vacation allowance pursuant to the provisions of law.

12. **Vehicle**

12.1 The Company will provide the Employee with a vehicle during the course of her employment, such vehicle having an engine capacity of 1600cc., like a *Toyota Corolla, Mazda 3* or like vehicle, at the discretion of the Company ("**the Vehicle**"). The expenses of using the Vehicle will be borne and paid by the Company.

12.2 Notwithstanding that stated, it is hereby clarified that (1) without derogating from the generality of that stated in clause 19.2 hereof, any tax liability in respect of providing vehicle to the Employee as stated and the use thereof will be borne solely by the Employee, who will also bear every such expense, and (2) the Company will bear no responsibility (a) to pay fines that will be imposed in respect of the Vehicle and/or (b) for the unlawful or unreasonable use of the Vehicle, and any such liability will attach exclusively to the Employee.

13. **Expenses**

The Company will reimburse the Employee for her expenses in connection with performance of the Position, up to the monthly sum of NIS. 500, against receipts and in accordance with the Company's procedures existing from time to time. Notwithstanding the foregoing, the amount of the reimbursement in respect of traveling and staying abroad within the scope of the Employee's Position in the Company will be in accordance with the Company's procedures, as existing from time to time. The reimbursement of additional expenses beyond the above amount will only be paid to the extent approved in advance by the CEO of the Company.

14. **Telephone**

During the term of this Agreement, the Company will provide the Employee with a cellular telephone. The expenses of using the cellular telephone up to the sum of NIS. 1,000 will be borne and paid by the Company. The expenses of using the cellular telephone that exceed the sum of NIS. 1,000 per month will be borne by the Employee. In addition, the Company will reimburse the Employee for further telephone expenses for calls made within the course of the work, if any.

The cellular telephone will at all times remain in the ownership of the Company and be returned to the Company immediately upon the termination of this Agreement, for any reason whatsoever.

15. **Term of the Agreement**

15.1 This Agreement will enter into effect on 19th December, 2004, and is made for an indefinite period and may be brought to an end by the parties by 60 days prior notice in writing. It is further hereby agreed that notwithstanding the foregoing, the Company reserves the right not to use the Employee's services during the period of the prior notice mentioned or part thereof, provided that the Company pays her for the equivalent of the prior notice.

15.2 Notwithstanding the foregoing the Company will be entitled to bring this Agreement to an end immediately, upon the occurrence of one or more of the following events:

15.2.1 The Employee has committed a fundamental breach of this Agreement and has failed to rectify the same within 5 days of receiving notice to do so.

15.2.2 The Employee has been convicted of an infamous;

15.2.3 The Employee has betrayed her position with the Company or has breached her fiduciary duty towards it;

15.2.4 The Employee has breached the provisions contained in clauses 16, 17 and/or 18 hereof.

15.2.5 The Employee has wilfully caused or with gross negligence or assisted others wilfully or with gross negligence, to cause damage to the Company or its property.

15.2.6 In any case where full or partial payment of severance pay to the Employee may be denied, in accordance with the law customary in Israel.

15.3 Without derogating from any of the Company's rights pursuant to this Agreement and/or under the law, where the Employee has been dismissed by the Company in the circumstances set out in clause 15.2 above, the Company may immediately terminate payment of the Employee's Salary and payment of the fringe benefits and immediately cease providing a vehicle for the Employee's use.

15.4 The Employee undertakes, upon the termination of her employment with the Company, for any reason whatsoever, to hand over her position in an orderly fashion and fully co-operate with such person as the Company will instruct. The Employee further undertakes that upon the termination of her work in the Company, for any reason whatsoever, or at the Company's first request, whichever is the earlier, she will hand over to the Company all the documents, information, equipment and material in any form whatsoever, that has reached her

or that has been prepared by her in connection with her employment at the Company.

16. **Confidentiality**

16.1 The Employee hereby declares and acknowledges that she is aware that the information and knowledge of any kind whatsoever that has been or will be conveyed to her and/or which has or will reach her knowledge during the course of and/or consequent upon her employment with the Company, including, and without derogating from the generality of the foregoing, information relating to the Company's business, its know-how, (including technical, professional, trading and/or economic know-how), technology, suppliers, products, plans, customers, contractors, employees and the like (hereinafter: "**the Information**") are highly confidential and of great value to the Company, and constitute professional and trade secrets of the Company and the disclosure thereof could cause damages and losses to the Company.

16.2 The Employee undertakes to keep absolutely secret all the Information, and not to disclose the same to any other person or entity, nor enable the disclosure thereof by others, directly or indirectly, (except as required in order to perform her Position, pursuant to this Agreement), either during the period of her employment with the Company as well as after the termination, for any reason whatsoever, of her employment with the Company, without any limitation in time. The foregoing will not apply to Information for which there is a duty to disclose by order of the court (subject to the Employee notifying the Company a reasonable time in advance of the duty to disclose the Information according to the order, and only disclose that part of the Information the disclosure of which is required by the order) and information that has fallen into the public domain, otherwise than by reason of any act or omission of the Employee.

Pursuant to the Company's demand, from time to time, the Employee will sign a letter of undertaking to maintain confidentiality and prevent a conflict of interest, such letter to be in the form acceptable for the time being in the Company.

16.3 The Employee undertakes not to effect with the Information any use of whatsoever kind (directly or indirectly) otherwise than for the purpose of performing her Position, pursuant to this Agreement, both during and after the termination, for any reason whatsoever, of her employment with the Company, without limitation in time.

16.4 The Employee declares and acknowledges that the Company is not granting to her by virtue of this Agreement and/or her employment in the Company and/or otherwise, any right of any kind whatsoever, in or in connection with the Information, and that the Information is the Company's exclusive property and will remain the Company's exclusive property at all times, and without limitation in time.

16.5 The Employee declares and acknowledges that irreversible damages will be caused the Company, that cannot be remedied and/or compensated for financially, in the event of the Employee failing to meet her commitments under this Agreement, and that the Company could find itself in a situation in which it will have no suitable remedy by virtue of the law in the event of a breach by the

Employee of such undertakings. In light of the foregoing, the parties hereby agree that the Company will be entitled to apply for and obtain an injunction or such other relief as it may request, in the event of a breach or reasonable concern of a breach of the Employee's undertakings under this Agreement.

17. **Non-competition**

17.1 The Employee undertakes that unless she receives the prior written consent of the Company, during the entire term of the existence of the employer-employee relationship between her and the Company and for a period of 12 months thereafter, for any reason whatsoever, she will not work for nor take part, directly or indirectly, in any business, whether incorporated or unincorporated, that competes with the Company or its business directly, all whether within the area of the State of Israel or abroad.

17.2 In addition the Employee undertakes that for a period of 24 months after the date of expiration of her employment with the Company, not to turn to or have any business connection whatsoever with any person or entity who, on or around the date of the termination of the Employee's employment, were customers and/or suppliers of the Company, or were in negotiations with the Company in connection with the carrying out of any business with it and/or were the Company's employees and/or contractors and/or advisors and/or with any person or entity who, on such date was in any other business contact with the Company, all this in order to carry out directly or indirectly any act which might interfere with the relationship between the Company and any of the parties mentioned above, and/or damage the Company in any form or manner whatsoever.

17.3 For the avoidance of any doubt, the Employee's undertakings according to this clause 17 are in addition to all the Employee's undertakings under this Agreement, including, but without derogating from the generality of the foregoing, her undertaking according to clauses 16 and 18 of this Agreement. The Employee hereby declares and acknowledges that her undertakings according to this clause 17 are reasonable in the circumstances and that the amount of her salary has, *inter alia*, been set on reliance on these undertakings and constitutes proper consideration for such undertakings.

17.4 For the purpose of this clause 17 – "directly or indirectly" includes, without derogating from the generality of the foregoing, by means of engaging in business as an owner, self-employed person, shareholder, partner, director, manager, agent, distributor, supplier, contractor, sub-contractor, employee, clerk or advisor.

18. **Inventions and Developments**

18.1 In this Agreement, the expression "development" means, any idea and/or invention and/or design and/or patent and/or copyright and/or document and/or software and/or computer programs of any kind whatsoever and/or process and/or system and/or procedure, all these including all and any accompanying documentation or annexed thereto, on any media whatsoever and including all the versions and copies thereof and everything pertaining thereto or resulting therefrom, including, and without derogating from the generality of the foregoing, any intellectual property right in connection therewith, all that has been developed and/or invented and/or written and/or created by the Employee during the period

of the employment in the Company and/or as a result of her work in the Company, whether alone or together with others, in their entirety or in part.

18.2 It is agreed and declared that the developments are and will be the Company's full and exclusive property and that the Employee has and will have any right therein whatsoever. For the removal of any doubt the Employee hereby transfers and assigns to the Company all of her rights, including, but without derogating from the generality of that stated, the right of ownership which she has or will have, alone or jointly with others, in all the developments, whether they are registrable as a patent or protectable as copyright, or protectable as intellectual or material property in any other way, or not.

18.3 For the avoidance of any doubt it is clarified that the Company will be entitled to use and market the developments and/or protect the same with registration by law or by any other method and also make changes and/or translations and/or derivative works thereof and/or translations thereof and/or exploit or use the same in any other way, for any purpose whatsoever, and on such terms as the Company will deem fit, at its sole discretion, without the need of the Employee's consent and without derogating from the generality of that stated in clause 18.4 hereof, without the Employee being entitled by reason thereof to any consideration whatsoever.

18.4 The Employee will have no claim of any kind whatsoever against the Company in connection with any development. Without derogating from the foregoing, the Employee will not be entitled to receive any payment or other consideration in respect of the developments in addition to regular salary in respect of the period of her employment in the Company.

18.5 In connection with any one of the developments, the Employee undertakes to convey all information and particulars and, at the Company's request, to co-operate and promptly sign any document, including a specific transfer of ownership or any other right to the Company and effect any act that is required in order to enable the Company to register a patent, copyright or any protection, in any country whatsoever, or to realize its rights in any other way.

18.6 The Employee's undertakings and the rights of the Company by virtue of this clause 18 are unlimited in time and are in addition to and does not derogate from any other right of the Company by law.

19. **Miscellaneous**

19.1 This Agreement encompasses the agreement between the parties and no agreement, memorandum, negotiations, statement, representation, undertaking or accord, whether made in writing or by word of mouth, expressly or impliedly between the parties prior to the signature of this Agreement, will be of any effect.

19.2 It is hereby agreed that the Employee will bear all taxes and other compulsory payments that will apply to her in respect of all the amounts that will be paid to her under this Agreement and in respect of all the benefits and/or advantages that will be conferred upon her, and the Company will deduct from her Salary the amount of any tax and/or other compulsory payment the deduction of which is required by any law.

19.3 No conduct by any of the parties will be deemed to be a waiver of any of that party's rights hereunder or under any law and/or as a waiver or consent on its part to any breach or non-performance of any condition whatsoever unless such waiver or consent (as appropriate) has been approved by that party in writing.

19.4 Insofar as any of the undertakings of any party to this Agreement as set out herein are declared to be void or unenforceable this will not derogate from any of the other undertakings of that party, which will remain in full force and effect. Insofar as such undertaking is found to be void or unenforceable by reason of the extent or period thereof or like limitations, such unenforceable undertaking will be restricted so as to be enforceable in the extent and for the maximum period permitted by law, and which do not exceed the extent and period specified in this undertaking.

19.5 This Agreement is subject to Israeli law and any dispute relating thereto will be disposed of in the authorized court in Tel Aviv — Yafo.

19.6 This Agreement may not be assigned or transferred by the Employee in any manner or to any person or body.

19.7 No modification to this Agreement will be of any effect nor may any of the conditions thereof may be amended without a written document bearing the signature of the parties. For the avoidance of any doubt it is clarified that none of the conditions of this Agreement may be amended by way of conduct, custom, and etc.

19.8 The addresses of the parties for the purposes of this Agreement are as set out at the head of this Agreement. Any notice (1) which will be sent by registered mail by one party to the other according to such address will be deemed to have been received by the addressee within 72 hours of the time of posting in Israel; (2) which has been delivered personally – will be deemed to have been received by the addressee at the time of service and, (3) if despatched by fax, will be deemed to have been received by the addressee at the end of the transmission thereof and the receipt of a confirmation of despatch by the fax device from which the notice was sent.

19.9 The provisions of clauses 2.2, 7.2 and 12.2, the second paragraph of clause 14, 15.3, 15.4, 16, 17, 18, 19.2, 19.3, 19.5, 19.6, 19.8 and 19.9 will remain in force even after the termination of this Agreement for any reason whatsoever.

In witness whereof the parties have set their hands:

/s/ David Aviezer	/s/ Einat Almon
The Company	The Employee

By: David Aviezer

Protalix Ltd.
Corporate no. 511903288

Exhibit 10.4

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (this "**Agreement**") is made effective as of _____, 2006 (the "**Effective Date**"), by and between Protalix Ltd., a company organized under the laws of the State of Israel (the "**Company**") and Dr. David Aviezer, Israel Identification No. 0-2603079-1 (the "**Employee**" or "**David**") (each of the Company and Employee shall be referred to herein, as a "**Party**" and collectively, the "**Parties**").

WHEREAS, the Company is engaged, inter alia, in the research and development of proteins and expression thereof in plant cells cultures; and

WHEREAS, the Company desires to engage David as an employee of the Company in the position of Company's Chief Executive Officer ("**CEO**") and the Employee desires to serve the Company as an employee in such position, on the terms and conditions hereinafter set forth;

NOW, THEREFORE, based on the representations contained herein and in consideration of the mutual promises and covenants set forth herein, the Parties agree as follows:

1. **Employment.**

1.1. Commencing as of the Effective Date, the Company shall engage David as an employee in the position of CEO, reporting to the Board of Directors of the Company.

1.2. The Employee's duties and responsibilities shall be those duties and responsibilities customarily performed by a Chief Executive Officer of a company.

1.3. The Employee shall be employed on a full-time basis. The Employee shall devote his full and undivided attention and full working time to the business and affairs of the Company and the fulfillment of his duties and responsibilities under this Agreement.

Without derogating from the generality of the above, during the term of this Agreement the Employee shall not be engaged in any other employment nor engage in any other business activity or render any services, with or without compensation, for any other person or entity. Notwithstanding the foregoing, it is agreed that (i) Employee shall be entitled to engage in academic activity and teaching during no more than two (2) hours per week and provided that such activity does not derogate from or hinder the performance of his obligations hereunder, as may be determined by the Board of Directors; and (ii) Employee shall be entitled to render limited consulting services to customers for up to a limited number of hours per month, *provided however* that (a) the provision of such services does not derogate from, or impair or hinder Employee's performance of, any of Employee's obligations hereunder; (b) the provision of such services is not against the Company's interests; and (c) the written consent of the Chairman of the Board for the provision of such services has been obtained in advance. The Chairman of the Board shall be entitled to withdraw or revoke his consent.

The Employee shall notify the Company immediately of any event or circumstance which may hinder the performance of his obligations hereunder or result in the Employee having a conflict of interest with his position with the Company.

1.4. The Employee acknowledges that the Company's facilities are located in Carmiel and that he will be required to attend such facilities at least two (2) working days per week. Employee further acknowledges and agrees that the performance of his duties hereunder may require significant domestic and international travel at the Company's needs.

1.5. It is agreed between the Parties that the position that Employee holds within the Company is a management position, which demands a special level of loyalty and accordingly the Work Hours and Rest Law (1951) shall not apply to Employee's employment by the Company and this Agreement. The Employee further acknowledges and agrees that his duties and responsibilities may entail irregular work hours and extensive traveling in Israel and abroad, for which he is adequately rewarded by the compensations provided for in this Agreement. The Parties confirm that this is a personal services contract and that the relationship between the Parties shall not be subject to any general or special collective bargaining agreement or any custom or practice of the Company in respect of any of its other employees or contractors.

2. **Salary and Employee Benefits.**

In full consideration of Employee's employment with the Company, commencing as of the Effective Date (unless otherwise expressly provided in this Section 2), the Employee shall be entitled to the following payments and benefits, it being understood and agreed that any Salary-based benefits shall be calculated exclusively on the basis of the base Salary (without consideration to any other benefit):

2.1. Salary. Effective as of January 1, 2006, the Company shall pay the Employee a gross salary of NIS 80,000 per month (the "**Salary**"). The Salary will be adjusted from time to time in accordance with the Cost of Living Index ("Tosefet Yoker") as may be required by law. The Salary shall be payable monthly in arrears, and shall be paid to the Employee in accordance with Company's policy. A Salary increase shall be considered by Board annually. Without limiting the generality of the last paragraph of Section 2, the Employee confirms the receipt of the entire Salary in respect of the period commencing on January 1, 2006 and expiring on the Effective Date.

2.2. Bonuses.

2.2.1 Annual Bonus.

Employee shall be entitled to an annual bonus based on multiples of Employee's base monthly Salary, subject to the Board's approval and at the Board's discretion. Board's determination shall be made following the end of each calendar year during the term hereof. Employee's contribution to Company's fund raising, generation of income through material strategic agreements and general achievements shall serve as a significant factor in Board's determination as aforesaid. Employee hereby confirms the receipt of an annual bonus for the year 2005 in the amount of NIS 400,000 less the bonus for IND approval of the Company's GCD product set forth in Subsection 2.2.3(a) below.

2.2.2 Bonus upon a Public Offering or Sale.

Employee shall be entitled to a significant bonus subject to the Board's approval and at Board's discretion, upon consummation of (i) a public offering of the Company's or a Company's parent company's securities on the NYSE, NASDAQ, AMEX or any equivalent stock exchnage but excluding the OTCBB, or (ii) an acquisition of all or substantially all of the Company's assets or shares by, or merger of the Company with or into, any other company other than a company who's shares are listed on the OTCBB and/or a wholly-owned subsidiary of the Company and excluding a transaction (or a

series of related transactions) in which shareholders of the Company ("**Shareholders**") prior to such transaction (or a series of related transactions) will own a majority of the voting power of the entity surviving the transaction.

2.2.3 Bonus Upon Achievement of Certain Clinical Development Milestones.

(a) Employee hereby confirms the receipt of a bonus in the amount of US$25,000 for IND approval of the Company's GCD product.

(b) Employee hereby confirms the receipt of a bonus in the amount of US$25,000 for the completion of the Company's Phase I — Clinical Trial for the Company's GCD product

(c) Employee shall be entitled to a bonus in the amount of US$200,000 conditional upon the obtaining from the FDA or EMEA of a marketing approval of the Company's GCD product.

It is agreed that the terms of this Subsection 2.2.3 shall apply to any drug product other than the GCD product, independently developed by the Company.

2.3. Options. Employee shall be entitled to options to purchase Ordinary Shares of the Company ("**Ordinary Shares**"), as follows:

(a) an option under the Company's 2003 Israeli Stock Option Plan (the "**Plan**") to purchase 26,226 Ordinary Shares, pursuant to the terms of the Option Agreement attached hereto as **Exhibit B**; and

(b) an option under the Plan to purchase additional 16,000 Ordinary Shares (the "**Additional Option**"), subject to the following terms and conditions:

(i) vesting over a period of four (4) years on a quarterly basis (1,000 shares per quarter), commencing on June 1, 2006;

(ii) a purchase price per Ordinary Share of US$59.40; and

(iii) the entering by the Employee into an Option Agreement covering such Additional Option, acceptable to the Board of Directors.

2.4. Manager's Insurance. The Company shall insure the Employee under a Manager's Insurance Policy, including insurance in the event of illness or loss of capacity for work (the "**Policy**"), and shall pay a sum of up to an aggregate of 15.83% of the Salary towards the Policy, of which (i) 8.33% shall be on account of severance compensation, which shall be payable to the Employee upon severance, in accordance with the provisions of this Agreement; (ii) 5% of the Salary on account of pension fund payments; and (iii) up to 2.5% of the Salary on account of disability pension payments. The Company shall deduct 5% from the Salary to be paid on behalf of the Employee towards the Policy. The Employee may extend an existing policy or plan and incorporate it into the Policy, at his discretion.

The Company and the Employee agree and acknowledge that in the event the Company transfers ownership of the Policy or the right to receive such policy to the Employee, then such transfer shall be credited against any obligation that the Company may have to pay severance pay to the Employee pursuant to the Severance Pay Law — 1963 (the "**Severance Pay Law**"). Employee agrees that the payments by the Company to the Policy in accordance with the terms hereof, shall be instead of any statutory obligation of the Company to pay severance pay to the Employee, and not in addition thereto, all in accordance with Section 14 of the Severance Pay Law. The Parties hereby adopt the General Approval of the Minister of Labor and Welfare, *on Employers' Payments to*

Pension Funds and Insurance Policies Instead of Severance Pay According to Section 14 of the Severance Pay Law, attached hereto as **Exhibit C**.

The Company hereby waives its right to a refund of payments it made to the Policy, except: (i) in the event that Employee's right to severance pay was denied by a final judgment pursuant to Section 16 or 17 of the Severance Pay Law (in which case Company shall only be entitled to a refund of such funds to the extent that severance pay was denied); or (ii) in the event that the Employee withdrew monies from the Policy (other than by reason of an "Entitling Event", i.e. death, disability or retirement at or after the age of sixty (60)).

2.5. Vocational Studies. The Company shall open and maintain a "Keren Hishtalmut" Fund for the benefit of the Employee (the "**Fund**"). The Company shall contribute to such Fund an amount equal to 7-1/2% of the Salary and the Employee shall contribute to the Fund an amount equal to 2-1/2% of the Salary. The Employee hereby instructs the Company to transfer to the Fund Employee's contribution from the Salary.

2.6. Vacation. The Employee shall be entitled to annual paid vacation of 24 working days. Subject to applicable law, up to two (2) years' equivalent of vacation days may be accumulated and may, at the Employee's option, upon thirty (30) days' prior written notice to the Company, be converted into cash payments in an amount equal to the proportionate part of the Salary for such days. Without limiting the generality of the last paragraph of Section 2, the Employee confirms that neither he nor Agenda is entitled to any vacation and/or vacation pay with respect to the services provided by any of them to the Company through the Effective Date or activities conducted under the Services Agreement (as defined in Section 7 below) or otherwise, prior to the Effective Date.

It is agreed that, without limiting the annual paid vacation to which Employee is entitled in accordance with the first two sentences of this Section 2.6, it shall not be deemed a breach of this Agreement by the Employee in case Employee is absent from work for an aggregate period of up to forty eight (48) working days during the entire term of this Agreement, provided that Employee shall not be entitled to any payment, compensation or benefit (including without limitation the Salary) in respect of such days, but shall be entitled to use the Company Car during such days (the "**Approved Absence**").

Employee shall coordinate in advance with the Chairman of the Board the dates of the vacation and Approved Absence hereunder.

2.7. Sick Leave. The Employee shall be entitled to fully paid sick leave pursuant to the Sick Pay Law (1976).

2.8. Annual Recreation Allowance (Dme'i Havra'a). The Employee shall be entitled to annual recreation allowance according to applicable law.

2.9. Company Car.

(a) The Company shall provide the Employee with a Company car (the "**Company Car**"), as determined by the Board of Directors of the Company (the "**Board of Directors**" or "**Board**"), at its discretion, which car shall be categorized "Group 4". The Company Car shall be placed with the Employee for his business and personal use. Employee shall take good care of the Company Car and ensure that the provisions of the insurance policy and the Company's rules relating to the Company Car are strictly, lawfully and carefully observed.

(b) Subject to applicable law, the Company shall bear all fixed and ongoing expenses relating to the Company Car and to the use and maintenance thereof, excluding expenses incurred in connection with any violations of law, which shall be paid

solely by Employee. The Employee shall bear any and all taxes applicable to him in connection with said Company Car and the use thereof, in accordance with income tax regulations applicable thereto.

(c) Upon the termination of employment hereunder, the Employee shall return the Company Car (together with its keys and any other equipment supplied and/or installed therein by Company and any documents relating to the Company Car) to the Company's principal office. Employee shall have no rights of lien with respect to the Company Car and/or any of said equipment and documents.

2.10. Telephone. The Company shall furnish, for the use of the Employee, a cellular telephone (the "**Company Phone**"), and shall bear all the costs and expenses associated with the use of the Company Phone. The Company will bear the tax applicable to the use of the Company Phone by the Employee, according to applicable law. All such costs, expenses and tax payments borne and payable by the Company pursuant to this Section 2.10 are included in the Salary. The provisions of Section 2.9(c) above shall apply to the Company Phone, *mutatis mutandis*.

2.11. Certain Reimbursements. The Employee shall be entitled to full reimbursement from the Company for reasonable expenses incurred during the performance of his duties hereunder upon submission of substantiating documents, according to the Company's policy.

2.12. Taxes. The Employee will bear any tax applicable on the payment or grant of any of the above Salary and/or benefits, according to the then applicable law. The Company shall be entitled to and shall deduct and withhold from any amount or benefit payable to the Employee, any and all taxes, withholdings or other payments as required under any applicable law.

The Employee and Agenda (as defined in Section 7 below) hereby represent and warrant that they have been paid in full for all services provided by any of them to the Company through the Effective Date, and that the Company does not owe to any of them or is liable to pay to any of them any amount or compensation in respect of such past services rendered or any activities conducted under the Services Agreement (as defined in Section 7 below) or otherwise, prior to the Effective Date.

3. Confidentiality

3.1. The Employee hereby agrees that he shall not, directly or indirectly, disclose or use at any time any trade secrets or other confidential information of any type or nature, whether patentable or not, of the Company, its subsidiaries or affiliates now or hereafter existing, including but not limited to, any (i) processes, formulas, trade secrets, copyrights, innovations, inventions, discoveries, improvements, research or development and test results, specifications, data, patents, patent applications and know-how of any type or nature; (ii) marketing plans, business plans, strategies, forecasts, financial information, budgets, projections, product plans and pricing; (iii) personnel information, salary, and qualifications of employees; (iv) agreements, customer and supplier information, including identities and product sales forecasts; and (v) any other information of a confidential or proprietary nature (collectively, "**Confidential Information**"), of which the Employee is or becomes informed or aware during the employment, whether or not developed by the Employee, it being agreed that for purposes of this Section 3.1, the term Confidential Information shall not include information that has entered into the public domain through no wrongful act by Employee. Upon termination of this Agreement, or at any other time upon request of the Company, the Employee shall promptly deliver to the

Company all physical and electronic copies and other embodiments of Confidential Information and all memoranda, notes, notebooks, records, reports, manuals, drawings, blueprints and any other documents or things belonging to the Company, and all copies thereof, in all cases, which are in the possession or under the control of the Employee.

3.2. Employee hereby acknowledges and that all Confidential Information and any other rights in connection therewith are and shall at all times remain the sole property of the Company.

4. Non-Competition and Non-Solicitation

4.1. The Employee agrees and undertakes that he will not, for so long as (i) this Agreement is in effect, or (ii) he serves as a member of the Board of Directors and for a period of two (2) years after the later of the above lapses for whatever reason (the "**Non-Competition Period**"), compete or to assist others to compete, whether directly or indirectly, with the business of the Company, as currently conducted and as conducted and/or proposed to be conducted during the Non-Competition Period.

4.2. The Employee further agrees and undertakes that during the Non-Competition Period, he will not directly or indirectly solicit any business which is similar to the Company's business from individuals or entities that are customers, suppliers or contractors of the Company, any of its subsidiaries or affiliates during the Non-Competition Period, without the prior written consent of the Company's Board of Directors.

4.3. The Employee further agrees and undertakes that during the Non-Competition Period, without the prior written consent of the Company's Board of Directors, he will not offer to employ, in any way directly or indirectly solicit or seek to obtain or achieve the employment by any business or entity of, and/or during the term hereof, employ, any person employed by either the Company, its subsidiaries, affiliates, or any successors or assigns thereof during the Non-Competition Period.

4.4. The Parties hereto agree that the duration and area for which the covenants set forth in this Section 4 are to be effective are necessary to protect the legitimate interests of the Company and its development efforts and accordingly are reasonable, in terms of their geographical and temporal scope. In the event that any court determines that the time period and/or area are unreasonable and that such covenants are to that extent unenforceable, the Parties hereto agree that such covenants shall remain in full force and effect for the greatest period of time and in the greatest geographical area that would not render them unenforceable. In addition, the Employee acknowledges and agrees that a breach of Sections 3, 4 or 5 hereof, shall cause irreparable harm to the Company, its subsidiaries, and/or affiliates and that the Company shall be entitled to specific performance of this Agreement or an injunction without proof of special damages, together with the costs and reasonable attorney's fees and disbursements incurred by the Company in enforcing its rights under Sections 3, 4 or 5. The Employee acknowledges that the compensation and benefits he receives hereunder are paid, inter alia, as consideration for his undertakings contained in Sections 3, 4 and 5.

5. Creations and Inventions

5.1. The Company shall be the sole and exclusive owner of any Inventions (as defined below), and Employee hereby assigns to the Company any and all of his rights, title and interest in such intellectual property free and clear of any third parties rights. The Employee shall inform the Company of any Invention relating to the Company's technology, its applications components or any intellectual property relating thereto, and shall execute any necessary assignments, patent forms and the like and will assist in the drafting of any

description or specification of the Invention as may be required for the Company's records and in connection with any application for patents or other forms of legal protection that may be sought by the Company. The Employee shall treat all information relating to any Invention as Confidential Information according to Section 3 above.

5.2. Without limiting the foregoing, "Inventions" shall include any and all intellectual property, including without limitation, ideas, inventions, processes, formulas, source and object codes, data, programs, know how, improvements, discoveries, designs, techniques, trade secrets, patents and patents applications, copyrights, mask work and any other intellectual property rights throughout the world, generated, produced, reduced to practice, or developed by Employee during or in connection with his employment by the Company.

5.3. The Company's rights under this Section 5 shall be worldwide, and shall apply to any such Invention notwithstanding that it is perfected or reduced to specific form after the Employee has ceased his services hereunder.

6. <u>Term and Termination</u>.

6.1. This Agreement shall be in effect commencing as of the Effective Date and shall continue in full force and effect for an undefined period, unless and until terminated by either Party by ninety (90) days prior written notice to the other Party. Each of such prior notice periods shall be referred to as the "**Notice Period**", as applicable.

6.2. Notwithstanding anything to the contrary herein, the Company may terminate this Agreement in the event of the inability of the Employee to perform his duties hereunder, whether by reason of injury (mental or physical), illness or otherwise, incapacitating the Employee for a period exceeding 90 days.

6.3. Notwithstanding anything to the contrary herein, the Company may terminate this Agreement at any time, effective immediately and without need for prior written notice, and without derogating from any other remedy to which the Company may be entitled, for Cause.

For the purposes of this Agreement, the term "**Cause**" shall mean: (i) a material breach by Employee of this Agreement; (ii) any breach by Employee of his fiduciary duties or duties of care to the Company; (iii) Employee's dishonesty or fraud or felonious conduct; (iv) Employee's embezzlement of funds of the Company; (v) any conduct by Employee, alone or together with others, which is materially injurious to the Company, monetary or otherwise; (vi) Employee's gross negligence or willful misconduct in performance of his duties and/or responsibilities hereunder; (vii) Employee's disregard or insubordination of any lawful resolution and/or instruction of the Board of Directors with respect to Employee's duties and/or responsibilities towards the Company; (viii) the occurrence of an event or circumstance which may result in the Employee having a conflict of interest with his position with the Company, without Employee having notified the Company thereof, as provided herein; (ix) any breach by Employee of his confidentiality undertakings to the Company; or (x) any consequences which would entitle the Company to terminate Employee's employment without severance payments under the Severance Pay Law.

6.4. The Employee shall cooperate with the Company and assist the integration into the Company's organization of the person or persons who will assume the Employee's responsibilities, pursuant to Company's instructions. At the option of the Company, the Employee shall, during such period, either continue with his duties or remain absent from the premises of the Company, subject to applicable law. At any time during the

Notice Period, the Company may elect to terminate this Agreement and the relationship with the Employee immediately, provided, that Employee shall be entitled to all payments and other benefits due to him hereunder as he would have been entitled to receive for the remaining period of the Notice Period.

6.5. Upon termination of Employee's employment with the Company hereunder, for any reason whatsoever, the Company shall have no further obligation or liability towards the Employee in connection with his employment as aforesaid. The Company may set-off any outstanding amounts due to it by Employee against any payment due by the Company to the Employee, subject to applicable law. Without limiting the generality of the foregoing, in the event that Employee fails to comply with his prior notice or other obligations hereunder or under applicable law, the Company shall be entitled to set-off any amount to which Employee would have been entitled during the Notice Period, from any payment due by the Company to the Employee, all without prejudice to any other remedy to which the Company may be entitled pursuant to this Agreement or applicable law.

6.6. The provisions of Sections 2.9(c), last sentence of Section 2.10, 3, 4, 5, 6.5, 6.6 and 9.4 shall survive the termination or expiration of this Agreement for any reason whatsoever.

7. Termination of Services Agreement.

7.1. The Company and Agenda Biotechnology Ltd., a company wholly owned by David ("**Agenda**"), hereby terminate the Advisory and Consultancy Services Agreement between the Company and Agenda dated February 11, 2003, as amended on May 24, 2004 (the "**Services Agreement**"), and agree that, as from the Effective Date, David's engagement by the Company shall be governed solely by this Agreement.

8. Notices.

8.1. Any and all notices and communications in connection with this Agreement shall be in writing, addressed to the parties as follows:

If to the Company: **Protalix Ltd.**
2 Snunit Street, POB 455, Carmiel, 20100, Israel

It to the Employee: **David Aviezer**
4 Hatena St., POB 1914, Hashmonaim, 73127, Israel

8.2. All notices shall be given by registered mail (postage prepaid), by facsimile or email or otherwise delivered by hand or by messenger to the Parties' respective addresses as above or such other address as may be designated by notice. Any notice sent in accordance with this Section 8 shall be deemed received upon the earlier of: (i) if sent by facsimile or email, upon transmission and electronic confirmation of transmission or (if transmitted and received on a non-business day) on the first business day following transmission and electronic confirmation of transmission, (ii) if sent by registered mail, upon 3 (three) days of mailing, (iii) if sent be messenger, upon delivery; and (iv) the actual receipt thereof.

9. Miscellaneous.

9.1. Headings; Interpretation. Section and Subsection headings contained herein are for reference and convenience purposes only and shall not in any way be used for the interpretation of this Agreement.

9.2. Entire Agreement. This Agreement constitutes the entire agreement between the Parties with respect to the subject matters hereof and cancels and supersedes all prior agreements, understandings and arrangements, oral or written, between the Parties with respect to such subject matters.

9.3. Amendment; Waiver. No provision of this Agreement may be modified or amended unless such modification or amendment is agreed to in writing and signed by the Employee and the Company. The observance of any term hereof may be waived (either prospectively or retroactively and either generally or in a particular instance) only with the written consent of the Party against which/whom such waiver is sought. No waiver by either Party at any time to act with respect to any breach or default by the other Party of, or compliance with, any condition or provision of this Agreement to be performed by such other Party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

9.4. Governing Law; Dispute Resolution. This Agreement shall be governed by and construed in accordance with the laws of the State of Israel. Any dispute arising out of or relating to this Agreement shall be resolved by a single arbitrator to be appointed by the Parties, or in the event the Parties fail to agree on the identity of the arbitrator within ten (10) days of a Party's request to appoint same, the arbitrator shall be appointed by the Chairman of the Israeli Bar Association.

Arbitration proceedings shall be conducted for no longer than forty-five (45) days. The proceedings shall be conducted in Hebrew and according to the rules of substantive law. The arbitrator will not be bound by rules of evidence or procedure and will give a reasoned decision, in writing. The arbitrator's decision shall be final and binding in any court. Unless otherwise determined by the arbitrator, each party to the proceedings shall bear its own expenses and the arbitrator's fees and expenses shall be borne in equal parts by the parties to the proceedings.

This Section shall constitute an arbitration agreement between the Parties.

9.5. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any part of this Agreement is determined to be invalid, illegal or unenforceable, such determination shall not affect the validity, legality or enforceability of any other part of this Agreement; and the remaining parts shall be enforced as if such invalid, illegal, or unenforceable part were not contained herein, provided, however, that in such event this Agreement shall be interpreted so as to give effect, to the greatest extent consistent with and permitted by applicable law, to the meaning and intention of the excluded provision as determined by such court of competent jurisdiction.

9.6. Assignment. Neither this Agreement or any of the Employee's rights, privileges, or obligations set forth in, arising under, or created by this Agreement may be assigned or transferred by the Employee without the prior consent in writing of the Company. The Company shall be entitled to assign its rights and obligations hereunder to any entity

acquiring a material part of its assets or to a subsidiary or affiliate thereof (as such terms are defined in the Israeli Securities Law-1968).

[Signature Page to Protalix Ltd. Employment Agreement]

IN WITNESS WHEREOF, the Parties hereto have executed this Employment Agreement as of the date first above-mentioned.

/s/ Eli Hurvitz	/s/ David Aviezer
PROTALIX LTD.	**DR. DAVID AVIEZER**

By: Eli Hurvitz

Agreed as applicable to it:

/s/ David Aviezer

AGENDA BIOTECHNOLOGY LTD.

By: David Aviezer

Exhibit 10.5

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (this "**Agreement**") is made effective as of October 15, 2006 (the "**Effective Date**"), by and between Protalix Ltd., a company organized under the laws of the State of Israel (the "**Company**") and Yossef Maimon, Israel Identification No. 24821233 (the "**Employee**") (each of the Company and Employee shall be referred to herein, as a "**Party**" and collectively, the "**Parties**").

WHEREAS, the Company is engaged, inter alia, in the research and development of proteins and expression thereof in plant cells cultures; and

WHEREAS, the Company desires to employ the Employee in the position of Company's Chief Financial Officer ("**CFO**") and the Employee desires to be employed by the Company in such position, on the terms and conditions hereinafter set forth;

NOW, THEREFORE, based on the representations contained herein and in consideration of the mutual promises and covenants set forth herein, the Parties agree as follows:

1. **Employment.**

1.1. Commencing as of the Effective Date, the Company shall employ the Employee in the position of CFO, reporting to the Chief Executive Officer of the Company ("**CEO**").

1.2. The Employee's duties and responsibilities shall be those duties and responsibilities customarily performed by a Chief Financial Officer of a company, as may be determined from time to time by the CEO. These will include, inter alia, the following:

General -

- Supervision of recording of transactions and balances
- Supervision of administrative accounting staff
- Management of tax and related payments
- Banking relations

Systems and policies –

- Ensuring overall integrity of accounting systems
- Ensuring that applicable data is standardized and systems are well structured for proper and easily accessible reporting
- Acting as Chief Accounting Officer (CAO) to determine accounting policies and assist others in accounting related matters
- Working with others in the company to determine financial policies and reporting practices
- Identifying emerging tax and reporting issues and coordinating policies with outside accountants and lawyers
- Implementation of internal control procedures

Internal reporting -

- Preparing cash flow projections
- Preparing monthly financial summaries and key performance indicators
- Preparing and implementing budget and financial portion of business plan

External Reporting

- Preparing quarterly and annual financial statements, notes and related information, and any other information as may be required according to US GAAP, tax, securities and other applicable statutes and regulations, SEC reports, etc.
- Working with public and private investors to explain financial information and verify integrity of systems.

1.3. The Employee shall be employed on a full-time basis. The Employee shall devote his full and undivided attention and full working time to the business and affairs of the Company and the fulfillment of his duties and responsibilities under this Agreement, it being agreed that during the period from the Effective Date until the end of calendar year 2006 (the "**Assistance Period**") Employee shall be entitled to assist his immediately prior employer in the integration into such employer's organization of the person who will assume the Employee's position therein, *provided however* that (i) such assistance is given up to a limited amount of hours per month during the Assistance Period, (ii) the provision of such assistance is coordinated promptly in advance with the CEO, and (iii) is the provision of such assistance does not derogate from any of Employee's obligations hereunder or the performance of any of its duties or responsibilities hereunder.

Without derogating from the generality of the above, during the term of this Agreement the Employee shall not be engaged in any other employment nor engage in any other business activity or render any services, with or without compensation, for any other person or entity.

The Employee shall notify the Company immediately of any event or circumstance which may hinder the performance of his obligations hereunder or result in the Employee having a conflict of interest with his position with the Company.

1.4. The Employee acknowledges that the Company's facilities are located in Carmiel and that he will be required to attend such facilities at least three (3) working days per week, unless coordinated otherwise with the CEO. Employee further acknowledges and agrees that the performance of his duties hereunder may require significant domestic and international travel at the Company's request.

1.5. It is agreed between the Parties that the position that Employee holds within the Company is a management position, which demands a special level of loyalty and accordingly the Work Hours and Rest Law (1951) shall not apply to Employee's employment by the Company and this Agreement. The Employee further acknowledges and agrees that his duties and responsibilities may entail irregular work hours and extensive traveling in Israel and abroad, for which he is adequately rewarded by the compensations provided for in this Agreement. The Parties confirm that this is a personal services contract and that the relationship between the Parties shall not be subject to any general or special collective bargaining agreement or any custom or practice of the Company in respect of any of its other employees or contractors.

2. **Salary and Employee Benefits.**

In full consideration of Employee's employment with the Company, commencing as of the Effective Date, the Employee shall be entitled to the following payments and benefits, it being understood and agreed that any Salary-based benefits shall be calculated exclusively on the basis of the base Salary (without consideration to any other benefit):

2.1. Salary. The Company shall pay the Employee a gross salary of NIS 45,000 per month (the "**Salary**"). The Salary will be adjusted from time to time in accordance with the

Cost of Living Index ("Tosefet Yoker") as may be required by law. The Salary shall be payable monthly in arrears, and shall be paid to the Employee in accordance with Company's policy.

2.2. Bonuses.

2.2.1 Annual Bonus.

At the end of each calendar year, the Company shall consider granting the Employee an annual bonus, at the Company's sole discretion and without any obligation on Company's part to grant such bonus. Without limiting such Company's sole discretion, Employee's skills, performance of, and dedication to, his duties hereunder shall serve as a factor in Company's determination as aforesaid.

2.2.2 Bonus upon Achievement of Significant Milestones.

The Company shall consider granting the Employee a bonus upon achievement of a significant milestone by the Company, at the Company's sole discretion and without any obligation on Company's part to grant such bonus. Without limiting such Company's sole discretion, Employee's contribution to the achievement of such a significant milestone shall serve as a key factor in Company's determination as aforesaid.

2.3. Options. Employee shall be entitled to an option (the "**Option**") to purchase 9,300 Ordinary Shares of the Company ("**Ordinary Shares**") under the Company's 2003 Israeli Stock Option Plan, subject to the approval of the Board of Directors of the Company (the "**Board**") and the following additional terms and conditions:

(i) vesting over a period of four (4) years as follows: one fourth of the Option (i.e. an option to purchase 2,325 Ordinary Shares) shall vest upon the lapse of one year from the date of grant of the Option (the "**Initial Vesting Date**"). The remainder of the Option (i.e. an option purchase 6,975 Ordinary Shares) shall vest on a quarterly basis in twelve equal installments, commencing on the Initial Vesting Date;

(ii) a purchase price per Ordinary Share of US$24.36; and

(iii) the entering by the Employee into an Option Agreement covering such Option, acceptable to the Board and similar in all material respects to the Option Agreements between the Company and its other executive officers.

2.4. Manager's Insurance. The Company shall insure the Employee under a Manager's Insurance Policy, including insurance in the event of illness or loss of capacity for work (the "**Policy**"), and shall pay a sum of up to an aggregate of 15.83% of the Salary towards the Policy, of which (i) 8.33% shall be on account of severance compensation, which shall be payable to the Employee upon severance, in accordance with the provisions of this Agreement; (ii) 5% of the Salary on account of pension fund payments; and (iii) up to 2.5% of the Salary on account of disability pension payments. The Company shall deduct 5% from the Salary to be paid on behalf of the Employee towards the Policy. The Employee may extend an existing policy or plan and incorporate it into the Policy, at his discretion.

The Company and the Employee agree and acknowledge that in the event the Company transfers ownership of the Policy or the right to receive such policy to the Employee, then such transfer shall be credited against any obligation that the Company may have to pay severance pay to the Employee pursuant to the Severance Pay Law — 1963 (the "**Severance Pay Law**"). Employee agrees that the payments by the Company to the Policy in accordance with the terms hereof, shall be instead of any statutory obligation of the Company to pay severance pay to the Employee, and not in addition thereto, all

in accordance with Section 14 of the Severance Pay Law. The Parties hereby adopt the General Approval of the Minister of Labor and Welfare, *on Employers' Payments to Pension Funds and Insurance Policies Instead of Severance Pay According to Section 14 of the Severance Pay Law*, attached hereto as **Exhibit A**.

The Company hereby waives its right to a refund of payments it made to the Policy, except: (i) in the event that Employee's right to severance pay was denied by a final judgment pursuant to Section 16 or 17 of the Severance Pay Law (in which case Company shall only be entitled to a refund of such funds to the extent that severance pay was denied); or (ii) in the event that the Employee withdrew monies from the Policy (other than by reason of an "Entitling Event", i.e. death, disability or retirement at or after the age of sixty (60)).

2.5. Vocational Studies. The Company shall open and maintain a "Keren Hishtalmut" Fund for the benefit of the Employee (the "**Fund**"). The Company shall contribute to such Fund an amount equal to 7-1/2% of the Salary and the Employee shall contribute to the Fund an amount equal to 2-1/2% of the Salary. The Employee hereby instructs the Company to transfer to the Fund Employee's contribution from the Salary. Upon termination of this Agreement by either Party, other than termination by the Company for Cause, the Company shall assign and transfer to the Employee the ownership in the Fund.

2.6. Vacation. The Employee shall be entitled to annual paid vacation of 24 working days. Subject to applicable law, up to two (2) years' equivalent of vacation days may be accumulated and may, at the Employee's option, upon thirty (30) days' prior written notice to the Company, be converted into cash payments in an amount equal to the proportionate part of the Salary for such days.

Employee shall coordinate in advance with the CEO the dates of the vacation hereunder.

2.7. Sick Leave. The Employee shall be entitled to fully paid sick leave pursuant to the Sick Pay Law (1976).

2.8. Annual Recreation Allowance (Dme'i Havra'a). The Employee shall be entitled to annual recreation allowance according to applicable law.

2.9. Company Car.

(a) The Company shall provide the Employee with a Company car (the "**Company Car**"), as determined by the CEO, at his discretion, which car shall be categorized "Group 4". The Company Car shall be placed with the Employee for his business and personal use. Employee shall take good care of the Company Car and ensure that the provisions of the insurance policy and the Company's rules relating to the Company Car are strictly, lawfully and carefully observed.

(b) Subject to applicable law, the Company shall bear all fixed and ongoing expenses relating to the Company Car and to the use and maintenance thereof, excluding expenses incurred in connection with any violations of law, which shall be paid solely by Employee. The Company shall gross-up any and all taxes applicable in connection with said Company Car and the use thereof, in accordance with applicable income tax regulations. All such expenses borne, and tax payments grossed-up, by the Company pursuant to this Section 2.9(b) are included in the Salary.

(c) Upon the termination of employment hereunder, the Employee shall return the Company Car (together with its keys and any other equipment supplied and/or

installed therein by Company and any documents relating to the Company Car) to the Company's principal office. Employee shall have no rights of lien with respect to the Company Car and/or any of said equipment and documents.

2.10. Telephone. The Company shall furnish, for the use of the Employee, a cellular telephone (the "**Company Phone**"), and shall bear all the costs and expenses associated with the use of the Company Phone. The Company will bear the tax applicable to the use of the Company Phone by the Employee, according to applicable law. All such costs, expenses and tax payments borne and payable by the Company pursuant to this Section 2.10 are included in the Salary. The provisions of Section 2.9(c) above shall apply to the Company Phone, *mutatis mutandis*.

2.11. Certain Reimbursements. The Employee shall be entitled to full reimbursement from the Company for reasonable expenses incurred during the performance of his duties hereunder up to a limit of NIS 1,500 per month, upon submission of substantiating documents, according to the Company's policy. The reimbursement of any expenses in excess of the foregoing limit shall require the prior approval of the CEO.

2.12. Taxes. The Employee will bear any tax applicable on the payment or grant of any of the above Salary and/or benefits, according to the then applicable law. The Company shall be entitled to and shall deduct and withhold from any amount or benefit payable to the Employee, any and all taxes, withholdings or other payments as required under any applicable law.

3. Confidentiality

3.1. The Employee hereby agrees that he shall not, directly or indirectly, disclose or use at any time any trade secrets or other confidential information of any type or nature, whether patentable or not, of the Company, its subsidiaries, affiliates or parent company now or hereafter existing, including but not limited to, any (i) processes, formulas, trade secrets, copyrights, innovations, inventions, discoveries, improvements, research or development and test results, specifications, data, patents, patent applications and know-how of any type or nature; (ii) marketing plans, business plans, strategies, forecasts, financial information, budgets, projections, product plans and pricing; (iii) personnel information, salary, and qualifications of employees; (iv) agreements, customer and supplier information, including identities and product sales forecasts; and (v) any other information of a confidential or proprietary nature (collectively, "**Confidential Information**"), of which the Employee is or becomes informed or aware during the employment, whether or not developed by the Employee, it being agreed that for purposes of this Section 3.1, the term Confidential Information shall not include information that has entered into the public domain through no wrongful act by Employee. Upon termination of this Agreement, or at any other time upon request of the Company, the Employee shall promptly deliver to the Company all physical and electronic copies and other embodiments of Confidential Information and all memoranda, notes, notebooks, records, reports, manuals, drawings, blueprints and any other documents or things belonging to the Company, and all copies thereof, in all cases, which are in the possession or under the control of the Employee.

3.2. Employee hereby acknowledges and that all Confidential Information and any other rights in connection therewith are and shall at all times remain the sole property of the Company.

4. Non-Competition and Non-Solicitation

4.1. The Employee agrees and undertakes that he will not, for so long as this Agreement is in effect and for a period of two (2) years thereafter (the "**Non-Competition Period**"),

compete or to assist others to compete, whether directly or indirectly, with the business of the Company, as currently conducted and as conducted and/or proposed to be conducted during the Non-Competition Period.

4.2. The Employee further agrees and undertakes that during the Non-Competition Period, he will not directly or indirectly solicit any business which is similar to the Company's business from individuals or entities that are customers, suppliers or contractors of the Company, any of its subsidiaries, affiliates or parent company during the Non-Competition Period, without the prior written consent of the CEO.

4.3. The Employee further agrees and undertakes that during the Non-Competition Period, without the prior written consent of the CEO, he will not employ, offer to employ, or in any way directly or indirectly solicit or seek to obtain or achieve the employment by any business or entity of any person employed by either the Company, its subsidiaries, affiliates, parent company or any successors or assigns thereof during the Non-Competition Period.

4.4. The Parties hereto agree that the duration and area for which the covenants set forth in this Section 4 are to be effective are necessary to protect the legitimate interests of the Company and its development efforts and accordingly are reasonable, in terms of their geographical and temporal scope. In the event that any court determines that the time period and/or area are unreasonable and that such covenants are to that extent unenforceable, the Parties hereto agree that such covenants shall remain in full force and effect for the greatest period of time and in the greatest geographical area that would not render them unenforceable. In addition, the Employee acknowledges and agrees that a breach of Sections 3, 4 or 5 hereof, shall cause irreparable harm to the Company, its subsidiaries, affiliates and/or parent company and that the Company shall be entitled to specific performance of this Agreement or an injunction without proof of special damages, together with the costs and reasonable attorney's fees and disbursements incurred by the Company in enforcing its rights under Sections 3, 4 or 5. The Employee acknowledges that the compensation and benefits he receives hereunder are paid, inter alia, as consideration for his undertakings contained in Sections 3, 4 and 5.

5. <u>Creations and Inventions</u>

5.1. The Company shall be the sole and exclusive owner of any Inventions (as defined below), and Employee hereby assigns to the Company any and all of his rights, title and interest in such intellectual property free and clear of any third parties rights. The Employee shall inform the Company of any Invention relating to the Company's technology, its applications components or any intellectual property relating thereto, and shall execute any necessary assignments, patent forms and the like and will assist in the drafting of any description or specification of the Invention as may be required for the Company's records and in connection with any application for patents or other forms of legal protection that may be sought by the Company. The Employee shall treat all information relating to any Invention as Confidential Information according to Section 3 above.

5.2. Without limiting the foregoing, "Inventions" shall include any and all intellectual property, including without limitation, ideas, inventions, processes, formulas, source and object codes, data, programs, know how, improvements, discoveries, designs, techniques, trade secrets, patents and patents applications, copyrights, mask work and any other intellectual property rights throughout the world, generated, produced, reduced to practice, or developed by Employee during or in connection with his employment by the Company.

5.3. The Company's rights under this Section 5 shall be worldwide, and shall apply to any such Invention notwithstanding that it is perfected or reduced to specific form after the Employee has ceased his services hereunder.

6. Term and Termination.

6.1. This Agreement shall be in effect commencing as of the Effective Date and shall continue in full force and effect for an undefined period, unless and until terminated by either Party by sixty (60) days prior written notice to the other Party. Each of such prior notice periods shall be referred to as the "**Notice Period**", as applicable.

6.2. Notwithstanding anything to the contrary herein, the Company may terminate this Agreement in the event of the inability of the Employee to perform his duties hereunder, whether by reason of injury (mental or physical), illness or otherwise, incapacitating the Employee for a period exceeding 90 days.

6.3. Notwithstanding anything to the contrary herein, the Company may terminate this Agreement at any time, effective immediately and without need for prior written notice, and without derogating from any other remedy to which the Company may be entitled, for Cause.

For the purposes of this Agreement, the term "**Cause**" shall mean: (i) a material breach by Employee of this Agreement; (ii) any breach by Employee of his fiduciary duties or duties of care to the Company; (iii) Employee's dishonesty or fraud or felonious conduct; (iv) Employee's embezzlement of funds of the Company; (v) any conduct by Employee, alone or together with others, which is materially injurious to the Company, monetary or otherwise; (vi) Employee's gross negligence or willful misconduct in performance of his duties and/or responsibilities hereunder; (vii) Employee's disregard or insubordination of any lawful resolution and/or instruction of the CEO with respect to Employee's duties and/or responsibilities towards the Company; (viii) the occurrence of an event or circumstance which may result in the Employee having a conflict of interest with his position with the Company, without Employee having notified the Company thereof, as provided herein; (ix) any breach by Employee of his confidentiality undertakings to the Company; or (x) any consequences which would entitle the Company to terminate Employee's employment without severance payments under the Severance Pay Law.

