FORM F-1/A

Registration statement for securities of certain foreign private issuers [amend]

Filing Date: **2006-01-05**
SEC Accession No. 0001144204-06-000584

FILER

IncrediMail Ltd.

CIK:**1338940**| IRS No.: **000000000** | State of Incorp.:**L3**
Type: **F-1/A** | Act: **33** | File No.: **333-129246** | Film No.: **06513910**
SIC: **7371** Computer programming services

Mailing Address
TEXTILE HOUSE
2 KAUFMAN STREET
TEL AVIV L3 68012

Business Address
TEXTILE HOUSE
2 KAUFMAN STREET
TEL AVIV L3 68012
972 3 516 0195

As filed with the Securities and Exchange Commission on January 5, 2006.

Registration No. 333-129246

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

AMENDMENT NO. 4 TO

FORM F-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

INCREDIMAIL LTD.

(Exact name of registrant as specified in its charter)

State of Israel	**7371**	**Not Applicable**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

2 Kaufman Street
Tel Aviv, Israel 68012
(972-3) 516-0195

(Address, including zip code, and telephone number, including area code, of registrant' s principal executive offices)

Morrison & Foerster LLP
1290 Avenue of the Americas
New York, NY 10104
Att: James R. Tanenbaum, Esq.
Tel: (212) 468-8000
Fax: (212) 468-7900

(Name, address, including zip code and telephone number, including area code, of agent for service)

Copies to:

Rami Ben Nathan, Esq. **Yoav Dankner, Esq.** **Erdinast, Ben Nathan & Co., Advocates** **25 Nachmany Street** **Tel Aviv, Israel 61141** **Tel: (972) 3 621 2500** **Fax: (972) 3 525 0896**	**James R. Tanenbaum, Esq.** **Nilene R. Evans, Esq.** **Morrison & Foerster LLP** **1290 Avenue of the Americas** **New York, NY 10104** **Tel: (212) 468-8000** **Fax: (212) 468-7900**	**Douglas S. Ellenoff, Esq.** **Lawrence A. Rosenbloom, Esq.** **Ellenoff Grossman & Schole LLP** **370 Lexington Avenue** **New York, NY 10017** **Tel: (212) 370-1300** **Fax: (212) 370-7889**

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☐

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per share	Proposed maximum aggregate offering price	Amount of registration fee
Ordinary shares, par value NIS 0.01 per share	2,875,000(1)	$8.00(2)	$23,000,000(2)	$2,708(3)

(1) Includes 375,000 ordinary shares that the underwriters may purchase from selling shareholders to cover over-allotments, if any.
(2) Estimated solely for purposes of calculating the registration fee in accordance with Rule 457(o) under the Securities Act.
(3) Previously paid.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Explanatory Note:

This Amendment No. 4 to the Registration Statement is being filed for the sole purpose of filing additional exhibits.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 8. Exhibits and Financial Statement Schedules

(a) Exhibits

1.1	Form of Underwriting Agreement
3.1	Memorandum of Association of Registrant†
3.2	Certificate of Change of Name of Registrant (translated from Hebrew)†
3.3	Articles of Association of Registrant, dated November 17, 1999†
3.4	Amendment to Articles of Association of Registrant, dated April 16, 2000†
3.5	Form of Articles of Association of Registrant to be effective upon consummation of offering
4.1	Form of Share Certificate*
4.2	Appendix 21.1 - Piggyback Registration to Investment Agreement, made effective as of April 16, 2000, between the Registrant, the Founders listed therein and the Investors listed therein†
4.3	Form of Purchase Option to be issued to Maxim Group LLC
5.1	Opinion of Erdinast, Ben Nathan & Co., Advocates
10.1	Agreement, dated July 29, 2003, between PointMatch USA, Inc. and the Registrant†
10.2	Software Product Licensing and Software Game Distribution and Promotion Agreement, dated January 7, 2004, between Oberon Media Inc. and the Registrant**†
10.3	OEM Agreement, effective December 7, 2004, between Commtouch Ltd. and the Registrant†
10.4	The Registrant' s 2003 Israeli Share Option Plan and the form of Option Agreement†
23.1	Consent of Kost, Forer, Gabbay & Kasierer, a member of Ernst & Young Global †
23.2	Consent of Erdinast, Ben Nathan & Co., Advocates (included in Exhibit 5.1)
99.1	Consent of James H. Lee to be named as a director nominee†
99.2	Consent of Elisabeth DeMarse to be named as a director nominee †
99.3	Consent of The Radicati Group to use certain information†
99.4	Consent of JupiterResearch to use certain information†
99.5	Consent of Variance Economic Consulting Ltd.†

———————

* To be filed by amendment.

** Confidential treatment has been requested with respect to certain portions of this Exhibit pursuant to 17.C.F.R. §§ 230.406 and 200.83. Omitted portions will be filed separately with the Securities and Exchange Commission.

† Previously filed

(b) Financial Statement Schedules

Not Applicable

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all the requirements for filing on Form F-1 and has duly caused this Amendment to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Tel-Aviv, State of Israel on January 5, 2006.

INCREDIMAIL LTD.

By /s/ Yaron Adler
Yaron Adler, Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned whose signature appears below hereby appoints Yaron Adler and Gittit Guberman, and each of them acting singly, as his or her true and lawful attorney-in-fact to sign on his or her behalf and individually and in the capacity stated below and to file all amendments (including post-effective amendments) and make such changes and additions to this Registration Statement, including any subsequent registration statement for the same offering that may be filed under Rule 462(b), and to file the same, with all exhibits thereof, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or either of them, their substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this Amendment to the Registration Statement has been signed by the following persons for IncrediMail in the capacities indicated, on January 5, 2006.

Signature	**Title**
/s/ Yaron Adler Yaron Adler	Chief Executive Officer and Director (Principal Executive Officer)
* Yacov Kaufman	Chief Financial Officer (Principal Financial and Accounting Officer)
* Ofer Adler	Director
* Tamar Gottlieb	Director
* Yair M. Zadik	Director
/s/ Yaron Adler Yaron Adler Attorney-in-Fact	

SIGNATURE OF AUTHORIZED REPRESENTATIVE IN THE UNITED STATES

Pursuant to the Securities Act of 1933, the undersigned, the duly authorized representative in the United States of IncrediMail Ltd., has signed this amendment to the registration statement thereto on January 5, 2006.

PUGLISI & ASSOCIATES

By:/s/ Donald J. Puglisi
Name: Donald J. Puglisi,
Title: Managing Director

EXHIBIT INDEX

No.	Description
1.1	Form of Underwriting Agreement
3.1	Memorandum of Association of Registrant†
3.2	Certificate of Change of Name of Registrant (translated from Hebrew)†
3.3	Articles of Association of Registrant, dated November 17, 1999†
3.4	Amendment to Articles of Association of Registrant, dated April 16, 2000†
3.5	Form of Articles of Association of Registrant to be effective upon consummation of offering
4.1	Form of Share Certificate*
4.2	Appendix 21.1 - Piggyback Registration to Investment Agreement, made effective as of April 16, 2000, between the Registrant, the Founders listed therein and the Investors listed therein†
4.3	Form of Purchase Option to be issued to Maxim Group LLC
5.1	Opinion of Erdinast, Ben Nathan & Co., Advocates
10.1	Agreement, dated July 29, 2003, between PointMatch USA, Inc. and the Registrant†
10.2	Software Product Licensing and Software Game Distribution and Promotion Agreement, dated January 7, 2004, between Oberon Media Inc. and the Registrant**†
10.3	OEM Agreement, effective December 7, 2004, between Commtouch Ltd. and the Registrant†
10.4	The Registrant' s 2003 Israeli Share Option Plan and the form of Option Agreement†
23.1	Consent of Kost, Forer, Gabbay & Kasierer, a Member of Ernst & Young Global †
23.2	Consent of Erdinast, Ben Nathan & Co., Advocates (included in Exhibit 5.1)
99.1	Consent of James H. Lee to be named as a director nominee†
99.2	Consent of Elisabeth DeMarse to be named as a director nominee †
99.3	Consent of The Radicati Group to use certain information†
99.4	Consent of JupiterResearch to use certain information†
99.5	Consent of Variance Economic Consulting Ltd.†

_____

* To be filed by amendment.

** Confidential treatment has been requested with respect to certain portions of this Exhibit pursuant to 17.C.F.R. §§ 230.406 and 200.83. Omitted portions will be filed separately with the Securities and Exchange Commission.

† Previously filed

Exhibit 1.1

[ ] Ordinary Shares

INCREDIMAIL LTD.

UNDERWRITING AGREEMENT

[ ], 2006

MAXIM GROUP LLC
405 Lexington Avenue
New York, NY 10174
As Representative of the Underwriters
named on Schedule A hereto

Ladies and Gentlemen:

IncrediMail Ltd., a company organized and existing under the laws of Israel (the "**Company**"), confirms its agreement, subject to the terms and conditions set forth herein, with each of the underwriters listed on Schedule A hereto (collectively, the "**Underwriters**"), for whom Maxim Group LLC is acting as representative (in such capacity, the "**Representative**"), to sell and issue to the Underwriters an aggregate of [ ] of its ordinary shares (the "**Firm Shares**"), par value NIS 0.01 per share (the "**Ordinary Shares**").

In addition, the shareholders of the Company listed on Schedule B hereto (the "**Selling Shareholders**") hereby grant to the Underwriters, upon the terms and conditions set forth in Section 3 hereof, an option to purchase an aggregate additional amount of [ ] Ordinary Shares (the "**Additional Shares**"). The Firm Shares and any Additional Shares purchased by the Underwriters are referred to herein as the "**Shares**." The Shares are more fully described in the Registration Statement and Prospectus referred to below. The offering and sale of the Shares contemplated by this underwriting agreement (this "**Agreement**") is referred to herein as the "**Offering**."

1. Representations and Warranties of the Company. The Company represents, warrants and covenants to, and agrees with, each of the Underwriters that, as of the date hereof and as of the Closing Date and each Additional Closing Date:

(a) The Company has filed with the Securities and Exchange Commission (the "**Commission**") a registration statement on Form F-1 (Registration No. 333-129276), and amendments thereto, and related preliminary prospectuses for the registration under the Securities Act of 1933, as amended (the "**Securities Act**"), of the Shares which registration statement, as so amended (including post-effective amendments, if any), has been declared effective by the Commission and copies of which have heretofore been delivered to the Underwriters. The registration statement, as amended at the time it became effective, including the prospectus, financial statements, schedules, exhibits and other information (if any) deemed to be part of the registration statement at the time of effectiveness pursuant to Rule 430A under the Securities Act, is hereinafter referred to as the "**Registration Statement**." If the Company has filed or is required pursuant to the terms hereof to file a registration statement pursuant to Rule 462(b) under the Securities Act registering additional Ordinary Shares (a "**Rule 462(b) Registration Statement**"), then, unless otherwise specified, any reference herein to the term "Registration Statement" shall be deemed to include such Rule 462(b) Registration Statement. All of the Shares have been registered under the Securities Act pursuant to the Registration Statement or, if any Rule 462(b) Registration Statement is filed, will be duly registered under the Securities Act with the filing of such Rule 462(b) Registration Statement. Based on communications from the Commission, no stop order suspending the effectiveness of either the Registration Statement or the Rule 462(b) Registration Statement, if any, has been issued and no proceeding for that purpose has been initiated or threatened by the Commission. The Company, if required by the Securities Act and the rules and regulations of the Commission (the "**Rules and Regulations**"), proposes to file the Prospectus with the Commission pursuant to Rule 424(b) under the Securities Act ("**Rule 424(b)**"). The prospectus, in the form in which it is to be filed with the Commission pursuant to Rule 424(b), or, if the prospectus is not to be filed with the Commission pursuant to Rule 424(b), the prospectus in the form included as part of the Registration Statement at the time the Registration Statement became effective, is hereinafter referred to as the "**Prospectus**," except that if any revised prospectus or prospectus supplement shall be provided to the Underwriters by the Company for use in connection with the Offering that differs from the Prospectus (whether or not such revised prospectus or prospectus supplement is required to be filed by the Company pursuant to Rule 424(b)), the term "Prospectus" shall also refer to such revised prospectus or prospectus supplement, as the case may be, from and after the time it is first provided to the Underwriters for such use. Any preliminary prospectus or prospectus subject to completion included in the Registration Statement or filed with the Commission pursuant to Rule 424 under the Securities Act is hereafter called a "**Preliminary Prospectus**." Any reference herein to the Registration Statement, any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include the exhibits filed therewith pursuant to the Rules and Regulations on or before the effective date of the Registration Statement, the date of such Preliminary Prospectus or the date of the Prospectus, as the case may be. All references in this Agreement to the Registration Statement, the Rule 462(b) Registration Statement, a Preliminary Prospectus and the Prospectus, or any amendments or supplements to any of the foregoing shall be deemed to include any copy thereof filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval System ("**EDGAR**").

(b) At the time of the effectiveness of the Registration Statement or any Rule 462(b) Registration Statement or the effectiveness of any post-effective amendment to the Registration Statement, when the Prospectus is first filed with the Commission pursuant to Rule 424(b), when any supplement to or amendment of the Prospectus is filed with the Commission, and at the Closing Date and the Additional Closing Date (as hereinafter respectively defined), if any, the Registration Statement and the Prospectus and any amendments thereof and supplements or exhibits thereto complied or will comply in all material respects with the applicable provisions of the Securities Act and the Rules and Regulations (as the case may be), and did not and will not contain an untrue statement of a material fact and did not and will not omit to state any material fact required to be stated therein or necessary in order to make the statements therein: (i) in the case of the Registration Statement, not misleading, and (ii) in the case of the Prospectus, in light of the circumstances under which they were made, not misleading. When any Preliminary Prospectus was first filed with the Commission (whether filed as part of the registration statement for the registration of the Shares or any amendment thereto or pursuant to Rule 424(a) under the Securities Act) and when any amendment thereof or supplement thereto was first filed with the Commission, such Preliminary Prospectus and any amendments thereof and supplements thereto complied in all material respects with the applicable provisions of the Securities Act and the Rules and Regulations. The documents, exhibits or other materials filed with the Registration Statement, at the time they were or hereafter are filed with the Commission, complied and will comply in all material respects with the requirements of the Securities Act and the Rules and Regulations, and, when read together with the other information in the Prospectus, do not 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. No representation and warranty is made in this Section 1(b), however, with respect to any information contained in or omitted from the Registration Statement or the Prospectus or any related Preliminary Prospectus or any amendment thereof or supplement thereto in reliance upon and in conformity with information furnished in writing to the Company by or on behalf of: (y) any Underwriter through the Representative specifically for use therein (it being acknowledged and agreed by the parties that such information provided by or on behalf of any Underwriter consists solely of the subsections of the "Underwriting" section of the Prospectus captioned "Nature of the Underwriting Commitment,""Pricing of Securities,""Stabilization" and "Regulatory Restrictions on Purchase of Ordinary Shares") and (z) any Selling Shareholder.

(c) The Company has filed with the Commission a Form 8-A (File Number 000-51694 (the "**Form 8-A**") providing for the registration under the Securities Exchange Act of 1934, as amended (together with the Rules and Regulations promulgated thereunder, the "**Exchange Act**"), of the Ordinary Shares. The Form 8-A has been declared effective by the Commission and such effectiveness remains as of the date hereof.

(d) Kost, Forer, Gabbay & Kasierer, a member firm of Ernst & Young Global ("**KFGK**"), whose reports relating to the Company are included in the Registration Statement, are independent registered public accountants as required by the Securities Act, the Rules and Regulations and the Public Company Accounting Oversight Board (the "**PCAOB**"), including the rules and regulations promulgated by the PCAOB. KFGK is duly registered and in good standing with the PCAOB. KFGK has not, during the periods covered by the financial statements included in the Prospectus, provided to the Company any non-audit services, as such term is used in Section 10A(g) of the Exchange Act.

(e) The Company has no subsidiaries within the meaning of Rule 405 under the Securities Act and the Company holds no ownership or other interest, nominal or beneficial, direct or indirect, in any corporation, partnership, limited liability company, joint venture or other foreign or domestic business entity.

(f) Subsequent to the respective dates as of which information is presented in the Registration Statement and the Prospectus, and except as disclosed in the Registration Statement and the Prospectus: (i) the Company has not declared, paid or made any dividends or other distributions of any kind on or in respect of its capital stock and (ii) there has been no material adverse change (or, to the knowledge of the Company, any development that has a high probability of involving a material adverse change in the future), whether or not arising from transactions in the ordinary course of business, in or affecting: (A) the business, condition (financial or otherwise, including financial reserves or accruals), results of operations, shareholders' equity, properties or prospects (as such prospects are described in the Prospectus) of the Company; (B) the long-term debt or capital stock of the Company; or (C) the Offering or consummation of any of the other agreements, covenants or commitments of the Company contemplated by this Agreement or disclosed in the Registration Statement or the Prospectus (a "**Material Adverse Change**"). Since the date of the latest balance sheet presented in the Registration Statement and the Prospectus, the Company has not incurred or undertaken any liability or obligation, whether direct or indirect, liquidated or contingent, matured or unmatured, or entered into any transactions, including any acquisition or disposition of any business or asset, that is material to the Company, except for liabilities, obligations and transactions that are disclosed in the Registration Statement and the Prospectus.

(g) As of the dates indicated in the Prospectus, the authorized, issued and outstanding shares of capital stock of the Company were: (i) as set forth in the Prospectus in the column headed "Actual" under the section thereof captioned "Capitalization" and (ii) after giving effect to the Offering and the other transactions contemplated by this Agreement and after the conversion of all of the Company's preferred shares into Ordinary Shares as described in the Prospectus, will be as set forth in the column headed "As Adjusted" in the section of the Prospectus captioned "Capitalization".