6.4. The Employee shall cooperate with the Company and assist the integration into the Company's organization of the person or persons who will assume the Employee's responsibilities, pursuant to Company's instructions. At the option of the Company, the Employee shall, during such period, either continue with his duties or remain absent from the premises of the Company, subject to applicable law. At any time during the Notice Period, the Company may elect to terminate this Agreement and the relationship with the Employee immediately, provided, that Employee shall be entitled to all payments and other benefits due to him hereunder as he would have been entitled to receive for the remaining period of the Notice Period.

6.5. Upon termination of Employee's employment with the Company hereunder, for any reason whatsoever, the Company shall have no further obligation or liability towards the Employee in connection with his employment as aforesaid. The Company may set-off any outstanding amounts due to it by Employee against any payment due by the Company to the Employee, subject to applicable law. Without limiting the generality of the foregoing, in the event that Employee fails to comply with his prior notice or other obligations hereunder or under applicable law, the Company shall be entitled to set-off

any amount to which Employee would have been entitled during the Notice Period, from any payment due by the Company to the Employee, all without prejudice to any other remedy to which the Company may be entitled pursuant to this Agreement or applicable law.

6.6. The provisions of Sections 2.9(c), last sentence of Section 2.10, Sections 3, 4, 5, 6.5, 6.6 and 8.4 shall survive the termination or expiration of this Agreement for any reason whatsoever. The provisions of the last sentence of Section 2.5 shall survive the termination of this Agreement subject to the terms set forth in such sentence.

7. Notices.

7.1. Any and all notices and communications in connection with this Agreement shall be in writing, addressed to the parties as follows:

If to the Company: **Protalix Ltd.**
2 Snunit Street, POB 455, Carmiel, 20100, Israel

It to the Employee: **Yossef Maimon**
10 Feinstein St., Tel Aviv

7.2. All notices shall be given by registered mail (postage prepaid), by facsimile or email or otherwise delivered by hand or by messenger to the Parties' respective addresses as above or such other address as may be designated by notice. Any notice sent in accordance with this Section 7 shall be deemed received upon the earlier of: (i) if sent by facsimile or email, upon transmission and electronic confirmation of transmission or (if transmitted and received on a non-business day) on the first business day following transmission and electronic confirmation of transmission, (ii) if sent by registered mail, upon 3 (three) days of mailing, (iii) if sent by messenger, upon delivery; and (iv) the actual receipt thereof.

8. Miscellaneous.

8.1. Headings; Interpretation. Section and Subsection headings contained herein are for reference and convenience purposes only and shall not in any way be used for the interpretation of this Agreement.

8.2. Entire Agreement. This Agreement constitutes the entire agreement between the Parties with respect to the subject matters hereof and cancels and supersedes all prior agreements, understandings and arrangements, oral or written, between the Parties with respect to such subject matters.

8.3. Amendment; Waiver. No provision of this Agreement may be modified or amended unless such modification or amendment is agreed to in writing and signed by the Employee and the Company. The observance of any term hereof may be waived (either prospectively or retroactively and either generally or in a particular instance) only with the written consent of the Party against which/whom such waiver is sought. No waiver by either Party at any time to act with respect to any breach or default by the other Party of, or compliance with, any condition or provision of this Agreement to be performed by such other Party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

8.4. Governing Law; Dispute Resolution. This Agreement shall be governed by and construed in accordance with the laws of the State of Israel. Any dispute arising out of or relating to this Agreement shall be exclusively resolved by the competent court in Tel-Aviv Jaffa.

8.5. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any part of this Agreement is determined to be invalid, illegal or unenforceable, such determination shall not affect the validity, legality or enforceability of any other part of this Agreement; and the remaining parts shall be enforced as if such invalid, illegal, or unenforceable part were not contained herein, provided, however, that in such event this Agreement shall be interpreted so as to give effect, to the greatest extent consistent with and permitted by applicable law, to the meaning and intention of the excluded provision as determined by such court of competent jurisdiction.

8.6. Assignment. Neither this Agreement or any of the Employee's rights, privileges, or obligations set forth in, arising under, or created by this Agreement may be assigned or transferred by the Employee without the prior consent in writing of the Company. The Company shall be entitled to assign its rights and obligations hereunder to any entity acquiring a material part of its assets or to a subsidiary, affiliate or parent company thereof (as such terms are defined in the Israeli Securities Law-1968).

[Signature Page to Protalix Ltd. Employment Agreement]

IN WITNESS WHEREOF, the Parties hereto have executed this Employment Agreement as of the date first above-mentioned.

/s/ David Aviezer	Yossef Maimon
PROTALIX LTD.	**YOSSEF MAIMON**

By: David Aviezer

Exhibit 10.6

Portions of this exhibit have been omitted pursuant to a request for confidential treatment. The omitted portions, marked by [***], have been separately filed with the Securities and Exchange Commission.

LICENSE AGREEMENT

This License Agreement (this "**Agreement**") is entered into as of this ___ day of _____, 2005, by and between Icon Genetics AG, a company incorporated under the laws of Germany ("**Icon**") of Weinbergweg 23, D-06120 Halle/Saale, Germany, on its own behalf and on behalf of its Affiliates, and Protalix Ltd., a company incorporated under the laws of Israel ("**Protalix**") of 2 Snunit Street, Industrial Park, Carmiel, Israel (Protalix and Icon may be referred to individually as a "**Party**" and collectively as the "**Parties**").

PREMISES

WHEREAS, Icon is engaged in the development and commercialization of plant transformation and gene expression technologies and has developed and owns or controls (with rights sufficient to grant the licenses herein granted) a proprietary platform technology known as "Transgene Operating Systems" ("**Icon's Technology**"), the patents pertaining to which are listed in **Annex A** attached hereto (together with all divisions, continuations or continuations-in-part, reissues, re-examinations, renewals, extensions, supplementary protection certificates, or the like, as well as any certificates of inventions or applications therefore, and all foreign counterparts with respect to Icon's Technology, being collectively referred to as "**Patents**"); and

WHEREAS, Protalix is engaged in research, development, production and commercialization of pharmaceutical proteins and the expression thereof in plant cell culture systems (the "**Protalix Field**"); and

WHEREAS, pursuant to the Collaborative Research Agreement entered into between the Parties on April 30, 2004 (the "**Research Agreement**"), an agreed research program (the "**Research Program**") directed towards expressing the cDNA encoding of the 4 (four) proteins listed in **Annex B** attached hereto (the "**Research Proteins**") in plant cells grown in Protalix's bio-reactor systems with the use of Icon's Technology is currently underway; and

WHEREAS, pursuant to the Research Agreement**,** the Parties have entered into an Option Agreement effective as of April 30, 2004 (the "**Option Agreement**", attached hereto as **Annex C**), whereby Protalix was granted an Option to acquire certain Licenses (as such terms are defined in the Option Agreement); and

WHEREAS, the Parties are entering into this Agreement to record the understandings

reached between them to govern such Licenses, should they become operative pursuant to the terms and conditions of the Option Agreement.

NOW THEREFORE, in consideration of the mutual undertakings and covenants set forth herein, the sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1. **DEFINITIONS**

1.1. Terms defined in this Section 1 and elsewhere, parenthetically, in this Agreement, shall have the same meaning throughout this Agreement.

1.1.1. **"Affiliate"** when used with respect to any person or entity, shall mean any individual, firm, partnership, corporation, trust, joint venture or other entity, whether *de jure* or *de facto,* which, directly or indirectly, controls, is controlled by or is under common control with such person or entity. As used in this definition, "control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the policies and management of a person or entity, whether by the ownership of stock, by contract or otherwise.

1.1.2. **"Confidential Information**" shall mean any technical, business or other information in any form whatsoever, with respect to a Party's technology, its applications, business and operations, including but not limited to any materials, know-how, inventions, data, software programs and their sources, processes, methods and formula, all whether or not covered by patents, patent applications, copyrights or other proprietary rights protection, and any financial information, trade secrets, agreements, documents, names of potential suppliers, customers, partners or investors, proposed business deals, reports, plans, market studies, surveys and projections, and any other information which is confidential or proprietary in nature.

1.1.3. **"Effective Date"** shall mean the date upon which the Licenses may go into force and effect as provided in Section 2.1 below.

1.1.4. [***].

1.1.5. **"Icon's Technology"** shall have the meaning set out in the Premises to this Agreement.

[***] Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the Securities and Exchange Commission.

1.1.6. **“Indemnitee”** shall have the meaning set out in Section 9.1 of this Agreement.

1.1.7. **“Indemnitor”** shall have the meaning set out in Section 9.1 of this Agreement.

1.1.8. “**Improvement**” shall mean any invention, discovery or further development of Icon Technology’s Patents generated by Protalix.

1.1.9. **“Licensed Product(s)”** shall mean any pharmaceutical Research Protein and each additional pharmaceutical Protein expressed by Protalix or its Affiliates or sub-licensees using Icon’s Technology. For the avoidance of doubt, active ingredients for drugs developed by Protalix with the use of Icon’s Technology and sold as such, shall be deemed as Licensed Product(s).

1.1.10. **“Licenses”** shall have the meaning set out in Section 2.1 of this Agreement.

1.1.11. **“Net Sales”** shall mean amounts received by Protalix or any of its Affiliates or sub-licensees for the sale of Licensed Products, less:

1.1.11.1 discounts, refunds, rebates, charge-backs and any other retroactive price adjustments reducing the consideration thereby received;

1.1.11.2 amounts returned on account of product returns and allowances;

1.1.11.3 charges for insurance, freight, and other transportation costs; and

1.1.11.4 sales, tariff duties and any other taxes directly imposed on the particular sale, but excluding federal, state or local taxes based on income.

For the avoidance of doubt, Net Sales of any Licensed Products constituting a pharmaceutical drug active ingredient shall be determined as the industry net sales of the finished dosage form (i.e. the sales of the pharmaceutical manufacturer or distributor to wholesalers, pharmacies, hospitals, physicians or medical care organizations) less the amounts as specified under Sections 1.1.11.1. to 1.1.11.4 above.

1.1.12. **“Owner”** shall have the meaning set out in Section 10.1 of this Agreement.

1.1.13. "**Patents**" shall mean the Patents listed in **Annex A** that are owned or controlled (with rights sufficient to grant the licenses herein granted) by Icon or its Affiliates, together with all divisions, continuations or continuations-in-part, reissues, re-examinations, renewals, extensions, supplementary protection certificates, or the like of any such Patents, as well as any certificates of invention or applications therefore, and all foreign counterparts, with respect to any of the foregoing.

1.1.14. **"Protalix Field"** shall have the meaning set out in the Premises to this Agreement.

1.1.15. "**Protein**" shall mean any protein, protein fragment, peptide or polypeptide regardless of formation or structure.

1.1.16. **"Recipient"** shall have the meaning set out in Section 10.1 of this Agreement.

1.1.17. **"Research Proteins"** shall have the meaning set out in the Premises to this Agreement.

1.1.18. **"Research Program"** shall have the meaning set out in the Premises to this Agreement.

1.1.19. **"Research Agreement"** shall have the meaning set out in the Premises to this Agreement.

1.1.20. **"Royalties"** shall have the meaning set out in Section 5.1 of this Agreement.

1.1.21. **"Royalty Period"** shall have the meaning set out in Section 5.4 of this Agreement.

1.1.22. **"Semi-Annual Payment"** shall have the meaning set out in Section 5.4 of this Agreement.

1.1.23. **"Term"** shall have the meaning set out in Section 12.1 of this Agreement.

1.1.24. "**Third Party**" shall mean any person or entity other than Icon, Icon Affiliates, Protalix and Protalix' Affiliates.

1.1.25. **"Third Party Claim"** shall have the meaning set out in Section 9.3 of this Agreement.

1.2. The following terms shall have the meanings ascribed to them in the Option Agreement: "**Option**", "**Option Period**", "**Exercise Fee**".

1.3. The headings in this Agreement are intended solely for convenience or reference and shall be given no effect in the interpretation of this Agreement.

2. **THE LICENSE; IMPROVEMENTS**

2.1. Immediately upon and subject to the exercise of the Option by Protalix during the Option Period or any longer period agreed upon between the Parties in writing, and to the receipt by Icon of the Exercise Fee determined pursuant to Section 1.5 of the Option Agreement, the following licenses ("**Licenses**") shall be deemed as having been granted by Icon to Protalix and to be in full force and effect:

2.1.1. a non-exclusive worldwide license under the Patents listed in **Annex A** to develop, test, use and commercialize Icon's Technology in the Protalix Field and to make and have made Proteins expressed by using Icon's Technology in the Protalix Field; and

2.1.2. an exclusive worldwide license under the Patents listed in **Annex A** to develop, test, use and commercialize Icon's Technology to make and have made Research Proteins in the Protalix Field for the following Protein products: [***]. For the avoidance of doubt, the license in respect to any [***] shall be non-exclusive, pursuant to Section 2.1.1 above.

2.1.3. Notwithstanding the above said, the scope of the Licenses granted under Sections 2.1.1. and 2.1.2. of this Agreement in case of each specific Patent is further limited as specified in **Annex A**.

2.1.4. For the avoidance of doubt, the exclusivity under Section 2.1.2. of this Agreement and any section of the Option Agreement is granted only in the Protalix Field, and nothing in the legal relationship between the Parties implies any limitation imposed on Icon's business activity and relationships with any Third Party outside the granted exclusivity area.

2.2. Protalix shall be permitted to sublicense its rights under the Licenses, for the purpose of its sub-licensee(s) further developing, testing, using, making and having made, marketing and selling Licensed Products, and for no other purpose whatsoever.

2.3. For the avoidance of doubt, Protalix shall be entitled to market and sell Licensed Products through distributors.

[***] Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the Securities and Exchange Commission.

2.4. Protalix shall use commercially reasonable efforts to exploit the rights licensed under this Agreement.

2.5. Protalix may register the License with the appropriate patent offices if necessary or desirable under any applicable law, at its own expense. Icon shall cooperate with Protalix for such purpose, sign all papers in support of such registration, and execute a formal license that reflects the terms of this Agreement, for such registration purposes.

2.6. Improvement License to Icon

Subject to the terms and conditions set forth in this Agreement, if Protalix creates any Improvements of Icon's Patents licensed to Protalix under Section 2.1 herein, Protalix grants Icon a non-exclusive, worldwide, royalty-free fully paid up license (with the right to grant sublicenses) under Protalix intellectual property arising from such Improvements of Icon's Patents to make, have made, use, sell, and import any products other than research, development, production and commercialization of (i) pharmaceutical proteins and the expression thereof in plant cell culture systems or (ii) commercialization of Research Proteins.

2.7. Limited research license. As from the signing this Agreement and throughout the Research Program (ending no later than May 1, 2006), Protalix is granted a non-transferable research license to practice Icon Patents listed in Annex A solely for its internal research and development efforts, said research license being limited to research activities not involving production of material for clinical testing.

3. **TECHNOLOGY TRANSFER/ASSISTANCE**

3.1. Icon shall provide Protalix with copies of all of the Icon Patents listed in **Annex A** within 10 (ten) days of the Effective Date.

3.2. Icon shall provide Protalix with training in the use of the Icon Technology and Confidential Information which Icon is free to divulge in relation to the Icon Technology, at Protalix's reasonable request, from time to time during the Term, so as to facilitate Protalix's exploitation of the License.

4. **LUMP SUM PAYMENTS.**

4.1. Protalix will make the following lump sum payments to Icon upon achievement of each of the following development milestones in respect of each Licensed Product:

4.1.1. [***]; and

4.1.2. [***].

4.2. Sections 5.7 and 5.8 of this Agreement shall apply mutatis mutandis to lump sum payments made under this Section 4.

5. ROYALTIES.

5.1. As from the first commercial sale by Protalix, its Affiliates and/or sub-licensees of any Licensed Product, Protalix shall pay Icon royalties ("**Royalties**") on Net Sales of such Licensed Product at the rate of [***] of such Net Sales, until such time as Net Sales in respect of such Licensed Product reach an aggregate amount of [***]. Thereafter, and for the remainder of the Royalty Period (as defined below), Protalix shall pay Royalties to Icon with respect to such Licensed Product at a rate of [***] on Net Sales of such Licensed Product, unless otherwise provided hereunder.

5.2. Notwithstanding the provisions of the preceding Section 5.1 of this Agreement:

Should the [***] in any Licensed Product exceed [***] grown in Protalix's plant cells bio-reactor systems, the Royalties payable with respect to such Licensed Product shall be increased to [***] of the Net Sales of such Licensed Product, for as long as aggregate Net Sales of such Licensed Product are below [***]. Once aggregate Net Sales of such Licensed Product exceed [***], the Royalty rate payable in respect of such Licensed Product shall be increased to [***] of Net Sales of such Licensed Product, for the remainder of the Royalty Period.

5.3. For the avoidance of doubt, it is hereby clarified that sales of one Licensed Product shall not be taken into consideration for purposes of calculation of the Royalties required to be paid in connection with any other Licensed Product. It is hereby further clarified that Protalix or its licensee have to pay royalties once only, on "Licensed Product" sold in the form of a pharmaceutical, and not on sales of an active ingredient.

[***] Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the Securities and Exchange Commission.

5.4. Protalix's obligation to pay Royalties to Icon in respect of Licensed Products shall remain in force and effect until the first to occur of the following (the "**Royalty Period**"): (i) the expiration of the [***] period commencing as from the first commercial sale of the first US Food and Drug Administration — or European Medicines Agency — approved Licensed Product or (ii) until the expiration of [***] years from the first commercial sale of any Licensed Product not requiring FDA or similar approval as a active drug ingredient.

5.5. Royalties shall be payable on a [***] basis with respect to the Net Sales of the preceding [***]. Each [***] shall be made no later than [***]as from the lapse of the [***] period for which the payment is due and shall be accompanied by a report specifying the Net Sales during such [***] along with a calculation of the Royalties owed to Icon.

5.6. For the avoidance of doubt, it is hereby recorded and agreed that following the expiry of the Royalty Period by reason of the passage of time pursuant to Section 5.4 of this Agreement, then notwithstanding such expiry, Protalix shall be entitled to continue to utilize the Icon Patents, to make commercial use of the Icon Technology in the Protalix Field, without having to pay royalties to Icon in respect of such activities.

5.7. All payments to be made to Icon pursuant to this Agreement shall be made in United States Dollars to such bank account as Icon may direct from time to time during the Term.

5.8. All payments are quoted net and are made by adding the statutory value added tax, if any.

5.9. Protalix shall withhold and pay to the appropriate authorities in respect of any amount due to Icon, any and all withholding and other taxes as may be imposed by any taxing authority. In such event, Protalix shall provide Icon with evidence of such withholding and payment.

5.10. Foreign currency shall be converted into United States Dollars using an exchange rate equal to the exchange rate for the purchase of United States Dollars, as reported by *The Wall Street Journal*, on the last business day of the [***] period for which the payment is due.

5.11. Protalix shall endeavor to prepare accurate and complete records relating to the Net Sales of the Licensed Products during each accounting period. Icon or its duly authorized representatives may during the Term of this Agreement and for up to 6 (six) months thereafter upon giving reasonable notice – in any event of not less than 14 (fourteen) days – to Protalix within the premises of Protalix during

[***] Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the Securities and Exchange Commission.

normal business hours and not more frequently then once in any 12 (twelve) months period to inspect and make copies of all such records in respect of the period of 1 (one) year immediately proceeding the date of such inspection.

Icon's right referred to in this Section shall be exercised by Icon at its own expense save that in the event that any such inspection discloses that the total amount which should have been accounted for hereunder by Protalix during the period covered by the inspection exceeds by [***]or more the total amount that was so accounted for by Protalix during such a period and that Protalix auditors shall certify in writing such error exists that Protalix shall forthwith reimburse Icon for reasonable costs of Icon's inspection.

If any inspection reveals that Protalix has under-reported the amount payable to Icon Protalix agrees to make immediate payment to Icon of the proper amount due.

6. **REPRESENTATIONS, WARRANTIES AND RELATED UNDERTAKINGS OF THE PARTIES.**

6.1. Each Party hereby represents, warrants, and covenants to the other Party as of the date hereof and as of the Effective Date, as follows:

6.1.1. such Party (i) has the power and authority and the legal right to enter into this Agreement and to perform its obligations hereunder, and (ii) has taken all necessary action on its part required to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder,

6.1.2. the Agreement has been duly executed and delivered on behalf of such Party and constitutes a legal, valid, binding obligation of such Party and is enforceable against it in accordance with its terms subject to the effects of bankruptcy, insolvency, or other laws of general application affecting the enforcement of creditor rights; and

6.1.3. the execution and delivery of this Agreement and the performance of such Party's obligations hereunder; (i) do not conflict with or violate any requirement of applicable law or regulation or any provision of articles of incorporation of such Party, in any material way, and (ii) do not conflict with, violate, or breach or constitute a default or require any consent under, any contractual obligation or court or administrative order by which such Party is bound.

[***] Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the Securities and Exchange Commission.

6.2. Other than the representations and warranties contained in this Agreement, neither Icon nor Protalix makes any representations or warranties of any type or nature, whether express or implied.

7. **ADDITIONAL REPRESENTATIONS AND WARRANTIES OF ICON.**

7.1. Icon hereby represents, warrants and covenants that it is together with its Affiliates the sole owner and possesses all rights, title and interest to the Icon Technology and the Icon Patents, subject to certain licenses that have already been granted in respect to those Patents and divulged to Protalix under to the Research Agreement.

7.2. Icon hereby further represents, warrants and covenants that it has not transferred any ownership interest in the Icon Technology or the Icon Patents or granted any license to a Third Party that would be inconsistent with the Licenses and that it will not do so as of the date hereof and during the Term. Moreover, Icon shall not, whether directly or indirectly, by itself or through third parties, compete with Protalix by commercializing the Icon Technology to make or have made Research Proteins in the Protalix Field.

7.3. Icon and its Affiliates have no knowledge, having conducted such inquiries and diligence as is generally exercised by bio-pharmaceutical companies with respect to their own inventions and patenting thereof of any: (i) material legal deficiencies of any Icon Patents, including any prior act that could reasonably be determined to invalidate or prevent the issuance of the Icon Patents; (ii) Third Party's prior rights to use; (iii) dependency of any inventions under any Icon Patent on a Third Party's patents or intellectual property; (iv) technical deficiencies of the invention on which any Icon Patent licensed hereunder is based; or (v) allegations, claims or other statements made by a Third Party prior to the Effective Date of any of the foregoing. For the avoidance of doubt, the foregoing representations and warranties are limited to the actual knowledge as of the Effective Date of Icon, its Affiliates, and their respective officers and directors, together with knowledge that such entities or persons should have after having conducted such inquiries and diligence as is generally exercised by bio-pharmaceutical companies with respect to their own inventions and patenting thereof.

7.4. Icon will use its reasonable efforts to obtain issuance of the Icon Patents under the patent applications as set forth on **Annex A** to this Agreement; however, Icon makes no warranty that any or all claims of the patent applications set forth on **Annex A** will ultimately be

approved and issued by the relevant governmental patenting agencies. Except as provided above, Icon guarantees neither the patentability and validity of the Icon Patents nor the commercial exploitability and/or readiness for plant use of the inventions, and shall not be liable accordingly. Except as provided above, Icon does not guarantee the commercial applicability of granted rights, nor is Icon responsible for any financial or legal consequences resulting from the application of the licensed Icon Technology and Icon Patents, which exclusion of liability does not apply in case of intent or gross negligence.

7.5. As from the date hereof, Icon shall not take any action or assist or facilitate any Third Party to take any such action that would materially impair the ability of Protalix, its Affiliates or sub-licensees to practice and exploit the Icon Technology and Icon Patents that may be licensed under this Agreement.

8. **MAINTENANCE AND PROTECTION OF PATENT RIGHTS; INFRINGEMENT.**

8.1. Icon shall notify Protalix on a current basis, of any matter which may affect the scope or validity of an Icon Patent.

8.2. In the event that Icon should fail to prosecute and/or maintain any of the Icon Patents by the date being 60 (sixty) days prior to the date prescribed by the relevant patent office or by applicable law for the taking of action with respect to the prosecution and/or maintenance of such Icon Patents, and if no such date is prescribed as aforesaid, within 30 (thirty) days of a request by Protalix to take such action, then Protalix may assume sole control over the prosecution and/or the maintenance of such Icon Patent at its own cost and expense and at its sole discretion, and Icon shall render Protalix all documents and assistance that may be required by Protalix therefore. In such event, for as long as Protalix continues to prosecute and maintain an Icon Patent, then, in respect of such jurisdiction, Protalix shall not be obligated to pay Icon any Royalties or other consideration whatsoever with respect to utilizing such Icon Patent in such jurisdiction. Protalix shall notify Icon in writing of Protalix's election as aforesaid. For the avoidance of doubt, it is hereby clarified that should Protalix assume control over the filing, prosecution and maintenance of such Icon Patent(s) as aforesaid, then at any time thereafter Protalix may, in its sole and absolute discretion, cease the filing, prosecution and maintenance of such Icon Patent, upon prior written notice to Icon. Icon hereby irrevocably waives any claim it may have against Protalix regarding

the filing, prosecution and maintenance of any such Icon Patent or the cessation of any such action by Protalix.

8.3. If either Party acquires knowledge of any infringement of a claim of an Icon Patent in the Protalix Field, the Party having such knowledge shall promptly inform the other Party thereof. The Parties shall thereafter discuss the action, if any, which should be taken, including whether any legal proceedings should be instituted. If the Parties mutually agree on the course of action to be taken, they shall jointly select counsel and equally share any expenses, and in such event, any settlement or recovery shall be shared equally by the Parties. If the Parties do not agree on the course of action to be taken as aforesaid, then Protalix shall have the right, at its own expense, to initiate a suit or take other appropriate action that it believes is reasonably required to provide full protection against a Third Party's infringement of such Icon Patent(s). Protalix shall have the sole and exclusive right to select counsel for any suit initiated by it. Any settlement or recovery as a result of any such action initiated by Protalix, shall belong solely to Protalix. If Protalix fails to initiate a suit or take such other appropriate action within 90 (ninety) days after becoming aware of the alleged infringement of an Icon Patent in the Protalix Field, then Icon shall have the right, upon sufficient advance notice to Protalix of its intent to do so, to take action at Icon's expense and through counsel of Icon's choice, and in such event, any settlement or recovery shall belong solely to Icon.

8.4. [***] undertakes that it shall fully cooperate with [***]in the preparation and prosecution of any litigation duly initiated by [***] and, to the extent required by the relevant law, [***] shall consent to being joined to such suit and to being named as a party in any such litigation; provided that: (a) any reasonable expenses or costs incurred in connection therewith and with such litigation (including attorneys' fees, costs and other sums awarded to the counterparty in such action) shall be borne by [***].

8.5. [***] shall have no obligation to defend any claim or suit, or to hold harmless or immune or to indemnify against any loss, cost, expense, payment or damage, arising from any allegation of infringement or violation of any alleged or actual patent or intellectual property right of a Third Party by reason of [***] development, commercialization, use or sale of the Licensed Products, provided however [***] shall fully cooperate with [***] in the preparation and prosecution of any defense against any claim of infringement or violation of any alleged or actual patent or intellectual property right of a Third Party by reason of [***] development, use or sale of a Licensed Product and/or the Icon

[***] Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the Securities and Exchange Commission.

Technology and/or the [***] Patents. Any and all Royalties or other consideration owed to [***] hereunder, shall be reduced by the amount of costs and expenses (including reasonable attorneys' fees) incurred by [***] in defending such action, claim or demand and by any amounts that [***]shall be obligated to pay to any Third Party in connection with such infringement claim, action or demand, whether in the form of damages, royalties or otherwise, provided that the claimed infringement relates to the [***].

9. **MUTUAL INDEMNIFICATION.**

9.1. Each Party (an "**Indemnitor**") agrees to indemnify, hold harmless and defend the other Party, its officers, employees, and agents (each an "**Indemnitee**"), against any and all claims, suits, losses, damages, costs, fees, and expenses asserted by third parties, both government and non-government, against such Indemnitee to the extent resulting from or arising out of: (a) the Indemnitor's gross negligence or intentional misconduct, (b) any breach of a representation, warranty or covenant made by the Indemnitor in this Agreement. No indemnity shall be provided to an Indemnitee for any such claims, suits, losses, damages, costs, fees provided to an Indemnitee for any such claims, suits, losses, damages, costs, fees of expenses to the extent resulting from such Indemnitee's use of technology licensed under this Agreement in violation of applicable governmental laws, regulations and requirements (it being understood that such laws, regulations and requirements do not include violation of private Third Party rights even though enforceable under applicable law, such as intellectual property rights, as to which indemnity shall be provided if such violation is due to a breach of a representation, warranty or covenant in this Agreement).

9.2. In order for an Indemnitee to be entitled to any indemnification provided for under this Section 9, such Indemnitee must notify the Indemnitor in writing, and in reasonable detail, of the claim as promptly as reasonably possible after receipt by such Indemnitee of notice of such claim; provided, however, that failure to give such notification on a timely basis shall not affect the indemnification provided hereunder except to the extent the Indemnitor shall not have had knowledge of the facts on which such claim is based and shall have been actually materially prejudiced as a result of such failure. Thereafter, the Indemnitee shall, promptly after the Indemnitee's receipt thereof deliver to Indemnitor copies of all notices and documents (including court papers) received by the Indemnitee relating to the claim.

[***] Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the Securities and Exchange Commission.

9.3. If one of more Indemnitees makes a claim for indemnification relating to losses, damages, costs, fees or expenses arising in connection with any claim asserted by a Third Party against one or more Indemnitees (a "**Third Party Claim**"), the Indemnitor shall be entitled to assume the defense thereof and, if it so chooses and acknowledges in writing its obligation to indemnify the Indemnitees therefor, to assume the defense thereof with counsel selected by Indemnitor and reasonably satisfactory to the Indemnitees, and to settle such suit, action, claim or proceeding in its discretion with a full release of the Indemnitees and no admission of criminal liability; provided, that the written consent of the Indemnitees (which shall not be unreasonably withheld) shall be required for any settlement if as a result thereof the Indemnitees would become subject to injunctive relief or any remedy other than the payment of money by Indemnitor. Should Indemnitor so elect to assume the defense of a Third Party Claim, Indemnitor shall not be liable to the Indemnitees for legal expenses subsequently incurred by the Indemnitees in connection with the defense thereof unless (i) Indemnitor has failed to defend, contest or otherwise protest in a timely manner against Third Party Claims or (ii) a conflict of interest exists such that separate representation of the Indemnitees is appropriate. If Indemnitor assumes such defense, the Indemnitees shall have the right to participate in the defense thereof and to employ counsel, at their own expense, separate from the counsel employed by Indemnitor. Indemnitor shall be liable for the reasonable fees and expenses of counsel employed by the Indemnitees for any period during which Indemnitor has not assumed the defense thereof and for any period in which a conflict of interest exists such that separate representation of one or more of the Indemnitees is appropriate. If Indemnitor chooses to defend any Third Party Claim, both Parties hereto shall cooperate in the defense or prosecution of such Third Party Claim.

9.4. Protalix will take out a liability insurance coverage appropriate to the risk involved in commercializing the Licensed Products if Protalix or any of its sublicenses commences any clinical trials of the Licensed Products. Such insurance shall list Icon and the inventors of the patents as additional insureds if possible. Protalix shall provide Icon with at least 30 (thirty) days prior written notice of the commencement of clinical trials. Within 30 (thirty) days after the start of the clinical trials and thereafter annually between January 1 and January 31 of each year, Protalix will present evidence to Icon that the coverage is be maintained. In addition, Protalix shall provide Icon with at leas 30 (thirty) days prior written notice of any change in or cancellation of the insurance coverage.

10. **CONFIDENTIALITY.**

10.1. Each Party (a "**Recipient**") shall, at all times during the term of this Agreement and for a 5 (five) year period following termination or expiration hereof, keep, and shall use reasonable best efforts to ensure that its officers, directors, employees, subcontractors and agents keep, confidential and shall not publish or otherwise disclose and shall not use, directly or indirectly, for any purpose, any Confidential Information furnished to it by the other Party (the "**Owner**"), except to the extent such disclosure or use is expressly permitted by the terms of this Agreement or is reasonably necessary for the performance of this Agreement, including without limitation, for the practice and exercise of the licenses or other rights granted pursuant to this Agreement.

10.2. Each Party may disclose Confidential Information to the extent that such disclosure is:

10.2.1. made in response to a valid order of a court of competent jurisdiction or other governmental body of a country or any political subdivision thereof of competent jurisdiction; provided, however, that the Recipient shall first have given notice to the Owner of the Confidential Information and given the Owner a reasonable opportunity to quash such order and to obtain a protective order requiring that the Confidential Information that is the subject of such order be held in confidence by such court or agency or, if disclosed, be used only for the purposes for which the order was issued; and provided further that if a disclosure order is not quashed or a protective order is not obtained, the Confidential Information disclosed in response to such court or governmental order shall be limited to that information which is legally required to be disclosed in such response to such court or governmental order;

10.2.2. otherwise required by law (subject to seeking confidential treatment where available and to providing prior notification to the Owner);

10.2.3. as required in connection with any filings made with, or by the disclosure policies of a major stock exchange (subject to seeking confidential treatment where available and to providing prior notification to the Owner);

10.2.4. made by the Recipient to governmental regulatory authorities as required in connection with applications for regulatory approvals (such as an NDA or ANDA);

provided, however, that reasonable measures shall be taken to assure confidential treatment of such information; or

10.2.5. made by the Recipient to third-parties as may be necessary in connection with (i) the development and commercialization of the Licenses as contemplated by this Agreement, including, without limitation, subcontracting transactions in connection therewith, or (ii) the proposed sale of all or substantially all of the Recipient's assets, or to its proposed successor or acquirer through merger, consolidation or change of control; provided, however, that the Recipient shall in each case obtain from the proposed Third Party recipient a written confidentiality undertaking containing confidentiality obligations no less onerous than those set forth herein.

11. **NON-CONTESTATION CLAUSE**

The Parties shall not contest any rights of the other Party, in particular patent, license or any other property rights that are subject to this Agreement nor support any Third Party in any attempt to destroy property rights of the other Party. However, each Party remains entitled to file a claim against the other Party in the case of a disagreement arising from this Agreement.

12. **TERM AND TERMINATION**

12.1. Save for the provisions of Sections 6, 7.1, 7.2, 7.4 and 7.5 of this Agreement which shall be binding upon the Parties in accordance with their terms as of the date hereof, this Agreement shall enter into force and effect on the Effective Date and, unless earlier terminated pursuant to the provisions hereof, shall remain in full force and effect until the last to expire of the Icon Patents or, should all of the patent applications listed in **Annex A** be finally rejected, until [***] after the first commercial sale of any Licensed Product. (the **"Term"**).

12.2. Without limiting from Section 12.1 of this Agreement above, Icon may terminate this Agreement by written notice to Protalix:

12.2.1. In the event of a material breach of the Protalix obligations hereunder, which breach is not cured within 30 (thirty) days following delivery thereto of a written notice to that effect; and

12.2.2. Upon the occurrence of any of the following events: (i) a request for the liquidation and/or dissolution and/or winding up is filed against Protalix, which request is not

[***] Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the Securities and Exchange Commission.

dismissed or otherwise set aside within 60 (sixty) days thereafter; (ii) a request for the appointment of a receiver over a material asset of Protalix is filed against Protalix with a competent court of jurisdiction (or execution office), which request is not dismissed or otherwise set aside within 60 (sixty) days thereafter; (iii) Protalix makes a general assignment for the benefit of its creditors; and (iv) Protalix ceases to conduct its operations for a period of 120 (one-hundred and twenty) days or more.

12.3. Without limiting from Section 12.1 of this Agreement above, Protalix may terminate this Agreement by written notice to Icon in case of serious material breach of this Agreement by Icon if such breach is not cured within 30 (thirty) days.

12.4. Without limiting from Section 12.1 of this Agreement above, Icon may terminate the exclusivity granted under this Agreement by written notice to Protalix, should Protalix fail to reach the following development milestones with respect to such Research Protein(s):

[***]

[***]

12.5. For the avoidance of doubt, and without derogating from the provisions of Section 5.6 above, upon expiration of the Term by reason of the passage of time pursuant to Section 12.1 of this Agreement, then notwithstanding such expiry, Protalix shall be entitled to continue to utilize the Icon Patents, to make commercial use of the Icon Technology in the Protalix Field, without having to pay royalties to Icon in respect of such activities.

[***] Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the Securities and Exchange Commission.

13. **RELATIONSHIP OF PARTIES.**

Nothing contained in this Agreement shall be deemed to establish any partnership, joint venture or agency relationship and the Parties shall act at all times as independent contractors.

14. **GOVERNING LAW AND ARBITRATION.**

This Agreement shall be governed by and construed in accordance with English law. All disputes between the Parties shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce ("**ICC**") by a single arbitrator appointed in accordance with said Rules. The seat of arbitration shall be London, England and the language to be used in the arbitration shall be English. Notwithstanding the foregoing, neither Party shall be precluded from bringing an action in any court of competent jurisdiction for injunctive or other provisional relief as necessary or appropriate. The arbitrator shall have the power to award the costs of the arbitration and the prevailing Party's attorneys' fees and costs. The arbitrator's award shall be based on a reasoned written opinion to be delivered to the Parties.

15. **NOTICES.**

All notices and other communications required or desired to be given or sent by one Party to the other Party shall be in writing and shall be deemed to have been given: (a) on the date of delivery, if personally delivered, (b) 3 (three) business days after mailing if mailed by certified or registered mail, postage prepaid, return receipt requested, to the address of the applicable Party set forth in the preamble of this Agreement, or (c) on the date of transmission if sent by a confirmed facsimile delivery to the number set forth below:

Protalix: +972-4-9889489

Icon: +49-345-555-9884

Either Party may change the address or facsimile number for giving notice from time to time by written instructions to the other Party of such change, conveyed pursuant to the terms of this Section 15.

16. **ASSIGNMENT.**

The rights and obligations of a Party hereto may not be assigned or delegated by such Party to any person or entity, save an entity to which all or substantially all

of the business operations of such Party have been transferred (whether by means of an acquisition by, or a merger or consolidation of the Party with or into, such entity). Icon is entitled to transfer this Agreement to any of its affiliates, provided that Icon remains responsible for the performance by such Affiliate of the terms and conditions of this Agreement.

17. **PARTIES IN INTEREST.**

This Agreement is binding upon and is for the benefit of the Parties hereto and their respective successors and permitted assigns. This Agreement is not made for the benefit of any person or entity not a party hereto, and no person or entity (including without limitation any sub-contractors, vendors, suppliers or customers) other than the Parties hereto or their respective successors and permitted assigns will acquire, have or be entitled to any benefit, right, remedy or claim under or by reason of or may otherwise rely on any provision of this Agreement.

18. **WAVIER; REMEDIES.**

No failure or delay on the part of a Party hereto in exercising any right, power or privilege under this Agreement will operate as a waiver thereof, nor will any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder. The rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies which the Parties hereto may otherwise have at law or in equity.

19. **SEVERABILITY.**

The provisions of this Agreement are severable and, in the event that any court of competent jurisdiction determines that any one or more of the provisions or part of a provision contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision or part of a provision of this Agreement; but this Agreement shall be reformed and construed to the maximum extent possible as if such invalid, illegal or unenforceable provision, or part of a provision, had never been contained herein.

20. **ORDER OF PRECEDENCE.**

Unless otherwise provided herein, all terms and conditions of the Option Agreement and Research Agreement shall remain in force and effect and continue to apply in accordance with their terms, to the extent consistent with the terms of this Agreement. In the event of any contradiction or discrepancy

between the provisions of this Agreement on one hand and the provisions of the Option Agreement and/or Research Agreement on the other hand, the provisions of this Agreement shall take precedence and prevail. Once the Licenses become operative pursuant to Section 2.1 of this Agreement above they shall remain in full force and effect in accordance with the terms hereof, notwithstanding the termination or expiration of any of the Option Agreement and/or Research Agreement for any reason whatsoever.

21. **AMENDMENT.**

This Agreement may not be amended, modified, altered, or supplemented except by a written agreement executed by both Parties hereto.

22. **SURVIVAL.**

The provisions of Sections 5.6, 6, 7.1, 7.3, 8, 9, 10, 11, 13, 14, 15, 16, 17, 18, 20, 21 of this Agreement and this Section 22 shall survive the termination or expiration of this Agreement for any reason whatsoever.

23. **FURTHER ACTION.**

Each Party agrees to execute and deliver such further documents and instruments and perform any further acts, from time to time, as may be reasonably necessary, to effectuate the purposes of this Agreement.

24. **ENTIRE AGREEMENT.**

This Agreement, together with all Annexes and attachments hereto, sets forth the entire understanding between the Parties hereto with respect to the License and supersedes all prior agreements, arrangements and communications, whether oral or written, with respect thereto.

[Intentionally left blank]

IN WITNESS WHEREOF the Parties have executed this Agreement by their respective authorized representatives as of the date first above written:

Protalix Ltd.

By: /s/ David Aviezer

Title: CEO
Date: April 12, 2005

Icon Genetics AG

By: /s/ Yuri Gleba

Title: CEO
Date: April 12, 2005

Annex A – List of Icon's Patents and specific Patent License limitations

[***]

[***]

[***] Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the Securities and Exchange Commission.

Annex B – List of Research Proteins

[***]

[***]

[***] Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the Securities and Exchange Commission.

Exhibit 10.7

Portions of this exhibit have been omitted pursuant to a request for confidential treatment. The omitted portions, marked by [***], have been separately filed with the Securities and Exchange Commission.

RESEARCH AND LICENCE AGREEMENT

Between

YEDA RESEARCH AND DEVELOPMENT COMPANY LIMITED

a company duly registered under the laws of Israel of
P O Box 95, Rehovot 76100, Israel

(hereinafter, **"Yeda"**)

and

PROTALIX BIOTHERAPEUTICS LIMITED

a company duly registered under the laws of Israel,
having its principal place of business at 2 Snunit St,
Science Park, POB 455, Carmiel 20100, Israel

(hereinafter, **"the Company"**)

PREAMBLE:

WHEREAS: (A) in the course of research conducted at the Weizmann Institute of Science (**"the Institute"**), under the supervision of Professor Anthony H. Futerman of the Department of Biological Chemistry, Professor Joel L. Sussman of the Department of Structural Biology and Professor Israel Silman of the Department of Neurobiology (**"the Scientists"**), the Scientists together with other scientists of the Institute, all of the aforementioned persons, collectively **"the Inventors"** arrived at an invention entitled [***](**"the Invention"**), being the subject of and more fully described in PCT patent application number [***] and the other patent applications listed in **Appendix A** hereto [***](**"the Existing Patent Applications"**) and created and/or generated the know-

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how and other information relating to the Invention as described in **Appendix B** hereto (**"the Know-How"**); and

(B) the Company is: (i) interested in the performance of further research at the Institute under the supervision of the Scientists in the field of the Invention, as specified in the research program attached hereto, marked **Appendix C** (**"the Research Program"** and **"the Research"**); and (ii) willing, subject to and in accordance with the terms and conditions of this Agreement, to finance the performance of the Research in accordance with the budget attached hereto and marked **Appendix D** (**"the Research Budget"**); and

(C) Yeda is willing, subject to and in accordance with the terms and conditions of this Agreement, to procure the performance of the Research at the Institute as aforesaid; and

(D) by operation of Israeli law and/or under the terms of employment of the Inventors at the Institute and pursuant to an agreement between the Institute, Yeda and the Inventors, all right, title and interest of the Inventors and/or the Institute in and to the Invention, in any results deriving from the performance of the Research at the Institute and in the Existing Patent Applications vests and shall vest in Yeda; and

(E) subject to and in accordance with the terms of this Agreement, the Company wishes to receive, and Yeda is willing to grant to the Company, a worldwide exclusive licence in respect of the Licensed Information (as hereinafter defined) and under the Patents (as hereinafter defined), for the development, manufacture, production, and sale of enzymatically active mutants of glococerebrosidase and derivatives therefrom for the treatment of Gaucher disease and/or any other indication (**"Products"**), all subject to and in accordance with the terms and conditions of this Agreement below; and

(F) the Company declares that on 12 January 2006 the Magneton Committee (appointed by the General Manager of the Ministry of Industry, Trade and Employment ("**MITE**")) approved the application filed by the Company

for the receipt of government grants within the framework of the Magneton Program (as hereinafter defined) for the performance of the Research and for research and development activities by the Company in respect of the Products, pursuant to a letter dated 15 January 2006 from the manager of the Magneton Program, a copy of which is annexed hereto as **Appendix E** ("**the Magneton Approval**"),

NOW THEREFORE IT IS AGREED BETWEEN THE PARTIES HERETO AS FOLLOWS:

1. **PREAMBLE, APPENDICES AND INTERPRETATION**

1.1. The Preamble and Appendices hereto form an integral part of this Agreement.

1.2. In this Agreement the terms below shall bear the meanings assigned to them below, unless the context shall indicate a contrary intention:

1.2.1. **"Affiliated Entity"** — shall mean, with respect to any party hereto, any company, corporation, other entity or person (hereinafter, collectively, **"entity"**), which directly or indirectly, is controlled by, or controls, or is under common control with, such party. For the purposes of this definition, **"control"** shall mean the ability, directly or indirectly, to direct the activities of the relevant entity (save for an ability flowing solely from the fulfilment of the office of director or another office) and shall include, without limitation, the holding, directly or indirectly, of more than 30% (thirty percent) of the issued share capital or of the voting power of the relevant entity or the holding, directly or indirectly, of a right to appoint more than 30% (thirty percent) of the directors of such entity or of a right to appoint the chief executive officer of such entity;

1.2.2.	**“Development Program”**	—	shall mean, with respect to any Product or Products, a development program specifying the activities and timetable necessary to develop such Products to commercialisation, including the performance of steps required for obtaining regulatory approvals from all relevant authorities for such Products and/or the sale of such Products ;
1.2.3.	**“Exchange Rate”**	—	shall mean, with respect to any amount to be calculated, or which is paid or received in a currency other than US Dollars, the average of the selling and buying exchange rates of such currency (in respect of cheques and remittances) and the US Dollar prevailing at Bank Hapoalim B.M. at the end of business on the date of calculation, payment or receipt, as the case may be;
1.2.4.	**“First Commercial Sale”**	—	shall mean, with respect to any Product in any country, the first commercial sale of such Product in such country after U.S. Food and Drug Administration (“**FDA**”) New Drug Approval, European Medicines Agency (“**EMEA**”) or national medicinal agency marketing approval or equivalent approval in such country has been obtained for such Product;
1.2.5.	**“Licence”**	—	shall mean an exclusive worldwide licence under the Licensed Information and the Patents, for the development, manufacture, production, use, marketing, distribution and sale of the Products, subject to the provisions of clause 7.1 below and the other terms and conditions of this Agreement;
1.2.6.	**“Licensed Information”**	—	shall mean: (i) the Invention; (ii) the Know-How; and (iii) all and any inventions, products,

materials, compounds, compositions, substances, methods, processes, techniques, know-how, data, information, discoveries and other results of whatsoever nature discovered or occurring in the course of, or arising from, the performance of the Research;

1.2.7. **"Magneton Directive"** — shall mean Directive 8.6 of the General Manager of MITE dated 22 August 2001 entitled "The Encouragement of Technology Transfer from Academia to Industry – Magneton"

1.2.8. **"Magneton Program"** — shall mean the program for the encouragement of the transfer of generic technology from academic to commercial bodies administered by MITE, as described in the Magneton Directive;

1.2.9. **"Net Sales"** — shall mean the total amount invoiced by the Company and the total amount invoiced by each Sublicensee (and, subject to clause 7.4.4.6 below, each Further Sublicensee (as hereinafter defined)) in connection with the sale of Products (for the removal of doubt, whether such sales are made before or after the First Commercial Sale of any Product in any country); provided that, with respect to sales which are not at arms-length and/or are not in the ordinary course of business and/or are not according to then current market conditions for such a sale, the term **"Net Sales"** shall mean the total amount that would have been due in an arms-length sale made in the ordinary course of business and according to the then current market conditions for such sale or, in the absence of such current market conditions, according to market conditions for

sale of products similar to the Products, in all cases after deduction of:

(i) sales taxes (including value added taxes) or customs duties to the extent applicable to such sale and included in the invoice in respect of such sale;

(ii) credits or allowances, if any, actually granted on account of price adjustments, recalls, rejections or returns of Products previously sold;

(iii) freight and insurance charges to the extent such items are applicable to such sale and are separately itemised on invoices; and

(iv) bad debts (as determined in accordance with relevant GAAP rules) deriving from Net Sales in respect of which royalties were paid by the Company pursuant hereunder;

and provided further that, with respect to sales by the Company and/or a Sublicensee and/or a Further Sublicensee, as applicable, to any Affiliated Entity of the Company or of such Sublicensee or Further Sublicensee, as the case may be, the term, **"Net Sales"** shall mean the higher of (but for the avoidance of doubt, not both of): (a) "Net Sales", as defined above, with respect to sales which are not at arms-length and/or in the ordinary course of business and/or according to current market conditions; and (b) the total amount invoiced by such Affiliated Entity on resale to an independent third party purchaser after the

deductions specified in subparagraphs (i) and (ii) above, to the extent applicable;

1.2.10. "**OCS**" — shall mean the Office of the Chief Scientist at MITE;

1.2.11. **"Patents"** — shall mean: (i) the Existing Patent Applications and all patents which may be granted thereon; and (ii) all other patent applications or applications for certificates of invention covering portions of the Licensed Information and all patents or certificates of invention which may be granted thereon; as well as all continuations, continuations-in-part, patents of addition, divisions, renewals, reissues and extensions (including any patent term extension) of any of the aforegoing patents, but excluding: (a) patents that have been invalidated or cancelled pursuant to the final (*i.e.,* unappealed or unappealable) judgment of a competent court; and (b) patent applications that have been withdrawn or have expired, in each case such exclusion to be effective only from the date of such invalidation, cancellation, withdrawal or expiry, as the case may be.

For the purposes of this Agreement, the term **"Patent"** shall also mean a Supplementary Protection Certificate (within the meaning of such term under Council Regulation (EU) No. 1768/92) or any other similar statutory or supplementary protection;

1.2.12. **"Research Period"** — shall mean the [***]period commencing on the date of signature of this Agreement, as may be extended in accordance with clause 2.1 below;

[***] Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the Securities and Exchange Commission.

1.2.13.	**“Sublicence”** and **“Sublicensee”**	—	**“Sublicence”** shall mean any right granted, licence given, or agreement entered into, by the Company (or, but without derogating from clause 7.4.4.6 below, a Sublicensee) to or with any other person or entity, permitting any use of the Licensed Information and/or the Patents (or any part thereof) for the independent development and/or manufacture and/or production and/or marketing and/or distribution and/or sale of Products (whether or not such grant of rights, licence given or agreement entered into is described as a sublicence or as an agreement with respect to the development and/or manufacture and/or production and/or distribution and/or marketing and/or sale of Products or otherwise) and the term **“Sublicensee”** shall be construed accordingly;
1.2.14.	**“Sublicensing Receipts”**	—	shall mean consideration, whether monetary or otherwise, received (for the removal of doubt, whether received before or after the First Commercial Sale in any country) by the Company for or from the grant of Sublicences or Further Sublicences and/or pursuant thereto, or in connection with the grant of an option for a Sublicence, except for: (i) amounts received by the Company which constitute royalties based on sales of the Products by Sublicensees in respect of which the Company has paid royalties to Yeda; and (ii) amounts received by the Company from a Sublicensee and actually

expended by the Company (as evidenced by invoices, receipts or other appropriate documentation) in respect of Product-related research and/or development activities to be performed by the Company for such Sublicensee after the date of signature of the relevant Sublicence (or, as the case may be, option for a Sublicence), provided that:

(a) any such amounts constitute research and/or development funding only and not payment for Products nor any other type of grant or benefit,

(b) such research and/or development activities are performed pursuant to a defined research and development program and research and development budget agreed with the relevant Sublicensee, a copy of which is provided to Yeda; and

(c) the Company submits to Yeda a written expense report, confirmed by the Company's independent accountant or chief financial officer, setting out the time and materials utilised, and reasonable overhead costs and other expenses actually incurred by the Company in the conduct of the said research and

development activities, which report demonstrates that such amounts have actually been expended by the Company in the conduct of such research and/or development activities in accordance with such work program and budget,

it being agreed, for the removal of doubt, that any amounts received by the Company as aforesaid, but not expended as set out above, shall be deemed to be Sublicensing Receipts.

1.2.15. the terms: **"Yeda"**, **"the Company"**, **"the Institute"**, **"the Scientist"**, **"the Inventors"**, **"the Invention"**, **"the Existing Patent Applications"**, **"the Know-How"**, "**the Magneton Approval"**, "**the Magneton Directive**", **"the Magneton Program",** "**MITE**", **"the Research Program"**, **"the Research"**, **"the Research Budget"** and **"Products"** — shall bear the definitions assigned to them respectively in the heading or the preamble hereto, as the case may be.

1.3. In this Agreement:

1.3.1. words importing the singular shall include the plural and *vice-versa* and words importing any gender shall include all other genders and references to persons shall include partnerships, corporations and unincorporated associations;

1.3.2. any reference in this Agreement to the term "patent" shall also include any re-issues, divisions, continuations or extensions thereof (including measures having equivalent effect);

1.3.3. any reference in this Agreement to the term “patent applications” shall include any provisional patent applications, PCT, national or regional patent applications, applications for continuations, continuations-in-part, divisions, patents of addition or renewals, as well as any other applications or filings for similar statutory protection;

1.3.4. any reference in this Agreement to the term “sale” shall include the sale, lease, rental or other disposal of any Product with the exception of disposition, without charge, for demonstration and/or testing purposes; and

1.3.5. **“including”** and **“includes”** means including, without limiting the generality of any description preceding such terms.

2. **PERFORMANCE OF THE RESEARCH**

2.1. In consideration of the sums to be paid by the Company to Yeda pursuant to clause 3.1 below and, subject to the execution of such payments and to clause 3.2 below, Yeda undertakes, subject to clause 2.2 below, to procure the performance of the Research at the Institute under the supervision of the Scientists during the Research Period. By written agreement of the parties, the Research Period may be extended by such period and upon such terms and conditions as the parties shall so agree.