(h) All of the issued and outstanding shares of capital stock of the Company (including, without limitation, all Additional Shares that may be sold by the Selling Shareholders hereunder and all Relevant Securities) and all Ordinary Shares issuable upon conversion, exercise or exchange of any Relevant Securities in accordance with the terms thereof, are, or will be, as the case may be: (i) fully paid and non-assessable and (ii) have been duly and validly authorized and issued, in compliance with the Israeli Companies Law-1999, as amended and corresponding rules thereunder (the "**Companies Law**"), and all applicable state, federal, Israeli and other foreign securities laws, rules and regulations and not in violation of or subject to any preemptive or similar right that does or will entitle any foreign or domestic individual, corporation, trust, partnership, joint venture, limited liability company or other entity (each, a "**Person**"), upon the issuance or sale of any security, to acquire from the Company any Relevant Security, except for such rights as may have been fully terminated, satisfied or waived prior to the effectiveness of the Registration Statement, the full and complete evidence of such termination, satisfaction or waiver has been provided to the Representative. As used herein, the term "**Relevant Security**" means any Ordinary Shares or other security of the Company (including any preferred shares) that are convertible into, or exercisable or exchangeable for Ordinary Shares or equity securities, or that holds the right to acquire any Ordinary Shares or equity securities of the Company or any other such Relevant Security.

(i) The Shares to be issued and sold by the Company as contemplated by this Agreement have been duly and validly authorized. When issued, delivered and paid for in accordance with this Agreement and as described in the Prospectus on each of the Closing Date and the Additional Closing Date, as applicable, all such Shares will be duly and validly issued, fully paid and non-assessable, will have been issued in compliance with the Companies Law and all applicable state, federal, Israeli and other foreign securities laws, rules and regulations and will not have been issued in violation of or subject to any preemptive or similar right that does or will entitle any Person to acquire any Relevant Security from the Company upon issuance or sale of Shares in the Offering, except for such rights as may have been fully terminated, satisfied or waived prior to the effectiveness of the Registration Statement, the full and complete evidence of such termination, satisfaction or waiver having been previously provided to the Representative.

(j) The Ordinary Shares and the rights of the holders thereof under the Companies Law or otherwise conform to the descriptions thereof contained in the Registration Statement and the Prospectus.

(k) Except as disclosed in the Registration Statement and the Prospectus, the Company has no outstanding warrants, options to purchase, or any preemptive rights or other rights to subscribe for or to purchase, or any contracts or commitments to issue or sell, any Ordinary Shares or any Relevant Security.

(l) The Company has been duly incorporated and validly exists as a corporation under the Companies Law and other applicable laws of the State of Israel. The Company has all requisite power and authority to carry on its business as it is currently being conducted and as described in the Prospectus, and to own, lease and operate its respective properties. The Company is duly qualified to do business and is in good standing in each jurisdiction in which the character or location of its properties (owned, leased or licensed) or the nature or conduct of its business makes such qualification necessary, except, in each case, for those failures to be so qualified or in good standing which (individually and in the aggregate) could not reasonably be expected to have a material adverse effect on: (i) the business, condition (financial or otherwise), results of operations, shareholders' equity, properties or prospects (as such prospects are described in the Prospectus) of the Company, (ii) the long-term debt or capital stock of the Company or (iii) the Offering or consummation of any of the other agreements, covenants or commitments of the Company contemplated by this Agreement or disclosed in the Registration Statement or the Prospectus (any such effect being a "**Material Adverse Effect**").

(m) The Company is not: (i) in violation of its memorandum of association or articles of association, (ii) in breach of, or default under, and no event has occurred that, with notice or lapse of time or both, would constitute a breach or default under, or result in the creation or imposition of any lien, charge, pledge, option, right, security interest or other encumbrance ("**Lien**") upon any of its property or assets pursuant to, any indenture, mortgage, lease, deed of trust, loan agreement or other agreement or instrument to which it is a party or by which it is bound or to which any of its property or assets is subject or (iii) in violation in any respect of any law, rule, regulation, ordinance, directive, judgment, decree or order of any judicial, regulatory or other legal or governmental agency or body, foreign or domestic, except: (A) in the case of clause (ii) above, for any Lien disclosed in the Registration Statement and the Prospectus and (B) in the case of clauses (ii) and (iii) above, for those defaults or Liens that, either individually or in the aggregate, would not have a Material Adverse Effect.

(n) The Company has full right, power and authority to execute and deliver this Agreement and the Representative's Purchase Option (as hereinafter defined), to perform its obligations hereunder and thereunder and to consummate each of the transactions contemplated by this Agreement. The Company has duly and validly authorized this Agreement and the Representative's Purchase Option and each of the transactions contemplated by this Agreement and the Representative's Purchase Option. All corporate action required by the laws of the State of Israel and the articles of association of the Company to be taken by the Company for the due and proper authorization and issuance of the Firm Shares and the offering, sale and delivery of the Firm Shares, has been validly and sufficiently taken. This Agreement and the Representative's Purchase Option has been or will be duly and validly executed and delivered by the Company and constitutes or will constitute the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and except as enforceability may be subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(o) The Representative's Purchase Option, when delivered at the Closing, will conform to the description thereof in the Registration Statement and in the Prospectus. The Ordinary Shares issuable upon exercise of the Representative's Purchase Option have been duly authorized and reserved for issuance upon exercise of the Representative's Purchase Option by all necessary corporate action on the part of the Company and, when issued and delivered and paid for upon such exercise in accordance with the terms of the Representative's Purchase Option, will be validly issued, fully paid, nonassessable and free of preemptive rights and will conform to the description thereof in the Prospectus.

(p) The execution, delivery, and performance of this Agreement and the Representative's Purchase Option and consummation of the transactions contemplated by this Agreement and the Representative's Purchase Option do not and, to the knowledge of the Company, will not: (i) conflict with, require consent under or result in a breach of any of the terms and provisions of, or constitute a default (or an event which with notice or lapse of time, or both, would constitute a default) under, or result in the creation or imposition of any Lien upon any property or assets of the Company pursuant to, any indenture, mortgage, deed of trust, loan agreement or other agreement, instrument, franchise, license or permit to which the Company is a party or by which the Company or its properties, operations or assets may be bound or (ii) violate or conflict with any provision of the memorandum of association, articles of association, or other organizational documents of the Company, or (iii) violate or conflict with any law, rule, regulation, ordinance, directive, judgment, decree or order of any judicial, regulatory or other legal or governmental agency or body, domestic or foreign except, in the case of clauses (ii) and (iii) above, for those violations or conflicts that, either individually or in the aggregate, would not have a Material Adverse Effect.

(q) The Company has all consents, approvals, authorizations, orders, registrations, qualifications, licenses, filings and permits of, with and from all judicial, regulatory and other legal or governmental agencies and bodies and all third parties, foreign and domestic (collectively, the "**Consents**"), to own, lease and operate its properties and conduct its business as disclosed or described in the Registration Statement and the Prospectus, except for such Consents, the absence of which, either individually or in the aggregate, would not have a Material Adverse Effect. Each such Consent is valid and in full force and effect. The Company has not received notice of any investigation or proceedings that, if decided adversely to the Company, could reasonably be expected to result in, the revocation of, or imposition of a materially burdensome restriction on, any Consent. No Consent contains a materially burdensome restriction not adequately disclosed in the Registration Statement and the Prospectus.

(r) The Company is in compliance with all applicable Israeli and other foreign and U.S. laws, rules, regulations, ordinances, directives, judgments, decrees and orders (including, without limitation, all securities and tax laws, rules and regulations of the State of Israel), except for such non-compliance as would not have a Material Adverse Effect. As of the date hereof and as of the Closing Date and the Additional Closing Date, and except as contemplated by this Agreement, the Company does not operate within the jurisdiction of United States or any state or territory thereof in such a manner so as to subject the Company or its operations or businesses to registration as a foreign company doing business in any state within the United States or to any of the following laws in any material respect: (i) the Bank Secrecy Act, as amended, (ii) the Uniting and Strengthening of America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, as amended, (iii) the Foreign Corrupt Practices Act of 1977, as amended, (iv) the Currency and Foreign Transactions Reporting Act of 1970, as amended, (v) the Employee Retirement Income Security Act of 1974, as amended, (vi) the rules and regulations promulgated under any such law, or any successor law, or any judgment, decree or order of any applicable administrative or judicial body relating to such law and (vii) any corresponding law, rule, regulation, ordinance, judgment, decree or order of any state or territory of the United States or any administrative or judicial body thereof.

(s) No Consent of, with or from any judicial, regulatory or other legal or governmental agency or body or any third party, foreign or domestic, is required for the execution, delivery and performance of this Agreement or consummation of each of the transactions contemplated by this Agreement, including the issuance, sale and delivery of the Shares to be issued, sold and delivered hereunder, except the registration under the Securities Act of the Shares, and such Consents as may be required under state securities or blue sky laws or the by-laws and rules of The Nasdaq Stock Market, Inc., including the Nasdaq Capital Market ("**NASDAQ**"), the National Association of Securities Dealers, Inc. (the "**NASD**") or NASD Regulation, Inc. in connection with the purchase and distribution of the Shares by the Underwriters, each of which has been obtained and is in full force and effect.

(t) Except as disclosed in the Registration Statement and the Prospectus, there is no judicial, regulatory, arbitral or other legal or governmental proceeding or other litigation or arbitration, domestic or foreign, pending to which the Company or its officers, directors or employees is a party or of which any property, operations or assets of the Company is the subject which, individually or in the aggregate, if determined adversely to the Company or such individuals, could reasonably be expected to have a Material Adverse Effect. To the Company's knowledge, and except as disclosed in the Registration Statement and the Prospectus, no such proceeding, litigation or arbitration is threatened or contemplated; and the defense of all such proceedings, litigation and arbitration against or involving the Company could not reasonably be expected to have a Material Adverse Effect.

(u) The financial statements, including the notes thereto, and the supporting schedules included in, the Registration Statement and the Prospectus present fairly the financial position as of the dates indicated and the cash flows and results of operations for the periods specified of the Company. Except as otherwise stated in the Registration Statement and the Prospectus, said financial statements have been prepared in conformity with United States generally accepted accounting principles applied on a consistent basis throughout the periods involved. No other financial statements or supporting schedules or financial footnotes are required to be included in the Registration Statement. The other financial and statistical information included in the Registration Statement and the Prospectus (including, without limitation, that presented in the section of the Prospectus captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations") present fairly the information included therein and have been prepared on a basis consistent with that of the financial statements that are included in the Registration Statement and the Prospectus and the books and records of the respective entities presented therein.

(v) There are no pro forma or as adjusted financial statements that are required to be included in the Registration Statement and the Prospectus in accordance with Form F-1 and the Rules and Regulations which have not been included as so required. The pro forma financial information included in the Registration Statement and the Prospectus include all adjustments necessary to present fairly, in accordance with generally accepted accounting principles of the United States, consistently applied, the pro forma financial position of the Company as presented.

(w) The statistical, industry-related and market-related data included in the Registration Statement and the Prospectus are based on or derived from sources that the Company reasonably and in good faith believes are reliable and accurate, and such data agree with the sources from which they are derived.

(x) The Company maintains a system of internal accounting and other controls sufficient to provide reasonable assurances 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 (or reconciliation) with United States generally accepted accounting principles and to maintain accountability for assets, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accounting for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Since the date of the most recent balance sheet included in the Prospectus, there have been no significant changes in internal controls or in other factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

(y) Neither the Company nor its executive officers have been advised by KFGK or any prior auditor of the Company of: (i) any significant deficiency in the design or operation of the Company's internal controls over financial reporting (whether or not remediated) that could adversely affect the Company's ability to record, process, summarize and report financial data, (ii) any material weakness in such internal controls or (iii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls.

(z) The section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Prospectus accurately and fully describes: (i) accounting policies that the Company considers to be the most important in the portrayal of the Company's financial condition and results of operations ("**Critical Accounting Policies**"), (ii) judgments and uncertainties affecting the application of the Critical Accounting Policies and (iii) the likelihood that materially different amounts would be reported under different conditions or using different assumptions and an explanation thereof. The Company's management has reviewed and agreed with the selection, application and disclosure of the Critical Accounting Policies and has consulted with the Company's independent auditors with regards to such disclosure.

(aa) The operations of the Company are and have been conducted at all times in compliance with applicable financial record keeping and reporting requirements and money laundering statutes of the State of Israel and, to the Company's knowledge, all other jurisdictions to which the Company is subject, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any applicable governmental agency (collectively, the "**Money Laundering Laws**") and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company with respect to the Money Laundering Laws is pending or, to the best knowledge of the Company, threatened.

(bb) Neither the Company nor, to the knowledge of the Company, any director, officer, agent, employee or affiliate of the Company (as such term is defined under Rule 144 under the Securities Act, an "**Affiliate**") is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("**OFAC**"); and the Company will not directly or indirectly use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds to any joint venture partner or other person or entity, for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC.

(cc) Neither the Company nor, to the knowledge of the Company, any of its directors, officers, Affiliates or controlling persons has taken, directly or indirectly, any action designed, or which has constituted or would reasonably be expected to cause or result in, under the Exchange Act or otherwise, the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares.

(dd) The Company has validly and irrevocably appointed Morrison & Foerster LLP as its authorized agent for service of process pursuant to this Agreement and in connection with the Registration Statement.

(ee) Neither the Company nor any of its Affiliates has, prior to the date hereof, made any offer or sale of any securities that are required to be "integrated" pursuant to the Securities Act or the Rules and Regulations with the offer and sale of the Shares pursuant to the Registration Statement. Except as disclosed in the Registration Statement or the Prospectus, neither the Company nor any of its Affiliates has sold or issued any Relevant Security during the six-month period preceding the date of the Prospectus, other than Ordinary Shares issued pursuant to employee benefit plans, stock option plans or the employee compensation plans or pursuant to the Relevant Securities described in the Registration Statement and the Prospectus.

(ff) Except as disclosed in the Registration Statement and the Prospectus, no holder of any Relevant Security has any rights to require registration of any Relevant Security as part or on account of, or otherwise in connection with, the offer and sale of the Shares contemplated hereby. Any such rights so disclosed have either been fully complied with by the Company or effectively terminated or waived by the holders thereof or by the Company. Any such waivers or terminations remain in full force and effect, and the full and complete evidence of such waivers or terminations has been previously presented to the Representative.

(gg) The conditions for use of Form F-1 to register the Offering under the Securities Act, as set forth in the General Instructions to such Form, have been satisfied.

(hh) The Company is not and, at all times up to and including consummation of the transactions contemplated by this Agreement, and after giving effect to application of the net proceeds of the Offering, will not be, subject to registration as an "investment company" under the Investment Company Act of 1940, as amended, and is not and will not be an entity "controlled" by an "investment company" within the meaning of such act.

(ii) There are no contracts or other documents (including, without limitation, any voting or employment agreement) that are required to be described in the Registration Statement and the Prospectus or filed as exhibits to the Registration Statement by the Securities Act or the Rules and Regulations and which have not been so described and/or filed. The Company and, to the best of the Company's knowledge, no other party is in breach of or default under any of contracts or agreements described in or filed as exhibits to the registration statement, which breach or default would cause a Material Adverse Effect.

(jj) No relationship, direct or indirect, exists between or among any of the Company or any Affiliate of the Company, on the one hand, and any director, officer, shareholder, customer or supplier of the Company or any Affiliate of the Company, on the other hand, that is required by the Securities Act or the Rules and Regulations to be described in the Registration Statement or the Prospectus and that is not so described as required. There are no outstanding loans, advances (except normal advances for business expenses in the ordinary course of business) or guarantees of indebtedness by the Company to or for the benefit of any of the officers or directors of the Company or any of their respective family members, except as disclosed in the Registration Statement and the Prospectus. The Company does not, in violation of the Sarbanes-Oxley Act of 2002 ("**Sarb-Ox**"), directly or indirectly, (other than as permitted under the Sarb-Ox for depositary institutions), extend or maintain credit, arranged for the extension of credit, or renew an extension of credit, in the form of a personal loan to or for any director or executive officer of the Company.

(kk) Except as disclosed in the Registration Statement and the Prospectus, there are no oral or written agreements, commitments or understandings between the Company and any Person that would give rise to a valid claim against the Company or any Underwriter for a brokerage commission, finder's fee or other like payment in connection with the transactions contemplated by this Agreement or, to the Company's knowledge, any arrangements, agreements, understandings, payments or issuances of securities of or with respect to the Company or any of its officers, directors, shareholders, partners, employees or Affiliates that may affect the Underwriters' compensation as determined by the NASD.

(ll) The Company does not, directly or indirectly, own any real property. The Company leases all such properties as are necessary to the conduct of its business as presently operated and as proposed to be operated as described in the Registration Statement and the Prospectus. The Company owns all personal property owned by it free and clear of all Liens except such as are described in the Registration Statement and the Prospectus or such as do not or will not, with the passage of time (individually or in the aggregate), have a Material Adverse Effect. Any real property and buildings held under lease or sublease by the Company are held by it under valid, subsisting and enforceable leases with such exceptions as are not material to, and do not interfere with, the use made and proposed to be made of such property and buildings by the Company. The Company has not received any notice of any claim adverse to its ownership of any real or personal property or of any claim against the continued possession of any real property, whether owned or held under lease or sublease by the Company.

(mm) Intellectual Property Matters.