2.2. If all of the Scientists shall cease to be available for the supervision of the performance of the Research, such cessation shall not constitute a breach of this Agreement by Yeda. In the event that all of the Scientists shall cease to be available as aforesaid, Yeda shall use its reasonable efforts to find from amongst the scientists of the Institute a replacement scientist or scientists acceptable to the Company (such acceptance to be in writing, and not to be unreasonably withheld), but no undertaking to find such a replacement is given by Yeda. If all of the Scientists cease to be available and no acceptable replacement scientists can be found within 60 (sixty) days of all of the Scientists becoming unavailable as aforesaid, then the Company shall be entitled, by written notice to Yeda, to terminate the Research Period, in which event the Research Period and the performance of Research hereunder shall cease at the end of a further period of 60 (sixty) days from the date of receipt by Yeda of such written notice. In the event of such termination, Yeda shall be released from any obligation to procure the

performance of the Research during the period after such termination, and the Company shall be released from any obligation to finance the Research in respect of the period commencing after such termination, but without affecting the Licence and all the other terms and conditions of this Agreement which shall remain in full force and effect (save for those relating to the performance and financing of the Research).

2.3. It is agreed that if the performance of the Research shall involve the conduct of experiments on and/or using animals, the performance of the Research and the Research Program shall be subject to the Israeli Anti-Cruelty Law, 1994 and to the approval of, and any modifications requested by, the Institutional Animal Care and Use Committee and the Safety Committee of the Institute, in order to ensure compliance with the above law. It is agreed that, in view of the fact that the performance of the Research may involve the conduct of experiments using human material (such as cells, blood, tissue, DNA, RNA, lysates, or body fluids) the performance of the Research and the Research Program shall be subject to the approval of, and any modifications requested by the Safety Committee of the Institute and the Institutional Review Board for Human Experimentation.

2.4. For the avoidance of doubt, it is agreed that nothing in this Agreement shall constitute a representation or warranty by Yeda, express or implied, that any results will be achieved by the Research or that the Licensed Information or any part thereof or any results achieved by the Research are or will be commercially exploitable or of any other value and Yeda furthermore makes no warranties and representations, express or implied, whatsoever as to the Research, any results of the Research, the Patents or the Licensed Information.

3. **FUNDING THE RESEARCH**

3.1. Subject only to clause 3.2 below, the Company undertakes to pay to Yeda the total amount (in US Dollars) of the Research Budget (being [***]per year for each year of the Research Period) in [***] equal [***] instalments, payable in advance at the beginning of each [***] period during the Research Period, the first such payment to be made on the date [***] following the signature of this Agreement. An invoice in respect of an instalment paid as aforesaid shall be issued by Yeda promptly after the receipt by Yeda of such instalment. All payments of the Research Budget shall be made by direct wire transfer to Yeda's bank account, the details of which are set out in clause 17.7

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below. For the removal of doubt, nothing contained in this Agreement shall prevent Yeda and/or the Institute from obtaining further finance for the Research from other entities (subject to the approval of the OCS should such approval be required pursuant to the Magneton Program and/or the Magneton Directive), provided that such other entities are not granted any rights in respect of the Research and/or the Licensed Information which prejudice any rights granted to the Company under the Licence.

3.2. If funding approved pursuant to the Magneton Program is withheld or delayed by the OCS solely due to a delay by Yeda in fulfilling its reporting obligations as required by such Program, then the Company shall be entitled, by written notice to Yeda, to suspend further payments to Yeda pursuant to clause 3.1 above until such time as such reporting obligations are fulfilled by Yeda (and such suspension shall cease immediately upon the fulfilment by Yeda of such reporting obligations). In the event of such suspension of payment, Yeda shall be entitled to discontinue the performance of the Research and its reporting obligations pursuant to section 4 below until funding recommences.

4. **REPORTING BY YEDA**

4.1. Yeda will procure the preparation by the Scientists of, and shall submit to the Company: (i) during the time that funding is provided pursuant to the Magneton Program, interim written reports on the progress of the Research during the Research Period on a quarterly basis, and, after such time, on a yearly basis, in both cases within 60 (sixty) days of the end of the period covered by such report, (ii) a written report summarising the results of the Research within 60 (sixty) days of the end of the Research Period; and (iii) reports of any significant findings in the Research promptly upon such findings being made.

4.2. Yeda shall submit to the Company financial reports setting forth the monies received and expended in connection with the Research on a quarterly basis in accordance with the requirements of the Magneton Directive. A financial report as aforesaid shall be submitted to the Company during the Research Period on a quarterly basis, and, after such time on a yearly basis, in both cases within 60 (sixty) days after the end of the period covered by such report. Charges in respect of Research expenditures shall be made in accordance with the procedures prevailing at the Institute for charging research expenditures to individual projects of applied research and in

accordance with the Magneton Directive and/or the directives of the OCS.

5. **TITLE**

Subject only to the Licence, all right, title and interest in and to the Licensed Information and the Patents and all right, title and interest in and to any drawings, plans, diagrams, specifications, other documents, models, or any other physical matter in any way containing, representing or embodying any of the aforegoing, vest and shall vest in Yeda.

6. **PATENTS; PATENT INFRINGEMENTS**

6.1.

6.1.1. Subject to clauses 6.3 and 6.4 below, [***]shall prosecute the Existing Patent Applications using the outside patent counsel retained by [***] for such purpose prior to the execution of this Agreement, unless otherwise agreed by the parties in writing, and shall maintain at the applicable patent office any patents issuing from the Existing Patent Applications. The Company and Yeda shall consult with one another and cooperate fully with regard to the prosecution of the Existing Patent Applications and in maintenance of such patents.

6.1.2. At the initiative of either party, the parties shall consult with one another regarding the filing of patent applications in respect of any portion of the Licensed Information and/or corresponding to the Existing Patent Applications, including the jurisdictions in which such applications should be filed, the timing of the filing of such applications and the contents thereof. Following such consultations, and subject to clauses 6.3 and 6.4 below, [***] shall retain outside patent counsel to prepare, file and prosecute patent applications as aforesaid in such jurisdiction or jurisdictions as shall be determined by the parties in consultation as aforesaid. Subject to clauses 6.3 and 6.4 below, [***]shall also maintain at the applicable patent office any patents granted as a result of any of the above patent applications. The parties agree that their joint policy will be to seek comprehensive patent protection for all Licensed Information licensed to the Company hereunder. The Company and Yeda shall cooperate fully in the preparation, filing, prosecution and maintenance of such patent applications and patents. [***] shall: (i) deliver to [***], promptly, copies of all documentation prepared in connection with the maintenance or

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prosecution of the Existing Patent Applications; and (ii) procure that [***] receives a copy of correspondence between [***] and any patent attorney or other professional or any competent authority (where the Patents may be filed, maintained or made) all, in each case, relating to the prosecution and/or maintenance of the Patents.

6.1.3. Without derogating from the aforegoing, [***] shall, at its expense, take all necessary steps as commercially feasible in order to obtain, or, at [***] election, assist [***] to obtain, the extension of each patent referred to in this clause 6.1 above, or, in the case of a patent in any member state of the European Union, a Supplementary Protection Certificate as referred to in clause 1.2.11 above (including the preparation and filing of applications for such extensions and Supplementary Protection Certificates), within the period prescribed therefor under applicable law and, if applicable, take all necessary steps as commercially feasible in order to obtain "Orphan Drug" status (within the meaning of such term under the US Orphan Drug Act or under Council Regulation (EU) No. 141/2000, as the case may be), or any other form of protection that affords exclusivity, within the period prescribed therefor under applicable law. [***] shall notify [***] promptly in writing and shall provide a copy to [***] of each marketing authorisation granted in respect of each Product in each country and, if applicable, of "Orphan Drug" or other form of protection affording exclusivity granted in respect of a Product and shall keep [***] informed and shall provide copies to [***] of all documents regarding all applications, activities and/or proceedings regarding such extensions and/or any Supplementary Protection Certificates and/or "Orphan Drug" or other form of protection affording exclusivity, as aforesaid.

6.2. All applications to be filed in accordance with the provisions of clauses 6.1.2 and 6.1.3 above, shall be filed in the name of [***] or, should the law of the relevant jurisdiction so require, in the name of the relevant inventors and then assigned to [***].

6.3. In the event that, following such consultations between the parties regarding the filing, prosecuting and/or maintenance (as applicable) of patent applications and/or patents pursuant to clauses 6.1.1 and 6.1.2 above, [***]shall not wish to file and/or continue to prosecute a patent application and/or maintain a patent in any country in relation to any part of the Licensed Information (including any of the Existing

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Patent Applications), then [***], in its discretion, may elect to file and/or continue to prosecute such patent application and/or maintain such patent in such country at its own cost and expense. [***] shall notify [***] in writing of [***] election to file and/or continue to prosecute such patent application and/or maintain such patent in such country as aforesaid, at [***] expense (such notice, **"**[***]**"**), and, in the event that [***] shall not, within 30 (thirty) days of receipt of the [***] Notice: (i) reimburse [***] for all out-of-pocket costs and fees incurred by [***] until the date of the [***] (the [***] to be supported by receipts or other appropriate documents evidencing such costs and fees) in connection with the said patent application (in the preparation and/or filing and/or prosecution and/or maintenance of such application) and/or such patent, such costs and fees to be expressed in the currency in which paid by [***] and to be reimbursed or paid (as the case may be) by [***] to [***] in US Dollars in accordance with the Exchange Rate of such currency on the date of reimbursement or payment; and (ii) undertake in writing to [***] to bear all additional and future expenses relating to such patent application and/or patent, then [***] shall be entitled, at any time after the expiry of the said 30 (thirty) day period after such notice, to terminate the Licence granted to [***] under this Agreement in respect of such patent application and/or patent in such country, and to take whatever action it deems fit (in its sole discretion) with respect to such patent application and/or patent.

6.4.

6.4.1. The Company shall, on the date of signature of this Agreement, reimburse Yeda the sum of US [***], constituting the costs and fees paid by Yeda prior to March 14, 2006 in connection with the Existing Patent Applications, and shall pay to Yeda all additional amounts incurred, but not as yet paid, by Yeda prior to the date of signature of this Agreement, within 30 (thirty) days of Yeda's first written request.

6.4.2. [***] shall bear and pay all costs and fees incurred in the preparation, filing, prosecution and the like of the Existing Patent Applications and of all patent applications filed in accordance with the provisions of clauses 6.1.2 and 6.1.3 above (including patent applications corresponding to the Existing Patent Applications), and the maintenance at the appropriate patent office and the like of all patents issuing from the Existing Patent Applications and all patent applications

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referred to above, and all costs and fees incurred in undertaking any activities referred to in clause 6.1.3 above.

6.4.3. Unless otherwise instructed by [***] in writing, [***] shall pay directly to [***] relevant outside patent counsel amounts payable by [***] pursuant to this clause 6.4 above or clause 6.3 above.

6.5.

6.5.1. (i) Should the Company determine that a third party is infringing one or more of the Patents, then the Company shall notify Yeda promptly in writing, giving full particulars thereof and the Company shall, after first having consulted Yeda, be entitled to sue for such infringement.

(ii) Yeda may elect, at its own initiative, to join as a party to such action, or Yeda may consent to being named as a party to such action (such consent by Yeda may for the removal of doubt, be conditional upon, *inter alia*, the provision by the Company of security, satisfactory to Yeda, for the payment of the expenses or costs referred to in subparagraph (a) below).

(iii) Yeda shall cooperate and shall use its reasonable efforts to cause the Scientists to cooperate with the Company in prosecuting such litigation.

The provisions of paragraphs (i) and (iii) above shall be subject to the following:

(a) any expenses or costs or other liabilities incurred in connection with such litigation (including attorneys' fees, costs and other sums awarded to the counterparty in such action) shall be borne by the Company, which shall indemnify Yeda against any such expenses or costs or other liabilities, the above without derogating from the provisions of clause 12 below;

(b) in the event that Yeda shall be named as a party in any such litigation then Yeda shall be entitled to select its own legal counsel in such litigation, at the Company's expense and, if Yeda elects not to do so, the selection of the legal counsel representing the Company and Yeda in such litigation shall be subject to the prior written approval of

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Yeda, which approval shall not be withheld unreasonably; and

(c) no settlement, consent order, consent judgment or other voluntary final disposition of such action may be entered into without the prior written consent of Yeda.

6.5.2. (i) Should the Company discover any allegation by a third party that, or be sued on the grounds that, the manufacture, use or sale of a Product by it or by a Sublicensee or a Further Sublicensee under any of the Patents or using the Licensed Information or any portion thereof infringes upon the patent rights of a third party, then the Company shall notify Yeda promptly in writing, giving full particulars thereof, and the Company shall, after first having consulted Yeda, be entitled to defend such action.

(ii) Yeda may elect, at its own initiative, to join as a party to such action.

(iii) Yeda shall cooperate and shall use its reasonable efforts to cause the Scientists to cooperate with the Company in defending such litigation.

(iv) If an action is brought against the Company alleging the invalidity of any of the Patents, Yeda shall have the right to take over the sole defence of the action and the Company shall cooperate fully with Yeda in connection with any such action. In such event, no settlement, consent order, consent judgment or other voluntary final disposition of such action may be entered into without the prior written consent of the Company, which consent shall not be unreasonably withheld or delayed.

(v) All expenses, costs and/or other liabilities incurred in connection with such litigation (including attorneys' fees, costs and other sums awarded to the counterparty in such action) shall be borne by the Company.

(vi) The provisions of clause 6.5.1(c) above shall apply, *mutatis mutandis*.

6.5.3. Any recovery in any litigation relating to an infringement as aforesaid in clauses 6.5.1 and 6.5.2 above shall first be applied to cover costs and thereafter divided [***]to the Company and [***] to Yeda.

6.5.4. For the removal of doubt, Yeda shall not itself be obliged to take any action to sue for any infringement or to defend any action as referred to in this clause 6.5 above.

6.6. If the Company fails to take action to abate any alleged infringement of a Patent, or to defend any action as aforesaid, within 60 (sixty) days of a request by Yeda to do so (or within a shorter period, if required to preserve the legal rights of Yeda under applicable law), then Yeda shall have the right (but not the obligation) to take such action at its expense and the Company shall cooperate in such action at the Company's expense and, if required under applicable law or contract, consent to be named as a party to any such action. Yeda shall have full control of such action and shall have full authority to settle such action on such terms as Yeda shall determine. Any recovery in any such litigation shall be for the account of Yeda only.

6.7. Each party shall promptly keep the other informed and provide copies to the other of all documents regarding all such actions or proceedings instituted by or against either party as contemplated under any of the provisions of clause 6.5 above.

7. **LICENCE**

7.1. Yeda hereby grants the Licence to the Company, and the Company hereby accepts the Licence from Yeda, during the period, for the consideration and subject to the terms and conditions set out in this Agreement. For the removal of doubt, no licence is granted hereunder with regard to the Licensed Information and/or the Patents and/or any portion of any of the aforegoing, with respect to any exploitation or activities (including the activities referred to in clause 1.2.5 above) relating to any product or services, other than Products).

7.2. For the removal of doubt, nothing contained in this Agreement shall prevent Yeda or the Institute from using the Licensed Information and the Patents for academic research or other scholarly purposes, or from applying for or receiving grants to finance such activities (provided that such grants do not prejudice the Licence granted to

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the Company hereunder), or from transferring any materials created in the course of the performance of the Research financed by the Company in accordance with the provisions of this Agreement, to scientists at the Institute or to other scientists at other institutions for academic research purposes, provided that any such transfer of materials shall be in accordance with a material transfer agreement substantially in the form of the specimen agreement annexed hereto as **Appendix F**. For the avoidance of doubt, the materials transferable pursuant to this clause 7.2 shall not include any derivatives of the human acid-beta-glucosidase developed and produced by the Company. Should Yeda obtain rights to any invention or application deriving from such academic research in connection with the materials transferred under any such material transfer agreement, as contemplated by such agreement, Yeda shall immediately grant Protalix a licence (or sublicence, as the case may be) in respect of such rights upon the terms of the Licence, *mutatis mutandis* (subject to any restrictions upon the rights obtained by Yeda).

7.3.

7.3.1. The Licence shall remain in force in each of Israel and the United States of America, with respect to each Product (if not previously terminated in accordance with the provisions of this Agreement) until the later of:

7.3.1.1. the date of expiry of the last of any Patent (including, for the removal of doubt, any patent application, as referred to in the definition of “Patents” in clause 1.2.11 above) in such country covering such Product to expire; and

7.3.1.2. if there is any Licensed Information that is identifiable, secret and of value relating to such Product, the date of expiry of a period of [***]commencing on the date that FDA, EMEA marketing approval or equivalent approval is obtained in respect of such Product in such country, provided that and for so long as such Licensed Information remains secret and of value.

7.3.2. The Licence shall remain in force in each country in the world (other than Israel and the United States of America) with respect to each Product (if not previously terminated in accordance with the provisions of this Agreement) until the later of:

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7.3.2.1. the date of expiry in such country of the last of any Patent (including, for the removal of doubt, any patent application, as referred to in the definition of “Patents” in clause 1.2.11 above) in such country covering such Product to expire; and

7.3.2.2. if there is any Licensed Information that is identifiable, secret and of value relating to such Product, the date of expiry of a period of [***] commencing on the date that FDA, EMEA marketing approval or equivalent approval is obtained in respect of such Product in such country.

For the purposes of clauses 7.3.1.1 and 7.3.2.1 above and clause 9. 2 (*Royalties)* below, a Product shall be deemed to be covered by a Patent in any country even after the Patent in such country covering such Product has expired, in the event that, and for so long as, such Product is protected and/or covered by “Orphan Drug” status as referred to in clause 6.1.3 above, and/or by any type of data exclusivity or data protection or by any other regulations and/or provisions granting similar statutory or regulatory protection of such Product in such country. The Company shall notify Yeda in writing immediately upon the obtaining of FDA, EMEA or equivalent approval in any country, as referred to in clauses 7.3.1.2 and 7.3.2.2 above, specifying the date thereof, the country and the type of Product in respect of which such approval was granted.

7.4. Except as provided in clause 7.5 below, a Sublicence under the Licence may be granted by the Company only with the prior written consent of Yeda, which shall not be withheld unreasonably, and Yeda’s response to a request for consent as aforesaid shall not be delayed unreasonably. The Company shall only be entitled to request Yeda’s consent if:

7.4.1. the proposed Sublicence is for monetary consideration only or other valuable consideration that can reasonably be assessed in monetary terms;

7.4.2. the proposed Sublicence is to be granted in a *bona fide* arms-length commercial transaction;

7.4.3. the terms of the proposed Sublicence are submitted to Yeda prior to the signature thereof;

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7.4.4. the proposed Sublicence is made by written agreement, the provisions of which are consistent with the terms of the Licence and contains, *inter alia*, the following terms and conditions:

7.4.4.1. the Sublicence shall expire automatically on the termination of the Licence for any reason;

7.4.4.2. the Sublicensee shall be bound by provisions substantially similar to those in clause 10 below relating to confidentiality binding the Company (the obligations of the Sublicensee so arising being addressed also to Yeda directly);

7.4.4.3. an exclusion of liability and indemnification undertaking in the same form, *mutatis mutandis*, as the provisions of clause 12 below (the indemnification obligations of the Sublicensee to be given also in favour of, and shall be actionable by Yeda, the Institute, any director, officer or employee of Yeda or of the Institute, or by the Inventors);

7.4.4.4. all terms necessary to enable performance by the Company of its obligations hereunder;

7.4.4.5. that the Sublicence shall not be assignable or otherwise transferable, save as set out in clause 7.4.4.6 below.

7.4.4.6. that the Sublicence shall not be further sublicenseable other than with Yeda's prior written consent, which consent: (i) shall not be unreasonably withheld (and Yeda's response to a request for consent to a further sublicence shall not be unreasonably delayed), and (ii) may be conditioned by Yeda on, *inter alia*, the payment to Yeda of:

(a) royalties based on the sales of the further sublicensee ("**the Further Sublicensee**"), in accordance with the provisions of clause 9.2 below; and

(b) royalties on all consideration received (whether monetary or otherwise) by the Company or the Sublicensee from the Further Sublicensee (except for amounts received by such Sublicensee which constitute royalties based on sales of the Products

by such Further Sublicensee in respect of which the Sublicensee has paid royalties to Yeda), in accordance with the provisions of clause 9.3 below, which consideration shall be deemed to be Sublicensing Receipts received by the Company.

For the removal of doubt, the Company may seek Yeda's consent to a further sublicence (**"the Further Sublicence"**) only if:

A) the proposed Further Sublicence shall be in writing;

B) the proposed Further Sublicence shall be consistent with the terms of this Agreement;

C) the proposed Further Sublicence shall be for monetary consideration only or other valuable consideration that can reasonably be assessed in monetary terms;

D) the proposed Further Sublicence shall be granted in a *bona fide* arms-length commercial transaction;

E) the terms of the proposed Further Sublicence shall be submitted to Yeda prior to the signature thereof;

F) the proposed Further Sublicence shall contain, *inter alia,* the terms and conditions set out in clauses 7.4.4.2 and, 7.4.4.3 above and clauses 7.4.4.7, 7.4.4.8 and 7.4.4.9 below (and the references in such clauses to "Sublicence" or "Sublicensee" shall, for the purposes of this clause, be deemed to refer to the Further Sublicence or the Further Sublicensee, as the case may be; and

7.4.4.6.1. the Further Sublicence shall not be assignable, otherwise transferable or further sublicenseable; and

7.4.4.6.2. the Further Sublicence shall expire automatically upon the termination of this Agreement or of the Sublicence;

7.4.4.7. that: (i) a copy of the agreement granting the Sublicence shall be made available to Yeda, promptly upon its

execution; (ii) all amendments to any such Sublicence agreement shall be subject to Yeda's prior written consent; and (iii) the Company shall submit to Yeda copies of all such amendments (as approved by Yeda), promptly upon execution thereof;

7.4.4.8. that the Sublicensee shall grant to Yeda the right, at reasonable times and upon reasonable notice to the Sublicensee, to send representatives in order to examine those books of accounts, records and other documentation of the Sublicensee as may be necessary in order to determine the correctness or completeness of any payment made by the Company to Yeda under this Agreement, all without derogating from clause 9.7 below; and

7.4.4.9. that the Sublicensee shall, forthwith upon written request by the Company and/or Yeda, pay directly to Yeda all royalties and/or other payments that Yeda is entitled to receive in respect of sales by or on behalf of such Sublicensee pursuant to clause 9.2 below and the percentage of Sublicensing Receipts as provided in clause 9.3 below and, in such event, the last 2 (two) sentences of clause 9.7 below shall apply to the Sublicensee as if it were the Company, *mutatis mutandis*;

and

7.4.5. any act or omission by the Sublicensee or the Further Sublicensee which would have constituted a breach of this Agreement by the Company had it been the act or omission of the Company and which is not cured within the applicable cure period, shall constitute a breach of the Sublicence agreement with the Company entitling the Company to terminate the Sublicence, and the Company hereby undertakes to inform Yeda forthwith upon receipt of knowledge by the Company of such breach and, at the request of Yeda, and at the Company's cost and expense, to exercise such right of termination.

7.5. For the removal of doubt, the Company shall not be entitled to grant, directly or indirectly, to any person or entity any right of whatsoever nature to exploit or use in any way the Licensed Information or the Patents or to develop, manufacture, produce and/or sell the Products or any part of any of the aforegoing, save by way of Sublicence

within the meaning of such term in clause 1.2.11 above and subject to the conditions of this clause 7 relating to any such grant.

7.6. Nothing contained in this Agreement shall be deemed to be a representation or warranty, express or implied, by Yeda that the Existing Patent Applications or any of them or any patent applications relating to the Licensed Information or any portion thereof will be granted or that patents obtained on any of the said patent applications are or will be valid or will afford proper protection or that the Invention or any other portion of the Licensed Information are or will be commercially exploitable or of any other value or that the exploitation of the Patents, the Invention or the Licensed Information will not infringe the rights of any third party.

7.7. Notwithstanding the aforesaid in this clause 7, the Company may grant Sublicences to subcontractors solely to manufacture the Products or solely to perform research and development services related to the Products on its behalf without obtaining Yeda's consent, provided that: (i) the terms of clauses 7.4.2, 7.4.4.1, 7.4.4.2, 7.4.4.3 (to the extent relating to clauses 12.2 and 12.3 (but not 12.1)), 7.4.4.4 and 7.4.5 above are observed; (ii) the proposed Sublicence is made by written agreement, the provisions of which are consistent with the terms of the Licence; (iii) the Company is jointly and severally liable with the subcontractor to Yeda for any obligations owed to or damage caused to Yeda in connection with or resulting from the grant of such Sublicence; (iv) such Sublicence shall not be assignable, further sublicenseable or otherwise transferable without the prior written consent of Yeda; and (v) such subcontractor is not granted any additional right under the Licence other than the right solely to manufacture the Products or solely to perform the research and development services, in both cases as subcontractor for the Company.

8. **DEVELOPMENT AND COMMERCIALIZATION**

8.1. Within [***]of the date of signature of this Agreement, the Company shall submit to Yeda a Development Program for the development of Products (such Development Program, as approved by Yeda, **"the Initial Development Program"**).

8.2. The Company undertakes, [***] to take all necessary steps to develop and commercialise the Products and, without derogating from the generality of the foregoing, to use its best efforts to expedite the commencement of the commercial sale of the Products. For

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such purpose and without derogating from the generality of the aforegoing, the Company shall carry out and/or have a third party carry out on its behalf the performance of the trials, tests and other works and activities detailed in the Initial Development Program and in all further Development Programs (if any) submitted pursuant to clause 8.5 below, in accordance with the respective timetables included therein. The Company further undertakes to continue with commercialisation of the Products diligently throughout the period of the Licence. Without prejudice to the foregoing, the Company undertakes to comply with all the requirements of the Magneton Approval, including that it will perform all development activities necessary in order to meet any milestones set out therein.

8.3. The Company shall provide Yeda on December 31 of each calendar year with written progress reports (**"Progress Reports"**) which shall include detailed descriptions of the progress and results, if any, of: (i) the tests and trials (if applicable) conducted and all other actions taken by the Company pursuant to the Initial Development Program or any other Development Program delivered and approved pursuant to clause 8.5 below; (ii) manufacturing, sublicensing, marketing and sales during the preceding 12 (twelve) months; (iii) the Company's plans in respect of the testing, undertaking of trials (if applicable) or commercialisation of Products for the following 12 (twelve) months; (iv) projections of sales and marketing efforts; and (v) a summary of all protocols or minutes of meetings with the FDA, EMEA or any other regulatory authority in connection with any Product and copies of any opinions, decisions, and approvals issued by any of the aforementioned authorities. If the Company has provided a Development Program for more than 1 (one) Product, then such Progress Report shall provide such information separately for each such Product. If progress in respect of a Product differs from that anticipated in its Development Program or preceding Progress Report, then the Company shall explain, in its Progress Report, the reason therefor and prepare a modified Development Program for Yeda's review. The Company shall also provide any reasonable additional data that Yeda requires to evaluate the performance of the Company hereunder.

8.4. For the removal of doubt, without derogating from the remaining provisions of this clause 8 or of clause 13.2 below, nothing contained in this Agreement shall be construed as a warranty by the Company that any Development Program to be carried out by it as aforesaid will actually achieve its aims and the Company makes no warranties

whatsoever as to any results to be achieved in consequence of the carrying out of any such Development Program.

8.5. Without derogating from the obligations of the Company pursuant to this clause 8 or from the provisions of clause 13.2 below, in the event that the Company shall wish to develop and/or commercialise Products in addition to those specified in the Initial Development Program or to update the Initial Development Program, the Company shall submit to Yeda a further Development Program in respect of such additional Products or updates and the provisions of this clause 8 shall apply also with respect to such further Development Program and to the development and commercialisation of such additional Products, *mutatis mutandis*.

8.6. The Company agrees to supply to Yeda and/or the Institute, for (and in quantities customary for) academic research purposes, any Products developed and/or manufactured and/or produced under this Agreement at no cost to Yeda, the Institute or the Scientists.

8.7. The Company shall mark, and cause all its Sublicensees and Further Sublicensees to mark, all Products that are manufactured or sold under this Agreement with the number or numbers of each Patent applicable to such Product.

9. **ROYALTIES**

9.1. In consideration for the grant of the Licence, the Company shall pay Yeda a non-refundable licence fee of US $[***] per year (or part thereof) during the term of this Agreement (**"the Annual Licence Fee"**) to be paid in advance at the beginning of each 1 (one) year period during the term of this Agreement, commencing on the fifth (5th) anniversary of the date of signature of this Agreement and until (and including) the nineteenth (19th) anniversary thereof. For the removal of doubt, the first Annual Licence Fee shall be paid on the fifth (5th) anniversary of the date of signature of this Agreement and thereafter on each anniversary of the date of signature of this Agreement until (and including) the nineteenth (19th) anniversary thereof. The amount of the Annual Licence Fee paid by the Company as aforesaid shall be credited against royalties and/or other payments due and payable by the Company pursuant to clause 9.2 below during the 1 (one) year period in respect of which the Company shall have paid such Annual Licence Fee provided that the total amount of such royalties and other payments so payable during such 1 (one) year period exceeds US[***]. For the removal of

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doubt the amount of the Annual Licence Fee paid for a particular 1 (one) year period cannot be credited against royalties payable during another 1 (one) year period.

9.2. In addition to the above, the Company shall pay Yeda royalties at the rate of:

9.2.1. [***] of Net Sales of Products used to treat Gaucher disease and

9.2.2. [***] of Net Sales of Products used for other indications; provided that in the event that there are any sales of a Product in any country that are not, at the time of such sales, covered by a Valid Patent Claim (as defined below) in such country, then the royalty rate referred to in this clause 9.2 shall, with respect to Net Sales of such Product made in such country during the period such Product is not so covered by a Valid Patent Claim as aforesaid, be reduced to [***]for Products used to treat Gaucher disease and [***] for Products used for other indications. For the purposes of this clause 9.2, "**Valid Patent Claim**" shall mean (i) a claim under an issued and unexpired patent which is included in the Patents; (ii) a claim in a pending patent application (including a provisional application) which is included in the Patents; (iii) any protection for such Product due to "Orphan Drug" status (as referred to in clause 6.1.3 above); or (iv) data exclusivity or data protection or by any other regulations and/or provisions granting similar statutory or regulatory protection of such Product in such country.

9.3. The Company shall additionally pay Yeda the following royalty in respect of the Sublicensing Receipts:

9.3.1. [***] of all Sublicensing Receipts received pursuant to or in connection with Sublicences (or options for a Sublicence) signed prior to the date of submission by the Company of an Investigational New Drug Application (IND) to the FDA or equivalent EMEA approval with respect to any Product;

9.3.2. [***] of all Sublicensing Receipts received pursuant to or in connection with Sublicences (or options for a Sublicence) signed on or after the date of the submission of an IND application as aforesaid but prior to the date of commencement of phase III clinical trials with respect to any Product;

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9.3.3. [***] of all Sublicensing Receipts received pursuant to or in connection with Sublicences (or options for a Sublicence) signed on or after the date of commencement of phase III clinical trials as aforesaid but prior to the date of FDA or EMEA approval of any Product; and

9.3.4. [***] of all Sublicensing Receipts received pursuant to or in connection with Sublicences (or options for a Sublicence) signed on or after the date of FDA or EMEA approval.

9.4. For the removal of doubt, the Company undertakes that all sales (within the meaning of such term in clause 1.3.4 above) of Products by the Company and each Sublicensee or Further Sublicensee (as the case may be) shall be for cash consideration only.

9.5. In calculating Net Sales and Sublicensing Receipts, all amounts shall be expressed in US Dollars and any amount received or invoiced in a currency other than US Dollars shall be translated into US Dollars, for the purposes of calculation, in accordance with the Exchange Rate between the US Dollar and such currency on the date of such receipt or invoice, as the case may be. For the removal of doubt, in calculating amounts received by the Company, whether by way of Net Sales or Sublicensing Receipts, any amount deducted or withheld in connection with any such payment on account of taxes on net income (including income taxes, capital gains tax, taxes on profits or taxes of a similar nature) payable by the Company in any jurisdiction, shall be deemed, notwithstanding such deduction or withholding, to have been received by the Company. In the event that the Sublicensing Receipts comprise, in whole or in part, non-cash consideration (including shares or other securities of the Sublicensee or Further Sublicensee or any other entity), then the Company agrees, promptly upon Yeda's request, to execute and deliver such documents and instruments and do any other acts as may be necessary, so that Yeda receives the percentage share of such non-cash consideration as provided in clause 9.2.

9.6.

9.6.1. Amounts payable to Yeda in terms of this clause 9 shall be paid to Yeda in US Dollars: (i) in the case of Net Sales, on a [***]and no later than [***] after the end of each [***], commencing with the first [***] in which any Net Sales are made by the Company; or (ii) in the case of Sublicensing Receipts, no later than [***] after any such Sublicensing Receipts are received by the Company from any Sublicensees or Further Sublicensees.

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9.6.2. The Company shall submit to Yeda: (i) no later than [***] days after the end of each [***], commencing with the first [***] in which any Net Sales are made; and (ii) no later than [***] after any Sublicensing Receipts are received, an interim written report setting out amounts owing to Yeda in respect of such Sublicensing Receipts, a full and detailed report, in a form acceptable to Yeda, certified as being correct by the chief financial officer of the Company, setting out all amounts owing to Yeda in respect of such previous [***]to which the report refers, and with full details of:

9.6.2.1.

(i) the sales made by the Company, Sublicensees and, if applicable, Further Sublicensees, including a breakdown of Net Sales according to country, identity of seller, currency of sales, dates of invoices, number and type of Products sold;

(ii) the Sublicensing Receipts, including a breakdown of Sublicensing Receipts according to identity of Sublicensees and, if applicable, Further Sublicensees, countries, the currency of the payment and date of receipt thereof;

(iii) deductions applicable, as provided in the definition of “Net Sales”; and

9.6.2.2. any other matter necessary to enable the determination of the amounts of royalties payable hereunder.

9.7. The Company shall keep and shall cause Sublicensees (and, if applicable, Further Sublicensees) to keep complete, accurate and correct books of account and records consistent with sound business and accounting principles and practices and in such form and in such details as to enable the determination of the amounts due to Yeda in terms hereof. The Company shall supply Yeda at the end of each calendar year, commencing with the first calendar year in which any amount is payable by the Company to Yeda under this clause 9, a report signed by the Company’s independent auditors in respect of the amounts due to Yeda pursuant to this clause 9 in respect of the year covered by the said report and containing details in accordance with clause 9.6 above in respect of the quarterly reports. The Company shall retain and shall require and cause its Sublicensees (and, if applicable, Further Sublicensees) to retain the aforegoing

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books of account for 6 (six) years after the end of each calendar year during the period of this Agreement, and, if this Agreement is terminated for any reason whatsoever, for 6 (six) years after the end of the calendar year in which such termination becomes effective.

9.8. At Yeda's expense, Yeda shall be entitled to appoint representatives to inspect during normal business hours and to make copies of the Company's and Sublicensees' (and, if applicable, Further Sublicensees') books of account, records and other documentation (including technical data and lab books) to the extent relevant or necessary for the ascertainment or verification of the amounts due to Yeda under this clause 9, provided however that Yeda shall coordinate such inspection with the Company or Sublicensee or such Further Sublicensee (as the case may be) in advance. The Company shall take all steps necessary (or in the case of its Sublicensees or, if applicable, Further Sublicensees, use its best efforts) to ensure that all such books of account, records and other documentation of the Company and its Sublicensees (and, if applicable, Further Sublicensees) are available for inspection as aforesaid at a single location for each of the Company and its Sublicensees (and, if applicable, Further Sublicensees). In the event that any inspection as aforesaid reveals any underpayment by the Company to Yeda in respect of any year of the Agreement in an amount exceeding [***]of the amount actually paid by the Company to Yeda in respect of such year then the Company shall (in addition to paying Yeda the shortfall together with interest thereon in accordance with clause 13.4 below), bear the costs of such inspection. The parties agree that the inspection of technical data and lab books as aforesaid may only be conducted for the purposes of determining whether the product developed, manufactured, sold, marketed, distributed and/or used by the Company and/or Sublicensee or Further Sublicensee is a Product, such inspection to be carried out by a representative of Yeda who is bound by an obligation of confidentiality. The provisions of this clause 9 shall survive the termination of this Agreement for whatsoever reason.

10. **CONFIDENTIALITY**

10.1. The Company shall maintain in confidence all information or data relating to the Patents, the Licensed Information, this Agreement and the terms hereof (hereinafter, collectively referred to as **"the Confidential Information"**), except and to the extent that the Company can prove that any such information or data is in the public domain at the date of the signing hereof or becomes part of the

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public domain thereafter (other than through a violation by the Company or a Sublicensee or Further Sublicensee of this obligation of confidentiality) and except with regard to that portion, if any, of the Confidential Information expressly released by Yeda from this obligation of confidentiality by notice in writing to the Company to such effect. Notwithstanding the foregoing, the Company may disclose to its personnel and Sublicensees the Confidential Information to the extent necessary for the exercise by it of its rights hereunder or in the fulfilment of its obligations hereunder, provided that it shall bind such personnel and such Sublicensees with a similar undertaking of confidentiality in writing. The Company shall be responsible and liable to Yeda for any breach by its personnel or any Sublicensee of such undertakings of confidentiality as if such breach were a breach by the Company itself.

10.2. In addition to and without derogating from the aforegoing, the Company undertakes not to make mention of the names of Yeda, the Inventors, the Institute or any scientists or other employees of the Institute or any employee of Yeda in any manner or for any purpose whatsoever in relation to this Agreement, its subject-matter and any matter arising from this Agreement or otherwise, other than as set out in clause 10.3 below.

10.3. Notwithstanding the provisions of clauses 10.1 and 10.2 above, the Company shall not be prevented from mentioning the name of Yeda, the Inventors, the Institute and/or any scientists or other employees of the Institute or any employee of Yeda or from disclosing any information (i) if, and to the extent that, such mention or disclosure is to competent authorities for the purposes of obtaining approval or permission for the exercise of the Licence, or in the fulfilment of any legal duty owed to any competent authority (including a duty to make regulatory filings); provided that any mention in a private placement memorandum or a public offering registration statement shall not be deemed fulfilment of a legal duty to a competent authority, and any such mention shall be subject to Yeda's consent, which consent shall not be withheld unreasonably, or (ii) provided that such disclosure is in the form attached hereto as **Appendix G**.

10.4. No termination of this Agreement, for whatever reason, shall release the Company from any of its obligations under this clause 10 and such obligations shall survive any termination as aforesaid.

10.5. Yeda shall maintain in confidence all information received by Yeda from the Company which has been designated by the Company in

writing and in advance as confidential, except and to the extent that: (i) any such information or data is in the public domain at the date of the signing hereof or becomes part of the public domain thereafter (other than through a violation by Yeda of this obligation of confidentiality) or is released by the Company from this obligation of confidentiality by notice in writing; (ii) Yeda is required to disclose such information in order to fulfil its obligations under this Agreement (including in connection with the filing and prosecution of patent applications in accordance with the provisions of clause 6 above); or (iii) Yeda is required to disclose such information in fulfilment of any legal duty owed to any competent authority (the Company hereby acknowledging that it is aware that such competent authority may not be bound by any confidentiality obligations and may disclose or be required to disclose such information to a third party, whether by order of court or by law or otherwise). For the removal of doubt, the provisions of this clause 10.5 shall not apply in respect of any information (not being Licensed Information) independently developed at the Institute without reference to the confidential information received from the Company.

10.6. In addition to but without derogating from the aforegoing, Yeda undertakes not to make mention of the names of the Company or any employees thereof in any manner or for any purpose whatsoever in relation to this Agreement, its subject-matter and any matter arising from this Agreement or otherwise, unless the prior written approval of the Company thereto has been obtained. The aforegoing notwithstanding, Yeda shall not be prevented from mentioning the names of the Company or any employees thereof if and to the extent that such mention is to any competent authority in the fulfilment of any duty owed to such authority or that such mention is required for the purpose of fulfilling Yeda's obligations hereunder.

10.7. For the removal of doubt, Yeda shall have the right to allow the scientists of the Institute to publish articles relating to the Licensed Information in scientific journals or posters or to give lectures or seminars to third parties relating to the Licensed Information, on the condition that, to the extent that the information to be published or disclosed is Licensed Information which is not in the public domain, a draft copy of the said contemplated publication or disclosure shall have been furnished to the Company at least 45 (forty-five) days before the making of any such publication or disclosure and the Company shall have failed to notify Yeda in writing, within 21 (twenty one) days from receipt of the said draft publication or disclosure, of its opposition to the making of the contemplated publication or

disclosure. Should the Company notify Yeda in writing within 21 (twenty one) days from the receipt of the draft contemplated publication or disclosure that it opposes the making of such publication or disclosure because it includes material (which has been specified in said notice) in respect of which there are reasonable grounds (which have also been specified in said notice) requiring the postponement of such publication or disclosure so as not adversely to affect the Company's interests under the Licence because such Licensed Information is patentable subject-matter for which patent protection pursuant to clause 6.1 above should be sought, then Yeda shall not permit such publication or disclosure unless and until there shall first have been filed an appropriate patent application in respect of the material to be published or disclosed as aforesaid. The Company acknowledges that it is aware of the importance to the researchers of publishing their work and, accordingly, the Company will use its best efforts not to oppose such publications.

10.8. Yeda's obligations under this clause 10 (other than this clause 10.8) shall terminate upon termination of this Agreement; provided, however, that any transfer by Yeda following such termination of information received from the Company which it was previously required to keep confidential pursuant to clause 10.5 above shall only be made following the signature by the potential transferee thereof of a non-disclosure agreement with Yeda substantially in the form of the specimen agreement attached hereto as **Appendix H**.

11. **NO ASSIGNMENT**

11.1. The Company shall not be entitled to assign or encumber all or any of its rights or obligations under this Agreement or arising therefrom, unless it shall have received the prior written consent of Yeda to such assignment or encumbrance, which consent shall not be unreasonably withheld, and Yeda's response to a request for consent as aforesaid shall not be unreasonably delayed, and which consent, if given, may be conditioned by Yeda on, *inter alia*, the payment of a fee or other consideration in relation thereto (including, if so conditioned by Yeda, that any consideration received by the Company in respect of an assignment to which Yeda consents as aforesaid shall be deemed to be Sublicensing Receipts and the provisions of clause 9 above shall apply with respect thereto, *mutatis mutandis*). For the purposes of this clause 11, the merger of the Company with another entity, in the event that the Company is not the surviving entity, and the sale of all or substantially all of the

Company's assets or business to a third party shall be deemed to be an assignment.

11.2. Notwithstanding the aforegoing, the merger of the Company with another entity as described in clause 11.1 above or the sale of all or substantially all of the assets or the business of the Company to a third party (collectively **"the M&A"**) will not require the written consent of Yeda as aforesaid if all of the following conditions are met: (i) the Company provides written notice of the M&A to Yeda at least 20 (twenty) days prior to the effective date of the M&A; (ii) Yeda receives from the assignee (or purchaser or surviving entity in a merger, as the case may be), in writing, at least 10 (ten) days prior to the effective date of the M&A: (a) an undertaking to be bound by the terms of this Agreement; and (b) an undertaking to perform the obligations of the Company under this Agreement; and (iii) that the Company is not, as at the effective date of the M&A, in breach of any of its obligations hereunder.

12. **EXCLUSION OF LIABILITY AND INDEMNIFICATION**

12.1. Yeda, the Inventors, the Institute and the directors, officers and employees of Yeda and/or of the Institute (hereinafter collectively **"the Indemnitees"**) shall not be liable for any claims, demands, liabilities, costs, losses, damages or expenses (including legal costs and attorneys' fees) of whatever kind or nature (all of the aforegoing, collectively, **"Liabilities"**) caused to or suffered by any person or entity (including the Company or any Sublicensee or Further Sublicensee) that directly or indirectly arise out of or result from or are encountered in connection with this Agreement, the exercise of the Licence or the conduct of the Research, including directly or indirectly arising out of or resulting from or encountered in connection with: (i) the development, manufacture, sale or use of any of the Products by the Company, any Sublicensee or Further Sublicensee or any person acting in the name of or on behalf of any of the aforegoing, or acquiring, directly or indirectly, any of the Products from any of the aforegoing; or (ii) the exploitation or use by the Company or any Sublicensee or Further Sublicensee of the Licensed Information or any part thereof, including of any data or information given, if given, in accordance with this Agreement.

12.2. In the event that any of the Indemnitees should incur or suffer any Liabilities that directly or indirectly arise out of or result from or are encountered in connection with this Agreement or the exercise of the Licence as aforesaid in clause 12.1 above, or shall be requested or

obliged to pay to any person or entity any amount whatsoever as compensation for any Liabilities as aforesaid in clause 12.1 above, then the Company shall indemnify and hold harmless such Indemnitees from and against any and all such Liabilities. Without limiting the generality of the aforegoing, the Company's indemnification as aforesaid and the exclusion of liability in clause 12.1 above shall extend to product liability claims and to damages, claims, demands, liabilities, losses, costs and expenses attributable to death, personal injury or property damage or to penalties imposed on account of the violation of any law, regulation or governmental requirement.

If an action as contemplated by this clause 12 is brought against any Indemnitee, Yeda shall, or shall procure that such Indemnitee shall, notify the Company promptly in writing of such claim. Yeda may, at its sole option, allow the Company, at the Company's expense, to assume control over defending such claim, in which case it will provide the Company with reasonable assistance and any information reasonably required for such defence, at the Company's expense; provided that if the Company shall assume control over the defence of such claim, no settlement, consent order, consent judgment or other voluntary final disposition of such action may be entered into without the prior written consent of Yeda.

12.3. The Company shall at its own expense insure its liability pursuant to clause 12.2 above during the period beginning not later than the date of the commencement of the first clinical studies or clinical trials of any Product in humans and continuing during the entire period that the Licence is in force in any country, plus an additional period of 7 (seven) years. Such insurance shall be in reasonable amounts and on reasonable terms in the circumstances, having regard, in particular, to the nature of the Products, and shall be subscribed for from a reputable insurance company. The named insured under such insurances shall be the Company, the Inventors, Yeda and the Institute and the beneficiaries thereof shall include also the respective employees, officers and directors of Yeda and the Institute. The policy or policies so issued shall include a "cross-liability" provision pursuant to which the insurance is deemed to be separate insurance for each named insured (without right of subrogation as against any of the insured under the policy, or any of their representatives, employees, officers, directors or anyone in their name) and shall further provide that the insurer will be obliged to notify each insured in writing at least 30 (thirty) days in advance of the expiry or cancellation of the policy or policies. The Company

hereby undertakes to comply punctually with all obligations imposed upon it under such policy or policies and in particular, without limiting the generality of the aforegoing, to pay in full and punctually all premiums and other payments for which it is liable pursuant to such policy or policies. The Company shall be obliged to submit to Yeda copies of the aforesaid insurance policy or policies within 14 (fourteen) days of the date of issue of each such policy.

12.4. The provisions of this clause 12 shall survive the termination of this Agreement for whatsoever reason.

13. **TERM AND TERMINATION**

13.1. Unless otherwise agreed to in writing, this Agreement shall terminate upon the occurrence of the later of the following:

13.1.1. the date of expiry of the last of the Patents; or

13.1.2. the expiry of a continuous period of [***]during which there shall not have been a First Commercial Sale of any Product in any country.

13.2. Notwithstanding anything to the contrary contained in this Agreement:

13.2.1. Yeda shall be entitled, at its option: (i) to modify the Licence hereunder so that it is non-exclusive only, by written notice to the Company (any such amendment of this Agreement by Yeda as aforesaid, being effective immediately, the Company's consent thereto (written or otherwise) not being required, notwithstanding the provisions of clause 17.2 below); or (ii) to terminate this Agreement, including the Licence hereunder, with respect to any Product, by written notice to the Company, if the Company shall fail to achieve any one of the following milestones, in each case in respect of at least one Product, by the dates specified therefor:

(1) within [***] of the signature of this Agreement, to have commenced required Good Laboratory Practice (GLP) pre-clinical development;

(2) within [***] of the signature of this Agreement, to have commenced phase I clinical trials;

[***] Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the Securities and Exchange Commission.

(3) within [***] of the signature of this Agreement, to have commenced phase II clinical trials;

(4) within [***]of the signature of this Agreement, to have commenced phase III clinical trials;

(5) within [***] of the date of signature of this Agreement, to have submitted a New Drug Application to the FDA or a Marketing Authorisation Application (MAA) to the EMEA;

(6) First Commercial Sale of at least one Product shall not have commenced within [***] of the first Product approval obtained as a result of an application submitted pursuant to clause 13.2.1(a)(5); and

(7) commercial sale of any Product having commenced, there shall be a period of [***] or more during which no sales of any Product shall take place (except as a result of force majeure or other factors beyond the control of the Company)

and shall fail to cure such delay within [***] of receipt of notice from Yeda; provided that Yeda shall not be entitled to exercise its rights pursuant to this clause 13.2.1 if 1) the Company shall demonstrate to the satisfaction of Yeda that it is making all necessary efforts to achieve such milestone and that such delay is due to factors beyond the control of the Company; and 2) the total delay in respect of any one milestone shall not under any circumstances exceed or have exceeded twelve months and the cumulative total delay in respect of all milestones shall not under any circumstances exceed or have exceeded thirty months.

13.2.2. Without derogating from the aforegoing, Yeda shall be entitled to terminate this Agreement (unless previously terminated in accordance with the provisions of this Agreement), by written notice to the Company (effective immediately), if the Company contests the validity of any of the Patents.

13.3. Without derogating from the parties' rights hereunder or by law to any other or additional remedy or relief, it is agreed that either Yeda or the Company may terminate this Agreement and the Licence

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hereunder by serving a written notice to that effect on the other upon or after: (i) the commitment of a material breach hereof by the other party, which material breach cannot be cured or, if curable, which has not been cured by the party in breach within 21 (twenty-one) days (or, in the case of failure by the Company to pay any amount due from the Company to Yeda pursuant to or in connection with this Agreement on or before the due date of payment, 10 (ten) days) after receipt of a written notice from the other party in respect of such breach, or (ii) the granting of a winding-up order in respect of the other party, or upon an order being granted against the other party for the appointment of a receiver, or if such other party passes a resolution for its voluntary winding-up, or if a temporary or permanent liquidator or receiver is appointed in respect of such other party, or if a temporary or permanent attachment order is granted on such other party's assets, or a substantial portion thereof, or if such other party shall seek protection under any laws or regulations, the effect of which is to suspend or impair the rights of any or all of its creditors, or to impose a moratorium on such creditors, or if anything analogous to any of the aforegoing in this clause 13.3(ii) above under the laws of any jurisdiction occurs in respect of such other party; provided that in the case that any such order or act is initiated by any third party, the right of termination shall apply only if such order or act as aforesaid is not cancelled within 60 (sixty) days of the grant of such order or the performance of such act.

13.4. Any amount payable hereunder by one of the parties to the other, that has not been paid by its due date of payment, shall bear interest from its due date of payment until the date of actual payment, at the rate of [***]per month and pro rata for part of a month.

13.5. Upon the termination of this Agreement for whatever reason (other than the passage of time), all rights in and to the Licensed Information and the Patents shall revert to Yeda and the Company shall not be entitled to make any further use thereof and the Company shall deliver to Yeda all drawings, plans, diagrams, specifications, other documentation, models or any other physical matter in the Company's possession in any way containing, representing or embodying the Licensed Information; and (ii) the Company shall grant to Yeda a non-exclusive, irrevocable, perpetual, worldwide licence, with the right to sublicense (subject to the provisions of clause 13.7 below), in respect of the Development Results. In this clause 13.5, the term **"the Development Results"** shall mean any invention, product, material, method, process, technique, know-how, data, information or other result which does

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not form part of the Licensed Information, discovered or occurring in the course of or arising from the performance by the Company of the development work pursuant to clause 8 above, including any regulatory filing or approval, filed or obtained by the Company in respect of the Products, all communications with the regulatory authorities, the drug master file and any data, information or document covered by data protection or data exclusivity.

13.6. The termination of this Agreement for any reason shall not relieve the Company or Yeda of any obligations which shall have accrued prior to such termination.

13.7. In the event that this Agreement shall be terminated, other than by way of termination by Yeda pursuant to clause 13.2.2 or 13.3 above, and that, subject to the Magneton Directive and/or the directives of the OCS, at any time within 5 (five) years following such termination, Yeda shall grant to a third party a licence in respect of the Development Results or any part thereof (alone or together with any part of the Licensed Information) and Yeda shall receive in respect of such licence consideration, then Yeda shall pay to the Company [***]of the Net Proceeds actually received by Yeda in respect of such a licence, provided however that Yeda shall be entitled to set off against such amounts sums owed or which become owed by the Company to Yeda, until such time as the Company shall have received an amount equal to [***] of the Company's direct expenditure incurred in respect of the process of obtaining the Development Results (excluding any Magneton or other OCS or other non-commercial funding), as confirmed in writing by the Company's independent accountants. Yeda shall pay to the Company amounts, if any, payable under this clause 13.7 above, within 90 (ninety) days of receipt of the relevant Net Proceeds.

For the purpose of this clause 13.7, **"Net Proceeds"** means royalties and all other monetary consideration actually received by Yeda in respect of such licence (excluding funds for research and/or development at the Institute or payments for the supply of services) after deduction of all costs, fees and expenses incurred by Yeda in connection with such licence (including, without limitation, patent related costs, and all attorneys fees and expenses and other costs and expenses in connection with the negotiation, conclusion and administration of such licence).

13.8 For the avoidance of doubt, it is hereby agreed that following the expiry of the Licence in any country pursuant to clause 7.3 above,

[***] Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the Securities and Exchange Commission.

the Company and its Sublicensees shall be entitled to continue to produce, manufacture, use, market, distribute and/or sell Products in the said country without having to pay royalties or any other consideration to Yeda in respect of such activities subsequent to such expiry date.

14. **NOTICES**

Any notice or other communication required to be given by one party to the other under this Agreement shall be in writing and shall be deemed to have been served: (i) if personally delivered, when actually delivered; or (ii) if sent by facsimile, the next business day after receipt of confirmation of transmission; or (iii) 10 (ten) days after being mailed by certified or registered mail, postage prepaid (for the purposes of proving such service—it being sufficient to prove that such notice was properly addressed and posted) to the respective addresses of the parties set out below, or to such other address or addresses as any of the parties hereto may from time to time in writing designate to the other party hereto pursuant to this clause 14:

14.1. to Yeda at:
P.O. Box 95
Rehovot 76100
Attention: the CEO
Facsimile: (08) 9470739

14.2. to the Company at:
2 Snunit St, Science Park
P.O. Box 455
Carmiel 20100
Attention: the CEO
Facsimile: (04) 988 9489

15. **VALUE ADDED TAX**

The Company shall pay to Yeda all amounts of Value Added Tax imposed on Yeda in connection with the transactions under this Agreement. All amounts referred to in this Agreement shall be exclusive of Value Added Tax.

16. **GOVERNING LAW AND JURISDICTION**

This Agreement shall be governed in all respects by the laws of Israel and the parties hereby submit to the exclusive jurisdiction of the competent Israeli courts, except that Yeda may bring suit against the Company in any other jurisdiction outside Israel in which the Company has assets or a place of business.

17. **MISCELLANEOUS**

17.1. The headings in this Agreement are intended solely for convenience or reference and shall be given no effect in the interpretation of this Agreement.

17.2. This Agreement constitutes the entire agreement between the parties hereto in respect of the subject-matter hereof, and supersedes all prior agreements or understandings between the parties relating to the subject-matter hereof (including the Memorandum of Understanding between Yeda and the Company dated 29 November 2005) and, subject to clause 13.2.1(i) above, this Agreement may be amended only by a written document signed by both parties hereto. No party has, in entering into this Agreement, relied on any warranty, representation or undertaking, except as may be expressly set out herein.

17.3. This Agreement may be executed in any number of counterparts (including counterparts transmitted by telecopier or fax), each of which shall be deemed to be an original, but all of which taken together shall be deemed to constitute one and the same instrument.

17.4. No waiver by any party hereto, whether express or implied, of its rights under any provision of this Agreement shall constitute a waiver of such party's rights under such provisions at any other time or a waiver of such party's rights under any other provision of this Agreement. No failure by any party hereto to take any action against any breach of this Agreement or default by another party hereto shall constitute a waiver of the former party's rights to enforce any provision of this Agreement or to take action against such breach or default or any subsequent breach or default by such other party.

17.5. If any provision of this Agreement is held to be unenforceable under applicable law, then such provision shall be modified as set out below and the balance of this Agreement shall be interpreted as if such provision were so modified and shall be enforceable in accordance with its terms. The parties shall negotiate in good faith in order to agree on the terms of an alternative provision which complies with applicable law and achieves, to the greatest extent possible, the same effect as would have been achieved by the invalid or unenforceable provision.

17.6. Nothing contained in this Agreement shall be construed to place the parties in a relationship of partners or parties to a joint venture or to constitute either party an agent, employee or a legal representative of the other party and neither party shall have power or authority to act on behalf of the other party or to bind the other party in any manner whatsoever.

17.7. All payments to be made to Yeda hereunder shall be made in US Dollars (save that payments received by the Company in New Israeli Sheqels may be made in that currency) by banker's cheque or by bank transfer to Yeda's bank account, the details of which are as follows: Bank Hapoalim B.M. Rehovot branch #615, account no. [***]; swift: [***].

17.8. All payments to be made to Yeda hereunder shall be made free and clear of, and without any deduction for or on account of, any set-off, counterclaim or tax (except any deductions that the Company is required to make from the payments to be made to Yeda on account of income tax, tax on profit or any other taxes of a similar nature imposed on Yeda by law, (**"withholding tax"**), provided that: (a) the Company shall immediately notify Yeda of such requirement and the Company shall deduct the withholding tax from the payments referred to above, as prescribed by applicable law, and pay such withholding tax to the tax authorities, unless Yeda provides the Company with evidence of an exemption from such tax; and (b) any such deduction (if any) made by the Company does not exceed the minimum amount legally required and is supported by an official receipt of the applicable taxation authority for all amounts deducted as aforesaid).

17.9. Each party agrees to execute, acknowledge and deliver such further documents and instruments and do any other acts, from time to time, as may be reasonably necessary, to effectuate the purposes of this Agreement.

17.10. None of the provisions of this Agreement shall be for the benefit of, or enforceable by, any person who is not a party to this Agreement, save for clauses 10 and 12 above.

IN WITNESS WHEREOF the parties hereto have set their signatures as of this 15 day of March 2006.

for **YEDA RESEARCH AND** for **PROTALIX**

[***] Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the Securities and Exchange Commission.

DEVELOPMENT COMPANY LIMITED		**BIOTHERAPEUTICS LIMITED**	
Signature:	/s/ Illegible	Signature:	/s/ David Aviezer
Name		Name:	
Title		Title:	
Date:		Date:	

APPENDIX A

The Existing Patent Applications

[***]

[***] Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the Securities and Exchange Commission.

APPENDIX B

The Know-How

[***]

[***] Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the Securities and Exchange Commission.

APPENDIX C

The Research Program

[***]

[***] Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the Securities and Exchange Commission.

APPENDIX D

The Research Budget

[***]

[***] Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the Securities and Exchange Commission.

APPENDIX E

The Magneton Approval

[***]

[***] Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the Securities and Exchange Commission.

APPENDIX F

Specimen Material Transfer Agreement

Date:_____

_____

_____

_____

_____

(the "RECIPIENT")

Dear Sir/Madam,

Further to the RECIPIENT's request to receive _____, (the Material and any fragment, derivative, progeny and modifications thereof shall hereinafter be termed the "MATERIAL") from Professor _____, (the "SCIENTIST") for the purpose of: _____ (the "RESEARCH"), as more fully described in Annex A attached hereto, please be advised that as the rights and title in and to the Material vest in the Weizmann Institute of Science (the "PROVIDER") and thus constitute a valuable asset of the PROVIDER, the PROVIDER requires that the Material shall be provided to you under the following terms:

1. The RECIPIENT agrees that the MATERIAL:

1.1. is to be used solely for the purpose of the RESEARCH ;

1.2. will not be used for any commercial purposes;

1.3. will not be used in human subjects, in clinical trials, or for diagnostic purposes involving human subjects.

1.4. is to be used only at the RECIPIENT organization and only in._____'s laboratory (the "RECIPIENT SCIENTIST") under the direction of RECIPIENT SCIENTIST or others working under his/her direct supervision; and

1.5. will not be transferred to anyone else including within the RECIPIENT organization at _____ *(please complete address)* without the prior written consent of the PROVIDER.

2. The RECIPIENT acknowledges that the MATERIAL is or may be the subject of a patent application. No expressed or implied licenses or other rights are provided to the RECIPIENT under any patents, patent

applications, trade secrets or other proprietary rights of the PROVIDER, including any altered forms of the MATERIAL made by the PROVIDER. In particular, no expressed or implied licenses or other rights are provided to use the MATERIAL, or any related patents of the PROVIDER for COMMERCIAL PURPOSES.

3. Any MATERIAL delivered pursuant to this Agreement is understood to be experimental in nature and may have hazardous properties. The PROVIDER MAKES NO REPRESENTATIONS AND EXTENDS NO WARRANTIES OF ANY KIND, EITHER EXPRESSED OR IMPLIED. WITHOUT DEROGATING FROM THE AFOREMENTIONED, THERE ARE NO EXPRESSED OR IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, OR THAT THE USE OF THE MATERIAL WILL NOT INFRINGE ANY PATENT, COPYRIGHT, TRADEMARK, OR OTHER PROPRIETARY RIGHTS.

4. The RECIPIENT assumes all liability for damages which may arise from its use, storage or disposal of the MATERIAL. The Scientist, the PROVIDER and any of its employees will not be liable to the RECIPIENT for any loss, claim or demand made by the RECIPIENT, or made against the RECIPIENT by any other party, due to or arising from the use of the MATERIAL by the RECIPIENT.

5. The RECIPIENT agrees to use the MATERIAL in compliance with all applicable statutes, laws, treaties, regulations and guidelines such as, for example, those relating to research involving the use of animals or recombinant DNA.

6. This Agreement will terminate on the earliest of the following dates: (a) on completion of the RECIPIENT’s Research with the MATERIAL, or (b) on thirty (30) days written notice by either party to the other.

6.1. If termination should occur under clause 6 above, the RECIPIENT will discontinue its use of the MATERIAL and will, upon direction of the PROVIDER, return or destroy any remaining MATERIAL.

7. The RECIPIENT obligates to treat in confidence any information related to the Material including RESEARCH results, except for information the RECIPIENT can prove was previously known to him or that is or becomes publicly available not as a result of a breach of this Agreement. Any disclosure of such confidential information shall be presented for the Scientist’s approval, at least 30 (thirty) days prior to the proposed disclosure.

8. Paragraphs 2, 3, 4, 7, 10 and 11 shall survive termination.

9. The RECIPIENT shall provide the PROVIDER with the results of the RESEARCH.

10. EITHER: [Should any useful invention, or application arise as a result of the performance of the RESEARCH, RECIPIENT hereby agrees to inform the undersigned, and the right and title to such invention or application shall vest in Yeda Research and Development Company Ltd. ("YEDA"), the PROVIDER's technology transfer office. The RECIPIENT undertakes, upon YEDA's request from time to time, to execute and deliver to YEDA all documents, including, without limitation, instruments of conveyance, transfer, assignment and confirmation and to take such other steps and render such assistance as YEDA may deem necessary, in order effectively to transfer, assign, convey, vest and confirm in and to YEDA the ownership of such invention.]

    OR: [The Weizmann Institute, or any of its designees, is hereby granted an option to obtain a worldwide, exclusive, royalty-bearing license, with the right to grant sublicenses, of any patentable invention arising from the Research outside the scope of the Material. Such license shall include terms and conditions to be negotiated in good faith between your institution and the Institute.]

11. In the event that RECIPIENT conceives an invention related to the MATERIAL in the course of activities that are in breach of RECIPIENT's obligations under this Agreement, YEDA shall be the sole and exclusive owner of such invention and all intellectual property rights therein, and RECIPIENT shall execute and deliver any documents of assignment or conveyance to effectuate the ownership rights of YEDA in such invention and related intellectual property rights.

12. The PROVIDER shall be given advance notice of any intent to publish any information relating to the results of the RESEARCH, not being in the public domain, and shall be furnished with a copy of the contemplated publication at least 30 days before making any such disclosure, in order to allow YEDA to evaluate patent protection in respect thereof and implement a decision to file a patent application. The RECIPIENT agrees to provide appropriate acknowledgment of the source of the MATERIAL in all written and oral publications.

13. RECIPIENT shall pay stamp duty as required by law.

Please indicate the RECIPIENT's acceptance of the above terms by signing and returning one copy of this letter to the undersigned.

Sincerely yours,

Prof. _____

Agreed and accepted:

Recipient Scientist's Name: Recipient's Name:

Signature: _____

Authorized Person's Name and Title:

Date: _____

Signature and Date:

For queries, please contact: Ann Dvorin
e-mail: annie.dvorin@weizmann.ac.il
Tel: 972 8 9344093
Fax: 972 8 9470739

cc: Yeda Research and Development Co. Ltd. at the Weizmann Institute of Science.

ANNEX A

The Research

APPENDIX G

Approved Form of Disclosure

APPENDIX H

Specimen Non-Disclosure Agreement

Effective as of _____, 200

BETWEEN

_____

_____

("**Recipient**")

and

YEDA RESEARCH AND DEVELOPMENT CO. LTD.,
at the Weizmann Institute of Science, Rehovot, Israel
("**YEDA**").

Recipient is interested in obtaining information from YEDA relating to [Enter technology name] (Yeda's Ref.: [Enter technology Number]) including {patents [Enter connected patent title/s and numbers]}, {patent applications [Enter connected patent title and application number)} (Yeda's docket/s no. [Enter Yeda patent code] ("**the Confidential Information**"), for the sole purpose of studying the Confidential Information internally in order to [chose the relevant option:] [1. evaluate a possible business transaction with Yeda] [2. consult Yeda regarding commercialization of the technology] [3. other] ; and

YEDA is entitled and willing to make the Confidential Information available to Recipient solely for the said purpose and under the terms and conditions hereinafter set forth:

1. "Confidential Information" shall include any documents, patent applications, materials, models, marketing, financial and investment plans, contacts, advice, recommendations, drawings, plans, diagrams, specifications, technical material, techniques, compounds, compositions, substances, seeds or any other physical matter in any way containing, representing or embodying any of the aforegoing or any other information given, whether verbally, in written or other form, by or on behalf of YEDA to Recipient.

2. Recipient undertakes to use the Confidential Information only for the purpose of this Agreement.

3. Recipient undertakes to treat and maintain in strict confidence and secrecy, the Confidential Information including any aspect thereof that may have been disclosed prior to the signature hereof, and to make such information available only to those of its employees and/or consultants who need to have access to it for the purpose of this

Agreement, provided that such employees and/or consultants are bound by a confidentiality undertaking not less stringent than this Agreement.

4. Recipient's undertakings and obligations under clause 3 above shall not apply to any part of the Confidential Information for which the Recipient proves:

4.1. that it was known to Recipient prior to disclosure thereof by YEDA;

4.2. that it was generally available to the public prior to disclosure by YEDA, or becomes generally available to the public after such disclosure (other than as a result of the breach by the Recipient of its obligations hereunder).

5. This Agreement shall not by implication or otherwise be construed as a grant of a license or as an obligation to grant a license or any other right to the Recipient.

6. No warranty of any kind is being provided with respect to the Confidential Information including any warranty of accuracy, completeness and/or non-infringement.

7. This Agreement shall be terminated upon the expiry of the earlier of:

7.1. 12 months from the effective date of this Agreement; or

7.2. Receipt of 14 days' written notice by YEDA to Recipient, at any time.

Upon termination, Recipient will cease all study, evaluation or other examination of YEDA's Confidential Information and the Confidential Information shall be returned to YEDA or destroyed upon YEDA's request.

8. Notwithstanding termination of this Agreement Recipient's confidentiality obligations under this Agreement will continue for 5 years from the date of disclosure of the Confidential Information.

9. The rights of the parties shall inure to, and the obligations hereunder shall be binding on the legal successors and assigns of the parties to this Agreement.

10. The law of Israel shall govern this Agreement for all purposes excluding the choice of law provisions.

11. All notices or demands of any kind which either party may be required or desire to serve upon the other shall be in writing and shall be delivered by (i) personal service, or (ii) by mail at the address of the receiving party set forth above (or at such different address as may be designated by such party by written notice to the other party) and by fax.

12. This Agreement contains the entire agreement of the parties relating to its subject matter and supersedes all prior or contemporaneous oral or written agreements.

13. This Agreement may not be amended except by mutual written agreement of the parties.

Protalix Biotherapeutics Ltd.	Yeda Research and Development Co. Ltd.
Signature: _____	Signature: _____
Name: _____	Name: _____
Position: _____	Position: _____
Date: _____	Date: _____

Exhibit 10.8

Portions of this exhibit have been omitted pursuant to a request for confidential treatment. The omitted portions, marked by [***], have been separately filed with the Securities and Exchange Commission.

AGREEMENT

made and signed on this 14 day of September, 2006

Between

Teva Pharmaceutical Industries Ltd.
a limited liability company incorporated under the laws of Israel, of 5 Basel Street, Petach Tiqva 49131, Israel
("**Teva**")

and

Protalix Biopharmaceuticals Ltd.
a limited liability company incorporated under the laws of Israel, of 2 Snunit St., Science Park P.O. Box 455, Carmiel 20100 , Israel
("**Protalix**")

Teva and Protalix may be individually referred to as a "**Party**" and collectively as the "**Parties**"

WHEREAS, the Parties wish to carry out a Feasibility Program (as defined herein) to evaluate their potential collaboration in the development and manufacturing of two Proteins (as such term is defined below) on the basis of Protalix's proprietary plant culture process, as more fully described herein;

WHEREAS, the Parties agree, that following the completion of such Feasibility Program, Teva shall have the option, but not the obligation, to enter into further collaboration with Protalix regarding the development of Licensed Products (as defined herein), all as more fully set forth herein and in accordance with the terms and conditions of this Agreement;

WHEREAS, the Parties agree that in the event that Teva shall exercise the aforementioned option to enter into the collaboration regarding the development of Licensed Products, Protalix shall grant to Teva and Teva shall acquire from Protalix, the License (as defined herein), all subject to and in accordance with the terms and conditions of this Agreement; and

WHEREAS, Protalix agrees to grant Teva a right of first look at Protalix's proprietary product(s) for the treatment of Gauchers Disease, to enable Teva to evaluate its interest in negotiating and obtaining the GCD License (as such term is defined herein), all subject to and in accordance with the terms and conditions set out hereinbelow.

NOW, THEREFORE, the Parties, agree as follows:

1. **Preamble and Definitions**

1.1. The Preamble and Annexes hereto form an integral part of this Agreement.

[***] Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the Securities and Exchange Commission.

1.2. In this Agreement the terms below shall bear the meanings assigned to them below and other capitalized terms shall bear the meaning assigned to them in their parenthetical definition, unless specifically stated otherwise:

1.2.1. **"Additional Patents"** - shall mean the patents and patent applications listed in Annex 1.2.1, which constitute all of the patents and patent applications that are proprietary to Protalix and existing on the Effective Date, other than the Platform Patents and patent application number [***]entitled [***], and any patent that may be issued thereon.

1.2.2. **"Affiliate"** shall mean, with respect to any Party, any person, organization or entity directly or indirectly controlling, controlled by or under common control with, such Party. For purposes of this definition only, "control" of another person, organization or entity shall mean the ability, directly or indirectly, to direct the activities of the relevant entity, and shall include, without limitation (i) ownership or direct control of fifty percent (50%) or more of the outstanding voting stock or other ownership interest of the other organization or entity, or (ii) direct or indirect possession, of the power to elect or appoint fifty percent (50%) or more of the members of the governing body of the organization or other entity.

1.2.3. **"Annual Protalix Payment**" shall bear the meaning assigned to such term in Section 10.5 below.

1.2.4. "**API**" shall mean the bulk Proteins' active pharmaceutical ingredient.

1.2.5. "**API COGS**" shall bear the meaning assigned to such term in Section 10.4 below.

1.2.6. "**Backup Manufacturing File**" shall bear the meaning assigned to such term in Section 10.7 below.

1.2.7. "**Breakthrough Technology**" shall bear the meaning assigned to such term in Section 13.2 below.

1.2.8. "**Budget**" shall bear the meaning assigned to such term in Section 4.14 below.

1.2.9. "**Combination Product**" shall mean a product which comprises (a) a Licensed Product and (b) at least one other active ingredient, which, if administered independently of the Licensed Product, would have a clinical effect.

1.2.10. "**Change of Control**" shall bear the meaning assigned to such term in Section 11.5 below.

1.2.11. "**Commercial GCD Services**" shall bear the meaning assigned to such term in Section 14A.6 below.

1.2.12. **"Development Plan"** shall bear the meaning assigned to such term in Section 4.4 below.

1.2.13. "**Effective Date**" shall bear the meaning assigned to such term in Section 15.1 below.

1.2.14. "**EU**" shall mean the member countries of the European Union, from time to time.

1.2.15. "**EU Market**" shall mean all of Spain, the UK, Italy, Germany and France.

[***] Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the Securities and Exchange Commission.

1.2.16. “**Evaluation Period**” shall bear the meaning assigned to such term in Section 14.2 below.

1.2.17. “**External Development Expenses**” shall bear the meaning assigned to such term in Section 4.14.2 below.

1.2.18. “**External Manufacturing Expenses**” shall bear the meaning assigned to such term in Section 10.4 below.

1.2.19. “**Exclusive Manufacturing Term**” shall bear the meaning assigned to such term in Section 10.1 below.

1.2.20. “**Escrow Agent**” shall bear the meaning assigned to such term in Section 10.7(A) below.

1.2.21. “**Feasibility Program(s)**” shall bear the meaning assigned to such term in Section 3.1.1 below.

1.2.22. **“Final Feasibility Report”** shall bear the meaning assigned to such term in Section 3.1.7 below.

1.2.23. **“First Commercial Sale”** shall mean, with respect to any Licensed Product the first commercial sale to a third party, in exchange for cash or some equivalent to which value can be assigned, after the obtaining of all necessary regulatory and other approvals required in order to commercially sell and market the Licensed Product in the country in which the sale is made, other than the sale of the Licensed Product for experimental, testing, compassionate or promotional purposes.

1.2.24. “**Further Sublicense**” and “**Further Sublicensee**” shall bear the meaning assigned to such terms in Section 6.3 below.

1.2.25. “**GCD License**” shall bear the meaning assigned to such term in Section 14.1 below.

1.2.26. “**GCD Product**” shall bear the meaning assigned to such term in Section 14.1 below.

1.2.27. “**GCD Services**” shall bear the meaning assigned to such term in Section 14A.1 below.

1.2.28. “**Innovator**” shall mean the first to market with a specific proprietary Product.

1.2.29. “**Internal Expenses**” shall bear the meaning assigned to such term in Section 4.14.1 below.

1.2.30. “**IP**” shall mean (i) all inventions, materials, compounds, compositions, substances, methods, processes, techniques, know-how, technology, data, information, discoveries and other results of whatsoever nature, and any patents, copyrights, proprietary intellectual or industrial rights directly or indirectly deriving therefrom, as well as provisionals, patent applications (whether pending or not), and patent disclosures together with all reissuances, continuations, continuations in part, revisions, extensions, and reexaminations thereof; (ii) all trademarks, service marks, copyrights, designs, trade styles, logos, trade dress, and corporate names, including all goodwill associated therewith; (iii) any work of authorship, regardless of copyrightability, all

compilations, all copyrights; and (iv) all trade secrets, confidential information and proprietary processes.

1.2.31. "**License"** shall bear the meaning assigned to such term in Section 6.1 below.

1.2.32. **"Licensed Information**" shall bear the meaning assigned to such term in Section 6.1 below.

1.2.33. "**Licensed Product(s)**" shall bear the meaning assigned to such term in Section 6.1 below.

1.2.34. "**Major Countries**" shall mean the United States of America, Canada, the EU Market, China, Japan, Israel, Mexico, India, Australia and New Zealand.

1.2.35. "**Manufacturing Know-how**" shall bear the meaning assigned to such term in Section 10.7 below.

1.2.36. "**Market Advantage**" shall [***]

1.2.37. "**Milestone**" shall bear the meaning assigned to such term in Section 8.1 below.

1.2.38. "**Milestone Payments**" shall bear the meaning assigned to such term in Section 8.1 below.

1.2.39. "**Net Sales**" shall mean with respect to a Licensed Product, the total gross amounts [***] in respect of such Licensed Product, as established in a *bona fide* arms-length transaction with an unrelated third party, less the following items (as they apply to such Licensed Product): (i) quantity and/or cash discounts actually allowed or taken; (ii) customs, duties, sales and similar taxes, if any, imposed on the Licensed Product, to the extent applicable to such sale and included in the invoice in respect of such sale; (iii) amounts actually allowed or credited by reason of rejections, return of goods (including as a result of recalls), any retroactive price reductions or allowances specifically identifiable as relating to the Licensed Product; (iv) amounts incurred resulting from government mandated rebate programs (or any agency thereof); (v) third party (a) rebates, (b) freight, postage, shipping and applicable insurance charges, to the extent the same are separately

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itemized on invoices and actually paid as evidenced by invoices or other appropriate supporting documentation, and (c) chargebacks or similar price concessions related to the sale of the Licensed Product; (vi) bad debts deriving from Net Sales in respect of which Royalty Payments were paid to Protalix pursuant hereto, (vii) royalties paid to third parties [***] in respect of the use of such third party's intellectual property rights (provided that in no event shall the amounts deducted in respect of such third party royalties under (vii) result in the reduction of the Royalty Payments to Protalix to less than [***]of the Net Sales attributable to any particular Licensed Product, (without derogating from any lower royalty rates as determined by Sections 8.2(a) or 8.2(b) below), and (vi) reasonable quantities of samples, provided the quantity of Licensed Product actually utilized for purposes of such samples shall not exceed [***] of the volume of annual Licensed Product sales during any given year during this Agreement. All of the foregoing shall be calculated in accordance with U.S. GAAP.

[***]

In addition, the Net Sales shall be furthermore adjusted and reduced in the event that a Licensed Product is sold as part of a Combination Product as set forth in Section 8.4 hereto.

With respect to sales which are not at *bona fide* arms-length and/or are not in the ordinary course of business, the term "Net Sales" shall mean the total amount that would have been due in an arms-length sale made in the ordinary course of business and according to the then current market conditions for such sale or, in the absence of such current market conditions, according to market conditions for sale of products similar to the Licensed Products. If Licensed Products are sold or supplied in a currency other than United States Dollars then the sum of Net Sales shall first be determined in the currency in which such Licensed Products were invoiced and then converted into equivalent United States Dollars at the middle market rate of such foreign currency as quoted in the Financial Times at the close of business of the last business day of the quarter with respect to which the payment is made.

1.2.40. "**Non-Platform IP**" — shall mean all Licensed Information and Teva IP, other than Platform IP.

1.2.41. "**Other IP**" shall mean any and all IP developed within the framework of the collaboration hereunder (including both the performance of the Feasibility Program and the performance of Stage 2, in the event that Teva exercises its option to have Stage 2 performed), which is neither Platform IP nor Protein IP.

1.2.42. "**Platform IP**" — shall mean Protalix's existing and future proprietary recombinant plant culture process and technologies directly related to such process, and improvements thereto, as may be further developed in the course

[***] Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the Securities and Exchange Commission.

of the collaboration, or otherwise, by or for Protalix, at any time prior to the expiration of [***] following the First Commercial Sale of the first Licensed Product. The list of patents and patent applications included under the Platform IP, existing as of the date of execution of this Agreement is attached hereto as Annex 1.2.42 (the "**Platform Patents**").

All additional patent applications/ patents that may be filed by or for Protalix to cover portions of the Platform IP at any time prior to the expiration of [***] following the First Commercial Sale of the first Licensed Product, shall be immediately reported by Protalix to Teva and shall be included in the term 'Platform Patents' as of the time of such report.

1.2.43. "**Protalix Competitor**" shall mean: [***]

1.2.44. **"Protein(s)"** each of the two (2) therapeutic proteins as selected by Teva and agreed upon by Protalix (such agreement not to be unreasonably withheld, conditioned or delayed), expressed in plant cell-expression system, to be described in **Annex 1.2.44** hereto, as might be substituted subject to the terms of this Agreement.

1.2.45. "**Protein IP**" — shall mean any and all IP developed during the collaboration hereunder (including both the performance of the Feasibility Program and the performance of Stage 2, in the event that Teva exercises its option to have Stage 2 performed), which relates specifically to the Proteins and which is not Platform IP. Notwithstanding the foregoing, any patent(s) related to the Platform IP that specifically and directly and solely relates to one or both of the Proteins shall be considered part of the Protein IP, and not Platform IP.

1.2.46. "**ROFL**" shall bear the meaning assigned to such term in Section 14.1 below.

1.2.47. "**ROFO**" "**ROFO Notice**" and "**ROFO Period**" shall bear the meanings assigned to such terms in Section 3.2.1 below.

1.2.48. "**Royalty Payments**" shall bear the meaning assigned to such term in Section 8.2 below.

1.2.49. [***]

1.2.50. "**Stage 2**" shall bear the meaning assigned to such term in Section 3.4 below.

1.2.51. "**Stage 2 Notice**" and "**Stage 2 Notice Period**" shall bear the meaning assigned to such terms in Section 3.4 below.

1.2.52. **"Sublicence"** shall mean any right granted, license given, or agreement entered into, by Teva and/or its Affiliates to or with any other person or entity

[***] Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the Securities and Exchange Commission.

(whether or not such grant of rights, license given or agreement entered into is described as a sublicence or otherwise), permitting any use of the Licensed Information (or any part thereof) or any right to research, develop, make, have made, register, import, manufacture, use, sell, offer for sale, produce, sublicense, commercialize and/or distribute the Proteins and/or the Licensed Products for any indication; and the term **"Sublicensee"** shall be construed accordingly.

1.2.53. **"Teva Competitor"** shall bear the meaning ascribed to such term in Section 11.5 below.

1.2.54. "**Teva IP**" shall bear the meaning assigned to such term in Section 11.6 below.

1.3. In this Agreement, words importing the singular shall include the plural and *vice-versa* and words importing any gender shall include all other genders and references to persons shall include partnerships, corporations and unincorporated associations.

1.4. The words "including" and "includes" mean including, without limiting the generality of any description preceding such terms.

1.5. In the event of any discrepancy between the terms of this Agreement and any of the Annexes hereto, the terms of this Agreement shall prevail.

2. **General Scope**

2.1. The Parties hereby agree to collaborate in the development, and the manufacturing of the Proteins, on the basis of the Platform IP.

2.2. The collaboration in respect of the development of the Licensed Products shall initially be carried out through the performance of the Feasibility Program. Following completion of same, should Teva so elect at its sole and exclusive discretion, the collaboration shall continue by way of the development of Licensed Products.

2.3. The commercialization of the Licensed Products shall be performed solely by Teva (or any third party on its behalf in accordance herewith), without the collaboration of Protalix, under the License granted to Teva hereunder.

3. **The Collaboration**

3.1. **The Feasibility Program – Stage 1**

3.1.1. Protalix shall carry out a feasibility program in respect of each of the Proteins in accordance with the protocol and time schedule as agreed between the Parties to be attached hereto within thirty (30) days of the Effective Date as **Annex 3.1.1** (the "**Feasibility Program**"). An outline of the activities to be performed by Protalix under the Feasibility Program, as currently envisaged, is attached hereto as Annex 3.1.1A. The Feasibility Program will mainly consist of producing [***]. One (1) Protein shall be agreed upon between the Parties, within thirty (30) days of the

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Effective Date, and shall be described in Annex 1.2.44 (the "**First Protein**") and the other Protein (the "**Second Protein**") shall be selected by Teva by [***] following the execution hereof, and agreed upon by Protalix, such agreement not to be unreasonably withheld.

3.1.2. Protalix shall begin performing the Feasibility Program in respect of the First Protein immediately after the First Protein is selected by the Parties, and, shall begin performing the Feasibility Program in respect of the Second Protein, as soon as practicable, but no later than four (4) weeks following the selection of Second Protein by Teva and its approval by Protalix, as aforementioned.

3.1.3. Each Feasibility Program will be carried out by Protalix at its sole cost and expense in accordance with a budget reasonably determined by it in accordance with industry standards, and based on the Feasibility Program. A Feasibility Program may be adjusted with the consent of the R&D Committee (as defined below) from time to time. A non-binding estimate of the resources and expenses that Protalix expects to dedicate to, and incur in the conduct of each Feasibility Program (inclusive, *inter alia*, of the estimated costs of FTEs and materials) will be submitted to the R&D Committee at the beginning of each Feasibility Program and an updated non-binding estimate pertaining to the remainder of the Feasibility Program shall be submitted twelve (12) months following commencement of each Feasibility Program. Protalix shall keep separate records of the expenses actually incurred by it in the conduct of each Feasibility Program and shall provide Teva and the R&D Committee with detailed quarterly reports of its expenses. For the avoidance of doubt, it is clarified that any major deviation by Protalix from the activities set forth under a Feasibility Program shall require the prior written approval of the R&D Committee. Any material increase in the cost of the conduct of the Feasibility Program deriving solely from an agreed change in the activities included in the Feasibility Program will be discussed and negotiated in good faith between the management of both Parties.

3.1.4. Protalix shall complete each Feasibility Program within [***]. Any extension of such time period that may be requested by Protalix, with respect to each or any Protein, must be approved in advance and in writing by Teva, which approval shall not be unreasonably withheld. For avoidance of doubt, Protalix shall bear all costs and expenses related to the performance of the Feasibility Program until its completion regardless of the term of its duration.

3.1.5. At the end of each calendar quarter during the course of the performance of each Feasibility Program, Protalix shall provide Teva with periodic progress reports regarding the progress of such Feasibility Program, in a form to be agreed in advance between the Parties.

3.1.6. Teva's representative(s) on the R&D Committee may, from time to time, request updates regarding the progress of Stage 1, in addition to the periodic progress reports, and Protalix shall provide any additional update that Teva's representative(s) on the R&D Committee may reasonably request.

3.1.7. Not later than sixty (60) days after the completion of the performance of

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each Feasibility Program in respect of each Protein, Protalix shall provide Teva with a written report detailing the results of such Feasibility Program in respect of each Protein, in a form acceptable to Teva (each, a "**Final Feasibility Report**").

3.1.8. After receipt by Teva of each Final Feasibility Report, if Teva wishes to receive further information from Protalix it shall so advise Protalix by written notice specifying such additional information requested (the "**First Notice**"), to be delivered to Protalix no later than sixty (60) days as of the date of provision to Teva of the Final Feasibility Report. Protalix will provide such additional information within a reasonable time, but not later than sixty (60) days following receipt of the First Notice (the "**Initial Response**"). In the event that following receipt of the Initial Response, Teva wishes to receive further information from Protalix, it shall so advise Protalix by written notice specifying such additional information requested (the "**Second Notice**"), to be delivered to Protalix no later than forty five (45) days as of the date of provision to Teva of the Initial Response. Protalix will provide such additional information within a reasonable time but not later than forty five (45) days following receipt of the Second Notice (the "**Additional Response**"). In the event that following receipt of the Additional Response, Teva wishes to receive further information from Protalix, it shall so advise Protalix by written notice specifying such additional information requested (the "**Third Notice**"), to be delivered to Protalix no later than thirty (30) days as of the date of provision to Teva of the Additional Response. Protalix will provide such additional information within a reasonable time but not later than thirty (30) days following receipt of the Third Notice (the "**Final Response**"). In the event that the Initial Response, together with the Additional Response and the Final Response provide the full and complete information reasonably requested by Teva, then following submission of the Final Response Protalix shall not be required to provide any additional information to Teva in connection with the Final Feasibility Report.

3.1.9. Protalix shall NOT be entitled to subcontract its obligations to perform the Feasibility Programs to any third party whatsoever without the prior written approval of Teva, which approval shall not be unreasonably withheld.

3.1.10. Without limiting the generality of the second sentence of Section 16.6, the Parties hereby acknowledge that Protalix has not guaranteed that Stage 1 will be successful or achieve any specific results at all or within the specified time period.

3.2. **Right of First Offer**

3.2.1. Until the lapse of a [***] period from the Effective Date or until the selection by Teva of the Second Protein, whichever comes first (the "**ROFO Period**") Protalix shall refrain from entering into an agreement with any third party the purpose of which is the development or commercialization of any [***] protein utilizing the Platform IP, unless Protalix shall first offer Teva in writing to select such protein as the Second Protein (the "**ROFO**" and the "**ROFO Notice**", respectively). Upon receipt of the ROFO Notice Teva will have the right, within thirty (30) days of the date of the

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ROFO Notice, to select such protein as the Second Protein, by written confirmation of such selection which selection Protalix shall be deemed as being in agreement with. Protalix shall immediately notify Teva in writing of the commencement of any negotiations with any third party regarding the development or commercialization of any [***] protein during the ROFO Period, and any such notice shall be deemed as a ROFO Notice pursuant to this Section 3.2.1, it being understood and agreed that Protalix shall not be required to divulge the identity of such third party or any other detail of such negotiations. The ROFO Notice shall in both cases be accompanied by any Protalix's available information in respect of such [***] protein.

3.2.2 For the avoidance of doubt, Protalix shall not be required to offer any protein to Teva more than once pursuant to this Section 3.2.

3.3. **Substitution of a Protein**

The Parties acknowledge and declare that their joint goal is that the performance of the Feasibility Program will result in the development of two (2) Proteins (within the timeframe envisaged hereunder) suitable, in technological and marketing terms, for implementation of Stage 2 (as such term is defined below). In furtherance thereof, the Parties may, at any time during the performance of a Feasibility Program, by mutual consent (which consent shall not be unreasonably withheld by either Party), and following the recommendation of the R & D Committee, decide upon the substitution of the Protein in respect of which such Feasibility Program is being conducted if the Parties are not satisfied with the results. Moreover, Teva, at its sole discretion, shall be entitled to substitute the Protein(s) in respect of which a Feasibility Program has been or is being conducted by another protein, by instructing Protalix to cease the performance of a Feasibility Program in progress, and to begin the performance of a Feasibility Program in respect of a different protein to be selected by Teva as per the procedure set out below, in each of the following events (i) during the first twelve (12) months from the commencement of a certain Feasibility Program, for any reason; or (ii) prior to the expiry of thirty (30) days after receipt by Teva of the Final Feasibility Report, Initial Response, Additional Response or Final Response (as the case may be), Teva reaches a decision that based on scientific reasons it requires substitution of a certain Protein. Teva's right to substitution under (i) and (ii) above shall exist only once with respect to each Protein, and Teva shall be required to propose two new proteins, each of which must be Contractually Free (as such term is defined below), and Protalix shall have the right to choose one of them. Following such selection, such new protein shall become a Protein for the purposes hereof, and Protalix shall begin the performance of the Feasibility Program in respect of the replacement Protein as shall be agreed between the Parties at Protalix' sole cost and expense. In any event, the replacement of one Protein with another as set forth in this Section shall be subject to the refund by Teva of the direct costs actually incurred by Protalix in the performance of the Feasibility Program, until the date of mutual consent as to, or the notice of, replacement (as the case may be), and winding down of the Feasibility Program in respect of the Protein that was replaced (provided

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that such winding down costs shall be mitigated by Protalix to the maximum extent reasonably possible), which costs shall be evidenced by invoices and other supporting documentation that shall be provided to Teva.

For the purposes of this Section, the term "**Contractually Free**" shall mean, in respect of any protein, that no third party has been granted any rights by Protalix in respect of such protein, whether pursuant to an agreement or a term sheet or other similar legally binding document, that would preclude or limit Protalix's ability to grant Teva the rights granted hereunder if such protein were to become a Protein.

3.4. **Teva's Option for Stage 2**

Within two (2) months of the later of receipt by Teva of each Final Feasibility Program Report, Initial Response, Additional Response or Final Response in conformance with Section 3.1.8 above (if at all) (the "**Stage 2 Notice Period**"), Teva, at its sole discretion, shall notify Protalix in writing in respect of each Protein, if it wishes to enter into the product development stage in respect of such Protein ("**Stage 2**") (the "**Stage 2 Notice**").

During the Stage 2 Notice Period Teva's representatives shall have the right to visit and audit Protalix's facilities for the sole purpose of evaluating its interest in entering into Stage 2, at times to be coordinated in advance between the Parties.

In the event that Teva does not provide Protalix with the Stage 2 Notice during the Stage 2 Notice Period with respect to any specific Protein, but provided that Protalix furnishes all of the information duly requested by Teva pursuant to Section 3.1.8 above, then this Agreement shall expire forthwith with respect to such Protein in which case, other than as to the obligations of confidentiality as set forth in Section 20 below and the obligation to return documentation as set forth in Section 15.6 below: (i) Teva shall not be obligated in any manner towards Protalix with respect to such Protein; and (ii) Protalix shall not be obligated in any manner towards Teva with respect to such Protein.

4. **Product Development — Stage 2**

4.1. In the event that Teva elects to exercise its option to initiate the performance of Stage 2 of the collaboration as to one or both Proteins, Stage 2 shall be carried out by the Parties in accordance with Development Plans (defined below) to be determined pursuant to this Section 4.

4.2. Teva shall prepare preliminary development plans (the "**Preliminary Plan(s)**"), in consultation with Protalix within [***] of Teva exercising its option to initiate the Stage 2 collaboration. The Preliminary Plan(s) shall include projected Licensed Product development activities, timelines and obligations of each Party up to the completion of Phase I clinical trials in respect of the relevant Protein.

4.3. Stage 2 shall commence, as to each Protein (as applicable), immediately upon the relevant Preliminary Plan being presented to the R&D Committee (or in its absence to Protalix) which shall be given the opportunity to comment thereon prior to implementation, provided that in no event shall such entitlement to comment

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derogate in any way from the full and sole discretion of Teva in respect of all aspects of the Preliminary Plan(s) (and the Development Plan(s)) and the performance thereof.

4.4. The Preliminary Plan shall be updated from time to time but not less often than once every six (6) months, by Teva, in consultation with the R & D Committee, as per the progress of the different development phases (the Preliminary Plan so updated being referred to hereinafter as the "**Development Plan(s)**"). The Development Plan shall incorporate detailed development activities in respect of the Licensed Product for the upcoming phase. Teva, in consultation with Protalix will consider and determine Phase II clinical trial target activities, timelines and the Parties' obligations, which will become specific obligations of the Parties. Notwithstanding the foregoing, Teva may update the Development Plan, at Teva's discretion, in consultation with the R&D Committee**,** at any time and from to time, to reflect progress made as per the Development Plan. Without derogating from any of the above, the outline of the activities of the Parties under the Development Plan, as currently envisaged, is attached hereto as Annex 4.4.

4.5. The Development Plan shall specify the activities, timelines and division of responsibilities between Teva and Protalix in respect of the performance of the Stage 2 collaboration. Teva and Protalix shall each make commercially reasonable efforts consistent with their respective normal business practices to each pursue their obligations under the Development Plan, and shall each diligently perform its tasks as set forth in the Development Plan. Without derogating from the foregoing, in the course of the performance of Stage 2, Protalix shall be obligated to provide Teva with manufacturing information as may be reasonably required by Teva solely for the purpose of Teva's pursuing clinical development, and obtaining regulatory approvals for and commercializing, Licensed Products.

4.6. At the end of each calendar quarter during the course of the performance of Stage 2, each Party shall provide the other Party with periodic progress reports regarding the progress of such Party's activities under Stage 2, in a form to be agreed between the Parties. Each Party may, from time to time, request updates regarding the progress of the other Party's activities during Stage 2, in addition to the periodic progress reports, and pursuant to any reasonable request, the other Party shall provide same.

4.7. In addition, Protalix shall provide Teva, at Teva's request, with reports, in an agreed form, including financial reports in the format required by the Office of the Chief Scientist ("**CSO**") which Teva may be required to provide to the CSO in order to obtain CSO support for Stage 2, in addition to the periodic progress reports to be provided hereunder.

4.8. Each Party shall perform its obligations under the Development Plan in accordance with all applicable laws and regulations, and each Party shall procure the receipt of all approvals and consents necessary for the performance of such Party's obligations under the Development Plan. Without derogating from the foregoing, it is clarified that approvals and consents necessary for the performance by Protalix of its portion of the Development Plan and specifically related to the Protein but also usable by Protalix in respect of other proteins shall be procured by Protalix and the costs of same shall be allocated between Teva and Protalix in accordance with the relative use of same in respect of the relevant Protein.

4.9. Teva's representatives shall have the right to visit and audit Protalix's facility where Licenced Product is manufactured, at times to be coordinated between the Parties in advance, once Protalix commences the manufacture of clinical quantities of Licensed Product, but not more often than twice every calendar year.

4.10. Teva shall provide Protalix with copies of all regulatory filings and approvals, investigational new drug (IND), chemistry manufacture and control (CMC) files, new drug applications (NDA), drug master files, clinical protocols and reports, and all modifications thereto, as well as material correspondence with regulatory authorities. Teva shall keep Protalix currently informed about the progress made towards obtaining regulatory approval of the Licensed Products in each country and shall provide Protalix with written status reports on a quarterly basis. Teva shall also notify Protalix, in writing, immediately upon the receipt of regulatory approval of any Licensed Product in each country.

4.11. No later than [***] prior to the commencement by Teva of Phase III clinical trials in respect of the Licensed Product(s), Protalix shall provide to Teva (or shall instruct the Escrow Agent to release to Teva) the Backup Manufacturing File.

4.12. Protalix shall not be entitled to subcontract all or part of its tasks under the Development Plan, without Teva's prior written consent. Should Protalix wish to do so, Protalix shall so notify the R&D Committee and Teva in writing, and Teva shall have the right, at its sole discretion (but shall not be obligated), to perform such tasks as Protalix's subcontractor, on the condition that Teva shall perform same over a reasonable time period no longer than the time period that it would take another reasonable third party to perform such task(s). For the sake of clarity, in the event that Teva shall elect not to perform as Protalix's subcontractor, and Protalix shall use a permitted subcontractor that is not Teva, Protalix shall bear all responsibility and liability vis-à-vis Teva arising from the performance by such subcontractor. To the extent Teva wishes to subcontract any part of its tasks under the Development Plan to any third party, it shall so notify the R&D Committee, it being understood and agreed that no subcontract by Teva shall be made to a Protalix Competitor, except if and to the extent that Protalix is not capable of performing the same service for Teva at a competitive market price. For the sake of clarity and without limiting the foregoing, in the event that Teva shall use a subcontractor for the performance of any of its obligations hereunder, Teva shall bear all responsibility and liability vis-à-vis Protalix arising from the performance by such subcontractor.

4.13. The Parties hereby acknowledge that neither Party has guaranteed that Stage 2 will be successful or achieve any specific results or that any regulatory approvals shall be granted with respect to the Licensed Products.

4.14. From the commencement of the performance of Protalix's obligations under Stage 2, Teva shall bear all actual costs incurred or expended by Protalix directly related to the performance of Protalix's activities included in Stage 2, according to the budget proposed by Protalix and pre-approved in writing by Teva (the "**Budget**"), as follows:

4.14.1. [***]

[***] Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the Securities and Exchange Commission.

4.14.2. [***].

4.15. The amounts of the Budget described above shall be paid by Teva every [***] months on a [***] rolling basis, whereby [***] of the relevant Budget for each [***] shall be paid upfront at the beginning of such [***] period and the balance shall be paid at the end of the relevant [***], unless only part of the relevant tasks were carried out during such period, in which case the balance shall be adjusted accordingly. All payments shall be made against receipt of a proper tax invoice.

4.16. For the avoidance of doubt, it is clarified that (i) any in-licensing of third party technology by Protalix for the purposes of the performance of the Feasibility Programs or the Development Programs (or any one of them) and/or for the incorporation of such third party technology into the process of the development or manufacture of the Proteins and/or (ii) any use of third party technology (including that of [***] already licensed to Protalix) by Protalix in the performance of the Feasibility Programs (or any one of them) or in the development or manufacture of the Proteins, shall require the prior written agreement of Teva, and shall not be in-licensed or used, as applicable, in the event that such prior written agreement of Teva is not provided. Payments to third parties in respect of such licenses shall be borne and paid by [***]. For the avoidance of doubt, any such approval by Teva rendered in the course of a Feasibility Program, shall continue to apply during the Development Program and thereafter for as long as the third party technology is in use in relation to Licensed Products commercialized by Teva, its Affiliates, Sublicensees or Further Sublicensees, and may not be retracted by Teva.

4.17. Protalix shall be obligated to manufacture the Proteins, both for development and commercial purposes for the sole consideration provided in Section 4.14 above and 10 below, in such quantities as shall be set forth in the Feasibility Program (during Stage 1) and the Development Plan (during Stage 2), and thereafter, as per orders placed by Teva pursuant to a separate manufacturing and supply agreement (the "**Supply Agreement**') to be entered into between the Parties by no later than the initiation of Phase III regulatory clinical trials in respect of a Licensed Product. Protalix shall manufacture the Proteins in accordance with applicable regulatory requirements (such as GMP and GLP, as determined by Teva in consultation with Protalix) and shall be fully responsible for its manufacturing activities (and those of

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any third party on its behalf). The Supply Agreement shall govern the procedures for ordering and deliveries, lead time for deliveries, quality assurance, specifications and all other matters related to the manufacture and supply of the API by Protalix in accordance with the relevant regulatory requirements as shall be determined by Teva in consultation with Protalix, reflecting the commercial terms set out in Section 10.4 hereunder. Key elements of the Supply Agreement shall be set forth in **Annex 4.17** which shall be attached hereto within thirty (30) days of the Effective Date.

4.18. Any deviation from the approved Budget for Stage 2 shall require notification to Teva in advance, provided that any such deviation in excess of [***] shall also require the prior approval of Teva.

5. **Research and Development Committee**

5.1. The Parties shall form a Research and Development Committee (the "**R & D Committee**"), that shall be active for the duration of the Feasibility Program and the Development Plan. During Stage 1 the R & D Committee shall have the charter to adjust and amend the Feasibility Program (per Protein), as required for scientific or technological reasons. During Stage 2 the R & D Committee shall monitor the performance of the Development Plans, the research and other activities being conducted thereunder, and shall issue its recommendations in writing to the Parties, but shall have no decision making authority. The R&D Committee shall be comprised of four (4) members, having one vote each, of which two (2) shall be appointed by each Party, including one co-chairperson appointed by each Party. Only employees of the Parties can be appointed to serve on the R&D Committee. The R&D Committee shall meet periodically (but in any event no less than quarterly) during the performance of the Feasibility Program and Development Plan.

In the event that, during the term of a Feasibility Program, the members of the R&D Committee cannot agree on an issue within the scope of its authority within thirty (30) days of its initial consideration, the matter shall be referred by either co-chairpersons in writing to one (1) expert, the identity of whom shall be mutually agreed upon, for a reasoned determination in writing. In the event that, during the term of the Development Plan, the members of the R&D Committee cannot agree on a recommendation to be made to Teva, then the members appointed by Teva shall have a casting vote in respect of such recommendation.

5.2. At each R&D Committee meeting, at least one (1) member appointed by each Party present in person or by telephone shall constitute a quorum. Each Party shall have equal voting power, whether represented by one or two Committee members, on all matters before the R&D Committee.

6. **License Grant**

6.1. Subject only to the provision of the Stage 2 Notice by Teva, Protalix hereby grants Teva, and Teva hereby accepts from Protalix, an exclusive world-wide license under the Platform IP, the Protein IP and the Other IP owned by or licensed to Protalix (collectively, the "**Licensed Information**") to research, develop, make, have made, register, import, manufacture, use, sell, offer for sale, produce, sublicense, commercialize, distribute the Proteins and/or pharmaceutical products embodying,

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based on or using the Proteins (the "**Licensed Products**") for all indications (the "**License**") and for no other purposes whatsoever.

6.1A To the extent that the Parties shall mutually agree that any Additional Patents are reasonably required to be licensed to Teva in order for Teva to commercialize any Licensed Product(s), then the same shall be added to the list of the Platform Patents and as of such time shall be deemed as being covered by the License hereunder, as part of the Platform IP, provided that at the relevant point in time an exclusive license in respect of such Additional Patent has not already been granted to a third party by Protalix, it being understood and agreed, however, that any such Additional Patents may not be sub-licensed by Teva on a stand alone basis.

6.2. From the Effective Date and at all times prior to [***] with respect to any particular Protein, Protalix shall not, without Teva's prior written consent, grant or enter into any agreement, arrangement or commitment according to which a third party is granted any rights which may derogate from or hinder Teva's ability to exercise Teva's option to obtain the License.

6.3. Teva shall have the right to grant (whole or partial) Sublicenses to third parties (and such third parties shall be entitled to grant further Sublicenses (each, a "**Further Sublicense**" and the term "**Further Sublicensee**" shall be construed accordingly) and so on under the License, on terms and conditions consistent with the terms of this Agreement and Teva shall be entitled to determine the commercial terms of any such Sublicense, all provided that under no circumstances may any Sublicense or Further Sublicense be granted to a Protalix Competitor, unless such Sublicense or Further Sublicense is not granted in respect of the core technology of Protalix (for example, but without limitation, a Sublicense or Further Sublicense may be granted in respect of the marketing and/or distribution of the Licensed Products(s) even to a Protalix Competitor), and provided further that all of Protalix's rights hereunder shall be ensured and, without limiting the generality of the foregoing, that, with respect to each Sublicense or Further Sublicense agreement: (i) Teva notifies Protalix immediately upon signature thereof, and provides Protalix with the name of the Sublicensee or Further Sublicensee and the scope and territory of the Sublicense or Further Sublicense; (ii) each such Sublicense and Further Sublicense agreement (a) provides that the Sublicense or Further Sublicense thereunder shall immediately terminate upon termination of the License hereunder for any reason, and (b) restricting the right to grant a Further Sublicense to a Protalix Competitor. The grant of any Sublicenses and Further Sublicenses shall not derogate from the rights of Protalix and/or the obligations of Teva under this Agreement. Without limiting the foregoing or any of Teva's obligations hereunder relating to the grant of Sublicenses or Further Sublicenses pursuant hereto, Teva shall be entitled to conduct or to perform any activity in respect of the Licensed Products by means of any third party sub-contractor, and such conduct shall not be considered to be a grant of a sublicense, provided it shall notify the R&D Committee and/or Protalix of any such subcontract and provided further that under no circumstances may Teva subcontract any of its tasks or obligations hereunder to a Protalix Competitor unless such subcontract is made not in respect of the core technology of Protalix (i.e. Teva shall be entitled to conduct marketing or distribution activities through subcontractors which are Protalix Competitors). For the sake of clarity and without limiting the foregoing, in the event that Teva shall use a subcontractor, Teva shall bear all responsibility and liability vis-à-vis Protalix arising from the performance by such subcontractor.

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7. **Commercialization of Licensed Products**

7.1. Teva undertakes, at its own expense, to make such commercially reasonable efforts to commercialize the Licensed Products as are consistent with the commercial efforts generally applied to products of similar potential at similar stages in their life cycles, by Teva.

7.2. Teva shall provide Protalix with a non-binding sales forecast for each of the Major Countries, in writing, in respect of each Licensed Product, by no later than [***] prior to the anticipated date of the first regulatory approval in respect thereto. Such report shall be updated by Teva, in writing, on a [***] basis. Moreover, each sales forecast shall be accompanied by a report of Teva's and its Affiliates launch dates and main regulatory filings on a [***] basis with respect to the Licensed Products. Teva shall also provide Protalix with similar information with regard to such launch dates and filings in territories in which Sublicensees and Further Sublicensees have conducted similar activities, to the extent available to Teva.