(i) As used in this Agreement, the term "**Intellectual Property**" shall mean all: (A) patents, trademarks, trade names, service marks, trade dress, copyrights and any renewal rights therefor, domain names, mask works, net lists, schematics, technology, trade secrets, know-how, moral rights, computer software programs or applications (in both source and object code form), applications and registrations for any of the foregoing owned by the Company, specifically including but not limited to the proprietary processes embodied in the Company's pending patents; (B) goodwill associated with trademarks, trade names, service marks and trade dress owned by the Company; (C) software, including, but not limited to, the source code for the Company's products described in the Prospectus, as well as software, firmware listings, updated software source code, and complete system build software and instructions related to all software owned by the Company; (D) documents, records and files relating to design, end user documentation, manufacturing, quality control, sales, marketing or customer support for all intellectual property described herein owned by the Company; (E) other tangible or intangible proprietary information and materials owned by the Company; and (F) license and other rights in any third party product, intellectual property, proprietary or personal rights, documentation, or tangible or intangible property, including without limitation the types of intellectual property and tangible and intangible proprietary information described in (A) through (E) above (other than license agreements for standard "shrink wrapped, off the shelf," commercially available, third party products used by the Company) that are owned or held by or on behalf of the Company or that are being, and/or have been, used, or are currently under development for use, in the business of the Company as the same is described in the Registration Statement and the Prospectus. The Intellectual Property belonging or inuring to the benefit of the Company or in which the Company, directly or indirectly, owns any rights is referred to herein as "**Company Intellectual Property"**and Intellectual Property described in clause (F) above is referred to herein as "**Company Licensed Intellectual Property**." Unless otherwise specifically noted, the term "**Intellectual Property**" shall refer collectively to both the Company Intellectual Property and the Company Licensed Intellectual Property.

(ii) The Company owns, possesses, licenses or has other rights to use, as the case may be, on reasonable terms, all Intellectual Property necessary for the conduct of the Company's business as the same is described in the Registration Statement and the Prospectus, including, without limitation, and if necessary to carry out such activities, rights to make, use, exclude others from using, reproduce, modify, adapt, create derivative works based on, translate, distribute (directly and indirectly), transmit, display and perform publicly, license, rent, lease, assign, and sell the Intellectual Property in all geographic locations and fields of use, and to sublicense any or all such rights to third parties, including the right to grant further sublicenses.

(iii) Except as set forth in the Prospectus or the Registration Statement, the Company is not currently, nor, as a result of the execution or delivery of this Agreement, or performance of the Company's obligations hereunder, will the Company be, in violation of any license, sublicense or other agreement relating to the Intellectual Property to which the Company is a party or otherwise bound. Except as set forth in the Prospectus, the Registration Statement or the exhibits thereto, the Company is not obligated to provide any consideration (whether financial or otherwise) to any third party, nor is any third party otherwise entitled to any consideration, with respect to any exercise of rights by the Company or its successors in the Intellectual Property.

(iv) Except as set forth in the Prospectus, the Registration Statement or the exhibits thereto, the use, reproduction, modification, distribution, licensing, sublicensing, sale, or any other exercise of rights in any Intellectual Property or any other authorized exercise of rights in or to any Intellectual Property by the Company or its licensees does not and, to the knowledge of the Company, will not infringe any copyright, patent, trade secret, trademark, service mark, trade name, firm name, domain name, logo, trade dress, mask work, moral right, other intellectual property right, right of privacy, right of publicity or right in personal or other data of any Person. Except as set forth in the Prospectus under "Business-Litigation", no claims: (A) challenging the validity or ownership by the Company of any of Company Intellectual Property, or (B) to the effect that the use, reproduction, modification, manufacturing, distribution, licensing, sublicensing, sale or any other exercise of rights in any Company Intellectual Property by the Company or its licensees infringes or will infringe on any intellectual property or other proprietary or personal right of any Person have been asserted or, to the Company's knowledge, are threatened by any Person. Except as set forth in the Prospectus, all granted or issued patents and mask works and all registered trademarks included in the Intellectual Property and all copyright registrations held by the Company are valid, enforceable and subsisting. To the Company's knowledge, there is and has been no unauthorized use, infringement or misappropriation of any of any Intellectual Property by any Person (including, without limitation, any employee or former employee of the Company).

(v) Except as set forth in the Prospectus, the Registration Statement or the exhibits thereto, no parties other than the Company possess any current or contingent rights to any source code that is part of any Intellectual Property (including, without limitation, through any escrow account).

(vii) Except as set forth in the Prospectus, the Registration Statement or the exhibits thereto, there is no Person who has created any material portion of, or otherwise have any rights in or to, any Intellectual Property (other than employees of the Company whose work product was created by them entirely within the scope of their employment by the Company and constitutes works made for hire owned by the Company). The Company has secured from all parties who have created any material portion of, or otherwise have any rights in or to, any Intellectual Property valid and enforceable written assignments or licenses of any such work or other rights to the Company.

(viii) The Company has obtained legally binding written agreements from all employees of the Company and third parties with whom the Company has shared confidential proprietary information: (A) of the Company, or (B) received from others that the Company is obligated to treat as confidential, which agreements require such employees and third parties to keep such information confidential.

(nn) The Company maintains insurance of the types and in the amounts which are customary for companies engaged in similar businesses, including, but not limited to: (A) directors' and officers' insurance (including insurance covering the Company, its directors and officers for liabilities or losses arising in connection with this Offering, including, without limitation, liabilities or losses arising under the Securities Act, the Exchange Act, the Rules and Regulations and all applicable Israeli and other foreign securities laws) and (B) insurance covering real and personal property owned or leased by the Company against theft, damage, destruction, and all other risks customarily insured against in the State of Israel. There are no claims by the Company under any policy or instrument described in this subparagraph as to which any insurance company is denying liability or defending under a reservation of rights clause. All of the insurance policies described in this Section 1(nn) are in full force and effect. The Company has not been refused any insurance coverage sought or applied for. The Company has no reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not cause a Material Adverse Effect.

(oo) There are no transfer taxes, stamp duties on issuance or other similar fees or charges and no capital gains, income, withholding or other taxes under U.S. federal law or the laws of any state, or any political subdivision thereof, required to be paid by the Underwriters in connection with the execution and delivery of this Agreement or the sale and delivery by the Underwriters of the Shares as contemplated herein.

(pp) The Company has accurately prepared and timely filed all Israeli and other tax returns that are required to be filed by it and has paid or made provision for the payment of all taxes, assessments, governmental or other similar charges, including without limitation, all sales and use taxes and all taxes that the Company is obligated to withhold from amounts owing to employees, creditors and third parties, with respect to the periods covered by such tax returns (whether or not such amounts are shown as due on any tax return), except for such tax filings that would not, either individually or in the aggregate, cause a Material Adverse Effect. No deficiency assessment with respect to a proposed adjustment of the Company's foreign or other taxes is pending or, to the Company's knowledge, threatened. The accruals and reserves on the books and records of the Company in respect of tax liabilities for any taxable period not finally determined are adequate to meet any assessments and related liabilities for any such period and, since the date of the Company's most recent audited financial statements, the Company has not incurred any liability for taxes other than in the ordinary course of its business. There is no tax lien, whether imposed by any federal, state, foreign or other taxing authority, outstanding against the assets, properties or business of the Company.

(qq) The Company has at all times operated its business in material compliance with all Environmental Laws, and no material expenditures are or will be required in order to comply therewith. The Company has not received any notice or communication that relates to or alleges any actual or potential violation or failure to comply with any Environmental Laws that will result in a Material Adverse Effect. As used herein, the term "**Environmental Laws**" means all applicable Israeli and other applicable laws and regulations, including any licensing, permits or reporting requirements, and any action by a government entity pertaining to the protection of the environment, protection of public health, protection of worker health and safety, or the handling of hazardous materials.

(rr) The Company is in compliance with all applicable labor and employment laws, rules and regulations applicable to its employees (including, without limitation, the Israeli Law of Work Hours and Rest-1951, as amended, and other laws, rules and regulations relating to discrimination in the hiring, promotion or pay of employees and any wage or hour laws), except for matters that would not, individually or in the aggregate, have a Material Adverse Effect. The Company and its operations are not subject to any collective bargaining agreements. There is not presently, nor has there been, any strike, labor dispute, slowdown or stoppage pending or, to the Company's knowledge, threatened against the Company. To the Company's knowledge, no union organizing activities are currently taking place concerning the employees of the Company.

(ss) The Registration Statement and the Prospectus disclose, describe or have filed as exhibits all Benefit Arrangements (as defined below) of the Company required to be so disclosed, described or filed under the Securities Act and the Rules and Regulations (including Form F-1). Each Benefit Arrangement of the Company described in the Registration Statement or the Prospectus or which the Company is required by law, rule or regulation to maintain or be a party to is in full force and effect and has been maintained in substantial compliance with its terms and with requirements prescribed by any and all applicable statutes, orders, rules and regulations that are applicable to the Company or such Benefit Arrangement. Except as set forth in the Registration Statement or the Prospectus, there is no liability of the Company in respect of any severance or post-retirement health and medical benefits for retired employees of the Company or any of its Affiliates. The execution of this Agreement and the consummation of the Offering does not constitute a triggering event under any Company Benefit Arrangement that (either alone or upon the occurrence of any additional or subsequent event) will or may result in any payment (of severance pay or otherwise), acceleration, increase in vesting, or increase in benefits to Person. As used in this Agreement, the term "**Benefit Arrangement**" means any employment, employment-related, severance, pension or other similar agreement, arrangement, policy or plan or any agreement, plan or arrangement providing for insurance coverage for any purpose relating to the foregoing (including any self-insured arrangements), workers' compensation, disability benefits, severance benefits, supplemental unemployment benefits, vacation benefits, retirement or other pension benefits or for deferred compensation, profit-sharing, bonuses, stock options, stock appreciation or other forms of incentive compensation, or post-retirement insurance, compensation or benefits to which the Company is party. The term "Benefit Arrangement" shall include, without limitation, those undertaken voluntarily by the Company and those required by Israeli or other applicable law, rule or regulation.

(tt) The Company has not offered, or caused the Underwriters to offer, the Firm Shares to any Person or entity with the intention of unlawfully influencing: (i) a customer or supplier of the Company to alter the customer's or supplier's level or type of business with the Company or (ii) a journalist or publication to write or publish favorable information about the Company or its products or services.

(uu) Neither the Company nor any of its properties or assets has any immunity from the jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution or otherwise) under the laws of the State of Israel.

(vv) The Company is not a Passive Foreign Investment Company ("**PFIC**") within the meaning of Section 1297 of the United States Internal Revenue Code of 1986, as amended, and does not expect to become a PFIC in the future.

(ww) The Company is in compliance in all material respects with all conditions and requirements stipulated by the instruments of approval granted to it with respect to the "Approved Enterprise" status of the Company or any of the Company's facilities as well as with respect to the other tax benefits received by the Company as set forth under the caption "Israeli Taxation" in the Prospectus and by Israeli laws and regulations relating to such "Approved Enterprise" status and the aforementioned other tax benefits received by the Company. 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 Company's facilities.

(xx) Assuming the Underwriters are not otherwise subject to Israeli taxation by the conduct of their general business activities: (i) the sale and delivery to the Underwriters of the Shares as contemplated in this Agreement and the sale and delivery of the Shares by the Underwriters to subsequent purchasers as contemplated by this Agreement, are not subject to any tax imposed by Israel or any political subdivision or taxing authority thereof, except for any Israeli stamp taxes applicable to this Agreement (which will be paid by the Company on a timely basis after the time for payment, to the extent required by, and in accordance with, Israeli law) and to the issuance of the Shares to be sold by the Company under this Agreement (which will be paid by the Company at the time for payment, or promptly and on a timely basis after the time for payment, to the extent required by, and in accordance with, Israeli law) and (ii) except as disclosed in the Registration Statement or Prospectus: (A) payments with respect to the Shares will not be subject to withholding taxes imposed under the laws of Israel or any political subdivision or taxing authority thereof or therein and (B) the proceeds from any sale or other disposition of securities will not be subject to any capital gains, withholding or other taxes imposed by Israel or any political subdivision or taxing authority thereof or therein.

(yy) All of the information provided by or on behalf of the Company in writing to the Underwriters or to Underwriters' Counsel (as defined below) specifically for use by Underwriters' Counsel in connection with its COBRADesk filings (and related disclosures) made to the NASD pursuant to NASD Rule 2710 or 2720 is true, complete and correct in all material respects.

(zz) (i) At the time of filing the Registration Statement and (ii) at the date hereof, the Company was not and is not an "ineligible issuer," as defined in Rule 405 under the Securities Act.

(aaa) Neither: (i) the Issuer-Represented General Free Writing Prospectus(es) (as defined below) and the Prospectus, all considered together (collectively, the "**General Disclosure Package**"), nor (ii) any individual Issuer-Represented Limited-Use Free Writing Prospectus, when considered together with the General Disclosure Package, included any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The preceding sentence does not apply to statements in or omissions from the Prospectus or any Issuer-Represented Free Writing Prospectus based upon and in conformity with written information furnished to the Company by the Representative specifically for use therein.

(bbb) Each Issuer-Represented Free Writing Prospectus, as of its issue date and at all subsequent times through each Closing Date did not, does not and will not include any information that conflicted, conflicts or will conflict with the information contained in the Registration Statement or the Prospectus. If at any time following issuance of an Issuer-Represented Free Writing Prospectus there occurred or occurs an event or development as a result of which such Issuer-Represented Free Writing Prospectus included or would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances, not misleading, the Company has notified or will notify promptly the Representative so that any use of such Issuer-Represented Free Writing Prospectus may cease until it is amended or supplemented. The foregoing two sentences do not apply to statements in or omissions from any Issuer-Represented Free Writing Prospectus based upon and in conformity with written information furnished to the Company by the Representative specifically for use therein.

(ccc) Unless the Company obtains the prior consent of the Representative, it has not made and will not make any offer relating to the Shares that would constitute an "issuer free writing prospectus," as defined in Rule 433 under the Securities Act, or that would otherwise constitute a "free writing prospectus," as defined in Rule 405 under the Securities Act, required to be filed with the Commission. The Company has complied and will comply with the requirements of Rule 433 under the Securities Act applicable to any Issuer-Represented Free Writing Prospectus, including timely filing with the Commission where required, legending and record keeping. The Company has satisfied and will satisfy the conditions in Rule 433 under the Securities Act to avoid a requirement to file with the Commission any electronic road show.

(ddd) As used in this Agreement, the terms:

(i) "**Issuer-Represented Free Writing Prospectus**" means any "issuer free writing prospectus"or any "issuer-information" as defined in and filed or required to be filed pursuant to Rule 433 under the Securities Act relating to the Shares that: (A) is required to be filed with the Commission by the Company, (ii) is a "road show that is a written communication" within the meaning of Rule 433(d)(8)(i) under the Securities Act, whether or not required to be filed with the Commission, or (iii) is exempt from filing pursuant to Rule 433(d)(5)(i) under the Securities Act because it contains a description of the Shares or of the offering of Shares pursuant to this Agreement.

(ii) "**Issuer-Represented General Free Writing Prospectus**" means any Issuer-Represented Free Writing Prospectus that is intended for general distribution to prospective investors, as evidenced by its being specified on Annex IV to this Underwriting Agreement.

(iii) "**Issuer-Represented Limited-Use Free Writing Prospectus**" means any "Issuer-Represented Free Writing Prospectus that is not an Issuer-Represented General Free Writing Prospectus.

(eee) As used in this Agreement, references to matters being "**material**" with respect to the Company shall mean a material event, change, condition, status or effect related to the condition (financial or otherwise), properties, assets (including intangible assets), liabilities, business, prospects (as such Prospects are disclosed in the Prospectus), operations or results of operations of the Company.

(fff) As used in this Agreement, the term "**knowledge of the Company**" (or similar language) shall mean the knowledge of the officers and directors of the Company who are named in the Prospectus, with the assumption that such officers and directors shall have made reasonable and diligent inquiry of the matters presented (with reference to what is customary and prudent for the applicable individuals in connection with the discharge by the applicable individuals of their duties as officers, directors or managers of the Company).

Any certificate signed by or on behalf of the Company and delivered to the Representative or to Ellenoff Grossman & Schole LLP, counsel for the Representative ("**Underwriters' Counsel**") shall be deemed to be a representation and warranty by the Company to each Underwriter listed on Schedule A hereto as to the matters covered thereby.

2. Representations and Warranties of the Selling Shareholders. Each Selling Shareholder, severally and not jointly, represents, warrants and covenants to, and agrees with, each of the Underwriters that, as of the date hereof and as of the Closing Date and any Additional Closing Date:

(a) Such Selling Shareholder is the record and beneficial owner of the Additional Shares to be sold by it hereunder free and clear of all Liens. Delivery of the Additional Shares to be sold by such Selling Shareholder and payment therefor pursuant to this Agreement will pass valid title to such Additional Shares, free and clear of any adverse claim within the meaning of Section 8-102 of the New York Uniform Commercial Code, to each Underwriter who has purchased such Shares without notice of an adverse claim.

(b) The execution and delivery by such Selling Shareholder of, and the performance by such Selling Shareholder of its obligations under, this Agreement, the Custody Agreement signed by such Selling Shareholder and American Stock Transfer & Trust Company, as Custodian, relating to the deposit of the Additional Shares to be sold by such Selling Shareholder (the "**Custody Agreement**") and the Power of Attorney appointing certain individuals as such Selling Shareholder's attorneys-in-fact to the extent set forth therein, relating to the transactions contemplated hereby and by the Registration Statement (the "**Power of Attorney**") will not contravene any provision of applicable law, or the certificate of incorporation, by-laws or other organizational instrument or document of such Selling Shareholder (if such Selling Shareholder is an entity), or any agreement or other instrument binding upon such Selling Shareholder or any judgment, order or decree of any governmental body, agency or court having jurisdiction over such Selling Shareholder, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by such Selling Shareholder of its obligations under this Agreement or the Custody Agreement or Power of Attorney of such Selling Shareholder, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Shares.

(c) This Agreement, the Custody Agreement, the Power of Attorney and the "lock-up" agreement attached as Annex I hereto to be executed by such Selling Shareholder each constitute the valid and binding agreement of such Selling Shareholder, enforceable in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the rights and remedies of creditors or by general equitable principles, and the consummation by such Selling Shareholder of the transactions contemplated hereby and thereby will not: (i) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which such Selling Shareholder is a party or by which such Selling Shareholder is bound or to which any of the property or assets of such Selling Shareholder is subject, (ii) result in any violation, as applicable, of the governing documents of such Selling Shareholder, if any, or (iii) result in the violation of any statute or any order, rule or regulation known to such counsel of any court or governmental agency or body having jurisdiction over such Selling Shareholder or any of their properties or assets.

(d) Such Selling Shareholder has all authorization and approval required by law to enter into this Agreement, the Custody Agreement, the Power of Attorney and the "lock-up" agreement attached as Annex I hereto and to sell, transfer and deliver the Shares to be sold by such Selling Shareholder.

(e) No consent, approval, authorization or order of or filing with any Israeli or U.S. court or governmental agency or body is required for the consummation by such Selling Shareholder of the transactions contemplated hereby, except such as may have been obtained under the Act and such as may be required under the blue sky laws of any jurisdiction in connection with the purchase and distribution of the Additional Shares by the Underwriters and such other approvals as have been obtained.

(f) Such Selling Shareholder has not taken, directly or indirectly, any action designed to or that would constitute or that might reasonably be expected to cause or result in, under the Exchange Act or otherwise, stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares.

(g) The sale of Additional Shares by such Selling Shareholder pursuant to this Agreement is not prompted by the knowledge by such Selling Shareholder of any "material non-public information" concerning the Company.

(h) Such Selling Shareholder has reviewed the General Disclosure Package and, to the knowledge of such Selling Shareholder, the information regarding such Selling Shareholder (including, without limitation, the Ordinary Share ownership of such Selling Shareholder) in the General Disclosure Package: (i) is accurate and complete in all material respects, and (ii) does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements appearing therein not misleading in the light of the circumstances in which they were made.

(i) No stamp or other issuance or transfer taxes or duties and no capital gains, income, withholding or other taxes are payable by or on behalf of the Underwriters to the State of Israel or to any political subdivision or taxing authority thereof or therein in connection with the sale and delivery by the Underwriters of the Additional Shares being sold by such Selling Shareholder as contemplated herein.

(j) Neither the Selling Shareholder nor any of his immediate family members or affiliates, either directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, or has any other association with (within the meaning of Article I, Section 1(m) of the By-laws of the NASD), any member firm of the NASD.

Any certificate signed by any Selling Shareholder or, if applicable, any authorized officer of any Selling Shareholder, and delivered to the Underwriters or counsel for the Underwriters in connection with the offering of the Additional Shares shall be deemed a representation and warranty by such Selling Shareholder, as to matters covered thereby, to each Underwriter.

3. Purchase, Sale and Delivery of the Shares and the Representative's Purchase Option.

(a) On the basis of the representations, warranties, covenants and agreements herein contained, but subject to the terms and conditions herein set forth, the Company agrees to sell to each Underwriter and each Underwriter, severally and not jointly, agrees to purchase from the Company, at a purchase price per share of $[ ], the number of Firm Shares set forth opposite their respective names on Schedule A hereto together with any additional number of Shares which such Underwriter may become obligated to purchase pursuant to the provisions of Section 10 hereof.

(b) Payment of the purchase price for, and delivery of certificates representing, the Firm Shares shall be made at the offices of the Underwriters' Counsel, 370 Lexington Avenue, New York, New York 10017, or at such other place as shall be agreed upon by the Representative and the Company, at 10:00 A.M., New York City time, on the third (3rd) or, as permitted under Rule 15c6-1 under the Exchange Act, fourth (4th) business day (unless postponed in accordance with the provisions of Section 10 hereof) following the date of the effectiveness of the Registration Statement, or such other time not later than ten (10) business days after such date as shall be agreed upon by the Representative and the Company as permitted under Rule 15c6-1 under the Exchange Act (such time and date of payment and delivery being herein called the "**Closing Date**"). The closing of the payment of the purchase price for, and delivery of certificates representing, the Firm Shares is referred to herein as the "**Closing**."

(c) Payment of the purchase price for the Firm Shares shall be made by wire transfer in immediately available funds to or as directed by the Company upon delivery of certificates for the Firm Shares to the Representative through the facilities of The Depository Trust Company for the respective accounts of the several Underwriters. Certificates for the Firm Shares shall be registered in such name or names and shall be in such denominations as the Representative may request at least two (2) business days before the Closing Date. The Company will permit the Representative to examine and package such certificates for delivery at least one (1) full business day prior to the Closing Date.

(d) In addition, on the basis of the representations, warranties, covenants and agreements herein contained, but subject to the terms and conditions herein set forth, the Selling Shareholders hereby grant to the Underwriters an option to purchase up to an aggregate of [ ] Additional Shares (in the amount relating to each Selling Shareholder as set forth on Schedule B hereto) at the same purchase price per share to be paid by the Underwriters for the Firm Shares as set forth in Section 3(a) above, for the sole purpose of covering over-allotments in the sale of Firm Shares by the Underwriters. This option may be exercised at any time and from time to time on or before the forty-fifth (45^{th}) day following the final date of the Prospectus, by written notice from the Representative to the Company. Such notice shall set forth the aggregate number of Additional Shares as to which the option is being exercised and the date and time, as reasonably determined by the Representative, when the Additional Shares are to be delivered (any such date and time being herein sometimes referred to as the "**Additional Closing Date**"). Upon any exercise of the option as to all or any portion of the Additional Shares, each Underwriter, acting severally and not jointly, agrees to purchase from the Selling Shareholders, ratably, the number of Additional Shares that bears the same proportion of the total number of Additional Shares then being purchased as the number of Firm Shares set forth opposite the name of such Underwriter on Schedule A hereto (or such number increased as set forth in Section 10 hereof) bears to the total number of Firm Shares that the Underwriters have agreed to purchased hereunder, subject, however, to such adjustments to eliminate fractional shares as the Representative in its sole discretion shall make.

(e) Payment of the purchase price for, and delivery of certificates representing, the Additional Shares shall be made at the office of Underwriters' Counsel, or at such other place as shall be agreed upon by the Representative and the Company, at 10:00 A.M., New York City time, on the Additional Closing Date (unless postponed in accordance with the provisions of Section 10 hereof), or such other time as shall be agreed upon by the Representative and the Company.

(f) Each Selling Shareholder will pay all applicable stamp duties and transfer taxes, if any, involved in the transfer to the Underwriters of the shares to be purchased by them from such Selling Shareholder.

(g) Payment of the purchase price for the Additional Shares shall be made by wire transfer in immediately available funds to or as directed by the Selling Shareholders upon delivery of certificates for the Additional Shares to the Representative through the facilities of The Depository Trust Company for the respective accounts of the several Underwriters. Certificates for the Additional Shares shall be registered in such name or names and shall be in such denominations as the Representative may request at least two (2) business days before the Additional Closing Date. The Company will permit the Representative to examine and package such certificates for delivery at least one full business day prior to the Additional Closing Date.

(h) On the Closing Date, the Company will issue and sell to the Representative or, at the direction of the Representative, to other Underwriters or selling group members or bona fide officers of the Underwriters or selling group members, for an aggregate purchase price of $100, a purchase option (the "**Representative's Purchase Option**") entitling the holders thereof to purchase an aggregate of [ ] Ordinary Shares for a period of five years, such period to commence on the Closing Date. The Representative's Purchase Option shall not be redeemable. The Representative's Purchase Option shall be exercisable at a price equal to 125% of the initial public offering price of the Shares and shall contain terms and provisions more fully described herein below and as set forth more particularly in the Representative's Purchase Option to be executed by the Company and delivered to the Representative on the Closing Date, including, but not limited to: (i) cashless exercise, (ii) customary anti-dilution provisions (to the extent permitted by NASD Rule 2710(f)(2)(H)(vi)) and (iii) prohibitions of mergers, consolidations or other reorganizations of or by the Company or the taking by the Company of other action during the five-year period following the effective date of the Registration Statement unless adequate provision is made to preserve, in substance, the rights and powers incidental to the Representative's Purchase Option. No exercise, transfer, assignment or hypothecation of the Representative's Purchase Option shall be made for a period of twelve (12) months from the effective date of the Registration Statement, except: (i) by operation of law or reorganization of the Company, (ii) to the Underwriters and bona fide partners, officers of the Underwriters and selling group members or (iii) to any successor, officer, manager or member of the Representative and the Underwriters (or to officers, managers or members of any successor or member of the Representative and the Underwriters), provided that any successor agrees to be bound by the terms of the Representative's Purchase Option.

The Representative's Purchase Option shall provide for (i) one demand registration right of the sale of the underlying Ordinary Shares for a period of five (5) years after the Closing at the Company's expense, (ii) an additional demand registration right at the Representative's expense and (iii) "piggyback" registration rights for a period of five (5) years after the Closing at the Company's expense. The Representative shall furnish to the Company all information with respect to the Representative required under applicable securities regulations to accurately complete the registration statements contemplated herein. The Representative agrees that it shall only use the prospectuses provided to the Company to sell the shares covered by such registration statements and will immediately cease to use any prospectus furnished by the Company if the Company advises the representative that such prospectus may no longer be used due to a material misstatement or omission.

(i) Each Underwriter agrees that, unless it obtains the prior written consent of the Company, it will not make any offer relating to the Shares that would constitute an Issuer-Represented Free Writing Prospectus or that would otherwise (without taking into account any approval, authorization, use or reference thereto by the Company) constitute a "free writing prospectus" required to be filed by the Company with the Commission or retained by the Company under Rule 433 of the Securities Act; provided that the prior written consent of the Company hereto shall be deemed to have been given in respect of any Issuer-Represented General Free Writing Prospectuses referenced on Annex IV hereto.

4. Offering. Upon authorization of the release of the Firm Shares by the representative, the Underwriters propose to offer the Shares for sale to the public upon the terms and conditions set forth in the Prospectus.

5. Covenants of the Company. The Company acknowledges, covenants and agrees with the Underwriters that:

(a) The Registration Statement and any amendments thereto have been declared effective, and if Rule 430A is used or the filing of the Prospectus is otherwise required under Rule 424(b), the Company will file the Prospectus (properly completed if Rule 430A has been used) pursuant to Rule 424(b) within the prescribed time period and will provide evidence satisfactory to the Representative of such timely filing. The Company will notify the Representative immediately (and, if requested by the Representative, will confirm such notice in writing): (i) when the Registration Statement and any amendments thereto become effective, (ii) of any request by the Commission for any amendment of or supplement to the Registration Statement or the Prospectus or for any additional information, (iii) of the Company's intention to file or prepare any supplement or amendment to the Registration Statement or the Prospectus, (iv) of the mailing or the delivery to the Commission for filing of any amendment of or supplement to the Registration Statement or the Prospectus, including but not limited to Rule 462(b) under the Securities Act, (v) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto or of the initiation, or the threatening, of any proceedings therefor, it being understood that the Company shall make every effort to avoid the issuance of any such stop order, (vi) of the receipt of any comments from the Commission, and (vii) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Shares for sale in any jurisdiction or the initiation or threatening of any proceeding for that purpose. If the Commission shall propose or enter a stop order at any time, the Company will make every reasonable effort to prevent the issuance of any such stop order and, if issued, to obtain the lifting of such order as soon as possible. The Company will not file any amendment to the Registration Statement or any amendment of or supplement to the Prospectus (including the prospectus required to be filed pursuant to Rule 424(b)) that differs from the prospectus on file at the time of the effectiveness of the Registration Statement which the Representative shall reasonably and timely object in writing after being timely furnished in advance a copy thereof. The Company will provide the Representative with copies of all such amendments, filings and other documents a sufficient time prior to any filing or other publication thereof to permit the Representative a reasonable opportunity to review and comment thereon.

(b) The Company shall comply with the Securities Act, the Exchange Act and all applicable Rules and Regulations to permit completion of the distribution as contemplated in this Agreement, the Registration Statement and the Prospectus. If, at any time when a prospectus relating to the Shares is required to be delivered under the Securities Act, the Exchange Act and all applicable Rules and Regulations in connection with the sales of Shares, any event shall have occurred as a result of which the Prospectus as then amended or supplemented would, in the judgment of the Underwriters or the Company, include an 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 existing at the time of delivery to the purchaser, not misleading, or if, to comply with the Securities Act or the Rules and Regulations, it shall be necessary at any time to amend or supplement the Prospectus or Registration Statement, or to file any document which is an exhibit to the Registration Statement or the Prospectus or in any amendment thereof or supplement thereto, the Company will notify the Representative promptly and prepare and file with the Commission, subject to Section 5(a) hereof, an appropriate amendment or supplement (in form and substance satisfactory to the Representative) that will correct such statement or omission or which will effect such compliance and will use its commercially reasonable best efforts to have any amendment to the Registration Statement declared effective as soon as possible.

(c) The Company will comply with the Securities Act, the Exchange Act, the Rules and Regulations thereunder and all other applicable federal, foreign and state securities local laws, rules, regulations, orders, decrees and judgments.

(d) The Company will promptly deliver to the Underwriters and Underwriters' Counsel a signed copy of the Registration Statement, as initially filed and all amendments thereto, including all consents and exhibits filed therewith, and will maintain in the Company's files manually signed copies of such documents for at least five (5) years after the date of filing thereof. The Company will promptly deliver to each of the Underwriters such number of copies of any Preliminary Prospectus, the Prospectus, the Registration Statement, and all amendments of and supplements to such documents, if any, and all documents which are exhibits to the Registration Statement and Prospectus or any amendment thereof or supplement thereto, as the Underwriters may reasonably request. Prior to 10:00 A.M., New York time, on the business day next succeeding the date of this Agreement and from time to time thereafter, the Company will furnish the Underwriters with copies of the Prospectus in New York City in such quantities as the Underwriters may reasonably request.

(e) The Company consents to the use and delivery of the Preliminary Prospectus by the Underwriters in accordance with Rule 430 and Section 5(b) of the Securities Act.

(f) If the Company elects to rely on Rule 462(b) under the Securities Act, the Company shall both file a Rule 462(b) Registration Statement with the Commission in compliance with Rule 462(b) and pay the applicable fees in accordance with Rule 111 of the Act by the earlier of: (i) 10:00 p.m., New York City time, on the date of this Agreement, and (ii) the time that confirmations are given or sent, as specified by Rule 462(b)(2).

(g) The Company will use its best efforts, in cooperation with the Representative, at or prior to the time of effectiveness of the Registration Statement, to qualify the Shares for offering and sale under the securities laws relating to the offering or sale of the Shares of such jurisdictions, domestic or foreign, as the Representative may designate and to maintain such qualification in effect for so long as required for the distribution thereof; except that in no event shall the Company be obligated in connection therewith to qualify as a foreign corporation or to execute a general consent to service of process.

(h) The Company will make generally available to its security holders and to the Underwriters as soon as practicable, but in any event not later than twelve (12) months after the effective date of the Registration Statement (as defined in Rule 158(c) under the Securities Act), an audited earnings statement of the Company complying with Section 11(a) of the Securities Act and the Rules and Regulations (including, at the option of the Company, Rule 158).

(i) During the six (6) months following the Closing Date, without the consent of the Representatives which shall not be unreasonably withheld, the Company will not file any registration statement relating to the offer or sale of any of the Company's securities, including any Registration Statement on Form S-8, except Form S-8 filed with the Commission in connection with the Company's stock option plans.

(j) For a period of six (6) months following the Closing, the Company shall not offer, sell or distribute any of its securities, other than pursuant to the Company's employee stock option plans at the then Fair Market Value, or pursuant to the terms of any securities exercisable or convertible into shares of the Company's capital stock that are outstanding at the Closing, without the prior written consent of the Representative.

(k) During the twelve (12) months following the Closing, the Company shall not offer, sell or distribute any convertible securities convertible at a price that may, at the time of conversion, be less than the Fair Market Value of the Ordinary Shares on the date of the original sale, without the consent of the Representative. For purposes of this Section 5, the term "**Fair Market Value**" shall mean the greater of: (i) the average of the volume weighted average price of the Ordinary Shares for each of the 10 trading days prior to the date of the original sale; and (ii) the last sale price of the Ordinary Shares, during normal operating hours, as reported on the NASDAQ, or any other exchange or electronic quotation system on which the Ordinary Shares are then listed.

(l) The Company shall, subject to applicable phase-in provisions, use its best efforts to comply in all material respects with the applicable provisions of Sarb-Ox and the Rules and Regulations promulgated thereunder and related or similar rules, regulations and listing requirements promulgated by NASDAQ or any other applicable governmental or self regulatory entity or agency. Without limiting the generality of the foregoing: (i) the Company's Board of Directors (the "**Board of Directors**") shall, when required, appoint an audit committee whose composition satisfies the requirements of Rule 4350(d)(2) of the Rules of the NASD (the "**NASD Rules**"), (ii) the Board of Directors and/or the audit committee thereof shall adopt a charter that satisfies the requirements of Rule 4350(d)(1) of the NASD Rules, (iii) all members of the Board of Directors who are required to be "independent" (as that term is defined under applicable laws, rules and regulations), including, without limitation, all members of the audit committee of the Board of Directors, shall meet the qualifications of independence as set forth under applicable laws, rules and regulations (including the NASD Rules), and (iv) the audit committee of the Board of Directors shall have at least one member who is an "audit committee financial expert" (as that term is defined under applicable laws, rules and regulations).

(m) For a period of three (3) years from the effective date of the Registration Statement, the Company, at its expense, shall obtain and keep current a listing in the Standard & Poors Corporation Record Service.

(n) The Company will not issue press releases or engage in any other publicity, without the Representative' prior written consent, which shall not be unreasonably or untimely withheld, for a period ending at 5:00 p.m. Eastern time on the first business day following the fortieth (40^{th}) day following the Closing Date, other than normal and customary releases issued in the ordinary course of the Company's business.

(o) The Company has obtained and will use its good faith best efforts to maintain its key person life insurance with The Migdal Group in the amount of $1,500,000 on the life of Yaron Adler in full force and effect for a period of three (3) years from the Closing Date." The Company is and shall be the sole beneficiary of such policy.

(p) Upon conclusion of the Offering, the Company will continue to engage (for no less than two (2) year from the date of the Closing Date, subject to the Company's satisfaction with the services provided) a financial public relations firm (the "**PR Firm**") mutually acceptable to the Company and the Representative.