7.3. For the removal of doubt, nothing contained in this Agreement shall be construed as a warranty by Teva that any efforts to be exerted by Teva in connection with this Agreement, including without limitation any development or any commercialization to be carried out by it in connection with this Agreement, will actually achieve their aims or any other results or succeed, and Teva makes no warranties whatsoever as to any results to be achieved in consequence of the carrying out of any such development, commercialization, efforts or activities. Furthermore, Teva makes no representation to the effect that the commercialization of the Licensed Products, or any part thereof, will succeed, or that it shall be able to sell the Licensed Products in any quantity.

8. **Milestones and Royalty Payments**

8.1. In consideration for the grant of the License, Teva shall make the following milestone payments to Protalix, upon achievement of the relevant milestones on a [***] basis (each, a "**Milestone**") (the "**Milestone Payments**"):

8.1.1. [***]

[***]

[***]

[***] Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the Securities and Exchange Commission.

8.1.2. [***]

[***]

[***]

[***]

[***]

[***] Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the Securities and Exchange Commission.

8.2. In addition, in consideration for the grant of the License, Teva shall, throughout the Royalty Term (as such term is defined below), pay to Protalix royalties at the following rates on annual Net Sales, during each calendar year in respect of each Licensed Product, on a [***] (the "**Royalty Payments**"), as specified in this Section 8.2 below:

(a) [***]

(b) [***]

(c) [***]

(d) [***]

(e) [***]

[***]

8.3. [***].

8.4. Notwithstanding the foregoing, in the event that any [***] is sold in the form of a Combination Product, then the proportion of such Combination Product to

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be attributed to Net Sales that are subject to the Royalty Payments (the "**Relevant Proportion**") shall be calculated as provided below.

Provided that both active ingredients of the Combination Product are sold on a stand-alone basis at the time in question, the Relevant Proportion shall be as follows: [***].

8.5. Payments to Protalix pursuant to this Section 8 will be due and payable hereunder until the expiration of [***]years after the First Commercial Sale in any country calculated on [***] basis (in each case, the "**Royalty Term**").

8.6. Following the expiry of the Royalty Term, [***], Teva shall have a fully paid up license to continue to exploit the License without having to make Royalty Payments with respect thereto.

9. **Payment Terms and Reporting in Respect of the License**

9.1. As of the achievement of the first Milestone pursuant to Section 8.1.1 above, and for the duration of the Royalty Terms, Teva shall submit to Protalix, no later than [***] after the end of each [***], [***] reports setting out all amounts owing to Protalix in respect of the [***] to which the report refers, and with respect to each Licensed Product, (i) the Net Sales [***], including a breakdown of Net Sales according to country and currency of sales, (ii) amounts deducted as royalties to third parties pursuant to Section 1.2.39(vii), (iii) total Milestone Payments and Royalty Payments due to Protalix in respect of such [***] or, if no such payments are due to Protalix in respect of such [***], a statement that no payments are due; and (iv) any calculations made in relation to Combination Products. Teva shall submit to Protalix, by no later than [***] after the end

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of each [***], an [***] report setting out any adjustments in Royalty Payments pursuant to Section 9.2A. Each such report shall be signed by the relevant financial executive of the Global Products division of Teva.

All such reports, as well as all other reports provided hereunder, shall be treated as Confidential Information pursuant to Section 20 below.

9.2. Amounts payable to Protalix in terms of Section 8 shall be paid to Protalix (i) in respect of Royalty Payments, on a [***] basis, and no later than [***] after the end of each [***], commencing with the first [***] in which Net Sales are made, (ii) in respect of Milestone Payments, within [***] following the achievement of the applicable Milestone.

9.2A Notwithstanding, the [***] payments of Royalty Payments shall be paid based on the assumption that no Market Advantage exists. Not later than [***] following the end of a [***], Teva shall pay Protalix the additional nominal amounts of Royalty Payments due in the event Market Advantage existed during such [***].

9.3. Each payment due to Protalix hereunder shall be paid by wire transfer of immediately available funds to an account designated by Protalix in writing.

9.4. Teva shall maintain and shall cause its Affiliates to maintain, complete and accurate records of Licensed Products sold under this Agreement, any amounts payable to Protalix in relation to such Licensed Products and which records shall contain information to reasonably permit Protalix to confirm the accuracy of any payments made to Protalix. Teva shall retain and shall cause its Affiliates to retain such records relating to a given calendar year for at least [***] after the conclusion of that calendar year, during which time Protalix shall have the right, at its expense, to cause an independent, certified public accountant to inspect such records during normal business hours for the sole purpose of verifying any payments delivered under this Agreement. Such accountant shall not disclose to Protalix any information other than information relating to the accuracy of reports and payments delivered under this Agreement. In the event that any audit performed under this Section 9.4 reveals an underpayment in excess of [***]in any calendar year, and if such underpayment is proven to the satisfaction of a mutually agreed external auditor (it being agreed that absent such mutual agreement as to the identity of the auditor within thirty (30) days of a Party's written notice to the other Party that it wishes to have such external auditor appointed, the external auditor shall be one of the 'big four' accounting firms), then Teva shall bear the full cost of such audit. Protalix may exercise its rights under this Section only once every year and only with reasonable prior notice to Teva, and the relevant Affiliate and subject to prior coordination. Any such audit shall be made during Teva's or the relevant Affiliate's normal business hours and shall not unreasonably interfere with the business of Teva or the relevant Affiliate, and shall be completed within a reasonable time. Teva shall promptly transfer to Protalix any payment due pursuant to such auditor's audit. Such payment shall bear interest as set forth in Section 23.17.

9.5. Without derogating from the provisions of the preceding Section 9.4, Protalix shall have the right to request that Teva inspect records of Licensed Products sold under this Agreement by Sublicencees and Further Sublicensees, for the sole purpose of verifying any payments delivered under this Agreement, in which case Teva shall exert its reasonable commercial efforts to perform such audit. In the event that any audit performed under this Section 9.5 reveals an underpayment in excess of [***],

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and if such underpayment is proven to the satisfaction of a mutually agreed external auditor (to be appointed in accordance with the procedure set out in Section 9.4 above), then Teva shall bear the full cost of such audit. In any other event (of overpayment or underpayment of less [***], Protalix shall bear the full cost of such audit. Protalix may exercise its rights under this Section only once every year. Teva or Protalix, as applicable, shall immediately pay to the other Party any underpayment or overpayment together with interest provided in Section 23.17 below.

9.6. Protalix shall maintain, and shall cause its Affiliates to maintain, complete and accurate records of both its Internal Expenses and External Development Expenses, as well as records of costs incurred in the performance of each Feasibility Program (for the event that Teva reimburses Protalix for same pursuant to the substitution of a Protein), which records shall contain information to reasonably permit Teva to confirm the accuracy of any payments made to Protalix. Protalix and/or its Affiliates shall retain such records relating to a given calendar year for at least seven (7) years after the conclusion of that calendar year, during which time Teva shall have the right, at its expense, to cause an independent, certified public accountant to inspect such records during normal business hours for the sole purpose of verifying any payments delivered under this Agreement. Such accountant shall not disclose to Teva any information other than information relating to the accuracy of reports and payments delivered under this Agreement. In the event that any audit performed under this Section 9.6 reveals an overpayment in excess of [***]in respect of any Protein, and if such overpayment is proven to the satisfaction of a mutually agreed external auditor (to be appointed in accordance with the procedure set in Section 9.4 above), then Protalix shall bear the full cost of such audit and shall promptly pay to Teva such overpayment together with interest as provided in Section 23.17 below. Teva may exercise its rights under this Section only once every year and only with reasonable prior notice to Protalix, and subject to prior coordination. Any such audit shall be made during Protalix's or the relevant Affiliate (as applicable) normal business hours and shall not unreasonably interfere with the business of Protalix or the relevant Affiliate (as applicable) and shall be completed within a reasonable time.

10. **Bulk (API) Manufacturing Terms**

10.1. Notwithstanding Section 6 above, Protalix shall retain the exclusive right to manufacture the API and to continuously supply same to Teva and its Affiliates, Sublicensees and Further Sublicensees, for the Licensed Products, during the first [***] years following the First Commercial Sale of the first Licensed Product on a per Protein basis (the "**Exclusive Manufacturing Term**"). Teva shall be responsible for the formulation of the API into finished Licensed Product. Without derogating from any other visit and audit right under this Agreement, as from [***] prior to the expected commencement of the Exclusive Manufacturing Term, Teva's representatives shall have the right to visit and audit Protalix's facilities where the API is being manufactured, during normal business hours, and following prior coordination with Protalix.

10.2. Following the expiry of the Exclusive Manufacturing Term, Teva shall have the right to manufacture the API [***] in its own facility or elsewhere, or through any third party which is not a Protalix Competitor, at its sole discretion, subject to the appropriate undertakings by the transferee of non-disclosure and non-use other than the supply to Teva and its

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Affiliates, Sublicensees and Further Sublicensees, and shall use the Manufacturing Know-how (as such term is defined below) solely for such purpose.

10.3. Without derogating from the above, Teva may elect, at its sole discretion, to continue receiving Protalix's manufacturing services after expiration of the Exclusive Manufacturing Term. In such event, Protalix undertakes to perform such manufacturing services, for the sole consideration set forth in Section 10.4 hereinafter.

10.4. As of the First Commercial Sale, Teva shall pay Protalix consideration based on the actual direct cost of the manufacturing of the API incurred by Protalix to be calculated pursuant to the Supply Agreement as shall be mutually agreed [***]:

10.4.1. [***].

10.4.2. [***].

[***].

10.5. Notwithstanding the foregoing, in the event that the annual payments to Protalix that consist of the [***] (calculated according to Section 10.4 above) plus the Royalty Payments on a [***] basis during any given calendar year (the "**Annual Protalix Payment**"), shall exceed the amount of [***] of the aggregate amount of annual Net Sales in such calendar year on a [***] basis (the "**Ceiling Amount**"), then the Annual Protalix Payment, in respect of the [***], shall be reduced to an amount equal to the Ceiling Amount, provided that in no event shall the Annual Protalix Payment in respect of the [***], be reduced to an amount less than [***] calculated on the basis of [***]. Any over payment by Teva shall be set-off, by written notice from Teva to Protalix, detailing the calculation of such over-payment, from the upcoming Royalty Payment due to Protalix hereunder.

10.6. The Parties hereby acknowledge and agree that a back-up manufacturing facility should be available in respect of the Proteins. Not later than six (6) months prior to the commencement of Phase III clinical trials to be performed in respect of the First Licensed Product on a per Protein basis, the Parties shall mutually agree on the site at which such back-up manufacturing facility shall be located, and the Party by whom such facility shall be established.

10.7. (A) Protalix shall transfer, on a per-Protein basis, to an agreed third party (the "**Escrow Agent**"), by not later than date of the completion of Phase I (last patient out) as set forth in the Development Plan, a complete file (the "**Back-Up Manufacturing File**") consisting of all engineering schemes, standard operating procedures, protocols, plans, master manufacturing file, know how and any other information, tangible or intangible, whether in writing, electronic form or otherwise, and any updates thereof, which is reasonably necessary for Teva in

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order to establish its own internal manufacturing facility and manufacture the API (the "**Manufacturing Know-how**"). Concurrently with the transfer of the Back-Up Manufacturing File to the Escrow Agent, a copy of the table of contents of such file shall be transferred to the R&D Committee. Teva may request, based on such table of contents, that the Back-Up Manufacturing File be reviewed by a mutually agreed industry expert (the "**Industry Expert**") who may recommend in writing that the file be supplemented, as may be reasonably required and Protalix shall supplement such file as recommended within sixty (60) days from the receipt by Protalix of such written recommendation. The Industry Expert shall be bound by confidentiality undertakings to Protalix no less stringent than those contained in Section 20 hereof and shall not disclose to Teva any information relating to or contained in the Back-Up Manufacturing File. The Industry Expert shall sign a non-disclosure agreement to such effect.

(B) Subject to the terms of this Section 10.7(B), the Escrow Agent shall be authorized to release the Back-Up Manufacturing File to Teva, solely upon the terms and conditions set out in a tri-party agreement to be executed between the Parties and the Escrow Agent, in the form to be attached hereto within thirty (30) days of the Effective Date hereof (the "**Escrow Agreement**"). Such Escrow Agreement shall determine that the Back-Up Manufacturing File shall be released to Teva upon the earlier of: (i) [***]; (ii) the occurrence of a material breach by Protalix of its manufacturing obligations hereunder, which breach is not rectified within sixty (60) days of receipt by Protalix of Teva's written notice specifying the breach; and (iii) the grant of a winding-up order or the appointment of a receiver in respect of Protalix, or the grant of an attachment order on all, or a substantial portion of, Protalix's assets, which is not set aside within ninety (90) days of the issuance thereof. The Back-Up Manufacturing File as may be duly released to Teva pursuant to the Escrow Agreement may be utilized by Teva solely for the establishment and operation of a facility for the manufacture of the API. Following release of the Back-Up Manufacturing File to Teva, on the grounds stated in (ii) or (iii) above, Teva shall be entitled to manufacture the API also through a Protalix Competitor.

(C) Teva shall reimburse Protalix, for its reasonable expenses directly incurred and associated with the preparation by Protalix of the Back-Up Manufacturing File for submission to the Escrow Agent and for its costs associated with the services of the Escrow Agent and the Industry Expert pursuant hereto (pursuant to invoices submitted by the Escrow and Industry Expert and paid by Protalix).

11. **Intellectual Property Rights**

11.1. The Parties agree that, as between the Parties, Protalix does and shall own all rights, title and interest in and to the Platform IP. The Parties acknowledge that certain of the Platform IP that might be developed by or for Protalix or a subsidiary of Protalix (if such shall exist) following the Effective Date may be subject to contractual limitations vis-à-vis third parties. Such limitations (which by their nature, would apply to the Proteins and/or the Licensed Products) shall apply to Teva only if and to

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the extent Teva shall approve them in writing in advance. Otherwise, Protalix shall be fully responsible for such contractual limitations whether monetary or other.

11.2. In the event that during the collaboration hereunder, any subsidiary of Protalix or any company with which Protalix merges (if such shall exist) shall generate or own any IP that if generated or owned by Protalix would have been considered part of the Licensed Information hereunder, then Protalix shall immediately notify Teva of such IP and shall act immediately and ensure that such IP shall be licensed to Protalix (or directly to Teva) and will become part of the Licensed Information, licensed to Teva as provided hereunder, at no additional cost to Teva. Such IP shall be classified as Platform IP, Protein IP or Other IP in accordance with the terms hereof as if it had been generated by Protalix in the first place.

11.3. All rights, title and interest in and to the Protein IP and Other IP developed during the performance of the Feasibility Program, will be owned by Protalix ("**Protalix's Protein and Other IP**"). For avoidance of doubt, Protalix's Protein and Other IP will be considered part of the Licensed Information, and as such, covered by the License hereunder.

11.3A In the event that there is any portion of Platform IP that specifically and directly relates (but does not solely relate) to one or more of the Proteins, and Protalix shall seek patent protection in respect of such portion of the Platform IP, then, to the extent possible: the Parties shall co-operate in order that the patent protection sought shall be filed in a manner that will split/ distinguish between patents covering Platform IP that solely relates to the Proteins and other Platform IP. The patent applications/ patents filed in respect of Platform IP that solely relates to the Proteins(s) shall be considered part of the Protein IP, and not Platform IP.

11.4. Notwithstanding the above, in the event that a Change of Control of Protalix is effected following the commencement of Stage 2, such that a Teva Competitor acquires Control of Protalix, Teva shall have the right, at its sole discretion, to receive an assignment of all Protalix Protein and Other IP without any assignment fee. Protalix's Protein and Other IP so assigned to Teva shall be treated hereunder as Teva IP (as defined below) for all intents and purposes, provided however that the economic benefits to Protalix under this Agreement, including *inter alia*, its right to receive Royalty Payments and Milestone Payments, shall not be diminished as a result of such assignment, in any way.

11.5. A "**Change of Control**" means (i) the sale of all or substantially all of the assets of Protalix, or (ii) any transaction between Protalix or its shareholders and another entity/ies as a result of which another company/ies, or another company/ies' ultimate shareholder/s, directly or indirectly shall own more than fifty percent (50%) of the shares of Protalix or its successor, or has/ve the power to elect more than half of Protalix's or its successor's directors. A "**Teva Competitor**" means [***].

11.6. All Protein IP and Other IP developed as of the date on which Teva provides the Stage 2 Notice, by or for Protalix, jointly by or for both Parties, or by or for Teva, shall be exclusively owned by Teva, and Teva shall have all right, title and interest thereto (the "**Teva IP**").

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11.7. Teva hereby grants Protalix a non-exclusive, royalty-free, perpetual license to use such portion of the Other IP included in the Teva IP that shall be developed solely by Protalix's employees, for any purpose that is not related in any manner to the manufacturing, developing, selling and/or commercialization of the Proteins or the Licensed Products (which Teva IP, for the avoidance of doubt, shall include any Other IP that may be assigned to Teva pursuant to Section 11.4 above).

11.8. Except as otherwise set forth in this Agreement, Teva and Protalix shall retain their respective unrestricted rights to make, have made, use and sell all such data, information, discoveries or inventions that are or may be owned by them, provided however that Protalix shall not be entitled to sell, pledge (other than in the ordinary course of business for the receipt of credit-lines) or assign any portion of the Licensed Information without prior written approval by Teva.

11.9. Each Party hereto undertakes to sign, execute and deliver all documents and papers that may be required, and perform such other acts as may be reasonably required in the circumstances, in order to ensure the division of the intellectual property rights between the Parties in accordance with the terms of this Section 11, as well as the filing of any and all patents arising hereunder and the registration of the License granted hereunder.

12. **Prosecution and Protection of Intellectual Property**

Patent Filing

12.1. Throughout the term of the License granted hereunder, [***]shall be obligated, at its own expense, to file, record, prosecute, and maintain all patent rights with respect to the [***] in the countries as set forth in **Annex 12.1** attached hereto (the "**Current Countries**"). In addition, throughout the performance of the Feasibility Program only, [***] shall be obligated to file, record, prosecute and maintain, all patent rights with respect to the [***] in all the Major Countries. In addition, [***] shall have the right, at its own expense, to file, record, prosecute, and maintain all patent rights with respect to the [***], in all other countries which are not the Current Countries.

12.2. Notwithstanding 12.1 above, as of the provision of Stage 2 Notice by [***], [***] shall, at [***] expense and as long as this Agreement is in effect, file, record, prosecute and maintain all patent rights with respect to the [***], in the Major Countries, and, at its discretion, in the other countries of the world.

12.3. Each Party shall provide the other Party with a prior written notice regarding filing of each patent application which is filed pursuant to section 12.1 or 12.2, and shall furthermore give reasonable consideration to the comments received by the other with respect to the filing of such patents. Each Party shall provide the other with reasonable information relating to the prosecution of such Party's IP [***], and the maintenance and other proceedings relating thereto including, without limitation, by providing copies of substantive communications, notices, actions, search reports and third party observations submitted to or received from patent offices. Provision of all such documentation and information from one Party to the other shall be at no cost to the receiving Party.

12.4. In the event that [***] fails to file, record, prosecute or maintain all patent rights with respect to the [***] in all the Current Countries or, as applicable throughout the

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performance of the Feasibility Program, the [***] in any of the Major Countries, which failure constitutes a breach of its obligations under Section 12.1 above, then [***] shall be entitled to terminate this Agreement and to any other remedy provided to it under law.

12.5. If [***] elects not to file, record, prosecute or maintain all patent rights with respect to the [***] in countries other than the Current Countries or, as applicable, [***], in any country of the world which is not one of the Major Countries, [***] shall notify [***]in writing of such election to allow [***], in its sole discretion, to file and/or continue to prosecute such patent application and/or maintain such patent in such country at its own cost and expense. In such event, for as long as [***] continues to prosecute and maintain such patents, then, in respect of such country, [***] shall not be obligated to pay [***] in such country protected or to be protected by such patent until such time as [***] out of pocket expenses incurred in prosecuting and/or maintaining such patents are recouped. [***] shall notify [***] in writing of [***] election as aforesaid. For the avoidance of doubt, it is hereby clarified that should [***] assume control over the prosecution and maintenance of such patents as aforesaid, then at any time thereafter [***] may, in its sole discretion, cease the prosecution and maintenance of such patents, upon prior written notice to [***].

12.6. If [***] elects not to file, record, prosecute or maintain all patent rights with respect to the [***] in any of the Major Countries, [***] shall notify [***] in writing of such election to allow [***], in its sole discretion, to file, record and/or continue to prosecute such patent application and/or maintain such patent in such country. In such event, for as long as [***] continues to file, record, prosecute and maintain such patents or patent applications and notifies [***] of same, then, in respect of such country, with respect to the [***] in any of the Major Countries, [***] shall reimburse [***] for [***] out of its patent expenses.

12.7. Nothing contained herein shall be deemed to be a warranty by either of the Parties that they can or will be able to obtain patents on patent applications included in the Licensed Information or that any such patents will afford adequate or commercially worthwhile protection.

Patent Enforcement

12.8. In the event that either Party hereto becomes aware of any product that is made, used, or sold or any action that it believes infringes or misappropriates the Licensed Information applicable to the Licensed Products or the Teva IP (collectively, "**Product IP**"), such Party will promptly advise the other of all the relevant facts and circumstances known to such first-mentioned Party in connection with such infringement or misappropriation.

12.9. Prior to the provisions of a Stage 2 Notice, with respect to [***], [***] shall, at its own expense, enforce the [***], or any part thereof, against infringement or misappropriation, bring an action against any third party suspected of infringement or misappropriation of same and control the defense of any counterclaim or declaratory judgment action (or other action) relating thereto; [***] will fully cooperate with [***] at [***] expense, with respect to the investigation and prosecution of such alleged infringement or misappropriation including the eventual joining of [***] as a party to such action, as may be required by the law of the particular forum where enforcement is being sought. Any recovery obtained as a result of such action shall

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be applied first to the documented costs and expenses actually incurred by [***], and [***] shall retain any and all remaining amounts recovered.

12.10. As of provision of the Stage 2 Notice, with respect to the [***], [***] shall have the first right, but not the obligation, to bring an action against any third party suspected of infringement or misappropriation of same, and to control the defense of any counterclaim or declaratory judgment action alleging invalidity or non-infringement (or other action) relating thereto. If [***]elects to bring such action against a third party, [***] will fully cooperate with [***], at [***] expense, with respect to the investigation and prosecution of such alleged infringement or misappropriation, including the joining of [***] as a party to such action, as may be required by the law of the particular forum where enforcement is being sought. Any recovery obtained as a result of such action shall be split, after the deduction of the documented costs and expenses actually incurred by [***], so that [***] will be entitled to [***] and [***] shall retain [***] out of the amounts which constitute compensation for loss of sales. All other amounts shall be retained by [***].

As of provision of the Stage 2 Notice [***] may, at its own expense, enforce the [***], or any part thereof, against infringement or misappropriation, bring an action against any third party suspected of infringement or misappropriation of same and control the defense of any counterclaim or declaratory judgment action (or other action) relating thereto if [***] fails, within sixty (60) days after becoming aware of such infringement, or receiving notice from [***] of such infringement, to take reasonable action to investigate such alleged infringement. [***] will fully cooperate with [***], at [***] expense, with respect to the investigation and prosecution of such alleged infringement or misappropriation including the joining of [***] as a party to such action, as may be required by the law of the particular forum where enforcement is being sought. Any recovery obtained as a result of such action taken by [***] shall be retained by [***] in full.

12.11. Each Party shall execute all necessary and proper documents, take such actions as shall be appropriate to allow the other Party to institute and litigate such infringement actions referred to in this Section 12, and shall otherwise cooperate in the institution and litigation of such actions (including, without limitation, consenting to being named as a party thereto). Each Party, in litigating any such infringement actions, shall keep the other Party reasonably informed as to the status of such actions.

Patent Infringement

12.12. As of the provision of Stage 2 Notice by Teva, in the event that either Teva or Protalix, or both of them, are sued by a third party alleging that the commercialization of the Licensed Products infringes upon any intellectual property rights of such third party the Party being so sued shall immediately give the other Party notice of same.

Teva shall have the right to defend against such action, on behalf of both Parties, as aforesaid within twenty (20) business days from the date the relevant suit becomes known to Teva, and any expenses or costs incurred by Teva in connection with such action(s), and any costs or amounts awarded to the counterparties in such action(s) shall be fully borne by Teva and any recovery in such action shall be retained by Teva in full. In the event that Teva does not exercise its right to defend in a certain country, then Protalix shall be entitled to defend against such claim at its own cost and

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expense in such country and any recovery in such action shall be retained by Protalix in full. In addition, in such event that Protalix defends against such claim, Protalix shall have the right to terminate the License provided hereunder in respect of such country (in which the defense is taken) only with respect to the certain Licensed Product as to which the claim relates.

General

12.13. A Party shall be deemed to have met its obligation to file, record, prosecute, maintain, enforce and defend patents in accordance with Section 12 above if its decision is commercially reasonable solely in view of the foreseeable impact of any action or inaction on the development or commercialization of Licensed Products. For the sake of clarity, such obligations shall apply to the Platform Patents only in respect of actions that may be taken in the Current Countries after the Effective Date.

12.14. Protalix and Teva will reasonably co-operate in the defense of any claims brought against the other Party pursuant to this Agreement and shall voluntarily join any such litigation if so required by law. Protalix and Teva will execute all documents reasonably necessary for the relevant Party to defend against such action, and shall provide documents and help with making contact with witnesses that are or were their employees, consultants or otherwise connected to them, whose testimony — in the judgment of the attorneys handling the law suit (or Teva's or Protalix's counsel in the event the proceedings will be brought only on the name of one Party) — is necessary to allow such litigation to go forward.

12.15. In no event shall either Party enter into any settlement, consent order, consent judgment or any voluntary disposition of such action that would adversely affect the rights of the other without the prior written consent of such other Party, which consent shall not be unreasonably withheld.

13. **New Breakthrough Technology**

13.1. Should Protalix develop on its own or receive a license to Breakthrough Technology, Protalix shall notify Teva thereof as soon as practicable, and provide Teva with all information related thereto, and enter into discussions with Teva, in good faith, with a view towards granting Teva or procuring the grant to Teva of an exclusive worldwide license to utilize such Breakthrough Technology as it relates solely to the Proteins and/or the Licensed Products, but shall not be bound to such discussions if Teva did not initiate negotiation with Protalix in such respect for a period exceeding [***] of its provision of such information to Teva as provided above.

13.2. The license to the Breakthrough Technology shall be granted by Protalix to Teva in return for [***], as shall be discussed and agreed in good faith between the Parties.

For the purposes hereof, the term "**Breakthrough Technology**" means any [***].

[***] Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the Securities and Exchange Commission.

14. **Right of First Look – GCD Product**

14.1. Protalix hereby grants Teva and Teva hereby accepts from Protalix a right of first look (the "**ROFL**") at Protalix's proprietary product based on glucocerebrosidase which is currently under development, for the treatment of Gauchers Disease and for other clinical indications (the "**GCD Product**"), to enable Teva to evaluate its interest in obtaining an exclusive, worldwide license to develop, commercialize, manufacture, market, distribute and sell the GCD Product for all indications, including without limitation Gauchers Disease (the "**GCD License**").

14.2. The period of time during which the ROFL shall be valid, is referred to hereunder as the "**Evaluation Period**". The Evaluation Period shall start as of the Effective Date and shall automatically terminate, on a per country basis, upon: (x) Protalix exclusively licensing the GCD Product (with respect to all indications) to one or more third parties in all of the Major Countries, or (y) the commercial launch of the GCD Product by Protalix in all of the Major Countries, provided Protalix fully complied with the provisions of this section 14. If licenses to third parties in respect of the Major Countries subsequently terminates, the ROFL to Teva shall be reinstated pursuant to the terms of this Section 14.

14.3. Throughout the Evaluation Period, Protalix shall submit to Teva within thirty (30) days after the end of each calendar quarter, a written report briefly describing all updates in its research and development activities in relation to the GCD Product and the results thereof. Notwithstanding the above, if a material event has occurred relating to the development of the GCD Product then Protalix shall so notify Teva promptly.

14.4. At any time or times during the Evaluation Period Teva may notify Protalix in writing, that it wishes to negotiate the terms and conditions of the GCD License (the "**Notice**"). In such event, Protalix shall be bound to an exclusive negotiation period of [***] as of the date of the Notice (the "**Negotiation Period'**) during which time the Parties shall act in good faith and endeavor to finalize the terms and conditions of a license agreement to govern the grant to Teva of the GCD License (the "**GCD License Agreement**"). If the Parties fail to execute GCD License Agreement by the expiry of the Negotiation Period, the Parties shall endeavor to finalize the GCD License Agreement as soon as possible thereafter, without Protalix being barred, however, from negotiating with any third party. The exclusive [***] Negotiation Period shall not occur more than [***]. For the avoidance of doubt, under no circumstances shall Protalix be barred from launching or commercially selling the GCD Product by itself and/or through an Affiliate, and for as long as Protalix intends to do so in any Major Country (as evidenced by a board resolution), Protalix shall **not** be required to conduct negotiations with Teva following receipt of any Notice pursuant to this Section 14.4, in respect to such Major Country. Protalix shall provide Teva with a copy of such board resolution, at its request.

14.5. During the Negotiation Period: (i) Teva shall have the right to evaluate the GCD Product to determine its interest in receiving the GCD License, and to receive all data and information related to the GCD Product generated or received by Protalix prior to the commencement of or during the Negotiation Period, excluding only information regarding commercial terms related to previous negotiations with third parties; (ii) Protalix shall not grant any third party any rights to or in respect of the GCD Product

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which may interfere with the grant of the GCD License to Teva or provide any third party with any information relating to the GCD Product.

14.6. Without derogating from the above, should a third party show interest in acquiring a license for the GCD Product for any indication from Protalix at any time during the Evaluation Period except during a Negotiation Period, and Protalix will decide to enter into negotiations with such third party (the "**Third Party Negotiation Period**"), Protalix shall so notify Teva immediately in writing, and will disclose to Teva all updated information regarding the GCD Product available during and throughout the Third Party Negotiation Period such that Teva may be able to negotiate in parallel with full and complete updated GCD Product information disclosed. For the avoidance of doubt, Protalix shall not be entitled to accept an offer from any third party in connection with the licensing of GCD Product for any indication unless Protalix has first complied with the terms of this Section 14.

14.7. In the event that, at the time Teva exercises its right to enter into the Negotiation Period, Protalix is already in a Third Party Negotiation Period, then, notwithstanding the exclusivity provision set forth above, Protalix may continue negotiating with such third party ONLY, but not with any other third party or parties (for so long as the Negotiation Period is in effect).

14.8. It is hereby agreed that in the event that the Parties will agree upon a definitive agreement with respect to the GCD License, such agreement shall include a provision setting out a mechanism whereby Protalix will not compete with Teva through a second generation GCD Product.

14A Services by Teva regarding the [***]

14A.1 Teva will provide Protalix with [***] with respect to the [***] for the performance of Phase III clinical trials, as set forth in Section 14A.3 below, all in accordance with applicable regulatory requirements (collectively, the "**[***] Services**").

14A.2 The price of the [***] Services shall be [***] in the aggregate, and such price shall be invoiced on a [***] basis, and paid within thirty (30) days of the end of the [***] during which Protalix receives an invoice from Teva, subject to performance of such [***] Services. Any material increase in the cost of the [***] Services stated above will be discussed and negotiated in good faith between the management of both Parties.

14A.3 The [***] Services shall entail the provision of [***].

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Teva shall compile the requisite batch production documentation or a batch master file and provide the same to Protalix.

14A.4 The comprehensive timeline and the detailed description of the [***] Services shall be attached hereto as **Annex 14A.4** within thirty (30) days of the Effective Date.

14A.5 Teva will provide Protalix with any regulatory documentation in its possession in respect of the [***] Services, as may be required pursuant to an audit by regulatory authorities and as may required for the submission of a CMC file (for example Media Fill, Closure Integrity test, etc.). Protalix's QA representatives and/or regulatory QP persons shall have the right to visit and audit Teva's [***] site for the sole purpose of regulatory audit at times to be coordinated in advance between the Parties, but only to the extent required by the relevant regulatory authorities for the conduct of the Phase III clinical trials.

14A.6 Following the completion of the performance of the [***] Services, Protalix shall have the option to request that Teva continue the performance of the [***] with respect to the [***] on a commercial basis (the "**Commercial [***] Services**"), and in the event that Protalix shall request that Teva perform the Commercial [***] Services, the terms of same (including the pricing of batch production) shall be negotiated in good faith between the Parties, to reflect a competitive market price at the relevant time. For the avoidance of doubt, it is clarified that Teva shall only be required to provide the Commercial [***] Services in the event that both Parties hereto agree on the terms of the provision of same.

14A.7 At any time, Protalix may request that Teva transfer to Protalix a technology transfer file, and in such event Teva shall promptly provide the same to Protalix. The reasonable costs of such transfer, as demonstrated by Teva, shall be reimbursed to Teva by Protalix within thirty (30) days of the receipt from Teva of an invoice in respect of same, along with supporting documentation.

15. **Term and Termination**

15.1. This Agreement shall be effective from the date of receipt of all necessary corporate approvals of Teva required in respect of this Agreement (the "**Effective Date**") and shall continue in full force and effect until terminated in accordance with the terms hereof. For the avoidance of doubt, Protalix hereby acknowledges that the approval of the Board of Directors of Teva is required, and that in the event that such approval is not received, this Agreement shall have no force or effect whatsoever.

15.2. Teva shall have the right to terminate this Agreement for any reason with respect to both or any specific Protein (the "**Terminated Protein**"), by providing Protalix with

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thirty (30) days prior written notice of such decision. In the event that only one Protein is terminated, this Agreement shall remain in full force and effect with respect to the remaining Protein which is not a Terminated Protein. No compensation from Teva to Protalix shall be due as a result of such termination.

15.3. Upon the termination of this Agreement by Teva pursuant to Section 15.2 above, with respect to any specific Protein, the following shall apply:

15.3.1. the License granted to Teva by Protalix, with regard to Licensed Products based on such Protein shall be terminated;

15.3.2. Teva shall provide Protalix with a report summarizing its development activities and the results up to termination.

15.4. Without derogating from any other remedies that either Party hereto may have under the terms of this Agreement or at law, each Party hereto shall have the right to terminate this Agreement forthwith upon the occurrence of any of the following:

(i) the commission of a material breach by the other Party hereto of its obligations hereunder, and such other Party's failure to remedy such breach within sixty (60) days after being requested in writing to do so by the non-breaching Party; or

(ii) the other Party's liquidation, whether voluntarily or otherwise, or its entering into any arrangement with its creditors.

15.5. Notwithstanding anything to the contrary in this Agreement, to the extent that a Party (the "Respondent") reasonably and in good faith disagrees with any assertion by the other Party (the "**Claimant**") that there has been a material breach of this Agreement by Respondent, and Respondent provides written notice to Claimant of its disagreement and the basis for its belief (a "**Rebuttal Notice**") within fifteen (15) days after Respondent receives notice from Claimant of a breach, this Agreement will remain in effect and any termination of this Agreement further to Section 15.4(i) hereunder will be suspended pending resolution of such disagreement between the Parties as provided in Section 23.18 below. The Parties will attempt to resolve such disagreement as expeditiously as possible and Respondent will continue to comply with the provisions of this Agreement, to the extent that they are not the subject of the disagreement between the Parties. For the avoidance of doubt, it is clarified that nothing in this Section 15.5 shall derogate from Teva's right of termination pursuant to Section 15.2, at any time and for any reason.

15.6. Upon termination of this agreement for whatever reason, each Party shall immediately return to the other party all materials, reports, updates, documentation, written instructions, notes, memoranda, discs or records or other documentation or physical matter of whatsoever nature or description provided by the other Party, except in the event that such material is owned by such Party pursuant to the terms of this Agreement, and provided that each Party shall be allowed to retain one (1) copy for archival purposes.

15.7. In the event that following termination of this Agreement for convenience or breach by Teva, Protalix shall request the license to utilize the Teva IP for the sole purpose of the further development, manufacturing, commercialization, marketing and sale of a Licensed Product, then Teva will enter into discussions with Protalix, in good faith, with a view towards granting Protalix such license, but shall not be bound to grant

such license. Such license to the Teva IP shall be granted by Teva in return for reasonable consideration by industry standards, as shall be discussed and agreed in good faith between the Parties. For the avoidance of doubt, following termination of this Agreement pursuant to Section 15.4 due to a breach hereof by Protalix, Teva shall **not** be required to enter into discussions with Protalix regarding any request of Protalix to grant any license to the Teva IP.

15.8. Upon termination hereof for any reason, each Party shall be entitled to collect any debt then owed to it by the other Party.

15.9. Save as explicitly stipulated otherwise in any Agreement, any provision, that by its nature, is intended to survive termination, shall survive the termination or expiration of this Agreement.

16. **Representations**

16.1. Each Party hereby represents to the other Party that:

16.1.1. it has the full power and authority to enter into this Agreement and to perform its obligations hereunder, and that subject to Section 15.1 with respect to Teva, that all corporate approvals have been obtained.

16.1.2. entering this Agreement shall not constitute a breach of any agreement, contract, understanding and/or obligation, including such Party's documents of incorporation, that it is currently bound by, and as long as this Agreement is in effect and without derogating from the rights to terminate the Agreement pursuant to Section 15 above, such Party shall not undertake any obligations which conflict with its obligations under this Agreement.

16.2. In addition, Protalix hereby represents and warrants that:

16.2.1. it is the sole and exclusive owner of the existing Platform Patents, and the existing Platform IP, and that all right, title and interest therein and thereto vest in Protalix, and that no third party, other than the CSO to the extent applicable, has any rights whatsoever (including the right to receive royalties or any other compensation) in respect of the existing Platform Patents, and the existing Platform IP;

16.2.2. No third party, has or shall have any rights whatsoever (including the right to receive royalties or any other compensation) in respect of any results of the Feasibility Program and Stage 2 activities to be conducted by or for Protalix, except as might be agreed pursuant to Section 4.16;

16.2.3. To the best of its knowledge, the performance of Protalix's obligations under this Agreement, and the exploitation of the Platform IP do not infringe upon any third party intellectual property rights currently existing;

16.2.4. it has the right and authority, as the proprietor of the Platform IP, to grant the License;

16.2.5. it has no knowledge of any legal suit or proceeding by a third party against Protalix contesting the ownership or validity of the Licensed

Information or any part thereof or contesting the possible exploitation of the License granted hereunder (including as it relates to the commercialization of the Licensed Products) as infringing upon any third party intellectual property rights;

16.2.6. it shall not, during the term of this Agreement, perform any work or other activities on or in respect of the Proteins, except in the course of the collaboration hereunder;

16.2.7. it has the financial capacity to carry out all its obligations hereunder, including, the performance of the Feasibility Programs in accordance with the timelines set forth therein;

16.2.8. other than in respect of the Platform IP, it has not received and hereby undertakes that it shall not receive any funding from the CSO in respect of the Licensed Information, the Feasibility Programs or the performance thereof, or the performance of any other of its obligations under this Agreement; and in respect of the Platform IP, Protalix shall bear any and all amounts due to the CSO;

16.2.9. it has the necessary experience and expertise to perform each of the Feasibility Programs, and its share of the Development Plan during Stage 2;

16.2.10. Protalix does not have any Affiliates; and that

16.2.11. in carrying out its undertakings and responsibilities pursuant to this Agreement, Protalix shall comply with all applicable laws and regulations, licenses, permits, approvals and procedures.

16.3. In addition, Teva hereby represents and warrants that in carrying out its undertakings and responsibilities pursuant to this Agreement, Teva shall comply, and shall require that its Affiliates, Sub-licensees and Further Sub-licensees comply, with all applicable laws and regulations, licenses, permits, approvals and procedures.

16.4. Without derogating from any of the remedies available to either Party hereunder or under applicable law, if either Party shall become aware of the inaccuracy of any of the above representations, such Party shall immediately notify the other Party of such in writing.

16.5. Both Teva and Protalix represent that they shall perform their obligations hereunder diligently, expeditiously and to the best of their abilities.

16.6. Except as otherwise expressly provided in this Agreement, no Party makes any warranty with respect to any technology, patents, goods, services, rights or other subject matter of this Agreement and each Party hereby disclaims warranties of merchantability, fitness for a particular purpose and non-infringement with respect to any and all of the foregoing. Without derogating from the generality of the foregoing, nothing contained in this Agreement is a warranty or representation by Protalix or Teva that any efforts to be exerted by Protalix or Teva in connection with this Agreement including without limitation any development activities to be performed by it hereunder, or any part thereof, will actually achieve their aims or succeed, and the Parties make no warranties whatsoever as to any results to be achieved in consequence of the carrying out of any such efforts or activities; and that any patents will be issued with respect to

the patent applications that are or may constitute part of the list of Platform Patents, or that patents obtained on any of the said patent applications are or will be valid or will afford proper protection or that the Licensed Information will be commercially exploitable or of any other value.

17. **Indemnification**

17.1. Teva shall indemnify, defend, and hold harmless each of Protalix and its directors, officers, employees, and agents and its respective successors, heirs and assigns (the "**Protalix Indemnitees**"), from and against any liability, damage, loss, or expense (including reasonable attorney's fees and expenses of litigation) incurred by or imposed upon any of Protalix Indemnitees in connection with any claims, suits, actions, demands or judgments ("**Claims**") arising pursuant to a breach of a representation or warranty of Teva hereunder and/or concerning the use of any Licensed Information by Teva, or any of its Affiliates or Sub-licensees or Further Sub-licensees, or concerning any Licensed Product that is developed, tested, made, used, or sold pursuant to any right or license granted by Protalix to Teva under this Agreement (except in cases where, and to the extent that, such Claims are finally proven to result from the gross negligence and/or willful misconduct on the part of any of the Protalix Indemnitees and/ or any misrepresentation by Protalix hereunder).

17.2. Teva's undertakings under Section 17.1 above shall be subject to: (a) receipt of prompt written notice of any Claim by the Protalix Indemnitee (provided, however, that the failure to give such notice shall not affect Teva's indemnification undertakings provided hereunder except to the extent Teva shall have been actually prejudiced as a result of such failure), (b) the cooperation of the Protalix Indemnitee(s) regarding the response to and the defense of any such Claim, and (c) Teva's right, by written notice to the Protalix Indemnitees, to assume the defense of the Claim or represent the interests of the Protalix Indemnitees in respect of such Claim, that shall include the right to select and direct legal counsel and other consultants to appear in proceedings on behalf of the Protalix Indemnitees and to propose, accept or reject offers of settlement, all at its sole cost; provided however, that no such settlement shall be made without the written consent of the Protalix Indemnitees, such consent not to be unreasonably withheld or delayed. Nothing herein shall prevent the Protalix Indemnitees from retaining their own counsel and participating in their own defense at their own cost and expense.

17.3. Protalix shall indemnify, defend, and hold harmless each of Teva and its directors, officers, employees, and agents and its respective successors, heirs and assigns (the "**Teva Indemnitees**"), from and against any liability, damage, loss, or expense (including reasonable attorney's fees and expenses of litigation) incurred by or imposed upon any of Teva Indemnitees in connection with any claims, suits, actions, demands or judgments ("**Claims**") arising pursuant to a breach of a representation or warranty of Protalix hereunder and/or concerning the research, development or manufacturing activities of Protalix hereunder (except in cases where, and to the extent that, such Claims are finally proven to

result from the gross negligence and/or willful misconduct on the part of any of the Teva Indemnitees and/ or any misrepresentation by Teva hereunder).

17.4. Protalix's undertakings under Section 17.3 above shall be subject to: (a) receipt of prompt written notice of any Claim by the Teva Indemnitee (provided, however, that the failure to give such notice shall not affect Protalix's indemnification undertakings provided hereunder except to the extent Protalix shall have been actually prejudiced as a result of such failure), (b) the cooperation of the Teva Indemnitee(s) regarding the response to and the defense of any such Claim, and (c) Protalix's right, by written notice to the Teva Indemnitees, to assume the defense of the Claim or represent the interests of the Teva Indemnitees in respect of such Claim, that shall include the right to select and direct legal counsel and other consultants to appear in proceedings on behalf of the Teva Indemnitees and to propose, accept or reject offers of settlement, all at its sole cost; provided however, that no such settlement shall be made without the written consent of the Teva Indemnitees, such consent not to be unreasonably withheld or delayed. Nothing herein shall prevent the Teva Indemnitees from retaining their own counsel and participating in their own defense at their own cost and expense.

18. **Insurance**

Each Party hereto shall maintain, for the term of this Agreement and thereafter, insurance sufficient to cover its obligations under this Agreement and under law as it customarily maintains for similar activities in the regular course of its business. Protalix's insurance obligations with respect to the manufacturing of the API will be included in the Supply Agreement. Teva may fulfill its obligation hereunder to obtain insurance by the maintenance of appropriate self insurance regardless of the nature or title thereof.

19. **Limitation of Liability**

IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER OR ANY OF ITS AFFILIATES FOR ANY CONSEQUENTIAL, INCIDENTAL, INDIRECT, SPECIAL, PUNITIVE OR EXEMPLARY DAMAGES (INCLUDING, WITHOUT LIMITATION, LOST PROFITS, BUSINESS OR GOODWILL) SUFFERED OR INCURRED BY SUCH OTHER PARTY OR ITS AFFILIATES, WHETHER BASED UPON A CLAIM OR ACTION OF CONTRACT, WARRANTY, NEGLIGENCE OR TORT, OR OTHERWISE, ARISING OUT OF THIS AGREEMENT.

20. **Confidentiality**

20.1. Other than as expressly set forth herein, Teva and Protalix undertake to treat and to maintain and to ensure that their Representatives (as defined below) shall treat and maintain, in strict confidence and secrecy any information disclosed by either Party under this Agreement, whether disclosed in oral or visual form or in writing and shall keep in confidence the existence and contents of this Agreement (the "**Confidential Information**") and shall not disclose, publish, or disseminate in any manner, any Confidential Information including, without limitation, any aspect thereof which may have been disclosed prior to the signature hereof to a third party other than those of its Representatives with a need to know same for the purpose of performing its obligations under this Agreement (the "**Purpose**").

In addition, each Party shall undertake to treat and maintain (and to ensure that its Representatives treat and maintain) in strict confidence and secrecy and to prevent any unauthorized use, disclosure, publication, or dissemination of the Confidential Information, except for the Purpose. Each Party agrees to be responsible for any use or disclosure of Confidential Information of any of its said Representatives.

20.2. Each Party shall:

20.2.1. safeguard and keep secret all Confidential Information, and will not directly or indirectly disclose to any third party the Confidential Information without written permission of the other.

20.2.2. in performing its duties and obligations hereunder, use at least the same degree of care as it does with respect to its own confidential information of like importance but, in any event, at least reasonable care.

20.3. The undertakings and obligations under Sections 20.1 and 20.2 above shall not apply to any part of the Confidential Information which:

20.3.1. was known to the recipient of the Confidential Information ("**Recipient**") prior to disclosure by the disclosing Party ("**Discloser**");

20.3.2. was generally available to the public prior to disclosure to the Recipient;

20.3.3. is disclosed to Recipient by a third party who is not bound by any confidentiality obligation, having a legal right to make such disclosure;

20.3.4. has become through no act or failure to act on the part of the Recipient public information or generally available to the public;

20.3.5. was independently developed by Recipient without reference to or reliance upon the Confidential Information;

20.3.6. is required to be disclosed by Recipient by law, by court order, or governmental regulation (including securities laws and/or exchange regulations), provided that the Recipient gives Discloser reasonable notice prior to any such disclosure and cooperates (at Discloser's expense) with Discloser to assist Discloser in obtaining a protective order or other suitable protection from disclosure (if available) with respect to such Confidential Information.

20.4. Teva and Protalix acknowledge that the respective Confidential Information is of special and unique significance to each of them and that any unauthorized disclosure or use of the Confidential Information could cause irreparable harm and significant injury to the Discloser that may be difficult to ascertain. Accordingly, any breach of this Agreement may entitle the aggrieved Party in addition to any other right or remedy that it may have available to it by law or in equity, to remedies of injunction, performance and other relief, including recourse in a court of law.

20.5. Each Party agrees to inform the other Party of any breach or threatened breach of the provisions hereof by its Representatives.

20.6. The provisions relating to confidentiality in this Section 20 shall remain in effect during the term of this Agreement and for a period of three (3) years after its termination.

20.7. "**Representatives**" shall mean employees, officers, agents, subcontractors, consultants, and/or any other person or entity acting on either Party's behalf, individually or collectively and which shall be exposed to Confidential Information.

20.8. Notwithstanding the foregoing, each Party may disclose the terms of this Agreement to the extent required, in the reasonable opinion of such Party's legal counsel, to comply with applicable laws, as well as to Sub-licensees and prospective and current investors, pursuant to appropriate non-disclosure arrangements, provided however that prior to any disclosure, the disclosing Party shall consult with the non-disclosing Party, and the non-disclosing Party shall have the right to delete business sensitive issues.

21. **Publication**

Neither Party shall issue any press release, make any public statement or advertise any information pertaining to this Agreement, or to the collaboration hereunder, without the prior written approval of the other, except as required by applicable law.

Without derogating from the foregoing, disclosure required under applicable law and regulations shall not be subject to the written consent of the other Party, however the disclosing party shall give the other sufficient notice, as far as practicable under law, of such required disclosure as to enable the non-disclosing Party time to object to such disclosure.

22. **Independent Parties**

22.1. This Agreement shall not make either Party the agent or legal representative of the other Party. Neither Party is granted any right or authority to assume or to create any obligation or responsibility, expressed or implied, on behalf of or in the name of the other Party, with regard to any manner or thing whatsoever, unless otherwise specifically agreed upon in writing.

22.2. Protalix hereby agrees that its employees, officers, agents, subcontractors, consultants, and/or any other person or entity acting on Protalix behalf, individually or collectively, shall be the sole responsibility of Protalix and shall not be considered at any time as Teva employees and shall not have any claims against Teva whatsoever.

23. **Miscellaneous**

23.1. The headings in this Agreement are intended solely for convenience or reference and shall be given no effect in the interpretation of this Agreement.

23.2. All amounts required to be paid pursuant to this Agreement are final and inclusive of all taxes and/or duties, of whatsoever nature, except for VAT, which are now or may hereafter be imposed with regard to this Agreement.

23.3. All payments to be made hereunder shall be made by the due date for payment as provided herein, in US Dollars or in New Israeli Shekels ("**NIS**"), as converted from US Dollars as per the representative rate of the US Dollar against the NIS

last published by the Bank of Israel prior to the actual date of payment.

23.4. If applicable laws require that taxes be withheld from any amounts due to Protalix under this Agreement, Teva shall (a) deduct these taxes from the remittable amount, (b) pay the taxes to the proper taxing authority, and (c) deliver to Protalix a statement including the amount of tax withheld and justification therefor, and such other information as may be necessary for tax credit purposes.

23.5. Teva shall be entitled to set-off from any amounts due to Protalix hereunder, any amounts not exceeding the amounts of any damage caused to Teva, including without limitation, as a result of Protalix's breach hereunder.

23.6. Teva shall be entitled to perform any and all of its obligations arising under the terms of this Agreement and to exploit any and all of its rights arising under the terms of this Agreement either directly or through its Affiliates, provided that Teva remains liable to the performance of all of its obligations hereunder.

23.7. Without derogating from Teva's right to grant Sublicenses hereunder, neither Party may assign its rights or its obligations hereunder, in whole or in part, except with the prior written consent of the other Party. Notwithstanding the foregoing, (i) provided that Teva remains liable to the performance of all of its obligations hereunder, Teva may assign its rights and obligations hereunder to an Affiliate thereof, and such assignment may be made by Teva, at Teva's sole discretion, either in respect of the entire Agreement, or with respect to the rights and obligations related to any part of this Agreement; and (ii) Protalix may assign its rights and obligations hereunder to any party acquiring all of the business to which this Agreement pertains, other than to a Teva Competitor.

23.8. Should any part or provision of this Agreement be held unenforceable or in conflict with the applicable laws or regulations of any applicable jurisdiction, the invalid or unenforceable part or provision shall, provided that it does not go the essence of this Agreement, be replaced with a revision which accomplishes, to the extent possible, the original commercial purpose of such part or provision in a valid and enforceable manner, and the balance of this Agreement shall remain in full force and effect and binding upon the Parties.

23.9. This Agreement and the annexes attached hereto, constitute the entire agreement between the Parties with respect to its subject matter and supersede all prior agreements, arrangements, dealings or writings between the Parties, including without limitation, the Outlines of Teva — Protalix Co-Operation executed between the Parties on March 19, 2006. This Agreement may not be varied except in writing signed by the Parties' authorized representatives.

23.10. Defined terms used in this Agreement and in the annexes shall have the meanings ascribed thereto herein and therein. References to Section numbers in this Agreement and in the annexes are to sections of this Agreement. References to Paragraphs in the annexes are to paragraphs in the respective annex in which the reference is made or in other annexes, if so specified.

23.11. No waiver of a breach or default hereunder shall be considered valid unless in writing and signed by the Party giving such waiver and no such waiver shall be deemed a waiver of any subsequent breach or default of the same or similar nature.

23.12. VAT will be added, where applicable, to all payments to be made hereunder and shall be paid against proper invoices.

23.13. Each Party agrees to execute, acknowledge and deliver such further documents and instruments and do any other acts, from time to time, as may be reasonably necessary, to effectuate the purposes of this Agreement.

23.14. None of the provisions of this Agreement shall be enforceable by, any person who is not a party to this Agreement.

23.15. The remedies afforded to any of the Parties hereto, whether hereunder, or under applicable law or otherwise, shall be cumulative in nature and not alternative.

23.16. Any notice, declaration or other communication required or authorized to be given by any Party under this Agreement to any other Party shall be in writing and shall be personally delivered, sent by facsimile transmission (with a copy by ordinary mail in either case) or dispatched by courier addressed to the other Party at the address stated below or such other address as shall be specified by the Parties hereto by notice in accordance with the provisions of this Section. Any notice shall operate and be deemed to have been served, if personally delivered, sent by fax or by courier on the next following day.

Teva's and Protalix's addresses for the purposes of this Agreement shall be as follows

If to Teva:

Teva Pharmaceutical Industries Ltd.
Attention: Dr. Ram Petter
5 Basel Street, Petah Tiqva 49131
Israel
Telephone: 972-3-9267683
Facsimile: 972-3-9267309

With a copy (that will not constitute notice) to:

Teva Pharmaceutical Industries Ltd.
Attention: General Counsel, Legal Department
5 Basel Street, Petah Tiqva 49131
Israel
Telephone: 972-3-926-7297
Facsimile: 972-3-926-7429

If to Protalix Bio-Pharmaceuticals Ltd.

Protalix Bio-Pharmaceuticals Ltd.
2 Snunit St., Science Park, P.O. Box 455, Carmiel 20100
Israel
Attention: C.E.O.
Telephone: 972-4-9889488
Facsimile: 972-4-9889489

23.17. Any payment not received when due pursuant hereto shall bear interest from the due date until the date of actual payment at the rate of [***] (or such other percentage, if lower, as shall not exceed the maximum rate permitted by law).

23.18. This Agreement shall be governed and interpreted according to the laws of the State of Israel. Any dispute arising from this Agreement shall be resolved exclusively by the competent Courts of Tel Aviv-Jaffa, Israel, and by no other court or jurisdiction.

23.19. This Agreement may be executed in any number of counterparts (including counterparts transmitted by fax), each of which shall be deemed to be an original, but all of which taken together shall be deemed to constitute one and the same instrument.

IN WITNESS WHEREOF, each Party has caused this Agreement to be executed by its duly authorized representative:

TEVA PHARMACEUTICAL INDUSTRIES LTD.		**Protalix Bio-Pharmaceuticals Ltd.**	
signature:	*/s/ Amir Elstein*	*signature:*	*/s/ David Aviezer*
name:	Amir Elstein	*name:*	David Aviezer
designation:	Group VP, Global Specialty Pharmaceutical Products	*designation:*	CEO
signature:	*/s/ Keren Siemon*	*signature:*	
name:	Keren Siemon	*name:*	
designation:	Sr. Director BD and Finance, Global Specialty Pharmaceutical Products	*designation:*	
	Date: 14 September 2006		**Date: 14 September 2006**

[***] Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the Securities and Exchange Commission.

Annex 1.2.1

List of Additional Patents

[***]

[***] Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the Securities and Exchange Commission.

Annex 1.2.42

Platform Patents

[***]

[***] Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the Securities and Exchange Commission.

Annex 1.2.44

Proteins

[***]

[***] Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the Securities and Exchange Commission.

Annex 3.1.1A

Outline of the Feasibility Program

[***]

[***] Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the Securities and Exchange Commission.

Annex 4.4

Outline of the activities of the Parties under the Development Plan

[***]

[***] Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the Securities and Exchange Commission.

Annex 4.17

Key elements of the Supply Agreement

Annex 8.2

[***]

[***] Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the Securities and Exchange Commission.

Annex 12.1

Current Countries

[***]

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* The list above is subject to further review by Teva

[***] Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the Securities and Exchange Commission.

Annex 14A.4

Timeline and detailed Description of the GCD Services

Exhibit 10.9

[Translation from Hebrew]

Unprotected Lease Contract

Made and executed in Tel Aviv this 28th October, 2003

Between: **Engel Science Parks (99) Ltd.**
66 Hahistadrut Blvd., Haifa Bay
By Yitzchak Yaacovinsky
The party authorized to undertake and sign in the name of the Lessor
(hereinafter: "**the Lessor**")

of the first part

And: **Metabogal Ltd.**
P.O.Box 432, Kiryat Shmonah, Zip code 11013
(hereinafter: "**the Lessee**")

of the second part

WHEREAS The Lessor has contracted with the Israel Lands Administration by agreement whereby it acquired the development rights in the plot known as Block 18984, Parcels 187 (part of), 188 (part), 190 (part of), 191 (part of), 192 (part of), 193 (part of), 194 (part of), 199 (part of) and 206 (part of) in Carmiel, plot/s no. 1, according to Detailed Plan no. C/8880, in Carmiel, (hereinafter: "**the Land**") all pursuant to the Development Agreement and the Appendices thereto attached to this Agreement and marked as (Appendix "A"); and

WHEREAS The Lessor intends to establish a science park on the Land, consisting of industrial buildings for leasing (hereinafter: "**the Science Park**"); and

WHEREAS The Lessor is the proprietor of development rights from the Israel Lands Administration under a Development Agreement and is entitled to effect transactions with the Land, including leasing buildings that it will construct thereon, as set out below in this Agreement and there is nothing by law or agreement or otherwise to prevent the Lessor from entering into this Agreement; and

WHEREAS The destination of the premises is compatible with the Purpose of the Lease; and

WHEREAS The Lessor declares that the Development Contract has not been rescinded by the Israel Lands Administration and is about to be further extended; and

WHEREAS The Lessee is desirous to lease the Premises (as hereinafter defined) from the Lessor under an unprotected lease according to the Tenants Protection Laws, and the Lessor is prepared to grant such a lease of the Premises to the Lessee, subject to all of the conditions hereinafter contained;

IT IS THEREFORE AGREED, DECLARED AND STIPULATED BETWEEN THE PARTIES AS FOLLOWS:

1. **Preamble**

The preamble to this Contract and the Appendices thereto will constitute an integral part hereof.

2. **Interpretation**

2.1 The headings to the clauses in this Contract are set out for ease of reference only and do not constitute part of the Contract nor will they be applied for purposes of interpretation.

2.2 Save where the context or the meaning otherwise requires, everything stated in the singular includes the plural and vice-versa, and everything stated in the masculine includes the feminine and vice-versa.

2.3 Unless the context otherwise requires, the following words shall bear the meanings set out opposite them when used in this Contract:

"**the Premises**" - means the gross area of some 750sq.m., situated on the ground floor of Building no. 1 of the industrial building distended to be constructed by the Lessor and/or on its behalf, on the Land, within the boundaries of the Science Park in Carmiel. The Premises will consist of offices according to the specification attached, and be totally finished and have a basic infrastructure, but be without installations and furniture.
The Premises will be constructed in accordance with plans, the Lessor's specification and the Lessee's specification respectively attached hereto as Appendices "B", "C" and "D". The Lessor's and the Lessee's specification will be hereinafter collectively called – "the Specification".
The area of the Premises for the purpose of determining the rent will be set in accordance with an actual survey thereafter, after construction is completed.

3 **Term of the Lease, Purpose thereof and Non-applicability of the Tenants Protection Laws**

3.1 **Term of the Lease**

3.1.1 The Lessor hereby leases to the Lessee and the Lessee hereby takes on lease from the Lessor the Premises for a term of 5 years, commencing on 15.2.04 and expiring on 14.2.09 (hereinafter: "**the Lease Term**").

If and to the extent the actual delivery date is deferred by reason of that stated in clause 5.1 hereof, the date of the commencement of the Lease Term will be deemed to be the date of actual delivery, and the expiration date of the Lease Term will be correspondingly deferred.

Subject to the agreed time schedule mentioned in clause 19.9, the Lessor will, in respect of each day of deferral of the date of the commencement of the Lease Term, pay the Lessee an amount equal to twice the amount of the Rent plus VAT, calculated on a daily basis as from the date prescribed above for the commencement of the Lease Term until the actual date of the commencement of the Lease Term. The deferral of the date of commencement of the Lease Term by reason of any act or omission of the Lessee will not obligate the Lessor to make such payment and the date of the commencement of the Lease will remain unchanged.

3.1.2 Notwithstanding the foregoing in relation to the Lease Term, the Lessee will be entitled to terminate the Lease Term by four months prior notice, during the periods and on the following terms and conditions:

3.1.2.1 After 3 years of the lease, against payment of the sum of NIS. 150,000 (plus VAT) in addition to the rent that has been paid in respect of such three-year lease.

3.1.2.2 After 4 years of the lease, against payment of the sum of NIS. 75,000 (plus VAT) in addition to the rent that has been paid in respect of such four-year lease.

The sums mentioned in the above sub-clause will be linked to the residential construction inputs index, the base index being that known on the date of the execution of this Contract, the operative index being that which will be known on the date of the making of the payment according to this clause.

3.1.3 The Lessee hereby undertakes to open the Premises for regular business activity and carry on in the Premises for the entire duration of the Lease Term, a business the purpose of which is set out below.

3.1.4 Subject clause 3.1.2 above, the cessation by the Lessee of the use of the Premises or quitting the same prior to the expiration of the Lease Term will not release it from fully performing its undertakings, including payment of the rent and the remaining payments payable by it under this Contract until the expiration of the Lease Term, except in a case where an alternative tenant is found for the Premises whose identity has been agreed to by the Lessor, in which case the Lessee will be released from the performance of its undertakings under this Agreement from the date on which a contract is forged with the alternative tenant and thereafter.

It is clarified that the Rent will be paid by the expiration of the Lease Term or until an alternative tenant is found who is acceptable to and approved by the Lessor, whichever is the earlier.

The Lessor’s approval will not be unreasonably withheld save that where the Lessor will have agreed to an alternative tenant that has been found by the Lessee, the Lessee will remain liable, jointly with the alternative tenant, for the performance of the undertakings under this Agreement.

3.2 **Purpose of the Lease**

The Lessee hereby leases the Premises for the management of a business in the field of biotechnology including the management of biotechnology laboratories, research, development and production of medications and the Lessee is prohibited from making any other use whatsoever of the Premises.

3.3 **Non-applicability of the Tenants Protection Laws**

3.3.1 There was no tenant entitled to occupy the Premises on the date of the commencement of the Tenants Protection Law (Consolidated Version), 5732-1972.

3.3.2 The Lessee hereby declares that it has not been requested to pay nor has it paid any key money or payments which could be construed as key money and that all the works, alterations, improvements and enhancements that will be made in the Premises, if at all, are not and will not be fundamental alterations and further that the provisions of Part Three of the Tenants Protection Law (Consolidated Version), 5732-1972 dealing with key money, will not apply to the Contract.

3.3.3 The Lease, the Lessee and the Premises are not protected according to the provisions of the Tenants Protection Law (Consolidated Version), 5732-1972 nor according to the provisions of any other law protecting tenants or occupiers in any manner whatsoever and such Laws as amended and the regulations promulgated now or hereafter thereunder do not and will not apply to the building and/or the Lease and/or the Lessee and/or the Premises and/or this Contract.

3.3.4 The Lessee will not be entitled, when quitting the Premises, to any payment whatsoever either in the form of key money or in any other form.

3.3.5 For the avoidance of any doubt the Lessee hereby declares and warrants that if in the future any claims are raised to the effect that the engagement under this Contract is protected according to the Tenants Protection Law or any other law, the Lessee will compensate the Lessor in respect of any damage that will be incurred by it, including the difference between the value of the property at the expiration of the Lease Term as occupied, and the value thereof in the open market, as vacant property.

4. **Rent**

4.1 The Lessee undertakes to pay the Lessor monthly rent pursuant to the following conditions and dates:

4.1.1 The Lessee will pay for the duration of the Lease Term the sum of $9 per month for each sq.m., of the area of the Premises.

4.1.2 The parties agree that in respect of each 11-month period of the Lease, the Lessee will be exempt from paying rent for one month. The month of the Lease without payment of the rent will be granted in relation to each year of the Lease, in the seventh month of the Lease, that is to say – in each year of

the Lease the Lessee will be exempt from payment of rent in respect of the period between 15.4 – 14.5.

4.1.3 The Lessee will deduct from the rent, amount mentioned, tax at source as required by law, unless the Lessor produces to the Lessee a lawful certificate regarding the exemption from deduction of tax at source.

VAT will be added to the above rent against a lawful VAT receipt, at the rate in force on the date on which each payment is made.

4.2 Payment of the rent will be made in new shekels according to the representative rate of exchange of the dollar on the date on which each payment will be made pursuant to the publications of the Bank of Israel.

4.3 Deleted.

4.4 The rent will be paid in quarterly installments in advance, on the 15th of each month of February, May, August, November.

4.5 Deleted.

4.6 Arrears in payment of the rent as well as arrears in any other payment imposed upon the Lessee under this Contract exceeding 14 (fourteen) days, will constitute a fundamental breach of this Contract.

4.7 Every sum which the Lessee is liable to pay under this Contract and which will not have been paid on due date will bear interest on arrears at the maximum rate customary for the time being in Bank Leumi le-Israel B.M., with respect to overruns of unauthorized credit, from the date prescribed for payment under this Contract until the date of actual payment, together with VAT as required by law. The interest rates will vary during the period of the arrears in accordance with changes occurring from time to time in the interest customary in Bank Leumi as stated. Nothing contained in this clause shall derogate from any relief or other right conferred upon the Lessor according to the provisions of this Contract or at law. In respect of the first three days of arrears, no interest on arrears as stated above will be payable.

5. **Acceptance of the Premises**

5.1 The Lessor will place the Premises at the Lessee's disposal in accordance with the Execution Plans (as hereinafter defined) and the Specification attached hereto, complete with connection to the electricity and water supply and after having duly received a certificate from the Electric Corporation and the Lessee undertakes to accept the same in such condition.

As part of the Lessor's undertakings it undertakes to allocate to the Lessee, for the duration of the actual Lease Term, 20 parking places adjacent to the entrance to the Premises.

5.2 It is hereby agreed that by no later than *15.11.03*, the parties will confirm in writing the detailed Execution Plans in respect of the works that will be carried out by the Lessor at the Premises (in this Agreement referred to as: "**the**

Execution Plans"). The Execution Plans will be prepared based on the plans contained in Appendix "B" to the Contract by and at the expense of the Lessor, except for plans in respect of the Lessee's dedicated purposes and any planning in excess of the Lessor's Specification will be borne by the Lessee. The Lessor's Specification and the Lessee's Specification will be delivered to the Lessee at least 7 days prior to the date of the approval thereof as stated above.

The Lessor will provide the Lessee with an assessment of the cost differentials prior to commencing execution.

For the avoidance of any doubt it is hereby emphasized that the Lessor will not be required to execute any work or alteration or improvement whatsoever in the Premises, in addition to its undertakings in the Execution Plans and the Specification.

5.3 The parties agree that a delay of up to three months in the completion of the development works surrounding the Premises does not constitute a breach of this Agreement or a cause for any delay/refusal of the delivery of the Premises and/or the taking of the possession thereof, all on the condition that the Lessee will be able to make actual use of the Premises.

5.4 The parties will, 7 days prior to delivery of possession of the Premises, make a memorandum of delivery within the scope of which the Lessee will itemize all the defects and deficiencies in the Premises. The Lessor will rectify or make good, as appropriate, everything that requires repair and completion by the date of the delivery of possession.

6. **Additional payments to be borne by the Lessee**

6.1 The Lessee undertakes, in addition to the rent and the VAT, to pay all the taxes, fees, levies and compulsory payments applicable now or hereafter to the Premises and/or to the use thereof during the Lease Term including general municipal taxes and business tax as well as expenses for the use of electricity, gas and telephone, and all the remaining maintenance expenses of the Premises in the area of the Premises only (including maintenance and cleaning) as well as the facilities serving the Premises, (such as elevators, air-conditioning, fire-fighting systems and the like).

It is clarified that all the above payments and any other payment applicable to the Premises or the construction thereof (including property tax, amelioration levies and/or sewerage, drainage and water fees), as well as any payment in respect of the period culminating with the date of the delivery of the possession to the Lessee, will be borne and paid for by the Lessor.

The Lessee undertakes to transfer the municipal tax bill in respect of the Premises into its name immediately after taking actual possession of the Premises.

It is clarified and agreed that the Lessee will also be liable for a proportionate share equal to the floor area of the Premises compared with the total floor area of the building in which the Premises are situated, of the cost of maintaining the common areas for the building.

It is clarified that the Lessee will bear the maintenance costs of the Premises including all the installations and systems that are situated within the area of and serve the Premises.

6.2 The Lessee will be liable also after the termination of the Lease Term, for the payments mentioned in this clause above if the liability has been created following the use or consumption made during the currency of the Lease Term, even if the liability or the demand for payment has arrived after the expiration of the Lease Term.

6.3 The Lessee will pay the payments mentioned in this clause above immediately when they fall due.

6.4 The parties will, on the date of the delivery of possession of the Premises, make an accounting with respect to the alterations, additions and/or reductions that have actually been made at the Premises compared with the Lessor's Specification (Appendix "C") and which will be priced according to the full price thereof according to the *Dekel* price list. The amount due to either of the parties following such accounting will be paid by way of a reduction or addition to the first quarterly payment of the rent as appropriate.

6.5 In the event of the Lessor making any payment which, by the provisions of this Contract, is payable by the Lessee, the Lessee will be bound to pay the Lessor such payment immediately upon the Lessor's first demand, with the addition of exchange rate differentials (if any) plus interest on arrears according to clause 9.2 hereof, computed from the date of the making of the payment by the Lessor until the actual payment thereof to the Lessor provided the Lessor has given 14 days' advance notice of its intention to make the payment and the Lessee has failed to pay the same.

7. **Possession of the Premises during the Lease Term**

7.1 The Lessee will keep the Premises in good and proper condition, keep the Premises tidy and clean including the surroundings, installations and fittings thereof, and use the same cautiously and carefully and fulfil the instructions of any competent authority as they exist from time to time in connection with arrangements regarding cleanliness, the removal of waste garbage, and keeping the drainage system and all the remaining systems at the Premises in order.

7.2 The Lessee will repair at its own expense, any defect, malfunction or fault that will be caused or come about or be discovered in the Premises and in any part thereof belonging to the Lessee, including plumbing and various other repairs when they arise and/or have been caused or discovered, except for repairs or damages that have been caused by reason of fair wear and tear following the reasonable use of the Premises and/or as a result of construction and/or infrastructure defects (including sewage, electricity, water) in the construction of the Premises, the responsibility for which will apply to the Lessor.

Repairs which are the Lessor's responsibility will be repaired by it, failing which they will be executed by the Lessee after notices as set out in this clause will have been given, *mutatis mutandis*.

7.3 If the need to make a repair arises that a party is responsible to fix according to clause 7.2 above, the party liable for the repair will be bound to carry out the same at its own expense, within a reasonable time of the date of discovery. Failure by the party liable to carry out the repair will entitle the other party, that is not liable, to carry out the same after giving 30 days' prior written notice and all the repair expenses will be borne by the party liable, who shall be under an obligation to reimburse the party actually carrying out the repair for expenses, immediately upon first demand with the addition of linkage differentials and interest on arrears according to clause 9.2 hereof, computed from the date of payment for the repair until the actual payment thereof, to the repairing party. Notwithstanding the foregoing it is agreed that in the event of an urgent repair, the party entitled may carry out the same after giving 24 hours' prior notice to the other party.

7.4 The Lessee undertakes to comply with the provisions of any law including any Law, Regulation, Order, By-law or instruction of any competent authority pertaining to the management of its business at the Premises and in connection with the maintenance of the Premises and the use thereof. The Lessee will also be responsible for paying any fine that will be imposed following the failure to fulfil such instructions.

7.5 The Lessee undertakes not to effect any internal or external alteration at the Premises nor make any addition thereto nor demolish any part of the Premises or any of the installations thereof nor suffer any such alterations or additions or repairs or demolition, to be made, without receiving the prior written consent of the Lessor, which consent shall not be unreasonably withheld by the Lessor.

It is clarified that this clause will not apply to works at the Premises that will be carried out by the Lessee or any person on its behalf within the scope of the "clean room" installation in that part of the Premises that is designated for production.

7.6 It is expressly agreed that signage and advertising will only be made by arrangement with the Lessor (including the architect of the building in which the Premises are situated) and with its prior consent only, which consent will not be unreasonably withheld by the Lessor.

7.7 Alterations made to the Premises with the Lessor's consent, will require the Lessee, at the end of the Lease Term, to reinstate the Premises to its former condition before the alterations were made, or leave the same in its condition, all as decided and notified by the Lessor. Upon such agreement by the Lessor being given to the alterations remaining, the Lessee may not remove from the Premises or reinstate the alterations or any part thereof that the Lessor has required remain at the Premises or make any alteration therewith, and the alterations will, at the end of the Lease Term, pass into the Lessor's ownership and possession, without the Lessee being able to demand and/or receive any compensation or payment for them.

7.8 The Lessor and each of its managers may enter upon the Premises by prior arrangement, at any reasonable time acceptable in order to check the condition of the Premises and carry out repairs, works, technical or other arrangements for the Premises all this without unreasonably effecting the Lessee's activity at the Premises.

Nothing herein contained shall impose any duty whatsoever on the Lessor to carry out anything which is mentioned in this Contract.

7.9 The Lessor will independently install, at its own expense, fire fighting and safety measures as appearing in the plans and Specifications attached hereto as Appendices “B” and “C”.

The Lessee will, at its own expense, fulfil the instructions of any competent authority relating to the fire fighting arrangements and procedures, fire prevention, civil defense and safety, to the extent these will be required in relation to the Premises and the use made thereof, over and above those measures which will be installed by the Lessor.

8. **Assignment of rights**

8.1 The Lessee undertakes to use the Premises personally only or with its employees and the Lessee will be prohibited from authorizing any other person or persons to use the Premises or any part thereof for consideration or otherwise, directly or indirectly.

8.2 The Lessee undertakes not to transfer and/or assign and/or convey and/or pledge and/or charge in any manner whatsoever, without first receiving the written consent of the Lessor (if and to the extent it will be granted) this Contract and/or any right thereunder to any other party or parties, nor grant any leases of the Premises or any part thereof by sub-lease or convey possession or use thereof or any part thereof to any other person or persons for consideration or otherwise, in any manner whatsoever. Any transfer and/or assignment and/or conveyance and/or pledge and/or charge that will be made by the Lessee contrary to that stated above will be null and void *ab initio* and devoid of any effect.

8.3 Notwithstanding the foregoing the Lessee will be entitled to share the use of the Premises under this Agreement or sub-lease parts thereof to a parent, subsidiary or affiliated company of the Lessee (as these terms are defined in the Companies Law, 1999) without the need to obtain the Lessor’s consent provided that the Lessee will remain liable for all its obligations under this Agreement.

9. **Breaches and remedies**

This Contract will be governed by the provisions of the Contracts (Remedies for Breach of Contract) Law, 5731-1970 and the provisions of the Contracts (General Part) Law, 5733-1973.

10. **Licensing and Licences**

10.1 The Lessee hereby undertakes to obtain any licence it requires and ensure that the business is carried on according to every licence that is required by law, including from any municipal, governmental, local or other authority, for the purpose of operating and managing the Lessee’s business at the Premises.

The Lessor will sign any document that will be required by the landlord [sic] in order to obtain a business licence, but does not deviate from the conditions of this

Agreement, within and by no later than 14 days after delivery thereof for signature to the Lessor.

10.2 The Lessee shall ensure that throughout the entire Lease Term the licences and approvals required in order to carry on and operate its business mentioned, will be renewed.

10.3 For the avoidance of any doubt the Lessor is not responsible towards the Lessee for obtaining licences or approvals from any authority except where failure to obtain receipt of the licence results from any act or omission of the Lessor or of any person on its behalf and where a duty attaches to the Lessor by law and/or this Agreement to carry out or refrain from carrying out such act, as appropriate.

Without derogating from the Lessee's undertaking mentioned above, the Lessor declares that the Premises comply with the zoning thereof according to the Town Building Plan in force in respect of the Land.

11. **Insurance**

11.1 The Lessee hereby undertakes to insure at its own expense for the duration of the Lease Term, the building of the Premises and the contents thereof against:

11.1.1 Fire, explosion, earthquake risks.

11.1.2 Flooding, water damage of any kind.

11.2 The Lessee hereby undertakes to insure at its own expense, for the duration of the Lease Term, its activity at the Premises, with the following insurances:

11.2.1 Third party liability insurance with liability limits that will not be less than the amount equal to US$1,000,000 Million per event, and in the aggregate for the insurance period, which will endure for the duration of the Lease Term.

11.2.2 Employers' liability insurance.
The Lessee further undertakes to maintain at its own expense for the duration of the Lease Term loss of rent insurance following the Premises being taken out of use by reason of damage that has been caused thereto or to the contents thereof by the risks set out in clause 11.1 above, for an indemnity period of 12 months. This insurance may be made by means of extending the fire insurance policy to cover loss of rent.

11.3 The Lessee undertakes to add the Lessor's name as an additional insured in the policies mentioned above.

11.4 The Lessee will produce to the Lessor upon demand, all the insurance policies which have been issued as required by this Contract and also produce to the Lessor on a regular basis every new policy that has been issued to it or any amendment thereto. The Lessee will, upon the Lessor's reasonable demand, add to or update and/or amend the insurance policies to the Lessor's satisfaction in order to comply with the criteria prescribed in this clause 11, and the amounts will in any event be linked to the Index each year.

11.5 The Lessee will cause an express condition to be added to the insurance policy whereby the insurer expressly waives any right of subrogation or other right under any law to have recourse against the Lessor in a claim of subrogation or repayment or indemnity in respect of direct or indirect damage that has been caused by reason of the Lessor, if any such damage is caused.

11.6 The Lessor's right of inspection and its exercise or right to refrain from exercising its right to view the policies and demand any update, addition or change as set out in clause 11.1 above, will not impose upon it any liability whatsoever with respect to the policies, or the nature and validity thereof, or with respect to the absence thereof.

11.7 The Lessee undertakes to comply with all of the conditions of the policies mentioned above in this clause, punctually pay the insurance premiums and ensure that the policies are renewed and remain in full force for the entire duration of the Lease Term. Failure to renew the policies in the full value thereof, including linkage to the Index for any reason whatsoever will constitute a fundamental breach of this Contract.

11.8 The policy will include a clause determining that it will not be varied, cancelled or renewed without at least 30 days' prior notice being given to the Lessor.

12. **Liability of the Lessee**

12.1 The Lessor, its agents and any person acting in its name and on its behalf will not be responsible in any manner whatsoever with respect to any damage or harm that will be caused to the Lessee or its property, subject as hereinafter provided.
It is hereby expressly agreed and declared that no liability will attach to the Lessor of any kind whatsoever towards the Lessee in respect of any damage that has been caused to the Premises or its contents or to any third party – for any reason whatsoever regardless of whether the reasons for the damage or the malfunction are known or not, with the exception of any wilful act of damage by the Lessor and/or by any person on its behalf.

12.2 The Lessor will bear no responsibility whatsoever or liability with respect to any physical damage or loss and/or damage to property of any kind whatsoever (whether direct or indirect) that will be caused to the Lessee and/or its workers and/or those employed by it and/or to its agents or customers or visitors or invitees or to any other person who is found at the Premises or in any other area occupied by the Lessee with the licence of the Lessor and/or any property of the Lessee, and the Lessee assumes total responsibility for any damage of that kind and undertakes to compensate and indemnify the Lessor against any damages that it will become liable for or compelled to pay following damage of such kind, against any expense that it will lay out in connection with such damage.

13. **Grounds for eviction**

Without derogating and/or detracting from any other provision herein contained, upon the occurrence of any of the following events, the Lessor will be entitled to immediately terminate the engagement and the Lease under this Contract, and demand the immediate vacation of the Premises by the Lessee:

13.1 If the Lessee is in arrears for more than 14 days in the payment of any amount that has fallen due to the Lessor according to the provisions hereof, and under any law, and the breach has not been cured within 5 days of receiving a written notice from the Lessor to do so;

13.2 If a receiver (whether temporary or permanent) is appointed or receiver and manager (whether temporary or permanent) or liquidator (temporary or permanent) for the Lessee's business or property or any part thereof and such appointment will not be vacated within 60 days;

13.3 If the Lessee passes a resolution for dissolution or if any dissolution order is issued against it and such order is not vacated within 60 days or if the Lessee reaches a compromise or arrangement (within the meaning of the Companies Ordinance) with its creditors or any of them;

13.4 If any final attachment is imposed over all the assets of the Lessee;

13.5 If the Lessee is in breach of any of the provisions contained in clause 8 above and grants to any other person the right of use or any other right whatsoever in the Premises or in any part thereof and such breach will not have been cured within 5 days of the despatch of notice in writing by registered mail by the Lessor.

It is clarified that the termination of the engagement and eviction of the Lessee in the circumstances mentioned above will not terminate or detract from any obligation of the Lessee to fulfil all of its financial obligations under this Contract, for the entire duration of the Lease Term.

14. **Vacation of the Premises**

14.1 The Lessee undertakes, upon the expiration of the Lease Term or the termination of the Lease and/or the rescission of this Contract for any reason, to vacate the Premises and surrender possession thereof to the Lessor, the Premises being clear and vacant of any person and thing belonging to the Lessee, in clean and orderly condition as the Lessee received the same from the Lessor, subject to fair wear and tear. Should the Lessor demand, as stated in clause 7.6 above, that supplementary works, alterations and additions that have been made by the Lessee in the Premises, if at all, will be left by it at the Premises, then any improvement, enhancement, addition which is permanently affixed to the Premises – even if these were installed and added to the Premises by and at the expense of the Lessee, will be left by the Lessee at the Premises.

14.2 In the event of the Lessee failing to vacate the Premises on the date specified above, then, in addition to the Lessor's right to sue for eviction from the Premises, and in addition to any other right that the Lessor may have according to this Contract or at law, and without derogating from any right or relief conferred upon the Lessor stated above, the Lessee will pay the Lessor for the period commencing on the date it ought to have vacated the Premises until the date on which it vacates the Premises, an amount equal to twice the amount of the rent, plus interest on arrears according to clause 9.2 above, and Value Added Tax, computed on a daily basis, from the date of creation of the liability to pay until the full and actual payment to the Lessor, and which would have been payable according to this Contract had the Lease been extended according to the conditions hereof. The

above payment has been set and agreed as proper user fees and/or fixed and pre-agreed damages as estimated in advance by the parties in accordance with their prior calculations.

14.3 It is hereby stipulated and agreed between the parties that nothing contained above in this clause shall confer upon the Lessee any right to continue to occupy the Premises (against payment of the agreed compensation) and/or constitute any waiver on the part of the Lessor of any of its rights and/or derogate from the Lessor's right to obtain any other remedy or relief, including, but without derogating from the generality of the foregoing, the ejection or removal of the Lessee from the Premises.

15. **Charge or pledge by the Lessor**

15.1 The Lessor may pledge and/or charge this Contract in whole or in part, assign any of its rights thereunder to others, transfer the whole or part thereof in any form whatsoever as the Lessor deems fit, from time to time, either for the purpose of obtaining financing or for any other purpose, all at the Lessor's absolute discretion, all this being without derogating from the Lessee's rights under this Contract of Lease.

15.2 The Lessor may assign all or any of its rights in the Premises, transfer all or partial ownership thereof, at its absolute and exclusive discretion, without requiring the Lessee's consent, and the Lessee accepts in advance and expressly any such act which will be effected by the Lessor, unconditionally, and the Lessee will have no claim or demand or action of any kind whatsoever against the Lessor or its successors, subject to the Lessee's rights under this Agreement not being affected.

16. **Lessor's Remedies in respect of Breach**

16.1 Without derogating from that stated in clause 9 above, and further to this clause and the specific remedies appearing in this Contract, the provisions of the Contracts (Remedies for Breach of Contract) Law, 5731-1970 will apply to a breach of this Contract, as well as the provisions of the Contracts (General Part) 5733-1973.

16.2 If the Lessee fails to keep the Premises in proper condition or fails to repair that necessary in the Premises and/or fails to return the Premises to the Lessor at the expiration of the Lease Term in proper condition or if any damage is caused whatsoever to the Premises during the Lease Term, and has not been rectified by the Lessee, then, in addition to any other right that the Lessor may have in such a case pursuant to the provisions of this Contract and/or at law, the Lessor may effect any repair or do any act that it deems fit in order to repair the damage or restore the condition to what it was previously, at the Lessee's expense and after giving the Lessee seven days prior written notice and the Lessee has failed to rectify the breach within the 7 day period mentioned. The Lessee will reimburse the repair expenses against presentation of invoices for the repair.

16.3 Deleted.

16.4 In the event of a termination of the rights of the Lessee under this Contract by reason of a breach thereof by the Lessee, the Lessor will be entitled to any additional remedy that it has by law on account of the breach, including the remedy of compensation, or injunctive or mandatory orders. Notwithstanding anything stated herein and in addition thereto, in the event of a breach by the Lessee by reason of which the Lessee has been evicted from the Premises prior to the expiration of the Lease Term, the Lessee will be required to pay the Lessor, for the period from the date of the eviction until the expiration of the Lease Term, damages at the rate of double the amount of the rent which applied prior to the termination of the Lease, all subject as provided in clause 3.1.4 above, and subject to the fact that if the Premises will be re-leased to an alternative lessee according and subject to the provisions of this Agreement, only the difference between the rent prescribed by this Contract and the rent that will be charged from the alternative tenant, will be paid by the Lessee.

17. **Guarantees — Collateral**

17.1 To secure the performance by the Lessee of its undertakings under this Agreement, the Lessee will deposit with the Lessor on the date of the signature of this Agreement, an autonomous bank guarantee payable upon demand, linked to the Consumer Price Index, according to the details contained in this Contract, or deposit an amount equal to six months rent, or a guarantee of the directors and shareholders of the Lessee (hereinafter: "**the Guarantee**" or "**the Deposit**").

17.2 It is hereby expressly agreed and declared between the parties that the giving of the Guarantee or the Deposit to perform the terms of this Contract does not amount to any waiver on the part of the Lessor of any right to any other relief against the Lessee, whether such relief is set out in the body of this Contract or is available to the Lessor by virtue of any law existing at the time of the execution of this Contract or will exist in Israel on the date of the breach.

The Lessor will give the Lessee seven days prior notice of its intention to exercise the Guarantee or realize the Deposit.

17.3 The forfeiture of the Guarantee or the Deposit will not derogate from the Lessor's right to sue for and receive against the Lessee any other relief.

17.4 The Lessee will, at the expiration of the Lease Term and on the date of the surrender of the Premises to the Lessor, furnish the Lessor with certifications according to its demand in writing, indicating that all the payments and the fees which it was subject to have been paid by it up till the date of the surrender of the Premises or in relation to such period.

17.5 It is expressly agreed that in the event of the Lessee becoming liable to vacate the Premises, the Lessor will be entitled to give notice to and demand from the Electric Corporation and the municipality the disconnection of the electricity and water supply to the Premises.

18. **Option**

18.1 It is hereby agreed that as long as vacant areas remain on the floor on which the Premises are situated, the Lessee will be entitled to demand to increase the area of

the Premises by no more than an additional 450sq.m., on the conditions of the Lease under this Contract.

It is clarified that the Lessee will have a first right of refusal in relation to the leasing of the adjacent areas and that these areas will not be leased until the Lessee has been given notice by the Lessor seeking to lease the same to any third party, 30 days in advance. The Lessee will notify the Lessor within 30 days of its wish to take a lease of those areas.

18.2 An option is granted to the Lessee to lease an additional 1,000sq.m., in Building no. 2, when it will be erected (and without this option amounting to any representation or assurance and/or undertaking regarding the construction thereof) on conditions identical to those of the Lease under this Agreement.

Upon a decision being taken to construct Building no. 2, the Lessor will notify the Lessee of its intention to embark upon the construction of the second building, and the Lessee will be given a 30-day option to advise if it wishes to exercise its right to lease an additional area, as stated above.

19. **General**

19.1 The option will be afforded to the Lessee to place on the roof of the building of the Premises, without any further payment, installations such as: air-conditioning units, a generator, gas containers, air purification units, etc.

19.2 Use of the elevator (to ascend to the roof of the building) and payment of the maintenance and use thereof will be done in accordance with a direct arrangement between the Lessee and the *Ort Braude* College, without reference to and any involvement of the Lessor.

The Lessee gives notice that it is aware and knows that it is under an obligation to arrange this matter directly with the *Ort Braude* College and will have no claims or demands against the Lessor regarding the use of the elevator and/or the costs that will be required of it in respect of the use and maintenance thereof.

19.3 No delay or grant of time or lack of response, lack of action or lack of taking any measures on the part of the Lessor will be construed in any form or manner as a waiver on its part of its rights under this Contract against a continuing or further breach on the part of the Lessee, unless the Lessor has waived any of its rights expressly and in writing.

19.4 All payments paid by the Lessee under this Contract will be made by the Lessee to the Lessor by means of a bank transfer to the bank account instructed by the Lessor to the Lessee in writing.

19.5 The addresses of the parties for the purposes of to this Contract appear at the head of this Contract. If the parties or any of them change their addresses they will give notice in writing to the other party of the new address in Israel and such address will from that time onwards serve as the address of that party for the purposes of this Contract.

19.6 Any notice that will be sent by one party to the other pursuant to the Contract will be sent by registered mail or delivered personally, and will be deemed to have been delivered within a reasonable time of notice arriving at the addressee.

19.7 The stamping expenses of this Contract will be borne by the parties to this Agreement in equal shares.

19.8 The conditions of this Contract reflect the conditions stipulated between the parties in full and supersede any engagement, assurance, representation and undertaking formerly made by the parties prior to the execution of this Contract. No change of this Contract or any addition thereto if at all will be binding unless made in writing and signed by all parties.

19.9 Notwithstanding that stated in this Agreement and/or in the Plans, the Lessor undertakes to induce, at its own expense, in the part of the Premises that are designated to be a production zone according to the Plans, the making of passages ("shafts") to the roof for the use of the Lessee's infrastructure conduits, between the Premises and the roof, in a ceiling area of up to 6sq.m., according to the definition of the Lessee's requirements. It is further agreed that in the period preceding the commencement of the Lease Term, the Lessee or any person on its behalf may, (but will not be obliged) to carry out works at the Premises, at its own expense, for the purpose of installing "clean rooms" in that part of the Premises designated to be a production zone, as from 10 January, 2004 onwards. The Lessor undertakes to complete the installation of the electricity and water supply infrastructures to the Premises that are required to carry out such installation, until such date. It is further agreed that in the period preceding the commencement of the Lease Term, the Lessee or any person on its behalf will be entitled (but not obliged) to effect at the Premises at its own expense, installation works for furniture and laboratory infrastructure at the Premises, as from 1 February, 2004 onwards.

19.10 The Lessor undertakes to grant the Lessee a right to use the internal security shelter room situated on the floor of the Premises, subject to the provisions of any law applicable in this respect in consideration of monthly user fees in an amount equal to $3 (three) per sq.m., (gross) per month (plus VAT). These user fees will be subject to the provisions of this Agreement in all matters pertaining to the rent *mutatis mutandis*.

20. **Approved enterprise**

20.1 It is agreed that the Lessee will deliver to the Lessor the original application that it will personally prepare for the purpose of filing the same with the authorities in order to obtain a certificate of an "approved enterprise".

The application will be filed by the Lessor shortly after receiving the necessary documents, as stated.

20.2 If and to the extent the application for the approved enterprise that will be filed on behalf of the Lessee will in fact be approved, the Lessee will be credited with the rent on a monthly basis and with a proportionate share of the benefit that the Lessor will receive at the rate which the area of the total areas of the building (and

that part linked thereto) bears to the area of the Premises (and that part linked thereto).

It is clarified and agreed that in such a case, the bank guarantee that has been deposited with the Lessor according to the provisions of clause 17.1 will similarly serve to secure to indemnify of the Lessor in relation to the monies that it may be required to repay to the State, if it is compelled to repay them, as a result of a breach by the Lessee of the conditions for obtaining the definition of "approved enterprise".

In witness whereof the parties have set their hands at the time and place first above written:

/s/ Yitzhak Yankopanski	/s/ David Aviezer
The Lessor **Engel Science Parks (99) Ltd.**	**The Lessee** **Metabogal Ltd.**

Engel
Construction and Development Group
66 Hahistadrut Blvd., Haifa Bay, Tel: 04-8422777; Fax: 04-8419333

27 May, 2003
Carmiel – Science Park /10610

Dr. David Aviezer, CEO
Metabogal Laboratories Ltd.,
Kiryat Shmonah

By fax: 08-9762596

RE: Science Park, Carmiel –Lease Offer

Further to our meeting, the offer to plan which was submitted to us by the architect, Hanoch Shapira and approved by you in principle, I am offering you the ground floor of Building no. 1 (part of) in an area of some 800sq.m., with complete finish, at office level.

The specification will include plasterboard partitions between the offices with acoustic insulation as required by the Standard, minimum acoustic ceilings, natural porcelain granite flooring, fluorescent lighting to the level of 500 lumen, electricity sockets for plugs every 4sq.m., communication sockets for computers – one every 8 sq.m., telephone sockets – one every 8 sq.m., air-conditioning at office level, mini-central air-conditioners and/or central air-conditioning, as decided by the Company. Factory internal doors, aluminum entrance door of the same type of the Building's curtain walls.

Maintenance of all the areas and facilities serving and/or situated in the area of the Premises to be done by yourself and at your responsibility.

Maintenance of common areas in proportion to the areas leased by the tenants.

At your request one of the elevators will go to the roof of the Building.

Any addition that will be required beyond the above specification will be priced and added to the rent in accordance with the duration of the lease.

The term of the lease will be five years.

The lease price will be $9.5/sq.m.

Estimated population of the Building -October-November 2003.

Please contact me with any further information you may require.

Yours faithfully,
/s/ Yitzchak Yaacovinsky
Yitzchak Yaacovinsky (Eng.)
Assistant CEO for Leasing and Operations

c.c. Menachem Rosenblum- _____Engineer
Yael Miller, accountant – Engel
Eyal Floumin, Chief Engineer – Engel

Supplement to the Unprotected Lease Contract

Made and signed this 18th April, 2005

Between: **Engel Science Parks (99) Ltd.**
66 Hahistadrut Bldv., Haifa Bay
By Yossi Ashkenazi
The party authorized to undertake and sign in the name of the Lessor
(hereinafter: "**the Lessor**")

of the first part

And: **Protalix Ltd.**
2 Snonit Road, Science Park, P.O.B. 455, Carmiel 20100
(hereinafter: "**the Lessee**")

of the second part

WHEREAS A Lease Contract including Appendices was signed between the parties on 28 October, 2003, (hereinafter: "**the Contract**") to lease a property situated on the ground floor of Building no. 1 of the building known as "Science Park" – industrial buildings in Carmiel (hereinafter: "**the Premises**") that have been erected by the Lessor; and

WHEREAS The Lessee is desirous leasing, and the Lessor has agreed to lease an additional measured area of 239sq.m., (196sq.m., of principal area + 43sq.m., of ancillary area) from the Lessor (hereinafter:
"**the Additional Area**"), which, together with the Premises according to the original contract will constitute the entire balance of the area on the ground floor of Building no. 1;

It is therefore agreed, declared and stipulated between the parties as follows:

1. The Lessor hereby leases to the Lessee and the Lessee hereby leases from the Lessor an additional area in the Science Park, as described below, so that "the Premises" as defined in clause 2.3 of the Original Contract, will from henceforth be called, a measured area of 1,177sq.m., constituting the entire ground floor of Building no. 1, and after reducing the area of the lobby used by Ort for an entrance to their property as marked on the plan attached hereto this Supplement (hereinafter: "**the New Premises Area**").
2. The Additional Area of the lease according to the Supplement together with the Lease under the Original Agreement will both expire on 30 April, 2010 (hereinafter: "**the New Lease Term**").
3. The additional rent relating to the Additional Area according to this Supplement will be as follows:

   In respect of 196 sq.m., of principal area, the Lessee will pay the sum of $5.5 (in words: five and a half U.S. dollars) per sq.m., per month and in respect of 43sq.m., of ancillary area, the Lessee will pay the sum of $3 (in words: three U.S. dollars) per sq.m., per month (hereinafter: "**the Additional Rent**").

The Additional Rent will be paid from 1.5.2005 onwards until the expiration of the New Lease Term, according to this Supplement.

It is clarified that clause 4.1.2 of the Original Agreement does not apply to payment of the Additional Rent in respect of the Additional Area according to this Supplement.

4. The Additional Area will be conveyed to the Lessee upon the signature of this Supplement, in its condition "as is" as of today, the planning of the adaptations and supplemental work in the additional leased area to be carried out by, at the expense of and according to the discretion of the Lessee, under the supervision and escorted by the Lessor's representatives.

5. For the Additional Leased Area according to this Supplement, the Lessor will designate 7 additional parking places for the use of the Lessee.

6. An option is hereby granted to the Lessee for five years with respect to the entire Premises, including the New Premises Area which will commence from the expiration of the New Lease Term, that is, from 1.5.2010 and end on 30.4.2015 (hereinafter: "**the Option Term**").

   The Lessee will be required to give notice of its wish to exercise the Option Term, not less than 60 days prior to the expiration of the New Lease Term, according to this Supplement.

   The rent during the Option Term, will be equal to the New Rent in respect of the New Premises Area. In the last month of the Lease preceding the commencement of the Option Term – with the addition of 7.5% (in words: seven and a half percent) linked according to the provisions of the Original Agreement and to be paid in accordance with the terms thereof.

7. The clauses of the Original Contract will apply in full to this Supplement, including the relative Appendices, except for the changes arising from the above clauses.

In witness whereof the parties have set their hands at the time and place first above written:

/s/ Yossi Ashkenazi	/s/ David Aviezer
The Lessor **Engel Science Parks (99) Ltd.**	**The Lessee** **Protalix Ltd.**

Exhibit 10.10

MERGER AGREEMENT AND PLAN OF REORGANIZATION

THIS MERGER AGREEMENT AND PLAN OF REORGANIZATION (this "Agreement") is made and entered as of August 21, 2006, by and among Orthodontix, Inc., a Florida corporation ("Parent"), Protalix Acquisition Co., Ltd., an Israeli company ("Acquisition Subsidiary"), which is a wholly owned subsidiary of Parent, and Protalix Ltd., an Israeli company (the "Company").

WHEREAS, the Boards of Directors of each of Parent, Acquisition Subsidiary and the Company have, pursuant to the laws of their respective States of incorporation, approved this Agreement and the consummation of the transactions contemplated hereby, including the merger of Acquisition Subsidiary with and into the Company (the "Merger"); and the Boards of Directors of each of the Company and Acquisition Subsidiary have declared that this Agreement is advisable, fair and in the best interests of their respective shareholders and approved the Merger upon the terms and conditions set forth in this Agreement.

NOW, **THEREFORE**, in consideration of the covenants, promises and representations set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby expressly and mutually acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

Unless the context otherwise requires, the terms defined in this Article I shall have the meanings herein specified for all purposes of this Agreement, applicable to both the singular and plural forms of any of the terms herein defined.

"Acquisition Subsidiary" shall have the meaning set forth in the Preamble.

"Affiliate" means any Person that directly or indirectly controls, is controlled by, or is under common control with, the indicated Person. For the purpose hereof the term "control" shall mean the holding of shares in excess of fifty percent (50%) of the voting securities of a corporate entity.

"Agreement" shall have the meaning assigned to it in the Preamble.

"Audited Financial Statements Date" shall have the meaning assigned to it in Section 3.6.

"Business Day" means any day, other than a Saturday or Sunday, on which the national banks in New York, New York as a general matter are open for business for substantially all of their banking functions.

"Certificate of Merger" shall have the meaning assigned to it in Section 2.2.

"Closing" shall have the meaning assigned to such term in Section 9.1.

"Closing Date" shall have the meaning assigned to such term in Section 9.1.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" shall have the meaning assigned to such term in the Preamble.

"Company Board" means the Board of Directors of the Company.

"Company Shares" means, collectively, all of the issued and outstanding Company Ordinary Shares and Company Preferred Shares, and shall mean immediately following the closing of the Share Purchase Agreement, all of the issued and outstanding Company Ordinary Shares.

"Company Option Plan" shall have the meaning set forth in Section 2.8(a).

"Company Ordinary Shares" means the ordinary shares of the Company, nominal value NIS0.01 per share.

"Company Preferred Shares" means, collectively, the Series A Preferred Shares of the Company, nominal value NIS0.01 per share, the Series B Preferred Shares of the Company, nominal value NIS0.01 per share, and the Series C Preferred Shares of the company, nominal value NIS0.01 per share.

"Company Warrants" shall mean all of the Company's issued and outstanding warrants and options other than options issued under the Company Option Plan and other than the FG Warrants.

"Contingent Obligation" means, as to any Person, any direct or indirect liability, contingent or otherwise, of that Person with respect to any indebtedness, lease, dividend or other obligation of another Person if the primary purpose or intent of the Person incurring such liability, or the primary effect thereof, is to provide assurance to the obligee of such liability that such liability will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such liability will be protected (in whole or in part) against loss with respect thereto.

"Effective Date" means the date that the Registration Statement is first declared effective by the SEC.

"Effectiveness Period" has the meaning set forth in Section 8.1.

"Eligible Market" means the American Stock Exchange.

"Environmental Laws" means all Israeli, federal, state, local or foreign laws relating to pollution or protection of human health or the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata), including, without limitation, laws relating to emissions, discharges, releases or threatened releases of chemicals, pollutants, contaminants, or toxic or hazardous substances or wastes (collectively, "Hazardous Materials") into the environment, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, as well as all authorizations, codes, decrees, demands or demand letters, injunctions, judgments,

licenses, notices or notice letters, orders, permits, plans or regulations issued, entered, promulgated or approved thereunder.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Exchange Ratio" shall have the meaning assigned that term in Section 2.5(b).

"Existing Company Shareholders" means the holders of Company Shares immediately prior to the Merger Effective Time.

"FG Holders" means the holders of Company Ordinary Shares that purchased such Company Ordinary Shares pursuant to the Share Purchase Agreement.

"FG Warrants" shall mean those certain warrants issued to the FG Holders pursuant to the Share Purchase Agreement.

"GAAP" means United States and Israel generally accepted accounting principles consistently applied, as in effect from time to time.

"Governmental Authority" means any foreign, federal, national, state or local judicial, legislative, executive or regulatory body, authority or instrumentality, including, without limitation, any such United States or Israeli authorities.

"Governmental Authorization" means any consent, license, registration, authorization or permit issued, granted, given or otherwise made available by or under the authority of any Governmental Authority or pursuant to any Law.

"Holder" means the holder of any Registrable Securities.

"Indebtedness" of any Person means, without duplication (A) all indebtedness for borrowed money, (B) all obligations issued, undertaken or assumed as the deferred purchase price of property or services (other than trade payables entered into in the ordinary course of business), (C) all reimbursement or payment obligations with respect to letters of credit, surety bonds and other similar instruments, (D) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses, (E) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to any property or assets acquired with the proceeds of such indebtedness (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property), (F) all monetary obligations under any leasing or similar arrangement which, in connection with GAAP, consistently applied for the periods covered thereby, is classified as a capital lease, (G) all indebtedness referred to in clauses (A) through (F) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any mortgage, lien, pledge, charge, security interest or other encumbrance upon or in any property or assets (including accounts and contract rights) owned by any Person, even though the Person which owns such assets or property has not assumed or become liable for the payment of such indebtedness and (H) all Contingent

Obligations in respect of indebtedness or obligations of others of the kinds referred to in clauses (A) through (G) above.

"Insolvent" means, with respect to any Person, (i) the present fair saleable value of such Person's assets is less than the amount required to pay such Person's total Indebtedness, (ii) such Person is unable to pay its debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured, (iii) such Person intends to incur or believes that it will incur debts that would be beyond its ability to pay as such debts mature or (iv) such Person has unreasonably small capital with which to conduct its business as such business is now conducted and is proposed to be conducted.

"Investors" shall have the meaning set forth in the Share Purchase Agreement.

"Israeli Companies Law" means the Israeli Companies Law, 5759-1999.

"Laws" means any Israeli, federal, national, state, local or foreign statute, law, ordinance, regulation, rule, code, order or other requirement or rule of law.

"Letter of Transmittal" shall have the meaning assigned to it in Section 5.7.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind, including, without limitation, any conditional sale or other title retention agreement, any lease in the nature thereof and including any lien or charge arising by Law.

"Losses" means any and all losses, claims, actions, damages, liabilities, penalties, fines, settlement costs and expenses, including, without limitation, costs of preparation and reasonable attorneys' fees.

"Material Adverse Effect" means, with respect to any Person, a change (or effect) in the condition (financial or otherwise), properties, assets, liabilities, rights, Business or results of operations or prospects of the Company, which change (or effect), individually or in the aggregate, could reasonably be expected to be materially adverse to such condition, properties, assets, liabilities, rights, Business or results of operations or prospects.

"Material Permits" means, with respect to any Person, all certificates, authorizations and permits issued by the appropriate Governmental Authorities necessary to conduct the business of such Person, the lack of which would have a Material Adverse Effect.

"Merger" shall have the meaning assigned to it in the Preamble.

"Merger Effective Time" shall have the meaning assigned to it in Section 2.2.

"Merger Shares" shall have the meaning assigned to it in Section 2.5(b).

"Parent" shall have the meaning assigned to it in the Preamble.

"Parent Board" means the Board of Directors of Parent.

"Parent Common Stock" shall mean the common stock, par value $.0001 per share, of Parent.

"Person" means all natural persons, corporations, business trusts, associations, unincorporated organizations, limited liability companies, partnerships, joint ventures and other entities and Governmental Authorities or any department or agency thereof.

"Proceeding" means an action, claim, suit, investigation or proceeding (including, without limitation, an investigation or partial proceeding, such as a deposition), whether commenced or threatened in writing.

"Prospectus" means the prospectus included in the Registration Statement (including, without limitation, a prospectus that includes any information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A promulgated under the Securities Act), as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Registrable Securities covered by the Registration Statement, and all other amendments and supplements to the Prospectus including post effective amendments, and all material incorporated by reference or deemed to be incorporated by reference in such Prospectus.

"Registrable Securities" means the Merger Shares and the shares of Parent Common Stock issuable upon exercise of the warrants and the options issued pursuant to Section 5.8 below, together with any securities issued or issuable pursuant to the adjustment provisions set forth in the Warrants or upon any stock split, dividend or other distribution, recapitalization, exchange or similar event with respect to the foregoing.

"Registration Statement" means each registration statement required to be filed under Article VIII, including (in each case) the Prospectus, amendments and supplements to such registration statement or Prospectus, including pre- and post-effective amendments, all exhibits thereto, and all material incorporated by reference or deemed to be incorporated by reference in such registration statement.

"SEC" means the U.S. Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended.

"Share Purchase Agreement" means that certain Share Purchase Agreement entered into as of August 21, 2006, by and among the Company and the purchasers signatory thereto.

"Surviving Corporation" shall have the meaning assigned to it in Section 2.1.

"Takeover Protections" shall mean any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or other similar anti-takeover provision under an entity's charter documents or the laws of its state of incorporation.