(q) The Company has or will retain a transfer agent reasonably acceptable to the Representative for the Shares and shall continue to retain such transfer agent for a period of three (3) years following the Closing Date, subject to the Company's satisfaction with the services provided.

(r) The Company will apply the net proceeds from the sale of the Shares as set forth under the caption "Use of Proceeds" in the Prospectus. Without the written consent of the Representative, no proceeds of the Offering will be used to pay outstanding loans from officers, directors or shareholders.

(s) The Company will use its best efforts to effect and maintain the listing of the Shares on the NASDAQ and will use its commercially reasonable efforts to maintain such listing for a period of at least three (3) years after the Closing.

(t) The Company, during the period when the Prospectus is required to be delivered under the Securities Act or the Exchange Act, will file all documents required to be filed with the Commission pursuant to the Securities Act, the Exchange Act and the Rules and Regulations within the time periods required thereby.

(u) The Company will use its best efforts to do and perform all things required to be done or performed under this Agreement by the Company prior to the Closing Date or the Additional Closing Date, as the case may be, and to satisfy all conditions precedent to the delivery of the Firm Shares and the Additional Shares.

(v) The Company will not take, and will cause its Affiliates not to take, directly or indirectly, any action which constitutes or is designed to cause or result in, or which could reasonably be expected to constitute, cause or result in, the stabilization or manipulation of the price of any security to facilitate the sale or resale of the Shares.

(w) The Company shall cause to be prepared and delivered to the Representative, at its expense, within one (1) business day from the effective date of this Agreement, an Electronic Prospectus to be used by the Underwriters in connection with the Offering. As used herein, the term "**Electronic Prospectus**" means a form of prospectus, and any amendment or supplement thereto, that meets each of the following conditions: (i) it shall be encoded in an electronic format, satisfactory to the Representative, that may be transmitted electronically by the other Underwriters to offerees and purchasers of the Shares for at least the period during which a Prospectus relating to the Shares is required to be delivered under the Securities Act; (ii) it shall disclose the same information as the paper prospectus and prospectus filed pursuant to EDGAR, except to the extent that graphic and image material cannot be disseminated electronically, in which case such graphic and image material shall be replaced in the electronic prospectus with a fair and accurate narrative description or tabular representation of such material, as appropriate; and (iii) it shall be in or convertible into a paper format or an electronic format, satisfactory to the Representative, that will allow recipients thereof to store and have continuously ready access to the prospectus at any future time, without charge to such recipients (other than any fee charged for subscription to the Internet as a whole and for on-line time). The Company hereby confirms that it has included or will include in the Prospectus filed pursuant to EDGAR or otherwise with the Commission and in the Registration Statement at the time it was declared effective an undertaking that, upon receipt of a request by an investor or his or her representative within the period when a prospectus relating to the Shares is required to be delivered under the Securities Act, the Company shall transmit or cause to be transmitted promptly, without charge, a paper copy of the Prospectus.

(x) The Company agrees that it will, upon completion of the proposed public offering contemplated herein, for a period of no less than three (3) years, appoint a designee of the Representative as an observer ("**Observer**") to its Board of Directors. Such Observer shall have the right to attend meetings of the Board of Directors, receive all notices and other correspondence and communications sent by the Company to members of its Board of Directors. Such Observer shall not be entitled to receive any compensation, other than reimbursement for costs as provided to the other members of the Board of Directors from time to time. The Company shall indemnify and hold such Observer harmless against any and all claims, actions, damages, costs and expenses, and judgments arising solely out of the attendance and participation of such Observer at any such meeting described herein, and, if the Company maintains a liability insurance policy affording coverage for the acts of its officers and directors, it shall, if possible, include such Observer as an insured under such policy. Notwithstanding the foregoing, the Observer shall have no right to observe or participate in any meeting, and shall have no right to receive any materials or documentations, in each case, in any circumstances in which the Company reasonably concludes that such participation or receipt could result in affecting adversely the Company insofar as it could cause the waiver of the attorney-client privilege or any other material professional privilege. All information conveyed to the Observer pursuant to this Section shall be subject to strict confidentiality. The Company shall indemnify and hold the Observer harmless against any and all claims, actions, damages, costs and expenses, and judgments arising solely out of the attendance and participation of such the Observer at any such meeting described herein, and, if the Company maintains a liability insurance policy affording coverage for the acts of its officers and directors, it shall, if possible, include such the Observer as an insured under such policy.

(y)The Company agrees that during the one (1) year period following the Closing of the Offering, the Company's Board of Directors shall include at least one "independent" director (as that term is defined in the NASD rules) who shall be reasonably satisfactory to the Representative. The Representative agrees that James H. Lee is reasonably satisfactory for such purposes.

6. Consideration; Payment of Expenses; Right of First Refusal.

(a) In additional to selling the Shares to the Underwriters at the price per Share set forth in Section 3(a) hereof, in consideration of the services to be provided for hereunder, the Company shall pay to the Underwriters or their respective designees their pro rata portion (based on the Shares purchased) of a non-accountable expense allowance equal to two percent (2.0%) of the gross proceeds of the Offering (excluding proceeds from the sale of Additional Shares); *provided, however,* that such allowance shall not exceed a total of four hundred thousand ($400,000) dollars. The Company has heretofore paid advances of $50,000 in the aggregate which are creditable towards such non-accountable expense allowance.

(b) Whether or not the transactions contemplated by this Agreement, the Registration Statement and the Prospectus are consummated or this Agreement is terminated, the Company hereby agrees to pay all costs and expenses incident to the offering of the Shares contemplated hereby and the performance of its obligations hereunder, including the following:

(i) all expenses in connection with the preparation, printing, "edgarization" and filing of the Registration Statement, any Preliminary Prospectus and the Prospectus and any and all amendments and supplements thereto including, but not limited to, the SEC filing fees, and the mailing and delivering of copies thereof to the Underwriters and dealers;

(ii) the cost of producing this Agreement and any agreement among Underwriters, blue sky survey, closing documents and other instruments, agreements or documents (including any compilations thereof) in connection with the Offering and the cost of three (3) bound volumes of such documents for the Representative;

(iii) all expenses in connection with the qualification of the Shares for offering and sale under state or foreign securities or blue sky laws, including (subject to the provisions of Section 6(d) hereof) the fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with any blue sky survey undertaken by such counsel;

(iv) the filing fees incident to securing any required review by the NASD of the terms of the Offering;

(v) all fees and expenses in connection with listing the Shares on the NASDAQ;

(vi) all travel expenses of the Company's officers and employees and any other expense of the Company incurred in connection with attending or hosting meetings with prospective purchasers of the Shares;

(vii) any stock transfer taxes incurred in connection with this Agreement or the Offering

(viii) the cost for the preparation, printing, authentication, issuance and delivery of the stock certificates representing the Shares, including, but not limited to, any stamp or transfer tax;

(ix) the cost and charges of any transfer agent or registrar for the Shares;

(x) the fees and expenses of the PR Firm; and

(xi) the fees and expenses of the Company's accountants, auditors and legal counsel.

(c) In addition to the costs and expenses set forth in Section 6(b) hereof, the Company will be responsible for the cost (up to a maximum of $20,000) for "tombstone" advertisements to be placed in appropriate, national editions of daily or weekly periodicals of the Representative's choice (i.e., The Wall Street Journal and The New York Times).

(d) The Company shall pay up to a $20,000 fee to Underwriters' Counsel in connection with "Blue Sky" work, including out-of-pocket disbursements ($10,000 of which has previously been paid upon the commencement of such work, with the balance to be paid at the Closing, if necessary). The Company shall also pay, as due, state registration, qualification and filing fees and NASD filing fees in connection with such registration, qualification or filing. It is understood that any expense in excess of the initial payment of ten thousand ($10,000) referred to above, shall be subject to the prior approval by the Company, which approval shall not be unreasonable withheld or delayed.

(e) It is understood and agreed that, except as provided for in this Section 6, and Sections 8 and 11 hereof, the Underwriters will pay all of their own costs and expenses, including the fees of their counsel. Notwithstanding anything to the contrary in this Section 6, in the event that this Agreement is terminated pursuant to Section 6 or 12(b) hereof, or subsequent to a Material Adverse Change, the Company will pay all accountable expenses of the Underwriters (including but not limited to fees and disbursements of counsel to the Underwriters) incurred in connection herewith, up to a maximum of $50,000 (less any advances previously paid).

(f) The Company hereby grants to the Representative, for a period of twelve (12) months from the Closing Date, the right of first refusal to act as the managing underwriter in connection with any public offering of equity securities to be issued by the Company in the United States. The Representative shall notify the Company of its intention to exercise this right of first refusal within 15 business days following notice in writing by the Company of the proposed terms of such an offering. Any decision by the Representative to act in any such capacity shall be contained in a separate agreement, which agreement would contain, among other matters, provisions for customary fees for transactions of similar size and nature, as may be mutually agreed upon. If the Representative declines to exercise this right of first refusal, the Company shall have the right to retain any other person or persons to provide such services on terms and conditions which are not materially more favorable to such other person or persons than the terms declined by the Representative.

7. Conditions of Underwriters' Obligations. The obligations of the Underwriters to purchase and pay for the Firm Shares and the Additional Shares as provided herein shall be subject to: (i) the accuracy of the representations and warranties of the Company herein contained, as of the date hereof and as of the Closing Date (ii) the absence from any certificates, opinions, written statements or letters furnished to the Representative or to Underwriters' Counsel pursuant to this Section 7 of any misstatement or omission (iii) the performance by the Company of its obligations hereunder, and (iv) each of the following additional conditions. For purposes of this Section 7, the terms "Closing Date" and "Closing" shall refer to the Closing Date for the Firm Shares and any Additional Closing Date, if different, for the Additional Shares, and each of the foregoing and following conditions must be satisfied as of each Closing.

(a) The Registration Statement shall have become effective and all necessary regulatory or listing approvals shall have been received not later than 5:30 P.M., New York time, on the date of this Agreement, or at such later time and date as shall have been consented to in writing by the Representative. If the Company shall have elected to rely upon Rule 430A under the Securities Act, the Prospectus shall have been filed with the Commission in a timely fashion in accordance with the terms hereof and a form of the Prospectus containing information relating to the description of the Shares and the method of distribution and similar matters shall have been filed with the Commission pursuant to Rule 424(b) within the applicable time period; and, at or prior to the Closing Date or the actual time of the Closing, no stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereof shall have been issued and no proceedings therefor shall have been initiated or threatened by the Commission.

(b) The Representative shall have received, as of the effective date of the Registration Statement, a "lock-up" agreement from each Selling Shareholder and each officer and director of the Company and shareholders of the Company who own more than 2.5% of Ordinary Shares prior to the consummation of the Offering, but not the exercise of the Underwriter's over-allotment option described in Section 3(d) hereof (each, a "**Lock-Up Party**"), duly executed by the applicable Lock-Up Party, in each case substantially in the form attached hereto as Annex I.

(c) The Representative shall have received the favorable written opinion of Morrison & Foerster LLP, legal counsel for the Company, dated as of the Closing Date addressed to the Underwriters in the form attached hereto as Annex II.

(d) The Representative shall have received the favorable written opinion of Erdinast, Ben Nathan & Co., Israeli legal counsel for the Company, dated as of the Closing Date addressed to the Underwriters in the form attached hereto as Annex III.

(e) The Representative shall have received the favorable written legal opinions of Israeli tax counsel and intellectual property counsel in a form acceptable to the Representative and, respectively, such counsels.

(f) All proceedings taken in connection with the sale of the Firm Shares and the Additional Shares as herein contemplated shall be satisfactory in form and substance to the Representative and to Underwriters' Counsel.

(g) The Representative shall have received a certificate of the Chief Executive Officer and Chief Financial Officer of the Company, dated as of the Closing Date to the effect that: (i) the condition set forth in subsection (a) of this Section 7 has been satisfied, (ii) as of the date hereof and as of the applicable Closing Date, the representations and warranties of the Company set forth in Section 1 hereof are true and correct in all material respects, (iii) as of the applicable Closing Date, all agreements, conditions and obligations of the Company to be performed or complied with hereunder on or prior thereto have been duly performed or complied with in all material respects, (iv) the Company has not sustained any material loss or interference with their respective businesses, whether or not covered by insurance, or from any labor dispute or any legal or governmental proceeding, (v) no stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereof has been issued and no proceedings therefor have been initiated or threatened by the Commission and (vi) subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus, there has not been any Material Adverse Change, whether or not arising from transactions in the ordinary course of business.

(h) On the date of this Agreement, on the Closing Date and, as the case may be, on each Additional Closing Date, the Representative shall have received a "cold comfort" letter from KFGK, dated, respectively, as of the date of the date of delivery and addressed to the Underwriters and in form and substance satisfactory to the Representative and Underwriters' Counsel, confirming that they are registered independent certified public accountants with respect to the Company under the PCAOB and within the meaning of the Securities Act and the Rules and Regulations, and stating, as of the date of delivery (or, with respect to matters involving changes or developments since the respective dates as of which specified financial information is given in the Prospectus, as of a date not more than five (5) days prior to the date of such letter), the conclusions and findings of such firm with respect to the financial information and other matters relating to the Registration Statement covered by such letter and, with respect to letters issued as of Additional Closing Dates, confirming the conclusions and findings set forth in such prior letter.

(i) Subsequent to the execution and delivery of this Agreement or, if earlier, the dates as of which information is given in the Registration Statement (exclusive of any amendment thereof) and the Prospectus (exclusive of any supplement thereto), there shall not have been any change in the capital stock or long-term debt of the Company or any change or development involving a change, whether or not arising from transactions in the ordinary course of business, in the business, condition (financial or otherwise), results of operations, shareholders' equity, properties or prospects of the Company, taken as a whole, including but not limited to the occurrence of any fire, flood, storm, explosion, accident, act of war or terrorism or other calamity, the effect of which, in any such case described above, is, in the sole judgment of the Representative, so material and adverse as to make it impracticable or inadvisable to proceed with the Offering on the terms and in the manner contemplated in the Prospectus (exclusive of any supplement).

(j) The Company shall have obtained insurance on the life of Yaron Adler as provided for in Section 5(o) hereof.

(k) The Shares shall have been approved for quotation on NASDAQ.

(l) The NASD shall have confirmed that it has not raised any objection with respect to the fairness and reasonableness of the underwriting terms and arrangements.

(m) No action shall have been taken and no statute, rule, regulation or order shall have been enacted, adopted or issued by any federal, state or foreign governmental or regulatory authority that would, as of the Closing Date, prevent the issuance or sale of the Shares; and no injunction or order of any federal, state or foreign court shall have been issued that would, as of the Closing Date, prevent the issuance or sale of the Shares.

(n) The Company shall have filed with the Commission all Issuer-Represented Free Writing Prospectuses or other information required to be filed by the Company under the Securities Act and the Rules and Regulations.

(o) The Company shall have furnished the Underwriters and Underwriters' Counsel with such other certificates, opinions or other documents as they may have reasonably requested.

If any of the conditions specified in this Section 7 shall not have been fulfilled when and as required by this Agreement, or if any of the certificates, opinions, written statements or letters furnished to the Representative or to Underwriters' Counsel pursuant to this Section 7 shall not be reasonably satisfactory in form and substance to the Representative and to Underwriters' Counsel, all obligations of the Underwriters hereunder may be cancelled by the Representative at, or at any time prior to, the consummation of the Closing, and the obligations of the Underwriters to purchase the Additional Shares may be cancelled by the Representative at, or at any time prior to, the Additional Closing Date. Notice of such cancellation shall be given to the Company in writing, or by telephone. Any such telephone notice shall be confirmed promptly thereafter in writing.

8. Indemnification.

(a) The Company and each Selling Shareholder, severally and not jointly, shall indemnify and hold harmless each Underwriter and each Person, if any, who controls each Underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, against any and all losses, liabilities, claims, damages and expenses whatsoever as incurred (including, but not limited to, reasonable attorneys' fees and any and all expenses whatsoever incurred in investigating, preparing or defending against any litigation, commenced or threatened, or any claim whatsoever, and any and all amounts paid in settlement of any claim or litigation), joint or several, to which they or any of them may become subject under the Securities Act, the Exchange Act or otherwise, insofar as such losses, liabilities, claims, damages or expenses (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact made by such party contained in the Registration Statement, as originally filed or any amendment thereof, or any related Preliminary Prospectus, the Prospectus or in any Issuer-Represented Free Writing Prospectus, Issuer-Represented General Free Writing Prospectus, Issuer-Represented Limited-Use Free Writing Prospectus and/or Blue Sky application or other information or other documents executed by the Company filed in any state or other jurisdiction to qualify any or all of the Shares under the securities laws thereof (any such application, document or information being hereinafter referred to as a "**Blue Sky Application**"), or in any supplement thereto or amendment thereof, or arise out of or are based upon the omission or alleged omission made by such party to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; *provided, however,* that neither the Company nor any Selling Shareholder will be liable in any such case to the extent (but only to the extent) that: (x) any such loss, liability, claim, damage or expense arises out of or is based upon any such untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with written information furnished to the Company by or on behalf of any Underwriter through the Representative expressly for use therein, which written information, it is agreed, shall consist solely of the subsections of the "Underwriting" section of the Prospectus captioned "Nature of the Underwriting Commitment,""Pricing of Securities,""Stabilization" and "Regulatory Restrictions on Purchase of Ordinary Shares" (the "**Underwriter Information**") or (y) such statement or omission was contained or made in any Preliminary Prospectus and corrected in the Prospectus in conformity with the requirements of the Securities Act and the Rules and Regulations; *and, provided, further,* that each Selling Shareholder shall only be liable for indemnification under this Section 8 for information appearing in the Registration Statement, any Preliminary Prospectus or the Prospectus which was furnished to the Company or approved by or on behalf of such Selling Shareholder for use in the Registration Statement, any Preliminary Prospectus or the Prospectus. This indemnity agreement will be in addition to any liability, which the Company or any Selling Shareholder may otherwise have, including but not limited to other liability under this Agreement.