"Tax" or "Taxes" means (a) any and all taxes, assessments, customs, duties, levies, fees, tariffs, imposts, deficiencies and other governmental charges of any kind whatsoever (including, but not limited to, taxes on or with respect to net or gross income, franchise, profits, gross

receipts, capital, sales, use, ad valorem, value added, transfer, real property transfer, transfer gains, transfer taxes, inventory, capital stock, license, payroll, employment, social security, unemployment, severance, occupation, real or personal property, estimated taxes, rent, excise, occupancy, recordation, bulk transfer, intangibles, alternative minimum, doing business, withholding and stamp), together with any interest thereon, penalties, fines, damages costs, fees, additions to tax or additional amounts with respect thereto, imposed by Israel, the United States (federal, state or local) or other applicable jurisdiction; (b) any liability for the payment of any amounts described in clause (a) as a result of being a member of an affiliated, consolidated, combined, unitary or similar group or as a result of transferor or successor liability, including, without limitation, by reason of Section 1.1502-6 of the Treasury Regulations promulgated under the Code; and (c) any liability for the payments of any amounts as a result of being a party to any tax sharing agreement or as a result of any express or implied obligation to indemnify any other Person with respect to the payment of any amounts of the type described in clause (a) or (b).

"Tax Return" shall include all returns and reports (including elections, declarations, disclosures, schedules, estimates and information returns required to be supplied to a Tax authority relating to Taxes.

"Trading Day" means (a) any day on which the Parent Common Stock is listed or quoted and traded on its primary Trading Market, (b) if the Common Stock is not then listed or quoted and traded on any Eligible Market, then a day on which trading occurs on the Eligible Market, or (c) if trading ceases to occur on the Eligible Market, any Business Day.

"Trading Market" means any trading market of which the Parent Common Stock is listed or included for trading including the Eligible Market.

"Transactions" means the Merger and the other transactions contemplated by or referenced in this Agreement.

"Transaction Form 8-K" shall have the meaning assigned to it in Section 5.4.

"Transaction Documents" means the Agreement and contracts, documents and instruments contemplated by or referenced in this Agreement.

ARTICLE II
THE MERGER

Section 2.1 Merger. Subject to the terms and conditions of this Agreement, at the Merger Effective Time, Acquisition Subsidiary shall be merged with the Company in accordance with the Israeli Companies Law, the separate legal existence of Acquisition Subsidiary shall cease, and the Company shall (i) be the surviving corporation of the Merger (sometimes hereinafter referred to as the "Surviving Corporation"); (ii) be governed and continue its corporate existence under the laws of the State of Israel; and (iii) succeed to and assume all of the rights and the properties and obligations of Acquisition Subsidiary and the Company in accordance with the Israeli Companies Law. With respect to references in this Agreement relating to any obligations or duties of the Company accruing after the Merger Effective Date, the usage of the defined term "Company" as opposed to "Surviving Corporation" shall not operate to negate any such obligation or duties.

Section 2.2 Merger Effective Time. The Merger shall become effective on the date and at the time that the Registrar of Companies of the State of Israel (the "Companies Registrar") provides the Surviving Corporation with the certificate of merger in accordance with Section 323(5) of the Israeli Companies Law (the "Certificate of Merger") after receipt from the Company and Acquisition Subsidiary of the Merger Proposal (as defined below) pursuant to Section 5.9. The time at which the Merger shall become effective as aforesaid is referred to hereinafter as the "Merger Effective Time."

Section 2.3 Articles of Association; Directors and Officers.

(a) Articles of Association and Memorandum of Association. The Memorandum of Association of the Company, as in effect immediately prior to the Merger Effective Time, shall be the Memorandum of Association of the Surviving Corporation from and after the Merger Effective Time until further amended in accordance with applicable Law. The Company shall amend and restate its Articles of Association and such amended and restated Articles of Association shall be the Articles of Association of the Surviving Corporation (the "Company Articles") from and after the Merger Effective Time until further amended in accordance with applicable Law.

(b) Directors and Officers. The directors and officers of the Company immediately prior to the Merger Effective Time and two designees of Frost Gamma Investments Trust, who initially shall be Dr. Phillip Frost and Dr. Jane Hsiao, shall be the directors and officers of the Surviving Corporation, and each shall hold his respective office or offices from and after the Merger Effective Time until his successor shall have been elected and shall have qualified in accordance with applicable Law, or as otherwise provided in the Articles of Association of the Surviving Corporation.

Section 2.4 Effects of the Merger. The Merger shall have the effects provided for herein and in the applicable provisions of the Israeli Companies Law. Without limiting the generality of the foregoing and subject thereto, at the Merger Effective Time, all of the properties, rights, privileges, powers and franchises of the Company and Acquisition Subsidiary shall vest in the Surviving Corporation and all debts, liabilities and duties of the Company and Acquisition Subsidiary shall become the debts, liabilities and duties of the Surviving Corporation.

Section 2.5 Manner and Basis of Converting Shares.

(a) Acquisition Subsidiary Ordinary Share Conversion. At the Merger Effective Time, each ordinary share of Acquisition Subsidiary that shall be outstanding immediately prior to the Merger Effective Time shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted into the right to receive one ordinary share of the Surviving Corporation, so that at the Merger Effective Time, Parent shall be the holder of all of the issued and outstanding shares of the Surviving Corporation.

(b) Conversion of Company Shares. At the Merger Effective Time, subject to the provisions of Section 2.5(c):

(i) the Company Shares held by Existing Company Shareholders (other than FG Holders) prior to the Merger Effective Time (other than securities of the Company cancelled in accordance with Section 2.5(c)) shall be converted, on a pro rata basis, into the right to receive such number of shares of Parent Common Stock, which together with securities of Parent issued in exchange of the Company Options and the Company Warrants and in accordance with Section 2.8 and securities of Parent reserved in accordance with Section 2.8, shall constitute in the aggregate, 85% of the issued and outstanding share capital of the Parent upon the Merger Effective Time, calculated on a fully-diluted basis immediately after the Merger Effective Time, but excluding FG Warrant Shares and any warrants and options issuable by Parent pursuant to Section 5.8. The exact exchange ratio shall be computed immediately prior to the Merger Effective Time based on the above ("Exchange Ratio");

(ii) the Company Ordinary Shares held by FG Holders prior to the Merger Effective Time which were purchased under the Share Purchase Agreement, shall be converted into the right to receive such number of shares of Parent Common Stock, which, when added to all other securities held by holders of securities of the Parent immediately prior to the Merger Effective Time, shall constitute, in the aggregate, 15% of the issued and outstanding share capital of the Parent upon the Merger Effective Time, calculated on a fully-diluted basis immediately after the Merger Effective Time, but excluding FG Warrant Shares and any warrants and options issuable by Parent pursuant to Section 5.8; and

(iii) each Company Ordinary Share held by FG Holders which was issued in connection with the exercise of any FG Warrants (the "FG Warrant Shares") prior to the Merger Effective Time shall be converted into such number of shares of Parent Common Stock calculated by dividing: (i) the aggregate exercise price paid by such FG Holders to the Company upon the exercise of the FG Warrants; by (ii) the Ratio as defined in Section 2.6(c);

all of the shares of Parent Common Stock issuable pursuant to this Section 2.5(b) are referred to herein collectively as the "Merger Shares".

(c) Other Securities. Each of the Company Shares held in the treasury of the Company, if any, each share of any other class of shares of the Company (other than the Company Shares), if any, any debt or other securities convertible into or exercisable for the purchase of the Company Shares, if any, and securities of the Company held by Parent and/or Acquisition Subsidiary, if any, issued and outstanding immediately prior to the Merger Effective Time shall be canceled without payment of any consideration therefor and without any conversion thereof.

Section 2.6 Surrender and Exchange of Securities. (a) As soon as practicable after the Merger Effective Time and upon (i) surrender of a certificate or certificates representing the Company Shares that were outstanding immediately prior to the Merger Effective Time to Parent (or, in case such certificates shall be lost, stolen or destroyed, an affidavit of that fact by the holder thereof) (each a "Certificate") and (ii) delivery to Parent of an executed Letter of Transmittal (as described in Section 5.7), Parent shall deliver to the record holder of the Company Shares surrendering such certificate or certificates, a certificate or certificates (or evidence of shares in book-entry form) registered in the name of such shareholder representing the number of shares of Parent Common Stock to which such holder is entitled under Section

2.5, including any cash paid in lieu of any fractional shares pursuant to Section 2.6(c). In the event of a transfer of ownership of Company Shares that is not registered in the transfer records of the Company, a certificate (or evidence of shares in book-entry form) representing the proper number of whole shares of Parent Common Stock may be issued to a Person other than the Person in whose name the Certificate so surrendered is registered, if, upon delivery by the holder thereof at the Closing, such Certificate shall be properly endorsed or shall otherwise be in proper form for transfer and the Person requesting such issuance shall have paid any transfer and other Taxes required by reason of the issuance of shares of Parent Common Stock to a Person other than the registered holder of such Certificate or shall have established to the reasonable satisfaction of Parent that such Tax either has been paid or is not applicable. As of the Merger Effective Time, each Company Share issued and outstanding immediately prior to the Merger Effective Time shall no longer be outstanding and shall automatically be canceled and retired and until the certificate or certificates evidencing such shares are surrendered, each certificate that immediately prior to the Merger Effective Time represented any outstanding Company Share shall be deemed at and after the Merger Effective Time to represent only the right to receive upon surrender as aforesaid the consideration specified in Section 2.5 for the holder thereof.

(b) Transfer Books; No Further Ownership Rights in Company Shares. All shares of Parent Common Stock issued upon the surrender for exchange of Certificates in accordance with the terms of this Article II (including any cash paid in lieu of any fractional shares pursuant to Section 2.6(c)) shall be deemed to have been issued (and paid) in full satisfaction of all rights pertaining to the Company Shares previously represented by such Certificates, and at the Merger Effective Time, the share transfer books of the Company shall be closed and thereafter there shall be no further registration of transfers on the share transfer books of the Surviving Corporation of the Company Shares that were outstanding immediately prior to the Merger Effective Time. From and after the Merger Effective Time, the holders of Certificates that evidenced ownership of the Company Shares outstanding immediately prior to the Merger Effective Time shall cease to have any rights with respect to such shares, except as otherwise provided for herein or by applicable Law.

(c) No Fractional Shares. No fraction of a share of Parent Common Stock shall be issued upon the surrender for exchange of a Certificate (or evidence of such shares in book-entry form), no dividends or other distributions of Parent shall relate to such fractional share interests and such fractional share interests will not entitle the owner thereof to vote or to any rights of a stockholder of Parent. In lieu of such fractional share interests, Parent shall pay to each holder of a Certificate (upon surrender thereof as provided in this Article II) an amount in cash equal to the product obtained by multiplying the fractional share interest to which such holder (after aggregating all shares of Parent Common Stock into which the Company Shares held at the Merger Effective Time by such holder are exchangeable) would otherwise be entitled by the quotient obtained by dividing (A) US$106.67 million by (B) the aggregate number of issued and outstanding shares of Parent Common Stock, on a fully diluted basis, calculated immediately upon the Merger Effective Time, excluding any shares of Parent Common Stock issued upon the Closing in exchange for the FG Warrant Shares or issuable upon conversion or exercise of any warrants and options issuable by Parent pursuant to Section 5.8 (such quotient being referred to as the "Ratio").

(d) Lost, Stolen or Destroyed Certificates. If any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed and, if required by Parent, the written agreement by such Person to indemnify Parent and the Surviving Corporation against any claim that may be made against it with respect to such Certificate, Parent will issue, in exchange for such lost, stolen or destroyed Certificate, the Merger Shares and cash in lieu of any fractional shares of Parent Common Stock to which such Person would be entitled pursuant to Section 2.6(c), in each case pursuant to this Agreement.

(e) No Liability. Notwithstanding any provision of this Agreement to the contrary, none of the parties hereto or the Surviving Corporation shall be liable to any Person in respect of any shares of Parent Common Stock (or dividends or other distributions with respect thereto) or cash in lieu of any fractional shares of Parent Common Stock, in each case required to be delivered and delivered to a public official pursuant to any applicable abandoned property, escheat or similar Law.

Section 2.7 Parent Common Stock. Parent agrees that it will issue the Merger Shares into which the Company Shares are converted at the Merger Effective Time pursuant to Section 2.5 to the respective holder under Section 2.5 and will pay any cash amount in lieu of any fractional shares as set forth in Section 2.6(c).

Section 2.8 Company Options; Company Warrants.

(a) Before the Closing, the Company Board shall adopt such resolutions or take such other actions as may be required to effect the following:

(i) adjust the terms of all outstanding options of the Company to purchase Company Ordinary Shares under the Company's 2003 Stock Option Plan ("Company Options" and "Company Option Plan"), whether vested or unvested, as necessary to provide that, at the Merger Effective Time, each Company Option outstanding immediately prior to the Merger Effective Time shall be assumed and converted into an option to acquire, on the same terms and conditions as were applicable under the Company Options and the Company Option Plan, the number of shares of Parent Common Stock (rounded down to the nearest whole share) determined by Existing Holder multiplying the number of Company Ordinary Shares subject to the Company Options by the Exchange Ratio (each, as so converted, an "Assumed Option"); provided, that the aggregate exercise price of each Company Option shall remain unchanged; and

(ii) make such other changes to the Company Option Plan as appropriate to give effect to the Merger and any rulings or tax benefits of Israeli tax authorities with respect to the Assumed Options, including the Israeli Income Tax Ruling referred to below.

(b) At the Merger Effective Time, by virtue of the Merger and without the need of any further corporate action, Parent shall assume the Company Option Plan with the result that all obligations of the Company under the Company Option Plan, including with respect to Company Options outstanding at the Merger Effective Time, shall become the obligations of Parent following the Merger Effective Time, entitling the holders thereof to the Assumed Options referred to in Section 2.8(a).

(c) As soon as practicable after the Merger Effective Time, Parent shall deliver to the holders of Company Options appropriate notices setting forth such holders' rights under the Assumed Options subject to the adjustments required and limitations imposed by Section 2.8(a).

(d) Except as otherwise contemplated by Section 2.8 and except to the extent required under the respective terms of the Company Options, all restrictions or limitations on transfer and vesting with respect to Company Options awarded under the Company Option Plan or any other plan, program or arrangement of the Company, to the extent that such restrictions or limitations shall not have already lapsed, shall remain in full force and effect with respect to such Assumed Options after giving effect to the Merger and any rulings of Israeli tax authorities as set forth in Section 2.8(a).

(e) Each Company Warrant shall similarly be assumed by Parent and amended and converted into the right to acquire upon exercise thereof the number of shares of Parent Common Stock (rounded down to the nearest whole share) determined by multiplying the number of Company Ordinary Shares issuable upon the exercise of each Company Warrant by the Exchange Ratio; provided, that the aggregate exercise price of each Company Warrant shall remain unchanged.

Section 2.9 Further Assurances. From time to time, from and after the Merger Effective Time, as and when requested by Parent or its respective successors or assigns, the proper officers and directors of the Company or Acquisition Subsidiary (as applicable) in office immediately prior to the Merger Effective Time shall, for and on behalf and in the name of the Company or Acquisition Subsidiary (as applicable), execute and deliver all such deeds, bills of sale, assignments and other instruments and take or cause to be taken such further actions as Parent or its respective successors or assigns may deem necessary or desirable in order to confirm or record or otherwise transfer to the Surviving Corporation title to and possession of all of the properties, rights, privileges, powers, franchises and immunities of the Company and the Acquisition Subsidiary or otherwise to carry out fully the provisions and purposes of this Agreement and the Certificate of Merger.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby represents and warrants to Parent and Acquisition Subsidiary that the statements contained in this Article III are true and correct, except as set forth in the disclosure schedule provided by the Company to Parent and Acquisition Subsidiary, as of the date hereof (the "Company Disclosure Schedules"). For purposes of this Article III, the phrase "to the knowledge of the Company" or any phrase of similar import shall be deemed to refer to the actual knowledge of the Chief Executive Officer of the Company and Dr. Yoseph Shaaltiel, the founder of the Company, as well as any other knowledge which such persons would have possessed had they made reasonable inquiry of appropriate officers and employees (whether current or former), agents and affiliates of the Company with respect to the matter in question.

Section 3.1 Subsidiaries. The Company does not own or control, directly or indirectly, any interest in any other corporation, partnership, company, association, limited

liability company or other business entity. The Company is not a party to, or a participant in, any joint venture, partnership or similar arrangement. Except as set forth on Schedule 3.1 of the Company Disclosure Schedules, the Company is not a party to, or a participant in, any joint venture or similar arrangement, including strategic relationships to develop or promote the Company's products and services, which relationships are conducted through contractual relationships between the Company and third parties, but do not involve any interest of the Company in any separate legal entities.

Section 3.2 Organization and Qualification. The Company is duly organized and validly existing under the laws of the State of Israel and has all requisite corporate power and authority to own, lease and operate its assets and properties and to carry on its business (the "Business") as now conducted. Except as set forth on Schedule 3.2 of the Company Disclosure Schedules, the Company is duly qualified to transact business under the laws of the State of Israel and in such other jurisdictions where the character of the properties owned, leased or operated by it or the nature of the Business makes such qualification or licensing necessary and has not taken any action or failed to take any action, which action or failure, as applicable, are reasonably expected to interfere in any material respect with, preclude or prevent the Company from carrying on its Business as now conducted. The Company is not in default with respect to the Company Articles.

Section 3.3 Capitalization.

(a) The registered share capital of the Company as of the date hereof consists of NIS 22,900 divided into: 1,516,468 Ordinary Shares, 190,486 Series A Preferred Shares, nominal value NIS 0.01 per share, 183,046 Series B Preferred Shares, nominal value NIS 0.01 per share and 400,000 Series C Preferred Shares, nominal value NIS 0.01 per share. As of the closing of the Share Purchase Agreement, all issued and outstanding Company Preferred Shares shall be converted into Company Ordinary Shares and the registered share capital of the Company shall consist of NIS 22,900 divided into 2,290,000 Ordinary Shares.

(b) The issued and outstanding Company Shares have been duly authorized and validly issued, are fully paid, non-assessable, and have been issued in compliance with the Israeli Securities Law, 1968, other applicable securities laws, and the rules and regulations promulgated thereunder. The issued and outstanding share capital of the Company, on a fully diluted basis, including a true and correct list of the holders (beneficially and of record) of shares or rights (vested or contingent) to acquire shares in the Company dated as of the date hereof is as set forth in Schedule 3.3 of the Company Disclosure Schedules.

(c) Except: (i) as set forth in this Agreement and as specified in Schedule 3.3 of the Company Disclosure Schedules, (ii) as set forth in the Articles; and (iii) as set forth in the Amendment to the Shareholders' Rights Agreement between the Company and certain shareholders of the Company (the "Amended Shareholders Agreement"), the Company is not a party or subject to any agreement or understanding with respect to any security of the Company and there are no outstanding options, warrants, convertible securities, rights (including registration rights, voting rights, conversion or preemptive rights and rights of first refusal), or agreements of any kind for the purchase or acquisition of securities from the Company.

(d) Attached to Schedule 3.3 of the Company Disclosure Schedules is a true and correct copy of the Company Option Plan. True and correct copies of all Company Options and Company Warrants were provided to Parent.

(e) Except as set forth in the Company Articles, the Amended Shareholders Agreement and as specified in Schedule 3.3 of the Company Disclosure Schedules, the Company is not a party or subject to any agreement or understanding, and, to the Company's knowledge, there is no agreement or understanding between any other persons and/or entities that affects or relates to the voting or giving of written consents with respect to any security or the voting by a director or shareholder of the Company.

(f) Except as set forth on Schedule 3.3 of the Company Disclosure Schedules, there is no share option plan, share purchase, option or other right, or any agreement or understanding, between the Company and any holder of its securities (or of any right to obtain a security), or to the Company's knowledge, any agreement or understanding between shareholders of the Company that (i) provides for redemption, acceleration or other changes in the vesting provisions or other terms of such agreement or understanding, as a result of any merger, consolidation, sale of shares or assets, change in control or similar transaction in respect of the Company or (ii) that relates to the acquisition (including, without limitation, through anti-dilution, conversion, preemptive (contractual or otherwise) or similar rights), disposition or registration for the public sale of any securities of the Company. Except as set forth on Schedule 3.3 of the Company Disclosure Schedules, the Company does not have any right to purchase or otherwise acquire from any third party (including, without limitation, employees, officers, directors, consultants and business parties) shares of the Company or rights to acquire the same.

Section 3.4 Authorization. Except as set forth on Schedule 3.4 of the Company Disclosure Schedules, all corporate action on the part of the Company, its officers and directors necessary for: (i) the due authorization, execution and delivery of this Agreement and (ii) the performance of all obligations of the Company hereunder has been taken as of the date hereof, except as set forth in Section 5, 6 and 9. All corporate action on the part of the Company's shareholders necessary for the due authorization, execution and delivery of this Agreement and the performance of all obligations of the Company hereunder has been or will be taken prior to or upon the Closing. The requisite number of the Company's shareholders has executed the Amended Shareholders Agreement as of the closing of the Share Purchase Agreement. This Agreement has been duly executed by the Company and, assuming the due authorization, execution and delivery by the other parties thereto, constitutes and will constitute a valid and legally binding obligation of the Company, (i) subject, to applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or similar laws of general application affecting the enforcement of creditors' rights generally, (ii) subject to a court's discretionary authority with respect to the granting of specific performance, injunctive relief or other equitable remedies and (iii) except to the extent the indemnification and contribution provisions, if any, contained in any such agreement may be limited by Israeli securities laws or unenforceable as against public policy.

Section 3.5 Compliance with Other Instruments; No Conflict. The Company is not in violation or breach of, conflict with, or in default under (with or without the passage of time or the giving of notice or both) any provision of (a) the Company Articles or (b) any mortgage,

indenture, lease, license or any other agreement or instrument, judgment, order, writ or decree to which it is a party or by which it or its properties is bound, or, any statute, rule or regulation applicable to it or its properties, except, in the case of clause (b) above for such possible violations, breaches, conflicts or defaults which could not, individually or in the aggregate, result in a Material Adverse Effect. Except as set forth in Schedule 3.5 of the Company Disclosure Schedules, the execution, delivery and performance of this Agreement, and the consummation of the transactions contemplated hereby will not, to the Company's knowledge, result in any such violation, breach, conflict or default or result in the creation of any Lien upon any assets of the Company or the suspension, revocation, impairment, forfeiture or nonrenewal of any franchise, permit, license, authorization or approval applicable to the Company or the Business which individually or in the aggregate (a) could reasonably be expected to have a Material Adverse Effect on the Company; or (b) prevent or materially delay the consummation of the transactions contemplated hereby.

Section 3.6 Absence of Changes. Since December 31, 2005, the date of the latest audited financial statements provided to Parent (the "Audited Financial Statements Date"), except as disclosed in Schedule 3.6 of the Company Disclosure Schedules or incident to the transactions contemplated hereby or in connection with the Merger, (i) there has been no event, occurrence or development that, individually or in the aggregate, has had or that could result in a Material Adverse Effect, (ii) the Company has not incurred any material liabilities or Indebtedness that has had or could result in a Material Adverse Effect other than (A) trade payables and expenses incurred in the ordinary course of business consistent with past practice and (B) liabilities not required to be reflected in the Company's financial statements pursuant to GAAP, (iii) the Company has not altered its method of accounting or the identity of its auditors, except as disclosed in its audited financial statements, (other than the Company's election to start preparing the Company Financial Statements (as defined below) in accordance with GAAP (as defined below)), (iv) the Company has not declared or made any dividend or distribution of cash or other property to its shareholders, in their capacities as such, or purchased, redeemed or made any agreements to purchase or redeem any of its share capital and (v) the Company has not issued any equity securities to any officer, director or Affiliate, except pursuant to an existing Company Option Plan. Set forth on Schedule 3.6 of the Company Disclosure Schedules is a list of all Options issued since December 31, 2005, including the identity of the persons to whom such Options were issued and the exercise prices thereof. The Company has not taken any steps to seek protection pursuant to any bankruptcy law nor does the Company have any knowledge or reason to believe that its creditors intend to initiate involuntary bankruptcy proceedings or any actual knowledge of any fact that would reasonably lead a creditor to do so. The Company is not Insolvent as of the date hereof, and after giving effect to the transactions contemplated hereby to occur at the Closing, will not be Insolvent.

Section 3.7 Absence of Litigation.

(a) There is no action, suit, claim or Proceeding pending, or to the knowledge of the Company currently threatened, against the Company, and the Company is not aware of any event or circumstance that may form a basis for any such action, suit, claim, proceeding other than those set forth on Schedule 3.7(a) of the Company Disclosure Schedules that might result, either individually or in the aggregate, in any Material Adverse Effect. The foregoing includes, to the Company's knowledge, actions, suits, claims or proceedings pending or

threatened against the Company (or any basis therefor known to the Company) involving the prior employment of any of the Company's employees, their use in connection with the Business of any information or techniques allegedly proprietary to any of their former employers, or their obligations under any agreements with former employers.

(b) Except as set forth on Schedule 3.7(b) of the Company Disclosure Schedules, the Company is not a party or subject to the provisions of any order, writ, injunction, judgment or decree of any court or Government Authority that might, individually or in the aggregate, have a Material Adverse Effect on the Company.

(c) There is no action, suit, claim or proceeding by the Company that is currently pending or that the Company intends to initiate.

(d) There is no action, suit, claim or proceeding pending or, to the knowledge of the Company, threatened, that questions the validity of this Agreement or the right of the Company to enter into this Agreement, or to consummate the transactions contemplated hereby.

Section 3.8 Compliance. The Company, except in each case as could not, individually or in the aggregate, reasonably be expected to have or result in a Material Adverse Effect, (i) is not in default under or in violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by the Company under), nor has the Company received written notice of a claim that it is in default under or that it is in violation of, any indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived), (ii) is not in violation of any order of any court, arbitrator or governmental body or (iii) is not or has not been in violation of any statute, rule or regulation of any Governmental Authority.

Section 3.9 Title to Assets. The Company does not own any real property and has good and marketable title in all personal property owned by the Company that is material to the Business, in each case free and clear of all Liens, except for Liens that do not, individually or in the aggregate, have or result in a Material Adverse Effect. Any real property and facilities held under lease by the Company are held by the Company under valid, subsisting and enforceable leases of which the Company is in material compliance.

Section 3.10 Proprietary Rights. The Company does not have any knowledge of, and the Company has not received any notice of, any pending conflicts with or infringement of the rights of others with respect to any patents, patent applications, inventions, trademarks, trade names, applications for registration of trademarks, service marks, service mark applications, copyrights, know-how, manufacturing processes, formulae, trade secrets, licenses and rights in any thereof which are material to the Business, as now conducted or as proposed to be conducted (herein called the "Company Proprietary Rights"). No action, suit, arbitration or legal, administrative or other Proceeding is pending or, to the Company's knowledge, threatened which involves any Company Proprietary Rights. The Company is not subject to any judgment, order, writ, injunction or decree of any court or any local, foreign or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, or any arbitrator, and the Company has not entered into nor is the Company a party to any contract which restricts or

impairs the use of any such Company Proprietary Rights in a manner which could have a Material Adverse Effect. To the Company's knowledge, the Company owns or licenses all the Company Proprietary Rights which are necessary for the Business as now conducted and as contemplated to be conducted, and has the right to use such Company Proprietary Rights without payment to a third party, other than in respect of the licenses disclosed in Schedule 3.10 of the Company Disclosure Schedules. Except as disclosed in Schedule 3.10 of the Company Disclosure Schedules, the Company has not granted or assigned to any other person or entity any right to manufacture, have manufactured or assemble the products or proposed products or to provide the services or proposed services of the Company. Except as disclosed in Schedule 3.10 of the Company Disclosure Schedules, the Company does not have any obligation to compensate any person for the use of any Company Proprietary Rights nor has the Company granted to any person any license or other rights to use in any manner any Company Proprietary Rights of the Company. Except as disclosed in Schedule 3.10 of the Company Disclosure Schedules, all of the issued patents included in the Company Proprietary Rights are valid and enforceable.

Section 3.11 Insurance. The Company maintains third party liability, fire, theft, equipment and employee claim insurance and such other customary insurance policies of types and in amounts as necessary to conduct its Business.

Section 3.12 Permits. Except as set forth on Schedule 3.12 of the Company Disclosure Schedules, the Company has all Material Permits necessary for the conduct of the Business as now conducted. The Company is not in material breach of or default under any of such Material Permits.

Section 3.13 Interested and Related-Party Transactions. Except as set forth in Schedule 3.13 of the Company Disclosure Schedules, no shareholder, officer or director of the Company is indebted to the Company, nor is the Company indebted to (or committed to make loans or extend or guarantee credit of) any of them. Except as set forth in Schedule 3.13 of the Company Disclosure Schedules, to the Company's knowledge, no shareholder, officer or director of the Company (i) has any direct or indirect interest in any contract to which the Company is a party or by which it or its properties may be bound or affected, (ii) has any direct or indirect interest in any entity which transacts business with the Company, (iii) has a direct or indirect interest in any property, asset or right which is used by the Company in the conduct of its Business or (iv) owns any asset used by the Company in connection with its Business.

Section 3.14 Employee Relations. The Company is not a party to any collective bargaining agreement nor does the Company employ any member of a union. The Company believes that its relations with its employees are good. No executive officer of the Company has notified the Company that such officer intends to leave the Company or otherwise terminate such officer's employment with the Company. The Company is in compliance with all applicable laws and regulations respecting labor, employment and employment practices and benefits, terms and conditions of employment and wages and hours, except where failure to be in compliance would not, either individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect on the Company.

Section 3.15 Environmental Laws. The Company (i) is in compliance with any and all Environmental Laws applicable to the Company, (ii) has received all permits, licenses or other

approvals required of the Company under applicable Environmental Laws to conduct the Business and (iii) is in compliance with all terms and conditions of any such permit, license or approval where, in each of the foregoing clauses (i), (ii) and (iii), the failure to so comply could be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect on the Company.

Section 3.16 Tax Status. The Company has timely made or filed all material income and all other tax returns, reports and declarations required by any taxing authority to which it is subject (unless and only to the extent that the Company is contesting in good faith such unpaid and unreported taxes and has set aside on its respective books provisions reasonably adequate for the payment of all such unpaid and unreported taxes), all such tax returns have been prepared in compliance with all applicable laws and regulations and all such tax returns are true, accurate and complete in all respects. The Company has timely paid all taxes and other governmental assessments and charges, that are material in amount, shown or determined to be due on such returns, reports and declarations, except those being contested in good faith, and has set aside on its books provisions reasonably adequate for the payment of all taxes for periods subsequent to the periods to which such returns, reports or declarations apply. To the knowledge of the Company, there are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, other than those incurred in the ordinary course of business and liabilities which are reflected in the Company Financial Statements. The Company has not executed a waiver with respect to the statute of limitations relating to the assessment or collection of any Israeli, foreign, federal, state or local tax. None of the Company's tax returns are presently being audited or the subject of any action, suit or Proceeding by any taxing Governmental Authority, and, to the best of the Company's knowledge, no such audit, action, suit or Proceeding is being threatened against the Company by such taxing Governmental Authority. The Company has made available to Parent true, correct and complete copies of all Tax Returns with respect to income taxes filed by or with respect to it with respect to taxable periods ended on or after December 31, 2003, and has delivered or made available to Parent all relevant documents and information with respect thereto, including without limitation work papers, records, examination reports, and statements of deficiencies assessed against or agreed to by the Company. There are no outstanding adjustments, deficiencies, additional assessments or refund claims proposed or outstanding with respect to any Tax or Tax Return of the Company. The Company is not a party to or bound by any tax sharing or allocation agreement and has no current or potential contractual obligation to indemnify any other Person with respect to Taxes.

Section 3.17 "Approved Enterprise" Status. Except as set forth on Schedule 3.17 of the Company Disclosure Schedules, the Company is in compliance with all conditions and requirements stipulated by (i) the instruments of approval granted to it with respect to the "Approved Enterprise" status of any of the facilities of the Company as well as with respect to the other tax benefits received by the Company and (ii) Israeli laws and regulations relating to such "Approved Enterprise" status and the aforementioned other tax benefits received by the Company, except to the extent that noncompliance with the foregoing, individually or in the aggregate, would not result in a Material Adverse Effect and would not prevent or delay the consummation of the transactions contemplated hereby. The Company has not received any notice of any proceeding or investigation relating to revocation or modification of any "Approved Enterprise" status granted with respect to any of the facilities of the Company and the Transactions will not result in any such revocation or modification.

Section 3.18 Manipulation of Price. The Company has not, and to its knowledge no one acting on its behalf has, (i) taken, directly or indirectly, any action designed to cause or to result in the stabilization or manipulation of the price of Parent Common Stock, (ii) sold, bid for, purchased, or paid any compensation for soliciting purchases of, any shares of Parent Common Stock or (iii) paid or agreed to pay to any Person any compensation for soliciting another to purchase any shares of Parent Common Stock.

Section 3.19 Material Agreements. A list of the oral and written material agreements of the Company is set forth on Schedule 3.19 of the Company Disclosure Schedules (each a "Material Agreement"). The Company, to the extent applicable, and to the Company's knowledge, each other party thereto, have in all material respects performed all the obligations required to be performed by them to date (or such non-performing party has received a valid, enforceable and irrevocable written waiver with respect to its non-performance), have received no notice of default and are not in default (with due notice or lapse of time or both) under any Material Agreement. The Company has no knowledge of any breach or anticipated breach by the other party to any Material Agreement to which the Company is a party.

Section 3.20 Office of Chief Scientist. Except as set forth on Schedule 3.20 of the Company Disclosure Schedules, the Company has satisfied all conditions and requirements of the instruments of approval granted to it by the Office of Chief Scientist of the Israeli Ministry of Industry and Trade (the "OCS") and any applicable laws and regulations, including the Law for the Encouragement of Industrial Research and Development, 1984, with respect to any research and development grants given to it by such office, except to the extent that noncompliance with the foregoing, individually or in the aggregate, would not result in a Material Adverse Effect and would not prevent or delay the consummation of the transactions contemplated hereby. All information supplied by the Company with respect to such applications was true, correct and complete in all material respects when supplied to the appropriate authorities.

Section 3.21 Disclosure. All disclosures provided by the Company to Parent and Acquisition Subsidiary regarding the Company, the Business and the transactions contemplated hereby, including the Company Disclosure Schedules, are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading as of the date hereof.

Section 3.22 Consents. Except as set forth in Schedule 3.22 of the Company Disclosure Schedules, no consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any Government Authority, or any other Person, is required in connection with the execution and delivery of, and the consummation of the transactions contemplated by, this Agreement, except any filing required any applicable securities laws or regulations or as set forth herein.

Section 3.23 Broker's and other Fees. The Company has not incurred, nor will it incur, directly or indirectly, any liability for brokerage or finders fees or agent's commissions or any similar charges in connection with this Agreement or any transaction contemplated hereby.

Section 3.24 Application of Takeover Protections. Except as described in Schedule 3.24 of the Company Disclosure Schedules, to the knowledge of the Company, there are no Takeover Protections that are or could become applicable to the Company as a result of the Company, Parent and Acquisition Subsidiary fulfilling their obligations or exercising their rights under the Transaction Documents.

Section 3.25 Financial Statements.

(a) The Company has delivered to Parent copies of: (i) the balance sheets of the Company as of December 31, 2005 and December 31, 2004, and the statements of operations, and changes in shareholders' equity and cash flows for the years ended December 31, 2005, December 31, 2004 and December 31, 2003, in each case accompanied by the audit report of PriceWaterhouseCoopers, LLP – Kesselman & Kesselman, independent accountants with respect to the Company, and (ii) the unaudited balance sheets of the Company as of June 30, 2006 (the "Company June Balance Sheets") and the unaudited statements of operations, and shareholders' equity and cash flows for the six-month period ended June 30, 2006 (collectively, the "Company Financial Statements"). The Company Financial Statements (including the related notes) have been prepared in accordance with United States and Israeli generally accepted accounting principles consistently applied ("GAAP") during the periods involved (except as may be indicated therein or in the notes thereto), and present fairly the consolidated financial position of the Company as of the respective dates set forth therein, and the consolidated results of the Company's operations and its cash flows for the respective periods set forth therein in accordance with GAAP (subject, in case of any unaudited interim financial statements, to normal year-end adjustments).

(b) The books and records of the Company are being maintained in material compliance with applicable legal and accounting requirements.

Section 3.26 Foreign Corrupt Practices. Neither the Company nor any director, officer, agent, employee or other Person acting on behalf of the Company has, in the course of its actions for, or on behalf of, the Company (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expenses relating to political activity, (ii) made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds, (iii) violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977, as amended, or (iv) made any unlawful bribe, rebate, payoff, influence payment, kickback or other unlawful payment to any foreign or domestic government official or employee.

Section 3.27 OFAC. The Company (i) is not a Person whose property or interest in property is blocked or subject to blocking pursuant to Section 1 of Executive Order 13224 of September 23, 2001 Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism (66 Fed. Reg. 49079 (2001)), (ii) does not engage in any dealings or transactions prohibited by Section 2 of such executive order, or is otherwise associated with any such Person in any manner violative of Section 2 of such executive order or (iii) is not a Person on the list of Specially Designated Nationals and Blocked Persons or subject to the limitations or prohibitions under any other U.S. Department of Treasury's Office of Foreign Assets Control regulation or executive order.

Section 3.28 Patriot Act. Assuming the foregoing were applicable to the Company, the Company would be in compliance, in all material respects, with the (i) Trading with the Enemy Act, as amended, and each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) and any other enabling legislation or executive order relating thereto and (ii) Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA Patriot Act of 2001).

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF PARENT, AND ACQUISITION SUBSIDIARY

Each of Parent and Acquisition Subsidiary represents and warrants to the Company that the statements contained in this Article IV are true and correct, except as set forth in the disclosure schedule provided by Parent and Acquisition Subsidiary to the Company, as of the date hereof (the "Parent Disclosure Schedules"). For purposes of this Article IV, the phrase "to the knowledge of Parent" or any phrase of similar import shall be deemed to refer to the actual knowledge of the executive officers of Parent, as well as any other knowledge which such executive officers would have possessed had they made reasonable inquiry of appropriate officers and employees (whether current or former), agents and affiliates of Parent with respect to the matter in question.

Section 4.1 Subsidiaries. Except for Parent's 100% interest in Acquisition Subsidiary, neither Parent nor Acquisition Subsidiary owns or controls, directly or indirectly, any interest in any other corporation, partnership, company, association, limited liability company or other business entity. Except as set forth on Schedule 4.1 of the Parent Disclosure Schedules, neither Parent nor Acquisition Subsidiary is a party to, or a participant in, any joint venture or similar arrangement, including strategic relationships to develop or promote Parent's and/or Acquisition Subsidiary's products and services, which relationships are conducted through contractual relationships between Parent or Acquisition Subsidiary and third parties, but do not involve any interest of Parent or Acquisition Subsidiary in any separate legal entities.

Section 4.2 Organization, Good Standing and Qualification. Parent is a corporation duly organized and validly existing and in good standing under the laws of the State of Florida and has all corporate power and authority to carry on its business as now conducted. Acquisition Subsidiary is a corporation duly organized and validly existing under the laws of the State of Israel and has all requisite corporate power and authority to carry on its business as now conducted. Each of Parent and Acquisition Subsidiary is duly qualified to transact business and is in good standing in each jurisdiction in which the failure to be so qualified could have a Material Adverse Effect on Parent and/or Acquisition Subsidiary. Parent is not in default with respect to its Articles of Incorporation (as may be amended or supplemented from time to time, the "Parent Articles"). Acquisition Subsidiary is not in default with respect to its Articles of Association (as may be amended or supplemented from time to time, the "Sub Articles"). Complete and correct copies of the Parent Articles and Sub Articles were provided to Company.

Section 4.3 Authorization. All corporate action on the part of each of Parent and Acquisition Subsidiary, its officers and directors necessary for the (i) due authorization, execution and delivery of this Agreement and (ii) performance of all obligations of Parent and/or

Acquisition Subsidiary hereunder has been taken as of the date hereof. All corporate action on the part of the stockholders of each of Parent and Acquisition Subsidiary necessary for the (i) due authorization, execution and delivery of this Agreement and (ii) performance of all obligations of Parent and/or Acquisition Subsidiary hereunder has been taken or will be taken prior to the Closing. This Agreement has been duly executed by each of Parent and Acquisition Subsidiary and, assuming the due authorization, execution and delivery by the other parties thereto, constitutes and will constitute a valid and legally binding obligation of both Parent and Acquisition Subsidiary, (i) subject to applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or similar laws of general application affecting the enforcement of creditors' rights generally, (ii) subject to a court's discretionary authority with respect to the granting of specific performance, injunctive relief or other equitable remedies and (iii) except to the extent the indemnification and contribution provisions, if any, contained in any such agreement may be limited by Israeli or United States securities laws or unenforceable as against public policy.

Section 4.4 Authorized Securities. The Merger Shares shall be duly authorized and, when issued in accordance with this Agreement, will be duly and validly issued, fully paid and non-assessable, free and clear of all Liens and shall not be subject to preemptive or similar rights of stockholders. The Assumed Options, any warrants or options issued by Parent in exchange for the Company Warrants and all options and warrants issuable by Parent pursuant to Section 5.8 shall be duly issued and authorized when issued in accordance with this Agreement and any share of Parent Common Stock issued upon the exercise thereof according to the terms thereof will be duly and validly issued, fully paid and non-assessable, free and clear of all Liens and shall not be subject to preemptive or similar rights of stockholders.

Section 4.5 Capitalization. The authorized share capital of Parent and Acquisition Subsidiary is as set forth on Schedule 4.5 of the Parent Disclosure Schedules.

Section 4.6 Valid Issuance. The issued and outstanding capital stock of Parent have been duly authorized and issued, are fully paid and non-assessable, and have been issued in compliance with applicable securities laws. The issued and outstanding capital stock of Parent, on a fully diluted basis, including a true and correct list of the record holders of shares or rights (vested or contingent) to acquire shares in Parent immediately prior to the Closing is as set forth in Schedule 4.6 of the Parent Disclosure Schedules. All issued and outstanding share capital of Acquisition Subsidiary has been duly authorized and issued, is fully paid and non-assessable, and has been issued in compliance with Israeli securities laws. All issued and outstanding share capital of Acquisition Subsidiary, on a fully diluted basis, is held by Parent immediately prior to the Closing. As of the Closing, Parent will assume the Company Option Plan to provide for the issuance of the Assumed Options and will, prior to the Closing, reserve sufficient number of shares of Parent Common Stock available for issuance upon the exercise of the Assumed Options, any warrants or options issued in exchange for the Company Warrants or as otherwise undertaken by Parent to be issued following the Closing.

Section 4.7 SEC Reports; Financial Statements. Parent has duly filed all reports required to be filed by it under the Exchange Act, including pursuant to Sections 13(a) or 15(d) thereof, for the two years preceding the date hereof (the foregoing materials (together with any materials filed by Parent under the Exchange Act, whether or not required) being collectively

referred to herein as the "SEC Reports") on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension. As of their respective dates, the SEC Reports complied in all material respects with the requirements of the Securities Act and the Exchange Act and the rules and regulations of the SEC promulgated thereunder, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The financial statements of Parent included in the SEC Reports comply in all material respects with applicable accounting requirements and the rules and regulations of the SEC with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with GAAP applied on a consistent basis, except as may be otherwise specified in such financial statements or the notes thereto, and fairly present in all material respects the financial position of Parent as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, year-end audit adjustments. Except as set forth on Schedule 4.7 of the Parent Disclosure Schedules, all material agreements to which Parent or Acquisition Subsidiary is a party or to which the property or assets of Parent or the Acquisition Subsidiary are subject are included as part of or specifically identified in the SEC Reports.

Section 4.8 Absence of Changes. Since the date of the latest audited financial statements included within the SEC Reports, except as specifically disclosed in the SEC Reports or in Schedule 4.8 of the Parent Disclosure Schedules or incident to the transactions contemplated hereby or in connection with the Merger, (i) there has been no event, occurrence or development that, individually or in the aggregate, has had or that could result in a Material Adverse Effect on Parent, (ii) Parent has not incurred any material liabilities, (iii) Parent has not altered its method of accounting or the identity of its auditors, except as disclosed in its SEC Reports, (iv) Parent has not declared or made any dividend or distribution of cash or other property to its stockholders, in their capacities as such, or purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock and (v) Parent has not issued any equity securities to any officer, director or affiliate. Parent has not taken any steps to seek protection pursuant to any bankruptcy law nor does Parent have any knowledge or reason to believe that its creditors intend to initiate involuntary bankruptcy proceedings or any actual knowledge of any fact that would reasonably lead a creditor to do so. Parent is not Insolvent as of the date hereof, and after giving effect to the transactions contemplated hereby to occur at the Closing, will not be Insolvent.

Section 4.9 Absence of Litigation.

(a) There is no action, suit, claim or proceeding pending, or to the knowledge of Parent currently threatened, against Parent and/or Acquisition Subsidiary, and Parent is not aware of any event or circumstance that may form a basis for any such action, suit, claim, proceeding other than those set forth on Schedule 4.9(a) of the Parent Disclosure Schedules. The foregoing includes, to Parent and/or Acquisition Subsidiary's knowledge, actions, suits, claims or proceedings pending or threatened against Parent and/or Acquisition Subsidiary (or any basis therefor known to Parent and/or Acquisition Subsidiary) involving the prior employment of any of Parent's and/or Acquisition Subsidiary's employees, their use in connection with the Business

of any information or techniques allegedly proprietary to any of their former employers, or their obligations under any agreements with former employers.

(b) To Parent's and/or Acquisition Subsidiary's knowledge, neither Parent nor Acquisition Subsidiary is party or subject to the provisions of any order, writ, injunction, judgment or decree of any court or Government Authority other than those set forth on Schedule 4.9(b) of Parent Disclosure Schedules.

(c) There is no action, suit, claim or proceeding by Parent and/or Acquisition Subsidiary that is currently pending or that Parent and/or Acquisition Subsidiary intends to initiate.

(d) To Parent's and/or Acquisition Subsidiary's knowledge, there is no action, suit, claim or proceeding pending or, to the knowledge of Parent and/or Acquisition Subsidiary, threatened, that questions the validity of this Agreement or the right of Parent and/or Acquisition Subsidiary to enter into this Agreement, or to consummate the transactions contemplated hereby.

Section 4.10 No Assets; No Liabilities. Except as specifically disclosed in the SEC Reports, neither Parent nor Acquisition Subsidiary has the right to own, or will have the right to own prior to the Closing, any assets (including without limitation, tangible and intangible, personal and real property) and neither is involved in the operation of any business or property. As of the date hereof, other than as specifically disclosed in the SEC Reports and those liabilities related to this Agreement set forth on Schedule 4.10 of the Parent Disclosure Schedules, neither Parent nor Acquisition Subsidiary has any direct or indirect liability, indebtedness or obligation (including without limitation, known or unknown, absolute or contingent, liquidated or unliquidated or due or to become due).

Section 4.12 Application of Takeover Protections. Except as described in Schedule 4.12 of the Parent Disclosure Schedules, there are no Takeover Protections that are or could become applicable to Parent as a result of the Company, Parent and Acquisition Subsidiary fulfilling their obligations or exercising their rights under the Transaction Documents, including, without limitation, as a result of Parent's issuance of the Merger Shares or any other warrant or option as specified in this Agreement.

Section 4.13 Disclosure. All disclosure provided by Parent and Acquisition Subsidiary to the Company regarding Parent and Acquisition Subsidiary, their respective businesses and the transactions contemplated hereby, including the Schedules to this Agreement, furnished by or on the behalf of Parent and Acquisition Subsidiary are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading as of the date hereof. To Parent's and Acquisition Subsidiary's knowledge, no event or circumstance has occurred or information exists with respect to Parent or Acquisition Subsidiary or their respective business, properties, operations or financial conditions, which, under applicable law, rule or regulation, requires public disclosure or announcement by Parent but which has not been so publicly announced or disclosed. Parent and Acquisition Subsidiary acknowledge and agree that the Company has not made nor will make any

representations or warranties with respect to the transactions contemplated hereby other than those specifically set forth in the Transaction Documents.

Section 4.14 Operations of Acquisition Subsidiary. Acquisition Subsidiary is a direct, wholly owned subsidiary of Parent, was formed solely for the purpose of engaging in the transactions contemplated by this Agreement, has engaged in no other business activities and has conducted its operations only as contemplated by this Agreement.

Section 4.15 Sarbanes-Oxley Act. Parent is in compliance with all applicable requirements of Sarbanes-Oxley Act of 2002 and applicable rules and regulations promulgated by the SEC thereunder, except where such noncompliance would not have, individually or in the aggregate, a Material Adverse Effect on Parent.

Section 4.16 Manipulation of Price. Neither Parent nor Acquisition Subsidiary has, and to their knowledge no one acting on their behalf has, (i) taken, directly or indirectly, any action designed to cause or to result in the stabilization or manipulation of the price of any security of Parent or to facilitate the sale or resale of any of Parent Common Stock, (ii) sold, bid for, purchased or paid any compensation for soliciting purchases of, any of Parent Common Stock or (iii) paid or agreed to pay to any Person any compensation for soliciting another to purchase any other securities of Parent.

Section 4.17 Material Agreements. A list of the material agreements of each of Parent and Acquisition Subsidiary is set forth on Schedule 4.17 of the Parent Disclosure Schedules. Each of Parent and Acquisition Subsidiary, to the extent applicable, and to Parent's and/or Acquisition Subsidiary's knowledge, each other party thereto, have in all material respects performed all the obligations required to be performed by them to date (or such non-performing party has received a valid, enforceable and irrevocable written waiver with respect to its non-performance), have received no notice of default and are not in default (with due notice or lapse of time or both) under any material agreement specified in Schedule 4.17 of the Parent Disclosure Schedules. Except as set forth on Schedule 4.17 of the Parent Disclosure Schedules, immediately following the Closing all agreements to which the Parent or the Acquisition Subsidiary is a party shall be terminated and of no further force and effect with no liability to Parent, Acquisition Subsidiary or the Surviving Corporation.

Section 4.18 Foreign Corrupt Practices. Neither Parent nor Acquisition Subsidiary nor any director, officer, agent, employee or other Person acting on behalf of Parent or Acquisition Subsidiary has, in the course of its actions for, or on behalf of, Parent and Acquisition Subsidiary (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expenses relating to political activity, (ii) made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds, (iii) violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977, as amended, or (iv) made any unlawful bribe, rebate, payoff, influence payment, kickback or other unlawful payment to any foreign or domestic government official or employee.

Section 4.19 OFAC. Neither Parent nor Acquisition Subsidiary (i) is a Person whose property or interest in property is blocked or subject to blocking pursuant to Section 1 of Executive Order 13224 of September 23, 2001 Blocking Property and Prohibiting Transactions

with Persons Who Commit, Threaten to Commit, or Support Terrorism (66 Fed. Reg. 49079 (2001)), (ii) engages in any dealings or transactions prohibited by Section 2 of such executive order, or is otherwise associated with any such Person in any manner violative of Section 2 of such executive order or (iii) is a Person on the list of Specially Designated Nationals and Blocked Persons or subject to the limitations or prohibitions under any other U.S. Department of Treasury's Office of Foreign Assets Control regulation or executive order.

Section 4.20 Patriot Act. To the extent applicable, each of Parent and Acquisition Subsidiary is in compliance, in all material respects, with the (i) Trading with the Enemy Act, as amended, and each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) and any other enabling legislation or executive order relating thereto and (ii) Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA Patriot Act of 2001).

ARTICLE V
ADDITIONAL AGREEMENTS

Section 5.1 Publicity. Until the Merger Effective Time, no party shall issue any press release or public announcement pertaining to the Merger that has not been agreed upon in advance by Parent and the Company, except as Parent reasonably determines to be necessary in order to comply with the rules of the SEC or of the principal trading exchange or market for Parent Common Stock and as the Company reasonably determines to be necessary in accordance with the performance of its obligations under Section 5.9; provided, however, that to the maximum extent practicable, Parent and the Company shall give prior notice thereof to the other, as applicable, and consult with each other regarding the same.

Section 5.2 Tax Returns; Cooperation. From and after the Closing, the Company, on the one hand, and Parent, on the other, will cooperate with each other and provide such information as the other party may require in order to file any return to determine Tax liability or a right to a Tax refund or to conduct a Tax audit or other Tax Proceeding. Such cooperation shall include making employees available on a mutually convenient basis to explain any documents or information provided hereunder or otherwise as required in the conduct of any audit or other proceeding. In addition, each of the parties shall use all commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other parties in doing, all things necessary, proper or advisable to consummate and make effective, as soon as reasonably practicable, the Merger and the other Transactions contemplated by this Agreement.

Section 5.3 Tax Free Exchange. Each of Parent and the Company shall use its respective reasonable efforts to cause the Merger to qualify as a tax free exchange of the Merger Shares under the Code. For purposes of the foregoing, this Agreement shall constitute a plan of reorganization.

Section 5.4 Transaction Form 8-K; Other Filings. As promptly as practicable (but in no event, with respect to filing, later than the date required under applicable Law), Parent will prepare and file a current report on Form 8-K (the "Transaction Form 8-K") and any filings required to be filed by it under the Exchange Act, the Securities Act or any other Federal, foreign

or blue sky or related Laws relating to the execution of this Agreement and the consummation of the Transactions, as well as under the stock exchange or trading system on which shares of Parent Common Stock are listed or quoted and such other governmental agencies as may require the filing of such other filings. The Company will work together with Parent as promptly as practicable to prepare the Transaction Form 8-K and other filings referred to above and provide Parent whatever information is necessary to accurately complete such filings in a timely manner.

Section 5.5 Notices from Governmental Agencies. Subject to applicable Laws relating to the exchange of information, each party will promptly furnish to the other Parties copies of written communications (and memoranda setting forth the substance of all oral communications) received by such party, or any of their respective subsidiaries, affiliates or associates (as such terms are defined in Rule 12b-2 under the Exchange Act as in effect on the date hereof), from, or delivered by any of the foregoing to, any Governmental Authority relating to or in respect of the transactions contemplated under this Agreement.

Section 5.6 Parent Directors and Officers.

(a) Directors. Immediately following the Merger Effective Time, Parent and the Parent Board shall take all necessary actions to ensure that the Parent Board shall consist of the directors of the Company as of the Merger Effective Time, including the two designees of Frost Gamma Investments Trust, one of which shall be Dr. Phillip Frost and one of whom shall be Dr. Jane Hsiao, to be appointed and removed in accordance with a Voting Agreement substantially in the form attached hereto as Exhibit B, subject to any limitations imposed by applicable law or the rules of the Eligible Market.

(b) Officers. Immediately following the Merger Effective Time, the officers of Parent shall consist of those individuals appointed by the Parent Board.

Section 5.7 Letters of Transmittal.

A reasonable amount of time prior to the Merger Effective Time, Parent shall provide to each Existing Company Shareholder a letter of transmittal ("Letter of Transmittal") which shall contain additional representations, warranties and covenants of such shareholder as to the following matters: (a) such shareholder has full right, power and authority to deliver such Company Shares and Letter of Transmittal; (b) the delivery of such Company Shares will not violate or be in conflict with, result in a breach of or constitute a default under, any indenture, loan or credit agreement, deed of trust, mortgage, security agreement or other agreement or instrument to which such shareholder is bound or affected; (c) such shareholder has good, valid and marketable title to all Company Shares indicated in such Letter of Transmittal and that such stockholder is not affected by any voting trust, agreement or arrangement affecting the voting rights of such Shares; (d) such shareholder is acquiring the Parent Common Stock for investment purposes and not with a view to selling or otherwise distributing such Parent Common Stock in violation of the Securities Act or the securities Laws of any state, subject to any limitations imposed by the Israeli Tax Ruling; (e) such shareholder has had an opportunity to ask and receive answers to any questions such stockholder may have had concerning the terms and conditions of the Merger and Parent Common Stock and has obtained any additional information that such stockholder has requested; and (f) such shareholder acknowledges that the stock

certificates evidencing the shares of Parent Common Stock to be issued to such shareholder shall bear a restrictive legend customarily used in connection with restricted securities within the meaning of Rule 144 under the Securities Act subject to and until the registration thereof as set forth below. The Merger Shares shall be issued to such shareholder, only upon delivery to Parent (or an agent of Parent) of (x) certificates acceptable to Parent and its transfer agent evidencing ownership thereof as contemplated by Section 2.6(a) (or affidavit of lost certificate acceptable to Parent and its transfer agent) and (y) the Letter of Transmittal containing the representations, warranties and covenants contemplated by this Section 5.7.

Section 5.8 Issuance of Additional Warrants and Options. Parent shall issue the replacement warrants and the options in accordance with Section 1.3(b) and (c) of the Share Purchase Agreement.

Section 5.9 Merger Proposal.

(a) As promptly as practicable (i) the Company and Acquisition Subsidiary shall cause a merger proposal (in the Hebrew language) (the "Merger Proposal") to be executed in accordance with Section 316 of the Israeli Companies Law, (ii) each of the Company and Acquisition Subsidiary shall convene a shareholders meeting (the "Company General Meeting" and "Acquisition Subsidiary General Meeting"), and (iii) each of the Company and Acquisition Subsidiary shall deliver the Merger Proposal to the Companies Registrar. The Company and Acquisition Subsidiary shall cause a copy of the Merger Proposal to be delivered to each of their secured creditors, if any, no later than three days after the date on which the Merger Proposal is delivered to the Companies Registrar and shall promptly inform their non-secured creditors of the Merger Proposal and its contents in accordance with Section 318 of the Israeli Companies Law and the regulations promulgated thereunder. Promptly after the Company and Acquisition Subsidiary shall have complied with the preceding sentence but in any event no more than three days following the date on which such notice was sent to the creditors, the Company and Acquisition Subsidiary shall inform the Companies Registrar, in accordance with Section 317(b) of the Companies Law, that notice was given to their creditors under Section 318 of the Israeli Companies Law and the regulations promulgated thereunder.

(b) Notice to creditors pursuant to Section 318 shall be provided as set forth below and each of the Company and, if applicable, Acquisition Subsidiary shall publish a notice to its creditors, stating that a Merger Proposal was submitted to the Companies Registrar and that the creditors may review the Merger Proposal at the Companies Registrar, the Company's registered offices or at such other locations as Company shall determine, in (A) two daily Hebrew newspapers, on the day that the Merger Proposal is submitted to the Companies Registrar and (B) a popular newspaper in any foreign jurisdiction, no later than three Business Days following the day on which the Merger Proposal was submitted to the Companies Registrar if the Company or Acquisition Subsidiary, as applicable, has any Material Creditor in such jurisdiction. For the purpose hereof "Material Creditor" means any creditor to which the Company or the Acquisition Subsidiary, as applicable, is indebted in an amount equal to the higher of NIS100,000 or an amount equal to 15% or more of the equity of the Company or the Acquisition Subsidiary, as applicable, or as such term is otherwise defined in the regulations promulgated under the Israeli Companies Law.

(c) Within four Business Days from the date of submitting the Merger Proposal to the Companies Registrar, the Company and Acquisition Subsidiary, as applicable, shall send a notice by registered mail to all of the Material Creditors that each is aware of, in which it shall state that a Merger Proposal was submitted to the Companies Registrar and that the creditors may review the Merger Proposal at such additional locations, if such locations were determined in the notice referred to in Section 5.9(b).

(d) With respect to the Company, since it employs 50 or more persons, the Company shall send to the "workers committee" or display in a prominent place at the Company's premises, a copy of the notice published in a daily Hebrew newspaper (as referred to in Section 5.9(b)(A)), no later than three Business Days following the day on which the Merger Proposal was submitted to the Companies Registrar.

Section 5.10 General Meetings.

(a) Promptly after the execution and delivery of this Agreement, the Company shall take all action necessary under all applicable legal requirements to convene, give notice of and hold a Company General Meeting to vote on the proposal to approve the Merger, this Agreement and the transactions contemplated hereby. In the event that Parent, or any "affiliate" thereof (as such term is defined in the Israeli Companies Law), shall cast any votes in respect of the Merger, Parent shall, prior to such vote, disclose to Company its interest or its affiliates respective interests in such shares so voted and any votes by such shares shall not be counted with respect to such Company General Meeting. Required under applicable law The Company may adjourn or postpone the Company General Meeting if, as of the time for which the Company General Meeting is originally scheduled there are insufficient Company Shares represented (either in person or by proxy) to constitute a quorum necessary to conduct the business of the Company General Meeting. Without derogating from Section 6.3 below, the Board of Directors of the Company shall note to the Company's shareholders its approval and recommendation for approval by the shareholders of the Company of this Agreement and the consummation of the transactions contemplated hereby, including the Merger and the Board of Director's declaration that this Agreement is advisable, fair and in the best interests of their respective shareholders and approved the Merger upon the terms and conditions set forth in this Agreement.

(b) Parent (as the sole shareholder of Acquisition Subsidiary) shall approve the Merger at an Acquisition Subsidiary General Meeting.

(c) Each of the Company and Acquisition Subsidiary shall (in accordance with Section 317(b) of the Israeli Companies Law and the regulations thereunder) inform the Companies Registrar of the decision of the respective General Meetings with respect to the Merger within three days following the adoption of the respective resolution but in any event not later than 50 days following the delivery of the Merger Proposal to Companies Registrar.

Section 5.11 Notification. Either party shall give prompt notice to the other party upon becoming aware that any representation or warranty made by it contained in this Agreement has become untrue or inaccurate in any material respect, or of any failure of such party to comply with or satisfy in any material respect any covenant, condition or agreement to be complied with

or satisfied by it under this Agreement. Each party to this Agreement shall promptly inform the other parties of any communication to or from the Israeli Restrictive Trade Practices Commissioner, the OCS, the Investment Center, the Israel Securities Authority, the Companies Registrar or any other Governmental Authority regarding the Merger or any of the other Transactions contemplated by this Agreement.

Section 5.12 Israeli Approvals.

(a) Government Filings. Each party to this Agreement shall use all commercially reasonable efforts to deliver and file, as promptly as practicable after the date of this Agreement, each notice, report or other document required to be delivered by such party to or filed by such party with any Israeli Governmental Authority with respect to the Merger. Without limiting the generality of the foregoing:

(i) as promptly as practicable after the date of this Agreement, the Company and Parent shall prepare and file any notification required under the Israeli Restrictive Trade Practices Law in connection with the Merger; and

(ii) the Company shall use all reasonable efforts to obtain, as promptly as practicable after the date of this Agreement, the following consents, and any other consents that may be required in connection with the Merger: (i) approval of the OCS and (ii) approval of the Investment Center. In this connection, if required, Parent shall provide to the OCS and the Investment Center any information reasonably requested by such authorities and shall, without limitation of the foregoing, execute an undertaking in customary form in which Parent undertakes to comply with the OCS laws and regulations and confirm to the OCS and the Investment Center that the Company shall continue after the Merger Effective Time to operate in a manner consistent with its previous undertakings to the OCS and the Investment Center.

(b) Israeli Income Tax Ruling. The parties acknowledge that the Company has caused its Israeli counsel, advisors and accountants to prepare and file with the Israeli Income Tax Commissioner an application for a ruling: (i) deferring any obligation to pay capital gains tax on the exchange of the Company Shares in the Merger subject to the restrictions imposed on the Existing Company Shareholders and the Parent pursuant to Section 103(k) of the Israeli Tax Ordinance and (ii) confirming that the conversion of the Company Options into the Assumed Options will not result in a requirement for an immediate Israeli tax payment and that the Israeli taxation will be deferred until the exercise of the warrants or options issued in exchange of the Company Options and Warrants, or in the event of Assumed Options which are part of a "Section 102 Plan," until the actual sale of the shares of Parent Common Stock by the option holders (the "Israeli Income Tax Ruling"). The Company shall use reasonable efforts to promptly take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable under applicable Law to obtain the Israeli Income Tax Rulings.

Section 5.13 Indemnification and D&O Insurance. From and after the Closing, Parent will cause the Surviving Corporation to fulfill and honor in all respects the obligations of Company pursuant to any indemnification agreements between Company and its directors and officers (the "Company Indemnitees") in effect immediately prior to the Merger Effective Time and any indemnification provisions under the Company Articles to the maximum extent

permitted by law. The Articles of Association of the Surviving Corporation will contain provisions with respect to exculpation and indemnification that are at least as favorable to the Company Indemnitees as those contained in the Company Articles, which provisions will not be amended, repealed or otherwise modified in any manner that would adversely affect the rights thereunder of individuals who, immediately prior to the Merger Effective Time, were directors, officers, employees or agents of Company, unless such modification is required by Law. see in SPA

Section 5.14 Conduct of Business. During the period from the date of this Agreement to the Merger Effective Time, each of Parent and the Company shall:

(i) conduct its business only in the ordinary course and consistent with prudent and prior business practice, except for transactions permitted hereunder, or with the prior written consent of the other party, which consent will not be unreasonably withheld; and

(ii) confer on a reasonable basis with each other regarding operational matters and other matters related to the Merger.

Section 5.15 Prohibited Actions Pending Closing. Except as provided in this Agreement and as disclosed in Schedule 5.15 to either the Company Disclosure Schedules or to the Parent Disclosure Schedules, during the period from the date of this Agreement to the Merger Effective Time, neither the Company nor Parent shall:

(i) amend or otherwise change their respective Articles of Association or Articles of Incorporation, as the case may be, or other governing documents;

(ii) issue or sell or authorize for issuance or sale, or grant any options or make other agreements with respect to, any shares of their respective capital stock, any options or any other of their respective securities;

(iii) declare, set aside, make or pay any dividend or other distribution to their respective shareholders, or redeem, purchase or otherwise acquire, directly or indirectly, any of their capital stock, or authorize or effect any reverse stock split, split-up or any recapitalization or make any changes in the amount of their authorized or issued capital stock;

(iv) sell, license or otherwise dispose of, or agree to sell, license or dispose of, any of their respective assets or properties, other than any assets or properties where such sale, license or disposition occurs or is to occur in the ordinary course of their respective business consistent with past practice;

(v) take any action or omit to take any action for the purpose of preventing, delaying or impeding the consummation of the Merger or the other transactions contemplated hereby; or

(vi) pay any finders or investment bankers' fees in connection with the transactions contemplated by this Agreement (other than any fees incurred in connection with the delivery of a fairness opinion contemplated by Section 6.2(d)).

Section 5.16 Further Assurances. Subject to the terms and conditions herein provided, each of the parties hereto agrees to use reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to satisfy the conditions to Closing and to consummate and make effective the transactions contemplated by this Agreement, including, without limitation, using reasonable efforts to lift or rescind any injunction or restraining order or other order adversely affecting the ability of the parties to consummate the transactions contemplated by this Agreement and using reasonable efforts to prevent the breach of any representation, warranty, covenant or agreement of such party contained or referred to in this Agreement and to promptly remedy the same. In case at any time after the Merger Effective Time any further action is necessary or desirable to carry out the purposes of this Agreement, the proper officers and directors of each party to this Agreement shall take all such necessary action. Nothing in this Section 5.16 shall be construed to require any party to participate in any threatened or actual legal, administrative or other proceedings (other than proceedings, actions or investigations to which it is a party or subject or threatened to be made a party or subject) in connection with consummation of the transactions contemplated by this Agreement unless such party shall consent in advance and in writing to such participation and the other party agrees to reimburse and indemnify such party for and against any and all costs and damages related thereto.

Section 5.17 Initial Listing Application. After the execution of this Agreement, Parent shall use its best efforts, to the extent allowed under the rules of the Eligible Market, to prepare all filings and other documents necessary to be filed with the Eligible Market in connection with the initial listing application for the inclusion of the Parent Common Stock on the Eligible Market, conduct ongoing negotiations with the Eligible Market with the participation of the Company and its counsel with respect to such listing and perform all acts requested by the Eligible Market to the satisfaction of the Company and its counsel.

Section 5.18 Financial Statements. The Company shall have initiated a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. The Company shall disclose to the Company's outside auditors (A) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial data and (B) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls over financial reporting.

Section 5.19 Shareholder Approvals. Unless this Agreement is terminated, the Company hereby agrees to enforce its rights under the Amended and Restated Shareholder Agreement between the Company and its shareholders.

Section 5.20 Access to Parent and Acquisition Subsidiary. Parent shall afford to the Company and its officers, directors, agents and counsel access at times and upon conditions

reasonably convenient to Parent and make available all properties, books, records, contracts and documents of Parent and Acquisition Subsidiary, and an opportunity to make such investigations as they shall reasonably desire to make of Parent and Acquisition Subsidiary; and Parent shall furnish or cause to be furnished to the Company and its authorized representatives all such information with respect to the business and affairs of Parent and Acquisition Subsidiary as the Company and its authorized representatives may request and make the officers, directors, employees, auditors and counsel of Parent and Acquisition available for consultation and permit access to other third parties reasonably requested for verification of any information so obtained.

Section 5.21 Access to the Company. The Company shall afford to Parent and its officers, directors, agents and counsel access at times and upon conditions reasonably convenient to the Company and make available all properties, books, records, contracts and documents of the Company, and an opportunity to make such investigations as it shall reasonably desire to make of the Company; and the Company shall furnish or cause to be furnished to Parent and its authorized representatives all such information with respect to the business and affairs of the Company as Parent and its authorized representatives may request and make the officers, directors, employees, auditors and counsel of the Company available for consultation and permit access to other third parties reasonably requested for verification of any information so obtained.

ARTICLE VI
CONDITIONS OF PARTIES' OBLIGATIONS

Section 6.1 Conditions Precedent to Each Party's Obligation to Effect the Merger. The respective obligations of each party to effect the Merger shall be subject to the fulfillment or satisfaction, prior to or on the Closing Date, of the following conditions:

(a) Shareholder Approval; Board Approval. The Merger shall have been duly approved by the requisite vote of the outstanding Company Shares entitled to vote thereon in accordance with Israeli law (the "Company Shareholder Approval"), by the Company Board according to Section 6.3 and, if necessary under applicable Laws or the rules of an applicable exchange, the requisite vote of the outstanding shares of capital stock of Parent entitled to vote thereon.

(b) No Material Adverse Change. No event shall have occurred which would have a Material Adverse Effect on either of the Company or Parent.

(c) Governmental Authorities Approvals. All Governmental Authorities approvals required for the consummation of the Merger shall have been obtained including, without limitation, all Israeli Governmental Authorities approvals such as the Certificate of Merger, approval of the OCS, the Investment Center, the Israeli Income Tax Ruling and the Israeli Commissioner of Restrictive Trade Practices required by applicable Law.

Section 6.2 Conditions Precedent to Obligations of Parent and Acquisition Subsidiary. Parent's and Acquisition Subsidiary's obligation to effect the Merger and consummate the other transactions contemplated to occur in connection with the Closing and thereafter is subject to the satisfaction of each condition precedent listed below. All corporate and other proceedings and actions taken in connection with the transactions contemplated hereby and, where such

instruments are not exhibits to this Agreement, all certificates, opinions, agreements, instruments and documents mentioned herein or incident to any such transactions, shall be satisfactory in form and substance to Parent and Acquisition Subsidiary. The Company shall furnish to Parent and Acquisition Subsidiary such supporting documentation and evidence of the satisfaction of any or all of the conditions precedent specified in this Section 6.2 as Parent or its counsel may reasonably request.

(a) Representations and Warranties. As of the Closing, each representation and warranty set forth in Article III shall be accurate and complete in all material respects after giving full effect to any supplements to the schedules as amended from time to time so long as such modification does not constitute a Company Material Adverse Effect.

(b) Actions. No action or Proceeding is pending or threatened by or before any Governmental Authority, arbitrator, or mediator that seeks to restrain, prohibit, invalidate, or collect any substantial damages arising out of the Transactions.

(c) Miscellaneous Closing Documents. Parent and Acquisition Subsidiary shall have received the following:

(i) copies of resolutions of the Company and the shareholders of the Company, certified by the Secretary or chief executive officer of the Company, authorizing and approving the execution, delivery and performance of the Transaction Documents;

(ii) A certificate of the Company's Chief Executive Officer certifying as of the Closing Date that there are not more than 706,888 Company Shares issued and outstanding (excluding any shares held by FG Holders) and not more than 283,015 Company Shares underlying outstanding options, warrants and other convertible securities (excluding any securities held by FG Holders and/or the FG Warrants); and

(iii) and such additional supporting documentation and other information with respect to the transactions contemplated hereby as the Company may reasonably request.

(d) Fairness Opinion. Parent shall have received an opinion from an independent financial advisor or investment banking firm that the Merger is fair to the shareholders of Parent.

(e) Lockup Agreements. The majority of the shareholder of the Company shall have delivered to Parent an executed lockup letter agreement in the form to be provided to the Israeli Tax Authorities pursuant to the Israeli Income Tax Ruling.

Section 6.3 Conditions Precedent to Obligation of the Company. The Company's obligations to effect the Merger and consummate the other transactions contemplated to occur in connection with the Closing and thereafter is subject to the satisfaction of each condition precedent listed below. All corporate and other proceedings and actions taken in connection with the transactions contemplated hereby and, where such instruments are not exhibits to this Agreement, all certificates, opinions, agreements, instruments and documents mentioned herein or incident to any such transactions shall be satisfactory in form and substance to the Company.

Parent and Acquisition Subsidiary shall furnish to the Company such supporting documentation and evidence of satisfaction of any or all of the conditions specified in this Section 6.3 as the Company may reasonably request.

(a) Representations and Warranties. As of the Closing, each representation and warranty set forth in Article IV shall be accurate and complete in all material respects, after giving full effect to any supplements to the schedules as amended from time to time so long as such modification does not constitute a Material Adverse Effect on Parent.

(b) Listing on the Eligible Market. Parent shall have complied with its obligations under Section 5.17 to the reasonable satisfaction of the Company Board and the Company Board shall be reasonably satisfied that Parent shall be included for listing on the Eligible Market within a reasonable amount of time after the Closing.

(c) Actions. No action or Proceeding is pending or threatened by or before any Governmental Authority, arbitrator, or mediator that seeks to restrain, prohibit, invalidate or collect any substantial damages arising out of the Transactions.

(d) Director and Officer Resignations. Each of the directors and officers of Parent shall have delivered to Parent and the Company an executed resignation letter with an effective date and time agreed upon by the Company.

(e) Lockup Agreements. Each Investor shall have delivered to Parent and the Company an executed a lockup letter agreement substantially in the form of Exhibit B hereto.

(f) Miscellaneous Closing Documents. The Company shall have received the following:

(i) Copies of resolutions of Parent's and Acquisition Subsidiary's respective board of directors and shareholders, certified by their respective Secretaries, authorizing and approving, to the extent applicable, the execution, delivery and performance of the Transaction Documents;

(ii) A certificate of Parent's transfer agent and registrar certifying as of the Closing Date that there are not more than 5,830,856 shares of Parent Common Stock issued and outstanding; and

(iii) Such additional supporting documentation and other information with respect to the transactions contemplated hereby as the Company may reasonably request.

(g) Israeli Income Tax Ruling. The Company shall have obtained the Israeli Income Tax Ruling.

ARTICLE VII
SURVIVAL

Section 7.1 Survival. The representations, warranties, covenants and agreements made or deemed made by any party to another shall not survive the Merger Effective Time but shall terminate as of the Merger Effective Time.

ARTICLE VIII
REGISTRATION RIGHTS

Section 8.1 Shelf Registration.

(a) As soon as practicable after the listing of the Parent Common Stock on the Eligible Market, Parent shall file with the SEC a Registration Statement on Form S-3 (or any other registration statement deemed appropriate by the Parent Board) covering the resale of all the Registrable Securities for an offering to be made on a continuous basis pursuant to Rule 415 under the Securities Act. After such Registration Statement has been declared effective by the SEC, Parent shall maintain the effectiveness of the Registration Statement until such time as Parent is no longer obligated to maintain a registration statement for the Registrable Securities pursuant to the terms hereof.

(b) Parent shall use reasonable best efforts to cause the Registration Statement to be declared effective by the SEC as promptly as possible after the filing thereof and shall use its best efforts to keep the Registration Statement continuously effective under the Securities Act until the earlier of the date that all Registrable Securities covered by such Registration Statement have been sold or can be sold publicly under Rule 144(k) (the "Effectiveness Period").

(c) Notwithstanding anything in this Agreement to the contrary, after 60 consecutive Trading Days of continuous effectiveness of the initial Registration Statement filed and declared effective pursuant to this Agreement, Parent may, by written notice to the Holders, suspend sales under a Registration Statement after the Effective Date thereof and/or require that the Holders immediately cease the sale of shares of the Parent Common Stock pursuant thereto and/or defer the filing of any subsequent Registration Statement if Parent is engaged in a material merger, acquisition or sale or an underwritten public offering of Parent's securities and the Parent Board determines in good faith, by appropriate resolutions, that, as a result of such activity, (A) it would be materially detrimental to Parent (other than as relating solely to the price of the Parent Common Stock) to maintain a Registration Statement at such time and (B) it is in the best interests of Parent to defer proceeding with such registration at such time. Notwithstanding the foregoing, Parent shall not, and shall cause each of its respective officers, directors, employees and agents not to, provide any Holder with any material nonpublic information regarding Parent or any of its subsidiaries about the foregoing merger, sale or acquisition or public offering without the express written consent of such Holder. Upon receipt of such notice, each Holder shall immediately discontinue any sales of Registrable Securities pursuant to such registration until such Holder has received copies of a supplemented or amended Prospectus or until such Holder is advised in writing by Parent that the then-current Prospectus may be used and has received copies of any additional or supplemental filings that are incorporated or deemed incorporated by reference in such Prospectus. In no event, however,

shall this right be exercised to suspend sales beyond the period during which (in the good faith determination of the Parent Board) the failure to require such suspension would be materially detrimental to Parent. Parent's rights under this Section 8.1(c) may be exercised for a period of no more than 60 days at a time and not more than three times in any 12-month period. Immediately after the end of any suspension period under this Section 8.1(c), Parent shall take all necessary actions (including filing any required supplemental prospectus) to restore the effectiveness of the applicable Registration Statement and the ability of the Holders to publicly resell their Registrable Securities pursuant to such effective Registration Statement.

Section 8.2 Registration Procedures. In connection with Parent's registration obligations hereunder, Parent shall:

(a) (i) Subject to Section 8.1(c), prepare and file with the SEC such amendments, including post-effective amendments, to the Registration Statement and the Prospectus used in connection therewith as may be necessary to keep the Registration Statement continuously effective, as to the applicable Registrable Securities for the Effectiveness Period and prepare and file with the SEC such additional Registration Statements in order to register for resale under the Securities Act all of the Registrable Securities; (ii) cause the related Prospectus to be amended or supplemented by any required Prospectus supplement, and as so supplemented or amended to be filed pursuant to Rule 424; (iii) respond as promptly as reasonably possible, and in any event within 15 Trading Days (except to the extent that Parent reasonably requires additional time to respond to accounting comments), to any comments received from the SEC with respect to the Registration Statement or any amendment thereto and as promptly as reasonably possible provide the Holders true and complete copies of all correspondence from and to the SEC relating to the Registration Statement; and (iv) comply in all material respects with the provisions of the Securities Act and the Exchange Act with respect to the disposition of all Registrable Securities covered by the Registration Statement during the applicable period in accordance with the intended methods of disposition by the Holders thereof set forth in the Registration Statement as so amended or in such Prospectus as so supplemented.

(b) Notify each Holder as promptly as reasonably possible of any of the following events: (i) any Registration Statement or any post-effective amendment is declared effective; (ii) the SEC or any other Federal or state governmental authority requests any amendment or supplement to any Registration Statement or Prospectus or requests additional information related thereto; (iii) the SEC issues any stop order suspending the effectiveness of any Registration Statement or initiates any Proceedings for that purpose; (iv) Parent receives notice of any suspension of the qualification or exemption from qualification of any Registrable Securities for sale in any jurisdiction, or the initiation or threat of any Proceeding for such purpose; or (v) the financial statements included in any Registration Statement become ineligible for inclusion therein or any statement made in any Registration Statement or Prospectus or any document incorporated or deemed to be incorporated therein by reference is untrue in any material respect or any revision to a Registration Statement, Prospectus or other document is required so that it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(c) Use its reasonable efforts to avoid the issuance of or, if issued, obtain the withdrawal of (i) any order suspending the effectiveness of any Registration Statement or (ii) any suspension of the qualification (or exemption from qualification) of any of the Registrable Securities for sale in any jurisdiction, as soon as possible.

(d) During the Effectiveness Period, maintain the listing of such Registrable Securities on the Eligible Market.

(e) Cooperate with the Holders to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be delivered to a transferee pursuant to a Registration Statement, which certificates shall be free, to the extent permitted by this Agreement and under law, of all restrictive legends, and to enable such Registrable Securities to be in such denominations and registered in such names as any such Holders may reasonably request.

(f) Upon the occurrence of any event described in Section 8.2(b)(v), as promptly as reasonably possible, prepare a supplement or amendment, including a post-effective amendment, to the Registration Statement or a supplement to the related Prospectus or any document incorporated or deemed to be incorporated therein by reference, and file any other required document so that, as thereafter delivered, neither the Registration Statement nor such Prospectus will contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(g) Cooperate with any reasonable due diligence investigation undertaken by the Holders in connection with the sale of Registrable Securities, including, without limitation, by making available documents and information; provided, that Parent shall not deliver or make available to any Holder material, nonpublic information unless such Holder specifically requests in advance to receive material, nonpublic information in writing.

(h) Comply with all rules and regulations of the SEC applicable to the registration of the Registrable Securities.

Section 8.3 Registration Expenses. Parent shall pay all fees and expenses incident to the performance of or compliance with Article VIII by the Surviving Corporation, including without limitation (a) all registration and filing fees and expenses, including without limitation those related to filings with the SEC, any Trading Market and in connection with applicable state securities or Blue Sky laws, (b) printing expenses (including without limitation expenses of printing certificates for Registrable Securities), (c) messenger, telephone and delivery expenses, (d) fees and disbursements of counsel for Parent, (e) fees and expenses of all other Persons retained by Parent in connection with the Registration Statement and (f) all listing fees to be paid by Parent to the Eligible Market. Holders shall pay all fees and disbursements of counsel retained for Holders in connection with such Registration Statement as well as all underwriter discounts associated with any public offering conducted on such Holder’s behalf.

Section 8.4 Indemnification.

(a) Indemnification by the Surviving Corporation. Parent shall indemnify and hold harmless each Holder, the officers, directors, partners, members, agents and employees of each of them, each Person who controls any such Holder (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) and the officers, directors, partners, members, agents and employees of each such controlling Person, to the fullest extent permitted by applicable law, from and against any and all Losses (as determined by a court of competent jurisdiction in a final judgment not subject to appeal or review), arising out of or relating to any untrue or alleged untrue statement of a material fact contained in the Registration Statement, any Prospectus or any form of Parent prospectus or in any amendment or supplement thereto or in any Parent preliminary prospectus, or arising out of or relating to any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein (in the case of any Prospectus or form of prospectus or supplement thereto, in the light of the circumstances under which they were made) not misleading, except to the extent, but only to the extent, that (A) such untrue statements, alleged untrue statements, omissions or alleged omissions are based solely upon information regarding such Holder furnished in writing to Parent by such Holder for use therein, or to the extent that such information relates to such Holder or such Holder's proposed method of distribution of Registrable Securities, or (B) in the case of an occurrence of an event of the type specified in Section 8.2(b)(v)-(vii), the use by such Holder of an outdated or defective Prospectus after Parent has timely notified such Holder that the Prospectus is outdated or defective and prior to the receipt by such Holder of the Advice contemplated in Section 8.5. Parent shall notify the Holders promptly of the institution, threat or assertion of any Proceeding of which the Surviving Corporation is aware in connection with the transactions contemplated by this Agreement.

(b) Indemnification by Holders. Each Holder shall, severally and not jointly, indemnify and hold harmless Parent, its directors, officers, agents and employees, each Person who controls Parent (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, partners, members, agents or employees of each such controlling Persons, to the fullest extent permitted by applicable law, from and against all Losses (as determined by a court of competent jurisdiction in a final judgment not subject to appeal or review) arising out of or relating to any untrue or alleged untrue statement of a material fact contained in the Registration Statement, any Prospectus, or any Prospectus, or in any amendment or supplement thereto, or arising out of or relating to any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein (in the case of any Prospectus or form of prospectus or supplement thereto, in the light of the circumstances under which they were made) not misleading to the extent, but only to the extent, that such untrue statement or omission is contained in any information so furnished by such Holder to Parent specifically for inclusion in such Registration Statement or such Prospectus or to the extent that (i) such untrue statements or omissions are based solely upon information regarding such Holder furnished to Parent by such Holder expressly for use therein, or to the extent that such information relates to such Holder or such Holder's proposed method of distribution of Registrable Securities and was reviewed and expressly approved in writing by such Holder expressly for use in the Registration Statement, such Prospectus or such form of Prospectus or in any amendment or supplement thereto or (ii) in the case of an occurrence of an event of the type specified in Section 8.2(b)(v)-(vii), the use by such Holder of an outdated or

defective Prospectus after Parent has notified such Holder that the Prospectus is outdated or defective and prior to the receipt by such Holder of the Advice contemplated in Section 8.5. In no event shall the liability of any selling Holder hereunder be greater in amount than the dollar amount of the net proceeds received by such Holder upon the sale of the Registrable Securities giving rise to such indemnification obligation.

(c) Conduct of Indemnification Proceedings. If any Proceeding shall be brought or asserted against any Person entitled to indemnity hereunder (an "Indemnified Party"), such Indemnified Party shall promptly notify the Person from whom indemnity is sought (the "Indemnifying Party") in writing, and the Indemnifying Party shall assume the defense thereof, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of all fees and expenses incurred in connection with defense thereof; provided, that the failure of any Indemnified Party to give such notice shall not relieve the Indemnifying Party of its obligations or liabilities pursuant to this Agreement, except (and only) to the extent that it shall be finally determined by a court of competent jurisdiction (which determination is not subject to appeal or further review) that such failure shall have proximately and materially adversely prejudiced the Indemnifying Party.

An Indemnified Party shall have the right to employ separate counsel in any such Proceeding and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party or Parties unless: (i) the Indemnifying Party has agreed in writing to pay such fees and expenses; or (ii) the Indemnifying Party shall have failed promptly to assume the defense of such Proceeding and to employ counsel reasonably satisfactory to such Indemnified Party in any such Proceeding; or (iii) the named parties to any such Proceeding (including any impleaded parties) include both such Indemnified Party and the Indemnifying Party, and such Indemnified Party shall have been advised by counsel that a conflict of interest is likely to exist if the same counsel were to represent such Indemnified Party and the Indemnifying Party (in which case, if such Indemnified Party notifies the Indemnifying Party in writing that it elects to employ separate counsel at the expense of the Indemnifying Party, the Indemnifying Party shall not have the right to assume the defense thereof and such counsel shall be at the expense of the Indemnifying Party). It being understood, however, that the Indemnifying Party shall not, in connection with any one such Proceeding be liable for the fees and expenses of more than one separate firm of attorneys at any time for all Indemnified Parties, which firm shall be appointed by a majority of the Indemnified Parties; provided, however, that in the case a single firm of attorneys would be inappropriate due to actual or potential differing interests of conflicts between such Indemnified Parties and any other party represented by such counsel in such Proceeding or otherwise, then the Indemnifying Party shall be liable for the fees and expenses of one additional firm of attorneys with respect to such Indemnified Parties. The Indemnifying Party shall not be liable for any settlement of any such Proceeding effected without its written consent, which consent shall not be unreasonably withheld. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, effect any settlement of any pending Proceeding in respect of which any Indemnified Party is a party, unless such settlement includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such Proceeding.

All fees and expenses of the Indemnified Party (including reasonable fees and expenses to the extent incurred in connection with investigating or preparing to defend such Proceeding in

a manner not inconsistent with this Section) shall be paid to the Indemnified Party, as incurred, within 10 Trading Days of written notice thereof to the Indemnifying Party (regardless of whether it is ultimately determined that an Indemnified Party is not entitled to indemnification hereunder; provided, that the Indemnifying Party may require such Indemnified Party to undertake to reimburse all such fees and expenses to the extent it is finally judicially determined that such Indemnified Party is not entitled to indemnification hereunder).

(d) Contribution. If a claim for indemnification under Section 8.4(a) or (b) is unavailable to an Indemnified Party (by reason of public policy or otherwise), then each Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such Losses, in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and Indemnified Party in connection with the actions, statements or omissions that resulted in such Losses as well as any other relevant equitable considerations. The relative fault of such Indemnifying Party and Indemnified Party shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission of a material fact, has been taken or made by, or relates to information supplied by, such Indemnifying Party or Indemnified Party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action, statement or omission. The amount paid or payable by a party as a result of any Losses shall be deemed to include, subject to the limitations set forth in Section 8.4(c), any reasonable attorneys' or other reasonable fees or expenses incurred by such party in connection with any Proceeding to the extent such party would have been indemnified for such fees or expenses if the indemnification provided for in this Section was available to such party in accordance with its terms.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 8.4(d) were determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to in the immediately preceding paragraph. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

The indemnity and contribution agreements contained in this Section 8.4 are in addition to any liability that the Indemnifying Parties may have to the Indemnified Parties.

Section 8.5 Dispositions. Each Holder agrees that it will comply with the prospectus delivery requirements of the Securities Act as applicable to it in connection with sales of Registrable Securities pursuant to the Registration Statement. Each Holder further agrees that, upon receipt of a notice from Parent of the occurrence of any event of the kind described in Section 8.2(b)(v), (vi) or (vii), such Holder will discontinue disposition of such Registrable Securities under the Registration Statement until such Holder's receipt of the copies of the supplemented Prospectus and/or amended Registration Statement contemplated by Section 8.2(i), or until it is advised in writing (the "Advice") by Parent that the use of the applicable Prospectus may be resumed, and, in either case, has received copies of any additional or supplemental filings that are incorporated or deemed to be incorporated by reference in such Prospectus or Registration Statement. Parent may provide appropriate stop orders to enforce the provisions of this Section 8.5.

ARTICLE IX
CLOSING

Section 9.1 Closing. The closing of the Merger (the "Closing") shall occur at the offices of Morrison & Foerster LLP, 1290 Avenue of the Americas, New York, NY 10104 on October 30, 2006, at 10:00 A.M., Eastern time or such other date mutually agreeable to the parties hereto (the "Closing Date") which shall be no later than the later to occur of (i) the second Business Day after the satisfaction or waiver of the conditions set forth in Article VI or (ii) the Merger Effective Time.

Section 9.2 Deliveries. At the Closing, or as promptly thereafter as practicable, Parent shall deliver to each Existing Company Shareholder the certificates representing the Merger Shares to be issued pursuant to the provisions of Section 2.5 and to the holders of Company Options and Company Warrants substituting options and warrants as applicable pursuant to the provisions of Section 2.8. Such presentment for delivery shall be against delivery to Parent and Acquisition Subsidiary of the certificates, opinions, agreements and other instruments referred to in Section 6.2. All of the other documents, instruments, certificates and agreements referenced in Section 6.2 will also be executed and delivered as described therein.

ARTICLE X
TERMINATION; NON-SOLICITATION

Section 10.1 Termination. This Agreement may be terminated at any time prior to the Merger Effective Time, by action taken or authorized by the Board of Directors of the terminating party or parties, and except as provided below, whether before or after the requisite approvals of the shareholders of the Company:

(a) By mutual written consent of Parent and the Company;

(b) By either the Company or Parent if:

(i) (A) The Merger Effective Time shall not have occurred on or before October 31, 2006 (the "End Date"); provided that the End Date shall be automatically extended for three months if, on the End Date, only the condition set forth in Section 6.3(g) shall not have been satisfied, and (B) the party seeking to terminate this Agreement pursuant to this Section 10.1(b) shall not have breached in any material respect its obligations under this Agreement in any manner that shall have proximately caused the failure to consummate the Merger on or before such date;

(ii) (A) Any Governmental Authority of competent jurisdiction that must grant an approval of the Merger, the issuance of the Merger Shares or the issuance of Company Shares to the Investors by the Company pursuant to the Share Purchase Agreement has denied such approval and such denial has become final and nonappealable or (B) any Governmental Authority of competent authority located in a jurisdiction where either Parent or the Company have substantial revenues or operations shall have issued an injunction, judgment or order or taken any other action prohibiting the consummation of the Merger, the issuance of the Merger Shares or the issuance of the Company Shares to the Investors and such injunction, judgment, order or other action is or shall have become final and nonappealable; or

(iii) The Company's shareholders shall have refused to grant the Company Shareholder Approval contemplated by this Agreement or, if necessary under applicable Law or pursuant to the rules of any applicable exchange, the Parent's shareholders shall have refused to grant approval of the Transactions;]

(c) By Parent:

(i) If the Company shall have breached or failed to perform in any material respect any of its representations, warranties, covenants or other agreements contained in this Agreement, or any such representation or warranty shall have become inaccurate, which breach, inaccuracy or failure to perform would result in a failure of a condition set forth in Sections 6.1 or 6.2; provided, however, that prior to any termination pursuant to this Section 10.1(c), (A) Parent shall deliver written notice to the Company no fewer than 10 days prior to the date of termination stating Parent's intention to terminate this Agreement pursuant to Section 10.1(c) and the basis for such termination and (B) if such breach, inaccuracy or failure to perform is curable by the Company prior to the End Date, then Parent shall not terminate this Agreement pursuant to this Section 10.1(c); provided, that the Company continues to use commercially reasonable efforts to cure such breach, inaccuracy or failure to perform (it being understood that Parent may not terminate this Agreement pursuant to this Section 10.1(c) if it shall have materially breached this Agreement).

(ii) If an event shall have occurred which would have a Material Adverse Effect on the Company.

(d) By the Company:

(i) If Parent or Acquisition Subsidiary shall have breached or failed to perform in any material respect any of their respective representations, warranties, covenants or other agreements contained in this Agreement, or any such representation or warranty shall have become inaccurate, which breach, inaccuracy or failure to perform would result in a failure of a condition set forth in Section 6.1 or 6.3; provided, however, that prior to any termination pursuant to this Section 10.1(d), (A) the Company shall deliver written notice to Parent no fewer than 10 days prior to the date of termination stating the Company's intention to terminate this Agreement pursuant to Section 10.1(d) and the basis for such termination and (B) if such breach, inaccuracy or failure to perform is curable by Parent or Acquisition Subsidiary, as applicable, prior to the End Date, then the Company shall not terminate this Agreement pursuant to this Section 10.1(d); provided, that Parent and Acquisition Subsidiary continue to use their respective commercially reasonable efforts to cure such breach, inaccuracy or failure to perform (it being understood that the Company may not terminate this Agreement pursuant to this Section 10.1(d) if it shall have materially breached this Agreement).

(ii) If the Company Board has reasonably concluded that the Parent Common Stock will not be included for trading on the Eligible Market within a reasonable amount of time after the Closing.

(iii) If an event shall have occurred which would have a Material Adverse Effect on Parent or Acquisition Subsidiary.

(iv) At any time during the three week period following the receipt of the due diligence materials requested from Parent, if the Company is not reasonably satisfied with the results of the due diligence review of Parent and Acquisition Subsidiary by the Company and its counsel.

Section 10.2 No Solicitation. Except as set forth in Schedule 5.15 of the Company Disclosure Schedules, unless and until this Agreement shall have been terminated pursuant to and in compliance with this Article X, the Company shall not, nor shall it authorize its officers, directors, agents, employees, representatives or advisors to, (i) solicit, initiate, encourage (including by way of furnishing information) or take any action to facilitate the submission of any inquiries, proposals or offers (whether or not in writing) from any person (other than Parent and its respective Affiliates) relating to (A) any acquisition or purchase of all or substantially all the assets of the Company, or of any class of equity securities of the Company, (B) any tender offer (including a self tender offer) or exchange offer, (C) any merger, consolidation, business combination, sale of substantially all assets, recapitalization, liquidation, dissolution or similar transaction involving the Company, or (D) any other transaction the consummation of which would or would reasonably be expected to impede, interfere with, prevent or materially delay the Merger or which would or would reasonably be expected to materially dilute the benefits to the other party hereto of the transactions contemplated by this Agreement (collectively, "Acquisition Proposals"), or agree to, recommend or endorse any Acquisition Proposal, (ii) enter into or execute any agreement with respect to any of the foregoing or (iii) enter into or participate in any discussions or negotiations regarding any of the foregoing.

Section 10.3 Liability. In the event of termination of this Agreement pursuant to this Article X, this Agreement shall terminate and there shall be no other liability on the part of the Company or Parent to the other except liability arising out of an intentional breach of this Agreement, in which case the aggrieved party shall be entitled to all rights and remedies available at law or in equity.

ARTICLE XI
MISCELLANEOUS

Section 11.1 Notices. Any notice, request or other communication hereunder shall be given in writing and shall be delivered personally or mailed, certified or registered mail, return receipt requested, or delivered by overnight courier service, to the following addresses, or such other addresses as shall be given by notice delivered hereunder, and shall be deemed to have been given upon delivery, if delivered personally, five days after mailing, if mailed, one Business Day after timely delivery to the overnight courier service, if delivered by overnight courier service, or upon receipt when delivery is made by facsimile transmission or email:

If to Parent or Acquisition Subsidiary, to:

Orthodontix, Inc.
1428 Brickell Avenue, Suite 105
Miami, Florida 33131
Attn: Glenn L. Halpryn, CEO
Fax: 305.579.9724
Email: ghalpryn@twinvestment.com

With a copy to:

To the persons and addresses indicated on the signature pages
of the Share Purchase Agreement.

If to the Company or the Surviving Corporation, to:

Protalix Ltd.
2 Snunit Street, Science Park
P.O.B. 455
Carmiel 20100, Israel
Attn: David Aviezer, Ph.D.
Fax: 011.972.4.988.9489
Email: david@protalix.com

With a copy to:

Morrison & Foerster LLP
1290 Avenue of the Americas
New York, NY 10104
Phone: 212.468.8000
Fax: 212.468.7900
Attention: James R. Tanenbaum
Email: jtanenbaum@mofo.com

and

Baratz, Horn & Co.
1 Azrieli Center
Round Tower, 18th Floor
Tel Aviv 67021, Israel
Attention: Yuval Horn, Adv.
Phone: 011.972.3.607.3777
Fax: 011.972.3.607.3778
Email: y.horn@bar-law.com

Notices shall be deemed received at the earlier of actual receipt or three Business Days following mailing.

Section 11.2 Entire Agreement. This Agreement, including the schedules and exhibits attached hereto, contains the entire understanding of the parties hereto with respect to the subject matter hereof. This Agreement supersedes all prior oral or written agreements and undertakings between the parties with respect to such subject matter.

Section 11.3 Expenses. If the Merger is not consummated, each party shall bear and pay all of the legal, accounting and other costs and expenses incurred by it in connection with the

transactions contemplated by this Agreement. If the Merger is consummated, Parent shall pay the reasonable costs and expenses of Parent, Acquisition Subsidiary and the Company.

Section 11.4 Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 11.5 Successors and Assigns; Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns and heirs; provided, however, that neither the Company, Parent nor Acquisition Subsidiary shall directly or indirectly transfer or assign any of its rights hereunder in whole or in part without the written consent of the Company (in the case of Parent and Acquisition Subsidiary) or Parent (in the case of the Company), which written shall not be unreasonably withheld or delayed, and any such transfer or assignment without such written consent shall be void.

Section 11.6 No Third Parties Benefited. This Agreement is made and entered into for the sole protection and benefit of the parties hereto, their successors, assigns and heirs, and no other Person shall have any right or action under this Agreement.

Section 11.7 Counterparts. This Agreement may be executed in one or more counterparts, with the same effect as if all parties had signed the same document. Each such counterpart shall be an original, but all such counterparts together shall constitute a single agreement. In the event that any signature is delivered by facsimile transmission, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) the same with the same force and effect as if such facsimile signature page was an original thereof.

Section 11.8 Recitals, Schedules and Exhibits. The Recitals, Schedules and Exhibits to this Agreement are incorporated herein and, by this reference, made a part hereof as if fully set forth herein.

Section 11.9 Section Headings and Gender. The Section headings used herein are inserted for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement. All personal pronouns used in this Agreement shall include the other genders, whether used in the masculine, feminine or neuter gender, and the singular shall include the plural, and vice versa, whenever and as often as may be appropriate.

Section 11.10 Governing Law. This Agreement is to be construed in accordance with and governed by the internal laws of the State of Israel without giving effect to any choice of law rule that would cause the application of the laws of any jurisdiction other than the internal laws of the State of Israel to the rights and duties of the parties. Any dispute, controversy or claim arising out of or relating to this Agreement shall be settled by arbitration in accordance with the International Chamber of Commerce ("ICC") Arbitration Rules as at present in force and shall be held at London, England in the English language by one arbitrator.

Section 11.11 Specific Performance; Remedies. Each of Parent and the Company acknowledges and agrees that the other party would be damaged irreparably if any provision of this Agreement is not performed in accordance with its specific terms or is otherwise breached. Accordingly, each of Parent, Acquisition Subsidiary and the Company agrees that the other party will be entitled to seek an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and its terms and provisions in any action instituted in any court of competent jurisdiction, in addition to any other remedy to which they may be entitled, at law or in equity. Except as expressly provided herein, the rights, obligations and remedies created by this Agreement are cumulative and in addition to any other rights, obligations or remedies otherwise available at law or in equity, and nothing herein will be considered an election of remedies.

Section 11.12 No Jury Trial. EACH PARTY HERETO HEREBY WAIVES ITS RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT, THE OTHER TRANSACTION DOCUMENTS, THE SECURITIES OR THE SUBJECT MATTER HEREOF OR THEREOF. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS TRANSACTION, INCLUDING, WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. THIS SECTION HAS BEEN FULLY DISCUSSED BY EACH OF THE PARTIES HERETO AND THESE PROVISIONS WILL NOT BE SUBJECT TO ANY EXCEPTIONS. EACH PARTY HERETO HEREBY FURTHER WARRANTS AND REPRESENTS THAT SUCH PARTY HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL, AND THAT SUCH PARTY KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THIS WAIVER WILL APPLY TO ANY SUBSEQUENT AMENDMENTS, SUPPLEMENTS OR MODIFICATIONS TO (OR ASSIGNMENTS OF) THIS AGREEMENT. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL (WITHOUT A JURY) BY THE COURT.

Section 11.13 Amendment and Waivers. This Agreement may be amended by action taken by or on behalf of the respective Boards of Directors of Parent, Acquisition Subsidiary and the Company, and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company, Parent and Acquisition Subsidiary at any time prior to the Merger Effective Time; provided, that notwithstanding the foregoing, after the Existing Company Shareholders approve and adopt this Agreement and the Merger, no amendment to this Agreement may be made that would reduce the amount of or change the Merger Shares or otherwise would require the Existing Company Shareholders to approve such amendment under Israeli Law, unless the Existing Company Shareholders approve such amendment in accordance with Israeli Law. Amendments to this Agreement must be in writing and signed by the Parties.

Section 11.14 Electronic Signatures.

(a) Execution on Paper. Notwithstanding the Electronic Signatures in Global and National Commerce Act (15 U.S.C. Section 7001 et seq.), the Uniform Electronic Transactions Act or any other Law relating to or enabling the creation, execution, delivery or recordation of any contract or signature by electronic means, and notwithstanding any course of conduct engaged in by the Company, Acquisition Subsidiary and Parent, neither the Company, Parent or Acquisition Subsidiary will be deemed to have executed a transaction document or other document contemplated thereby (including any amendment or other change thereto) unless and until such party shall have executed such transaction document or other document on paper by a handwritten original signature or any other symbol executed or adopted by that party with the current intention to authenticate such transaction document or such other document contemplated.

(b) Electronic Delivery. Delivery of a copy of a transaction document or such other document bearing an original signature by facsimile transmission (whether directly from one facsimile device to another by means of a dial-up connection or whether mediated by the worldwide web), by electronic mail in "portable document format" (".PDF") form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing the original signature. "Originally signed" or "original signature" means or refers to a signature that has not been mechanically or electronically reproduced.

Section 11.15 Construction. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. If an ambiguity or question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the parties hereto and no presumption or burden of proof will arise favoring or disfavoring any party because of the authorship of any provision of this Agreement. Any reference to any Law will be deemed also to refer to law as amended and all rules and regulations promulgated thereunder, unless the context requires otherwise. The words "include," "includes," and "including" will be deemed to be followed by "without limitation." Pronouns in masculine, feminine, and neuter genders will be construed to include any other gender, and words in the singular form will be construed to include the plural and vice versa, unless the context otherwise requires. The words "this Agreement," "herein," "hereof," "hereby," "hereunder," and words of similar import refer to this Agreement as a whole and not to any particular subdivision unless expressly so limited. The parties hereto intend that each representation, warranty, and covenant contained herein will have independent significance. If any party hereto has breached any representation, warranty, or covenant contained herein in any respect, the fact that there exists another representation, warranty or covenant relating to the same subject matter (regardless of the relative levels of specificity) which that party has not breached will not detract from or mitigate the fact that such party is in breach of the first representation, warranty or covenant. The language used in this Agreement is deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be binding and effective as of the day and year first set forth above.

ORTHODONTIX, INC.

By: /s/ Glenn L. Halpryn
Name: Glenn L. Halpryn
Title: Chief Executive Officer

PROTALIX ACQUISITION CO. LTD.

By: /s/ Glenn L. Halpryn
Name: Glenn L. Halpryn
Title: President

PROTALIX LTD.

By: /s/ David Aviezer
Name: David Aviezer, Ph.D.
Title: Chief Executive Officer

Form of Voting Agreement

EXHIBIT B

Form of Lockup Agreement

Protalix Ltd.
2 Snunit Street, Science Park
P.O.B. 455
Carmiel 20100, Israel
Attn: David Aviezer, Ph.D.

Ladies and Gentlemen:

The undersigned, a holder of shares of Protalix Ltd., an Israeli company (the "Company"), and/or Orthodontix, Inc., a Florida corporation ("Orthodontix"), desires that the Company merge with and into a wholly-owned subsidiary of Orthodontix (the "Merger"). For good and valuable consideration, the undersigned hereby irrevocably agrees that following the closing of the Merger, the undersigned will not, directly or indirectly, (1) offer for sale, sell, pledge or otherwise dispose of (or enter into any transaction or device that is designed to, or could be expected to, result in the disposition by any person at any time in the future of) any (A) ordinary shares of the Company, nominal value NIS 0.01 per share, (B) shares of common stock, par value $0.0001 per share, of Orthodontix or (C) any other securities of either the Company or Orthodontix (collectively, the "Shares"), including, without limitation, Shares that may be deemed to be beneficially owned by the undersigned in accordance with the rules and regulations of the Securities and Exchange Commission and Shares that may be issued upon exercise of any options or warrants, or securities convertible into or exercisable or exchangeable for Shares, (2) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of Shares, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Shares or other securities, in cash or otherwise, (3) make any demand for or exercise any right or cause to be filed a registration statement, including any amendments thereto, with respect to the registration of any Shares or securities convertible into or exercisable or exchangeable for Shares or any other securities of the Company or Orthodontix or (4) publicly disclose the intention to do any of the foregoing, for a period commencing on the date of the closing of the Merger and ending on the second anniversary of the closing of the Merger. Notwithstanding the above, up to ___ [1]Shares shall be exempt from and shall not be subject to this Lock-Up Letter Agreement and the undertakings set forth herein.

In furtherance of the foregoing, Orthodontix and its transfer agent on its behalf are hereby authorized to decline to make any transfer of securities if such transfer would constitute a violation or breach of this Lock-Up Letter Agreement.

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1 Insert number equal to ten percent (10%) of the Shares held by person executing the Agreement.

It is understood that if the Merger Agreement entered into in connection with the Merger has been terminated without the consummation of the Merger, this Lock-Up Letter Agreement shall be cancelled and of no further force and effect.

The undersigned understands that the Company will proceed with the Merger in reliance on this Lock-Up Letter Agreement.

The undersigned hereby represents and warrants that the undersigned has full power and authority to enter into this Lock-Up Letter Agreement and that, upon request, the undersigned will execute any additional documents necessary in connection with the enforcement hereof. Any obligations of the undersigned shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned.

Very truly yours,

By: _____
Name:
Title:

Dated: _____