Notwithstanding the foregoing: (i) except in the case of fraud or other willful misconduct, no Selling Shareholder shall be liable in indemnification under this Section 8(a) in an amount to exceed the net proceeds received by such Selling Shareholder from the sale, if any, of the Additional Shares, and (ii) the foregoing indemnity agreement, with respect to the Preliminary Prospectus only and not any Issuer-Represented Free Writing Prospectus or any other writing or instrument, shall not inure to the benefit of any Underwriter (including or any person controlling such Underwriter) from whom the person asserting any such losses, claims, damages or liabilities purchased Shares, if a copy of the General Disclosure Package or the Prospectus (in each case, as then amended or supplemented if the Company shall have furnished any amendments or supplements thereto) was not sent or given by or on behalf of such Underwriter to such person, if required by law to have been delivered, at or prior to the written confirmation of the sale of the Shares to such person, and if the General Disclosure Package or the Prospectus (in each case, as so amended or supplemented), as applicable, would have cured the defect giving rise to such losses, claims, damages or liabilities, unless such failure is the result of noncompliance by the Company with Section 5(d) hereof.

(b) Each Underwriter, severally and not jointly, shall indemnify and hold harmless the Company, each Selling Shareholder, each of the directors of the Company, each of the officers of the Company who shall have signed the Registration Statement, and each other Person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, against any losses, liabilities, claims, damages and expenses whatsoever as incurred (including, but not limited to, reasonable attorneys' fees and any and all expenses whatsoever incurred in investigating, preparing or defending against any litigation, commenced or threatened, or any claim whatsoever, and any and all amounts paid in settlement of any claim or litigation), joint or several, to which they or any of them may become subject under the Securities Act, the Exchange Act or otherwise, insofar as such losses, liabilities, claims, damages or expenses (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, as originally filed or any amendment thereof, or any related Preliminary Prospectus or the Prospectus, or in any amendment thereof or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that any such loss, liability, claim, damage or expense arises out of or is based upon any such untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with the Underwriter Information; *provided, however,* that in no case shall any Underwriter be liable or responsible for any amount in excess of the underwriting discount applicable to the Shares to be purchased by such Underwriter hereunder. The parties agree that such information provided by or on behalf of any Underwriter through the Representative consists solely of the material referred to in the last sentence of Section 1(b) hereof.

(c) Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of any claims or the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify each party against whom indemnification is to be sought in writing of the claim or the commencement thereof (but the failure so to notify an indemnifying party shall not relieve the indemnifying party from any liability which it may have under this Section 8 to the extent that it is not materially prejudiced as a result thereof and in any event shall not relieve it from any liability that such indemnifying party may have otherwise than on account of the indemnity agreement hereunder). In case any such claim or action is brought against any indemnified party, and it notifies an indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate, at its own expense in the defense of such action, and to the extent it may elect by written notice delivered to the indemnified party promptly after receiving the aforesaid notice from such indemnified party, to assume the defense thereof with counsel satisfactory to such indemnified party; provided however, that counsel to the indemnifying party shall not (except with the written consent of the indemnified party) also be counsel to the indemnified party. Notwithstanding the foregoing, the indemnified party or parties shall have the right to employ its or their own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such indemnified party or parties unless: (i) the employment of such counsel shall have been authorized in writing by one of the indemnifying parties in connection with the defense of such action, (ii) the indemnifying parties shall not have employed counsel to have charge of the defense of such action within a reasonable time after notice of commencement of the action, (iii) the indemnifying party does not diligently defend the action after assumption of the defense, or (iv) such indemnified party or parties shall have reasonably concluded that there may be defenses available to it or them which are different from or additional to those available to one or all of the indemnifying parties (in which case the indemnifying parties shall not have the right to direct the defense of such action on behalf of the indemnified party or parties), in any of which events such fees and expenses shall be borne by the indemnifying parties. No indemnifying party shall, without the prior written consent of the indemnified parties, effect any settlement or compromise of, or consent to the entry of judgment with respect to, any pending or threatened claim, investigation, action or proceeding in respect of which indemnity or contribution may be or could have been sought by an indemnified party under this Section 8 or Section 9 hereof (whether or not the indemnified party is an actual or potential party thereto), unless (x) such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such claim, investigation, action or proceeding and (ii) does not include a statement as to or an admission of fault, culpability or any failure to act, by or on behalf of the indemnified party, and (y) the indemnifying party confirms in writing its indemnification obligations hereunder with respect to such settlement, compromise or judgment.

9. Contribution. In order to provide for contribution in circumstances in which the indemnification provided for in Section 8 hereof is for any reason held to be unavailable from any indemnifying party or is insufficient to hold harmless a party indemnified thereunder, the Company, the Selling Shareholders and the Underwriters shall contribute to the aggregate losses, claims, damages, liabilities and expenses of the nature contemplated by such indemnification provision (including any reasonable investigation, legal and other expenses incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding or any claims asserted, but after deducting in the case of losses, claims, damages, liabilities and expenses suffered by the Company, any contribution received by the Company from Persons, other than the Underwriters, who may also be liable for contribution, including Persons who control the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, officers of the Company who signed the Registration Statement and directors of the Company) as incurred to which the Company and the Selling Shareholders and one or more of the Underwriters may be subject, in such proportions as is appropriate to reflect the relative benefits received by the Company, the Selling Shareholders and the Underwriters from the Offering or, if such allocation is not permitted by applicable law, in such proportions as are appropriate to reflect not only the relative benefits referred to above but also the relative fault of the Company, the Selling Shareholders and the Underwriters in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative benefits received by the Company, the Selling Shareholder and the Underwriters shall be deemed to be in the same proportion as (x) the total proceeds from the Offering (net of underwriting discounts and commissions but before deducting expenses) received by the Company or each Selling Shareholder bears to (y) the underwriting discount or commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. The relative fault of each of the Company, the Selling Shareholders and of the Underwriters shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company, an applicable Selling Shareholder or the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company, the Selling Shareholders and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 9 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section. The aggregate amount of losses, liabilities, claims, damages and expenses incurred by an indemnified party and referred to above in this Section 9 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in investigating, preparing or defending against any litigation, or any investigation or proceeding by any judicial, regulatory or other legal or governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue or alleged untrue statement or omission or alleged omission. Notwithstanding the provisions of this Section 9: (i) no Underwriter shall be required to contribute any amount in excess of the amount by which the underwriting discount applicable to the Shares underwritten by it and distributed to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission and (ii) 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. For purposes of this Section 9, each Person, if any, who controls an Underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act shall have the same rights to contribution as such Underwriter, and each Person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, each officer of the Company who shall have signed the Registration Statement and each director of the Company shall have the same rights to contribution as the Company, subject in each case to clauses (i) and (ii) of the immediately preceding sentence. Any party entitled to contribution will, promptly after receipt of notice of commencement of any action, suit or proceeding against such party in respect of which a claim for contribution may be made against another party or parties, notify each party or parties from whom contribution may be sought, but the omission to so notify such party or parties shall not relieve the party or parties from whom contribution may be sought from any obligation it or they may have under this Section 9 or otherwise. The obligations of the Underwriters to contribute pursuant to this Section 9 are several in proportion to the respective number of Shares to be purchased by each of the Underwriters hereunder and not joint.

10. Underwriter Default.

(a) If any Underwriter or Underwriters shall default in its or their obligation to purchase Firm Shares or Additional Shares hereunder, and if the Firm Shares or Additional Shares with respect to which such default relates (the "**Default Shares**") do not (after giving effect to arrangements, if any, made by the Representative pursuant to subsection (b) below) exceed in the aggregate 10% of the number of Firm Shares or Additional Shares, each non-defaulting Underwriter, acting severally and not jointly, agrees to purchase from the Company that number of Default Shares that bears the same proportion of the total number of Default Shares then being purchased as the number of Firm Shares set forth opposite the name of such Underwriter on Schedule A hereto bears to the aggregate number of Firm Shares set forth opposite the names of the non-defaulting Underwriters, subject, however, to such adjustments to eliminate fractional shares as the Representative in its sole discretion shall make.

(b) In the event that the aggregate number of Default Shares exceeds 10% of the number of Firm Shares or Additional Shares, as the case may be, the Representative may in their discretion arrange for themselves or for another party or parties (including any non-defaulting Underwriter or Underwriters who so agree) to purchase the Default Shares on the terms contained herein. In the event that within five calendar days after such a default the Representative do not arrange for the purchase of the Default Shares as provided in this Section 10, this Agreement or, in the case of a default with respect to the Additional Shares, the obligations of the Underwriters to purchase and of the Company to sell the Additional Shares shall thereupon terminate, without liability on the part of the Company with respect thereto (except in each case as provided in Sections 5, 7, 8, 10 and 11(d)) or the Underwriters, but nothing in this Agreement shall relieve a defaulting Underwriter or Underwriters of its or their liability, if any, to the other Underwriters and the Company for damages occasioned by its or their default hereunder.

(c) In the event that any Default Shares are to be purchased by the non-defaulting Underwriters, or are to be purchased by another party or parties as aforesaid, the Representative or the Company shall have the right to postpone the Closing Date or Additional Closing Date, as the case may be for a period, not exceeding five (5) business days, in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus or in any other documents and arrangements, and the Company agrees to file promptly any amendment or supplement to the Registration Statement or the Prospectus which, in the reasonable opinion of Underwriters' Counsel, may thereby be made necessary or advisable. The term "Underwriter" as used in this Agreement shall include any party substituted under this Section 10 with like effect as if it had originally been a party to this Agreement with respect to such Firm Shares and Additional Shares.

11. Survival of Representations and Agreements. All representations and warranties, covenants and agreements of the Company and the Underwriters contained in this Agreement or in certificates of officers of the Company submitted pursuant hereto, including the agreements contained in Section 6, the indemnity agreements contained in Section 8 and the contribution agreements contained in Section 9 hereof, shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any Underwriter or any controlling Person thereof or by or on behalf of the Company, any of its officers and directors or any controlling Person thereof, and shall survive delivery of and payment for the Shares to and by the Underwriters. The representations contained in Section 1 and 2 hereof and the covenants and agreements contained in Sections 6(b), 6(d), 6(e), 8, 9, this Section 11 and Sections 13 through 22 inclusive hereof shall survive any termination of this Agreement, including termination pursuant to Section 10 or 12 hereof.

12. Effective Date of Agreement; Termination.

(a) This Agreement shall become effective upon the later of: (i) receipt by the Representative and the Company of notification of the effectiveness of the Registration Statement or (ii) the execution of this Agreement.

(b) The Representative shall have the right to terminate this Agreement at any time prior to the consummation of the Closing or to terminate the obligations of the Underwriters to purchase the Additional Shares at any time prior to the consummation of any closing to occur on an Additional Closing Date, as the case may be, if: (i) any domestic or international event or act or occurrence has materially disrupted, or in the opinion of the Representative will in the immediate future materially disrupt, the market for the Company's securities or securities in general; or (ii) trading on the New York Stock Exchange, The Nasdaq National Market or AMEX shall have been suspended or been made subject to material limitations, or minimum or maximum prices for trading shall have been fixed, or maximum ranges for prices for securities shall have been required, on the New York Stock Exchange, The Nasdaq National Market or the AMEX or by order of the Commission or any other governmental authority having jurisdiction; or (iii) a banking moratorium has been declared by any state or federal authority or if any material disruption in commercial banking or securities settlement or clearance services shall have occurred; or (iv) (A) there shall have occurred any outbreak or escalation of hostilities or acts of terrorism involving the United States or there is a declaration of a national emergency or war by the United States or (B) there shall have been any other calamity or crisis or any change in political, financial or economic conditions if the effect of any such event in (A) or (B), in the judgment of the Representative, makes it impracticable or inadvisable to proceed with the offering, sale and delivery of the Firm Shares or the Additional Shares, as the case may be, on the terms and in the manner contemplated by the Prospectus.

(c) Any notice of termination pursuant to this Section 12 shall be in writing.

(d) If this Agreement shall be terminated pursuant to any of the provisions hereof (other than pursuant to Section 10(b) hereof), or if the sale of the Shares provided for herein is not consummated because any condition to the obligations of the Underwriters set forth herein is not satisfied or because of any refusal, inability or failure on the part of the Company to perform any agreement herein or comply with any provision hereof, the Company will, subject to demand by the Representative, reimburse the Underwriters for all out-of-pocket expenses (including the fees and expenses of their counsel) incurred by the Underwriters in connection herewith up to a maximum of $50,000 (less any advances previously paid).

13. Notices. All communications hereunder, except as may be otherwise specifically provided herein, shall be in writing, and:

(a) if sent to the Representative or any Underwriter, shall be mailed, delivered, or faxed and confirmed in writing, to Maxim Group LLC, 405 Lexington Avenue, New York, New York 10174, Fax No.: (212) 895-3783, Attention: Clifford A. Teller, Managing Director, in each case, with a copy to Underwriters' Counsel at Ellenoff Grossman & Schole LLP, 370 Lexington Avenue, 19th Floor, New York, New York, 10017, Fax No.: (212) 370-1300, Attention: Douglas S. Ellenoff, Esq.; and

(b) if sent to the Company or a Selling Shareholder, shall be mailed, delivered, or faxed and confirmed in writing to the Company and its counsel at the addresses set forth in the Registration Statement or their last known fax numbers, in each case, with a copy to Morrison & Foerster LLP, 1290 Avenue of the Americas, New York, NY 10104, Fax No.: (212) 468-7900, Attention: James R. Tanenbaum, Esq.

provided, however, that any notice to an Underwriter pursuant to Section 8 shall be delivered or sent by mail or facsimile transmission to such Underwriter at its address set forth in its acceptance facsimile to the Representative, which address will be supplied to any other party hereto by the Representative upon request. Any such notices and other communications shall take effect at the time of receipt thereof.

14. Parties. This Agreement shall inure solely to the benefit of, and shall be binding upon, the Underwriters, the Company and the Selling Shareholders and the controlling Persons, directors, officers, employees and agents referred to in Sections 8 and 9 hereof, and their respective successors and assigns, and no other Person shall have or be construed to have any legal or equitable right, remedy or claim under or in respect of or by virtue of this Agreement or any provision herein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the parties hereto and said controlling Persons and their respective successors, officers, directors, heirs and legal representative, and it is not for the benefit of any other Person. The term "successors and assigns" shall not include a purchaser, in its capacity as such, of Shares from any of the Underwriters.

15. Governing Law. This Agreement shall be deemed to have been executed and delivered in New York and both this Agreement and the transactions contemplated hereby shall be governed as to validity, interpretation, construction, effect, and in all other respects by the laws of the State of New York pursuant to Section 5-1401 of the New York General Obligations Law, without regard to the conflicts of laws principals thereof (other than Section 5-1401 of The New York General Obligations Law). Each of the Underwriters, the Company and each Selling Shareholder: (a) agrees that any legal suit, action or proceeding arising out of or relating to this Agreement and/or the transactions contemplated hereby shall be instituted exclusively in the Supreme Court of the State of New York, New York County, or in the United States District Court for the Southern District of New York, (b) waives any objection which it may have or hereafter to the venue of any such suit, action or proceeding, and (c) irrevocably consents to the jurisdiction of Supreme Court of the State of New York, New York County, or in the United States District Court for the Southern District of New York in any such suit, action or proceeding. Each of the Company and each Selling Shareholder has appointed Morrison & Foerster LLP as its authorized agent (the "**Authorized Agent**") upon whom process may be served in any suit, action or proceeding arising out of or based upon this Agreement or the transactions contemplated herein which may be instituted in any New York Court, by any Underwriter, the directors, officers, employees and agents of any Underwriter, or by any person who controls any Underwriter, and expressly accepts the exclusive jurisdiction of any such court in respect of any such suit, action or proceeding. Each of the Company and the Selling Shareholders hereby represents and warrants that the Authorized Agent has accepted such appointment and has agreed to act as said agent for service of process, and the Company agrees to take any and all action, including the filing of any and all documents that may be necessary to continue such appointment in full force and effect as aforesaid. Service of process upon the Authorized Agent shall be deemed, in every respect, effective service of process upon the Company and the Selling Shareholders. Notwithstanding the foregoing, the Company and the Selling Shareholders each hereby agrees to the exclusive jurisdiction of the Supreme Court of the State of New York, New York County, or in the United States District Court for the Southern District of New York in connection with any action brought by them arising out of or based upon this Agreement or the sale of the Shares. Each of the Underwriters and the Company further agrees to accept and acknowledge service of any and all process which may be served in any such suit, action or proceeding in the Supreme Court of the State of New York, New York County, or in the United States District Court for the Southern District of New York and agrees that service of process upon the Company mailed by certified mail to the Company's address or delivered by Federal Express via overnight delivery shall be deemed in every respect effective service of process upon the Company, in any such suit, action or proceeding, and service of process upon the Underwriters mailed by certified mail to the Underwriters' address or delivered by Federal Express via overnight delivery shall be deemed in every respect effective service process upon the Underwriter, in any such suit, action or proceeding. THE COMPANY (ON BEHALF OF ITSELF AND, TO THE FULLEST EXTENT PERMITTED BY LAW, ON BEHALF OF ITS RESPECTIVE EQUITY HOLDERS AND CREDITORS) AND THE SELLING SHAREHOLDERS HEREBY WAIVE ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY CLAIM BASED UPON, ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, THE REGISTRATION STATEMENT AND THE PROSPECTUS.

16. Currency. Each reference in this Agreement to U.S. Dollar or "$" (the "**Relevant Currency**") is of the essence. To the fullest extent permitted by law, the obligations of each of the Company and the Selling Shareholders in respect of any amount due under this Agreement will, notwithstanding any payment in any other currency (whether pursuant to a judgment or otherwise), be discharged only to the extent of the amount in the Relevant Currency that the party entitled to receive such payment may, in accordance with its normal procedures, purchase with the sum paid in such other currency (after any premium and costs of exchange) on the business day immediately following the day on which such party receives such payment. If the amount in the Relevant Currency that may be so purchased for any reason falls short of the amount originally due, the Company or the Selling Shareholder making such payment will pay such additional amounts, in the Relevant Currency, as may be necessary to compensate for the shortfall. Any obligation of any of the Company or the Selling Shareholders not discharged by such payment will, to the fullest extent permitted by applicable law, be due as a separate and independent obligation and, until discharged as provided herein, will continue in full force and effect.

17. Waiver Of Immunity. To the extent that any of the Company or the Selling Shareholders has or hereafter may acquire any immunity (sovereign or otherwise) from any legal action, suit or proceeding, from jurisdiction of any court or from set-off or any legal process (whether service or notice, attachment in aid or otherwise) with respect to itself or any of its property, each of the Company and the Selling Shareholders hereby irrevocably waives and agrees not to plead or claim such immunity in respect of its obligations under this Agreement

18. Entire Agreement. This Agreement, together with the schedule and exhibits attached hereto and as the same may be amended from time to time in accordance with the terms hereof, contains the entire agreement among the parties hereto relating to the subject matter hereof and there are no other or further agreements outstanding not specifically mentioned herein.

19. Severability. If any term or provision of this Agreement or the performance thereof shall be invalid or unenforceable to any extent, such invalidity or unenforceability shall not affect or render invalid or unenforceable any other provision of this Agreement and this Agreement shall be valid and enforced to the fullest extent permitted by law.

20. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument. Delivery of a signed counterpart of this Agreement by facsimile transmission shall constitute valid and sufficient delivery thereof.

21. Headings. The headings herein are inserted for convenience of reference only and are not intended to be part of, or to affect the meaning or interpretation of, this Agreement.

22. Time is of the Essence. Time shall be of the essence of this Agreement. As used herein, the term "business day" shall mean any day when the Commission's office in Washington, D.C. is open for business.

23. Amendment. This Agreement may only be amended by a written instrument executed by each of the parties hereto.

[Signature Pages Follow]

If the foregoing correctly sets forth your understanding, please so indicate in the space provided below for that purpose, whereupon this letter shall constitute a binding agreement among us.

Very truly yours,

INCREDIMAIL LTD.

By: _____
Name:
Title

SELLING SHAREHOLDERS:

_____
Ofer Adler
By: _____, as Attorney-in-fact

_____
Yaron Adler
By: _____, as Attorney-in-fact

_____
Gil Pry-Dvash
By: _____, as Attorney-in-fact

[Signature Pages Continue]

Accepted by the Representative, acting for itself and as Representative of the Underwriters named on Schedule A attached hereto, as of the date first written above:

MAXIM GROUP LLC

By: _____
Name: Clifford A. Teller
Title: Director of Investment Banking

[End of Signature Pages to Underwriting Agreement]

SCHEDULE A

Underwriters

Underwriter	Total Number of Firm Shares to be Purchased	Number of Additional Shares to be Purchased if Option is Fully Exercised
Maxim Group LLC		

SCHEDULE B

Selling Shareholders

Selling Shareholder	Ordinary Shares Subject to Over-Allotment Option
Ofer Adler	
Yaron Adler	
Gil Pry-Dvash	

ANNEX I

Form of Lock-Up Agreement

Lock-Up Agreement

[Date]

MAXIM GROUP LLC
405 Lexington Avenue
New York, NY 10174

Re: IncrediMail Ltd. Lock-Up Agreement

Ladies and Gentlemen:

This letter agreement (this "**Agreement**") relates to the public offering (the "**Offering**") by IncrediMail Ltd., a company organized and existing under the laws of the State of Israel (the "**Company**"), of an aggregate of [ ] of its ordinary shares, par value NIS 0.01 per share (the "**Ordinary Shares**"). The Offering is governed by the certain Underwriting Agreement, dated as of [ ] (the "**Underwriting Agreement**"), by and between the Company and Maxim Group LLC (the "**Representative**"), as representative of the several underwriters named therein.

In order to induce the Representative to underwrite the Offering, the undersigned hereby agrees that, without the prior written consent of the Representative, which consent shall not be unreasonably withheld, during the period from the date hereof until and through the twelve (12) month anniversary of the closing of the offering contemplated by the Underwriting Agreement (the "**Lock-Up Period**"), the undersigned: (a) will not, directly or indirectly, offer, sell, agree to offer or sell, solicit offers to purchase, grant any call option or purchase any put option with respect to, pledge, borrow or otherwise dispose of any Relevant Security (as defined below), and (b) will not establish or increase any "put equivalent position" or liquidate or decrease any "call equivalent position" with respect to any Relevant Security (in each case within the meaning of Section 16 of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder), or otherwise enter into any swap, derivative or other transaction or arrangement that transfers to another, in whole or in part, any economic consequence of ownership of a Relevant Security, whether or not such transaction is to be settled by delivery of Relevant Securities, other securities, cash or other consideration [; *provided, however,* and notwithstanding the foregoing, beginning on the sixth month anniversary of the closing of the Offering and prior to the one year anniversary of the closing of the Offering, the undersigned shall be permitted to sell, encumber, grant any option for sale of or otherwise dispose of up to 20% of the Relevant Securities held by the undersigned per calendar month][1].

As used herein, the term "**Relevant Security**" means any Ordinary Shares or other security of the Company thereof that is convertible into, or exercisable or exchangeable for Ordinary Shares or equity securities of the Company or that holds the right to acquire any Ordinary Shares or equity securities of the Company or any other such Relevant Security.

---

1 Bracketed language to be added for each Lock-Up Party who is not a director, officer or employee of the Company or a Selling Shareholder in the Offering.

The undersigned hereby authorizes the Company during the Lock-Up Period to cause any transfer agent for the Relevant Securities to decline to transfer, and to note stop transfer restrictions on the stock register and other records relating to, Relevant Securities for which the undersigned is the record holder and, in the case of Relevant Securities for which the undersigned is the beneficial but not the record holder, agrees during the Lock-Up Period to cause the record holder to cause the relevant transfer agent to decline to transfer, and to note stop transfer restrictions on the stock register and other records relating to, such Relevant Securities.

The undersigned hereby further agrees that, without the prior written consent of the Representative, which consent shall not be unreasonably withheld, during the Lock-Up Period the undersigned will not: (x) file or participate in the filing with the Securities and Exchange Commission of any registration statement, or circulate or participate in the circulation of any preliminary or final prospectus or other disclosure document with respect to any proposed offering or sale of a Relevant Security and (y) exercise any rights the undersigned may have to require registration with the Securities and Exchange Commission of any proposed offering or sale of a Relevant Security.

The undersigned hereby represents and warrants to the Representative and the Company that the undersigned has full power and authority to enter into this Agreement and that this Agreement constitutes the legal, valid and binding obligation of the undersigned, enforceable in accordance with its terms. Upon request, the undersigned will execute any additional documents necessary in connection with enforcement hereof. Any obligations of the undersigned shall be binding upon the successors and assigns of the undersigned from the date first above written.

This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflicts of laws principles thereof. Delivery of a signed copy of this letter by facsimile transmission shall be effective as delivery of the original hereof.

Very truly yours,

_____

ANNEX II

Form of Opinion of Morrison & Foerster LLP

[DATE]

Maxim Group LLC
As Representative of the Several Underwriters
405 Lexington Avenue
New York, NY 10174

Re: IncrediMail Ltd. — [ ] Ordinary Shares

Ladies and Gentlemen:

We have acted as U.S. securities counsel to IncrediMail Ltd., an Israeli company (the "Company"), in connection with the issuance and sale by the Company of [ ] ordinary shares (the "Shares"), NIS 0.01 par value per share, pursuant to the terms of the Underwriting Agreement dated _____ __, 2006 (the "Underwriting Agreement") between the Company and the several Underwriters named in Schedule A thereto, acting through Maxim Group LLC as their Representative. In addition, we have acted as U.S. securities counsel to the "Selling Shareholders" listed on Schedule B to the Underwriting Agreement in connection with the possible sale of the Additional Shares under the Underwriting Agreement. This opinion is furnished to you pursuant to Section 7(c) of the Underwriting Agreement. All capitalized terms used herein and not otherwise defined shall have the respective meanings assigned to them in the Underwriting Agreement.

In connection with this opinion, we have examined such corporate records, documents, instruments, certificates of public officials and of the Company and such questions of law as we have deemed necessary for the purpose of rendering the opinions set forth herein. We have also examined the Registration Statement on Form F-1 (No. 333-129246) filed by the Company relating to the Shares and Amendments No. 1, 2, 3, 4 and 5 thereto as filed with the Securities and Exchange Commission (the "Commission") in accordance with the provisions of the Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder (collectively, the "Act"), and evidence satisfactory to us that the Registration Statement, as so amended, became effective under the Act on _____ __, 2006. The Registration Statement, as amended when it became effective, is hereinafter referred to as the "Registration Statement," and the Prospectus in the form filed with the Commission pursuant to its Rule 424(b) is hereinafter referred to as the "Prospectus."

In such examination, we have assumed the genuineness of all signatures and the authenticity of all items submitted to us as originals and the conformity with originals of all items submitted to us as copies. In making our examination of documents executed by parties other than the Company or the Selling Shareholders, we have assumed that each other party has the power and authority, or capacity, to execute and deliver, and to perform and observe the provisions of, such documents, and the due authorization by each such party of all requisite action and the due execution and delivery of such documents by each such party, and that such documents constitute the legal, valid and binding obligations of each such party enforceable against such party in accordance with their terms.

With respect to the opinions expressed in paragraphs 6 (but only with respect to threatened actions, suits or proceedings), 9, 10, 11 and 12 below, we have relied solely with respect to certain factual matters upon a Certificate of the Company attached hereto as Exhibit A. We have made no independent investigation as to whether the matters addressed in such certificate are accurate or complete.

The opinions hereinafter expressed are subject to the following qualifications and exceptions:

(i) The effect of bankruptcy, insolvency, reorganization, arrangement, moratorium or other similar laws relating to or affecting the rights of creditors generally, including, without limitation, laws relating to fraudulent transfers or conveyances, preferences and equitable subordination.

(ii) Limitations imposed by general principles of equity upon the availability of equitable remedies or the enforcement of provisions of the Underwriting Agreement, and the effect of judicial decisions which have held that certain provisions are unenforceable where their enforcement would violate the implied covenant of good faith and fair dealing, or would be commercially unreasonable, or where their breach is not material.

(iii) The provisions of Section 8 of the Underwriting Agreement purporting to provide for indemnification under certain circumstances may be unenforceable as violative of public policy expressed in the Act, and accordingly, we are unable to render an opinion as to the enforceability of such provisions.

(iv) Our opinion is based upon current statutes, rules, regulations, cases and official interpretive opinions, and it covers certain items that are not directly or definitively addressed by such authorities.

(v) We have assumed that the Underwriting Agreement, Custody Agreements and Powers of Attorney have been duly authorized, executed and delivered by the Company and the Selling Shareholders, as applicable, under the laws of the State of Israel. We have also assumed that the appointment by each of the Company and the Selling Shareholders of Morrison & Foerster LLP as their designee, appointee and authorized agent for the purpose described in Section 15 of the Underwriting Agreement is legal, valid and binding under the laws of the State of Israel.

(vi) Except to the extent encompassed by an opinion set forth below with respect to the Company or the Selling Shareholders, we express no opinion as to the effect on the opinions expressed herein of (1) the compliance or non-compliance of any party to the Underwriting Agreement with any law, regulation or order applicable to it, or (2) the legal or regulatory status or the nature of the business of any such party.

(vii) We express no opinion as to whether the provision of the Underwriting Agreement under which the Company or the Selling Shareholders submit to the jurisdiction of one or more federal courts located in the State of New York is subject to application of the doctrine of *forum non conveniens* or a similar statutory principal, or as to the subject matter jurisdiction of the United States District Court for the Southern District of New York.

When reference is made herein to our knowledge, it means the actual knowledge attributable to our representation of the Company of only those partners and associates who have given substantive attention to the Prospectus, the Underwriting Agreement, the preparation and negotiation thereof and the transactions contemplated thereby.

Based upon and subject to the foregoing, we are of the opinion that:

1. The Underwriting Agreement constitutes the legal, valid and binding obligation of the Company and each Selling Shareholder.

2. The Registration Statement has been declared effective under the Act, and we are not aware that any stop order suspending the effectiveness thereof has been issued or any proceedings for that purpose have been instituted or are pending or threatened under the Act.

3. Any required filing of the Prospectus, and any supplements thereto, pursuant to Rule 424(b) has been made in the manner and within the time period required by Rule 424(b).

4. The Registration Statement, as of the effective date thereof, complied as to form in all material respects with the requirements of the Act, including the requirements of Form F-1 (except as to the financial statements, supporting schedules, footnotes and other financial and statistical information included therein, as to which we express no opinion).

5. The Ordinary Shares, including the Firm Shares and the Additional Shares, have been approved for quotation on the Nasdaq Capital Market, subject to official notice of issuance and evidence of satisfactory distribution.

6. To our knowledge, there is no pending or threatened action, suit or proceeding by or before any U.S. federal or state court or governmental agency, authority or body having jurisdiction over the Company, its business or property, and specifically naming the Company, of a character required to be disclosed in the Prospectus that is not adequately disclosed in the Prospectus.

7. To our knowledge, there is no contract or other document of a character required to be described in the Prospectus or to be filed as an exhibit to the Registration Statement that is not described or filed as required.

8. The statements included in the Prospectus under the captions “Risk Factors - New laws and regulations applicable to e-commerce, Internet advertising, privacy and data collection, and uncertainties regarding the application or interpretation of existing laws and regulations, could harm our business,” “Business - Government Regulations” and “Shares Eligible for Future Sale,” insofar as and solely to the extent that such statements summarize United States federal laws, rules and regulations, and agreements, documents or proceedings discussed therein, fairly present and summarize, in all material respects, the information referred to therein.

9. The statements included in the Prospectus under the captions “Risk Factors - U.S. investors in our company could suffer adverse tax consequences if we are characterized as a passive foreign investment company” and “U.S. Federal Income Tax Considerations” to the extent that such statements constitute matters of U.S. federal income tax law or legal conclusions with respect thereto, fairly presents and summarize, in all material respects, the information referred to therein.

10. The Company is not and, immediately after giving effect to the offering and sale of the Shares and the application of the proceeds thereof as described in the Prospectus, will not be required to register as an “investment company” as defined in the Investment Company Act of 1940, as amended.

11. Except as otherwise set forth in the Prospectus, to our knowledge, no holders of securities of the Company have rights to the registration of Ordinary Shares or any other securities of the Company under the Registration Statement pursuant to any contract or other instrument except for such rights as may have been fully terminated, satisfied or waived prior to the effectiveness of the Registration Statement, copies of which terminations, satisfactions or waivers have been provided to us.

12. To our knowledge, neither the Company nor any of its Affiliates has, prior to the date hereof, made any offer or sale of any securities that is required to be “integrated” pursuant to the Act with the offer and sale of the Shares pursuant to the Registration Statement.

13. The Company has appointed Puglisi & Associates as the Company’s authorized representative in the United States in conformity with the Act and, to our knowledge, such appointment is in full force and effect.

---

14. The Custody Agreement and the Power of Attorney of each Selling Shareholder is legally binding upon each such Selling Shareholder.

15. No authorization, approval or consent of, and no filing with or order of, any court or governmental authority or agency is required in connection with the purchase of the Shares by the Underwriters pursuant to the Underwriting Agreement, except such as have been obtained under the Act and such as may be required under the Exchange Act, under applicable state securities or blue sky laws and by the NASD Corporate Financing Department.

16. Under the laws of the State of New York relating to personal jurisdiction: (a) the Company and the Selling Shareholders have, under the Underwriting Agreement, and the Company, under the Representative's Purchase Option, validly submitted to the personal jurisdiction of any state or federal court located in the State of New York, County of New York in any action arising out of or relating to, respectively, the Underwriting Agreement and the Purchase Option and the transactions contemplated thereby and have validly and effectively waived any objection to the venue of a proceeding in any such court as provided in Section 15 of the Underwriting Agreement, (b) their appointment thereunder of Morrison & Foerster LLP as their authorized agent for service of process is valid, legal and binding and (c) service of process in the manner set forth in Section 15 of the Underwriting Agreement and Section 9.5 of the Purchase Option will be effective to confer valid personal jurisdiction of such court over the Company and Selling Shareholders.

In addition, we have participated in conferences with your representatives and with representatives of the Company and its accountants concerning the Registration Statement, the Prospectus and the General Disclosure Package and have considered the matters required to be stated therein and the statements contained therein, although we have not independently verified the accuracy, completeness or fairness of such statements. Based upon and subject to the foregoing, nothing has come to our attention that leads us to believe that (i) the Registration Statement, at the time it became effective, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) the Prospectus, at the time it was filed with the Commission pursuant to Rule 424(b) under the Act or as of the date hereof, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading or (iii) the General Disclosure Package as of its date or, as the case may be, dates, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein in light of the circumstances under which they were made, not misleading (it being understood that we have not been requested to and do not make any comment in this paragraph with respect to the financial statements and other financial information contained in the Registration Statement or Prospectus and with respect to the statistical data and other information contained in any industry report mentioned in the Prospectus). We do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement, Prospectus and the General Disclosure Package except as set forth in paragraphs 8 and 9 hereof.

We express no opinion as to matters governed by laws of any jurisdiction other than the laws of the State of New York and the federal laws of the United States of America, as in effect on the date hereof.

This letter is furnished by us to you as the Representative of the several Underwriters, and is solely for the benefit of the several Underwriters. Neither this letter nor any opinion expressed herein may be relied upon by, nor may copies be delivered or disclosed to, any other person or entity without our prior written consent.

Very truly yours,

ANNEX III

Form of Opinion of Erdinast, Ben Nathan & Co.

We are Israeli counsel to IncrediMail, Ltd., a company organized under the laws of the State of Israel (the "**Company**"), and have been retained by the Company to act on its behalf on matters relating to the issuance and sale by the Company of [ ] ordinary shares, NIS 0.01 par value per share, of the Company (the "**Shares**") pursuant to the terms of an Underwriting Agreement, dated _____, 2006 (the "**Underwriting Agreement**") between the Company and the several Underwriters named in Schedule A thereto, acting through you as their Representative. In addition, we have acted as Israeli counsel to the Selling Shareholders listed on Schedule B to the Underwriting Agreement in connection with the possible sale of the Additional Shares under the Underwriting Agreement. In such capacities we are furnishing this opinion to you pursuant to Section 7(d) of the Underwriting Agreement. This opinion does not address any tax issues and any intellectual property issues which issues, are explicitly excluded from the scope of this opinion.

All capitalized terms used herein have the meanings defined for them in the Underwriting Agreement unless otherwise defined herein and reference to the Underwriting Agreement is made to said agreement in its entirety, including all schedules and exhibits thereto, and all references included therein.

We have examined (i) the Underwriting Agreement and all exhibits and schedules attached thereto, (ii) the Company's incorporation documents and certain minutes and unanimous written consents provided to us by the Company's officers, and (iii) the Registration Statement on Form F-1 (No. 333-129246) filed by the Company relating to the Shares and Amendments No. 1, 2, 3 [ ] thereto as filed with the Securities and Exchange Commission. The Registration Statement, as amended when it became effective, is hereinafter referred to as the "Registration Statement," and the Prospectus in the form filed with the Commission pursuant to its Rule 424(b) is hereinafter referred to as the "Prospectus."

In rendering an opinion on the matters hereinafter set forth, we have assumed the authenticity of all original documents submitted to us as certified, conformed or photographic copies thereof, the genuineness of all signatures and the due authenticity of all persons executing such documents. We have assumed the same to have been properly given and to be accurate, we have assumed the truth of all facts communicated to us by the Company or the Selling Shareholders, and we have also assumed that all minutes and protocols of meetings of the Company's board of directors and shareholders meetings of the Company which have been provided to us are true, accurate and have been properly prepared in accordance with the Company's incorporation documents and all applicable laws.

With respect to the opinions expressed in Paragraphs 5 (but only with respect to threatened actions, suits or proceedings), 7(b), 10(b), 10(d) and 12, insofar as such opinions relate to factual matters, we have relied solely upon the Certificate of the Company, attached hereto as Exhibit A. We have made no independent investigation as to whether the foregoing certificate is accurate or complete.

As used in this opinion, the expressions "to our knowledge", "known to us", "we are not aware" or similar language with reference to matters of fact means that our knowledge is based solely on inquiries of officers of the Company and review of the documentation provided to us by the Company but without any further independent factual investigation, and the actual knowledge of the lawyers currently of this firm who have worked on this transaction. In connection with this opinion, we have not undertaken any independent investigation to determine the existence or absence of any fact, and no inference as to our knowledge of the existence or absence of any fact should be drawn from our representation of the Company and the Selling Shareholders or the rendering of the opinion set forth below.

For purposes of this opinion, we are not members of the Bar of any jurisdiction other than the State of Israel and we do not opine with respect to the laws of any jurisdiction other than the State of Israel.

Our opinion below is further subject to the following qualifications and exceptions: (i) the effect of laws, judicial determination or governmental actions affecting creditors' rights or the Company's performance of its obligations under the Underwriting Agreement; (ii) limitations imposed by general principles of equity or law upon the availability of equitable remedies or the enforcement of provisions of any documents referred to herein and the effect of judicial decisions which have held that certain provisions are unenforceable where their enforcement would violate the implied covenant of good faith and fair dealing, would violate minority shareholders rights or would be commercially unreasonable; and (iii) our opinion expressed herein is based upon current statutes, rules, regulations, cases and official interpretive opinions which, in our experience, are normally applicable to the type of transaction provided for in the Underwriting Agreement and the Offering.

Based upon and subject to the foregoing, we are of the opinion that:

1. The Company has been duly incorporated and is validly existing as a company under the laws of the State of Israel, with full corporate power and authority to own or lease, as the case may be, and to operate its properties and conduct its business as described in the Prospectus, and to the best of our knowledge, no proceeding has been instituted by the Registrar of Companies in Israel for the striking off of the Company.

2. The Company's authorized share capital is as set forth in the Prospectus. The share capital of the Company conforms in all material respects to the descriptions thereof contained in the Prospectus. All of the issued and outstanding shares of capital of the Company (including, without limitation, all Additional Shares which may be sold by the Selling Shareholders pursuant to the Underwriting Agreement and all Relevant Securities and all Ordinary Shares issuable upon conversion, exercise or exchange of any Relevant Securities in accordance with the terms thereof), are, or will be when issued, as the case may be duly and validly authorized and issued and, to the best of our knowledge, not in violation of or subject to any preemptive or similar right granted by the Company that does or will entitle any foreign or domestic individual, corporation, trust, partnership, joint venture, limited liability company or other entity (each, a "**Person**"), upon the issuance or sale of any security, to acquire from the Company any Relevant Security, except for such rights as may have been fully terminated, satisfied or waived prior to the Closing Date.

3. The Shares to be issued and sold by the Company as contemplated by the Underwriting Agreement have been duly and validly authorized. When issued, delivered and paid for in accordance with the Underwriting Agreement and as described in the Prospectus on the Closing Date all such Shares will be duly and validly issued and fully paid, will have been issued in compliance with the Companies Law, and assuming that the Shares were not offered in Israel to investors that are not qualified under Section 15A(b) of the Securities Law, 5729-1968 (the "**Securities Law**"), in excess of the number of non-qualified investors permitted under Section 15A(a)(1) thereof, under the Securities Law and the rules and regulations promulgated thereunder and, to the best of our knowledge, will not have been issued in violation of or subject to any preemptive or similar right granted by the Company that does or will entitle any Person to acquire any Relevant Security from the Company upon issuance or sale of Shares in the Offering, except for such rights as may have been fully terminated, satisfied or waived prior to the Closing Date.

4. All private offers and sales of Company securities made prior to the date hereof by the Company have been validly undertaken under the Companies Law, and assuming that the securities were not offered in Israel to investors that are not qualified under Section 15A(b) of the Securities Law, in excess of the number of non-qualified investors permitted under Section 15A(a)(1) thereof, under the Securities Law and the rules and regulations promulgated thereunder.

5. To the best of our knowledge, there are no pending or threatened actions, suits or proceedings by or before any Israeli (i) court or governmental agency, (ii) authority or body or (iii) any arbitrator, involving the Company, which are not adequately disclosed in the Prospectus.

6. The statements included in the Sections of the Prospectus captioned "Description of Share Capital," "Management," "Enforceability of Civil Liabilities," and the following Sub-Sections of the "Business" Section of the Prospectus: "Government Regulation," "Facilities and Equipment," Litigation," and "Corporate Information,", insofar as such statements summarize legal matters as to Israeli law (excluding tax and intellectual property matters), provisions of the Company's articles of association, or agreements, documents or proceedings discussed therein (insofar that all of such agreements, documents or proceedings are governed by the laws of the State of Israel), are accurate and fair summaries, in all material respects, of such legal matters, provisions of the Company's articles of association, agreements, documents or proceedings.

7. To the best of our knowledge, the Company is not in violation or default of: (a) any provision of its articles of association, as currently in effect or as proposed to be in effect as of the Closing Date or (b) any Israeli statute, law, rule or regulation applicable to the Company or any of its properties, as applicable, provided, however that for purposes of the opinion contained in this Paragraph 7(b) we make no opinion as to Israeli labor law.

8. The Underwriting Agreement has been duly authorized, executed and delivered by the Company, and all corporate action required by the laws of the State of Israel and the articles of association of the Company (as currently in effect) to be taken by the Company for the due and proper authorization and issuance of the Firm Shares and the offering, sale and delivery of the Firm Shares has been validly and sufficiently taken. The filing of the Registration Statement and the Prospectus with the Commission has been duly authorized by and on behalf of the Company and the Registration Statement has been duly executed on behalf of the Company pursuant to such authorization in accordance with the laws of the State of Israel.

9. Assuming that the securities are not offered in Israel to investors that are not qualified under Section 15A(b) of the Securities Law, in excess of the number of non-qualified investors permitted under Section 15A(a)(1), thereof, no consent, approval, authorization, filing with or order of any Israeli (i) court or (ii) governmental agency or body is required in connection with the transactions contemplated by the Underwriting Agreement, except for the approval of the Investment Center of the Israel Ministry of Industry and Trade, which has been obtained by the Company.

10. Neither the sale of the Shares to the Underwriters, the consummation of any other of the transactions contemplated by the Underwriting Agreement nor the fulfillment of the terms of the Underwriting Agreement, the Custody Agreement or the Power of Attorney by, as the case may be, the Company or the Selling Shareholders will conflict with, result in a breach or violation of, or imposition of any lien, charge or encumbrance upon any property or assets of the Company, except for conflicts, violations or defaults which would not have a Material Adverse Effect, pursuant to: (a) the articles of association of the Company (as currently in effect or as proposed to be in effect as of the Closing Date), (b) to the best of our knowledge, the terms of any indenture, contract, lease, mortgage, deed of trust, note agreement, loan agreement or other agreement, obligation, condition, covenant or instrument to which the Company is a party or bound or to which its property is subject (an "**Obligation**"), provided that such Obligation is governed by Israeli law, or (c) any Israeli statute, law, rule or regulation applicable to transactions of this type (assuming that the securities are not offered in Israel to investors that are not qualified under Section 15A(b) of the Securities Law, in excess of the number of non-qualified investors permitted under Section 15A(a)(1), thereof), or (d) to the best of our knowledge, any judgment, order or decree applicable to the Company or any Selling Shareholder of any Israeli court, regulatory body, administrative agency, governmental body, arbitrator or other authority having jurisdiction over the Company or any of its properties.

11. Each of the Underwriting Agreement, the Custody Agreement and the Power of Attorney has been duly authorized, executed and delivered by each Selling Shareholder, and all corporate or other legal action required by the laws of the State of Israel and, as the case may be, under the governing documents of the Selling Shareholders, to be taken by the Selling Shareholders for the due and proper sale of the Additional Shares has been validly and sufficiently taken.

12. To the best of our knowledge and except as otherwise set forth in the Prospectus, no holders of securities of the Company have rights under any written agreement with the Company to the registration of Ordinary Shares or any other securities of the Company under the Registration Statement.

13. It is not necessary that the Underwriting Agreement or any document required to be furnished thereunder be filed or recorded with any court or other governmental authority in the State of Israel in order to ensure the legality, validity or admissibility into evidence in the State of Israel of each of the Underwriting Agreement and any such other document.

14. To the best of our knowledge, the Company has such authorizations of, and has made all filings with and notices to, all Israeli governmental or regulatory authorities and all Israeli courts and other Israeli tribunals, as are necessary to own, lease, license and operate its properties and to conduct its businesses as described in the Prospectus, except where the failure to have any such authorization or to make any such filing or notice would not, singly or in the aggregate, have a Material Adverse Effect. To the best of our knowledge, each such authorization is valid and in full force and effect and the Company is in compliance with all the terms and conditions thereof and with the rules and regulations of the Israeli authorities and governing bodies having jurisdiction with respect thereto. To the best of our knowledge, no event has occurred (including, without limitation, the receipt of any notice from any authority or governing body) which allows or, after notice or lapse of time or both, would allow, revocation, suspension or termination of any such authorization or results or, after notice or lapse of time or both, would result in any other impairment of the rights of the holder of any such authorization.

15. The appointment by the Company and each Selling Shareholder of Morrison & Foerster LLP as the Company's authorized agent for the purpose described in Section 15 of the Underwriting Agreement is legal, valid and binding under the laws of the State of Israel.

16. The appointment by the Company of Puglisi & Associates as the Company's authorized representative in the United States in connection with the execution and filing of the Registration Statement with the Securities and Exchange Commission is valid and binding under the laws of the State of Israel.

17. Under the laws of the State of Israel, the submission by the Company and each Selling Shareholder under the Underwriting Agreement to the jurisdiction of any court sitting in New York and the designation of New York law to apply to this Agreement, is binding upon the Company and each such Selling Shareholder. If properly and timely brought to the attention of a court in accordance with the laws of Israel, and subject to the court's inherent discretion, the absence of "special circumstances" and the application of the rule of "forum-non-convenience" (each as defined under Israeli law), the submission by the Company and each Selling Shareholder under the Underwriting Agreement to the jurisdiction of any court sitting in New York and the designation of New York law to apply to this Agreement would be enforceable in any judicial proceeding in Israel.

18. Subject to the conditions and qualifications set forth in the Registration Statement and the Prospectus, a final, unappealable and conclusive judgment against the Company or any Selling Shareholder for a definitive sum of money entered by a court of competent jurisdiction in the United States could be enforced by an Israeli court.

This opinion shall be governed by the laws of the State of Israel, and exclusive jurisdiction with respect thereto under all and any circumstances, and under all and any proceedings shall be vested only and exclusively with the courts of Tel Aviv in the State of Israel. This opinion is rendered to you subject to, based and in reliance on your agreement to comply with the exclusive choice of law and jurisdiction contained herein and to refrain under all and any circumstances from initiating any proceedings or taking any legal action relating to this opinion outside the State of Israel.

The opinions expressed herein are rendered to you and may be relied upon only by you, and only in relation with the Underwriting Agreement. This opinion may not be used or relied upon by any other person or for any other purpose without our express prior written consent.

ANNEX IV

ISSUER-REPRESENTED FREE WRITING PROSPECTUSES

[to be completed]

Exhibit 3.5

These Articles of Association Shall Become Effective Simultaneously with the Closing of the Offering

THE COMPANIES LAW, 5759-1999

A COMPANY LIMITED BY SHARES

Amended and restated articles of association

of

INCREDIMAIL LTD.

PRELIMINARY

1. In these Articles, unless the context otherwise requires:

"Articles" shall mean the Articles of Association of the Company as shall be in force from time to time.

The "Board" shall mean the Company's board of directors.

The "Company" shall mean IncrediMail Ltd.

"External Directors" shall mean directors appointed and serving in accordance with Part VI, Chapter 1, Article E of the Law.

The "Law" shall mean the Companies Law, 5759-1999, as it may be amended from time to time, and any regulations promulgated thereunder.

The "Office" shall mean the registered Office of the Company as it shall be from time to time.

"Office Holder" shall have the meaning ascribed to such term under the Law.

The "Ordinance" shall mean the Companies Ordinance (New Version) 1983, as amended, and any regulations promulgated thereunder, that are still in effect from time to time.

"Seal" shall mean any of: (1) the rubber stamp of the Company; (2) the facsimile signature of the Company, or (3) the electronic signature of the Company as approved by the Board.

A "Shareholder" shall mean any person that is the owner of at least one share, or any fraction thereof, in the Company, in accordance with Section 177 of the Law.

The "Shareholders Register" shall mean the register of Shareholders kept pursuant to Section 127 of the Law or, if the Company shall keep branch registers, any such branch register, as the case may be.

"Writing" shall mean handwriting, typewriting, facsimile, print, email, lithographic printing and any other mode or modes of presenting or reproducing words in visible form.

In these Articles, subject to this Article and unless the context otherwise requires, expressions defined in the Law or any modification thereof in force at the date on which these Articles become binding on the Company, shall have the meaning so defined; and words importing the singular shall include the plural, and vice versa; words importing the masculine gender shall include the feminine; and words importing persons shall include companies, partnerships, associations and all other legal entities. The titles of the Articles or of a chapter containing a number of Articles are for convenience of reference only and are not to be considered in constructing these Articles.

PUBLIC COMPANY; LIMITED LIABILITY AND COMPANY OBJECTIVES

2. The Company is a public company as such term is defined in Section 1 of the Law. The liability of the Company's Shareholders is limited and, accordingly, each Shareholder's responsibility for the Company's obligations shall be limited to the payment of the nominal value of the shares held by such Shareholder, subject to the provisions of these Articles and the Law.

3. The Company's objectives are:

3.1. The development, manufacture and marketing of software;

3.2. Any other objective as determined by the Board.

CAPITAL

4. Share Capital

The share capital of the Company shall consist of NIS150,000 consisting of 15,000,000 ordinary shares (the "Ordinary Shares"), each having a nominal value of NIS 0.01. The powers, preferences, rights, restrictions, and other matters relating to the Ordinary Shares are as set forth in the Articles. Warrants and options shall not be considered as shares for purposes of the Articles.

The Ordinary Shares will rank *pari passu* with one another in all respects. Each Ordinary Share shall confer on the holder thereof the right to receive dividends in cash, shares or other securities or assets, the right to participate in a distribution of the Company's assets at the time of its winding-up and the right to receive notices to and to attend and vote (one vote in respect of each Ordinary Share) in every vote at each general meeting of the Shareholders.

5. Allotment of Shares

Subject to the Law and the Articles and to the terms of any resolution creating new shares, (a) the unissued shares from time to time shall be under the control of the Board, which may allot the same to such persons, against cash, or for such other consideration that is not cash, with such restrictions and conditions, in excess of their nominal value, at their nominal value, or at a discount to their nominal value and/or with payment of commission, and at such times as the Board shall deem appropriate and (b) the Board shall have the power to cause the Company to grant to any person the option to acquire from the Company any unissued shares, in each case on such terms as the Board shall deem appropriate.

6. Bearer Shares

The Company shall not issue bearer shares or exchange a share certificate for a bearer share certificate.

7. Special Rights

Subject to the Law and the Articles, and without prejudice to any special rights previously conferred upon the holders of any existing shares or class of shares, the Company may, by resolution of the Shareholders, from time to time, create shares with such preferential, deferred, qualified or other special rights, privileges, restrictions or conditions, whether in regard to dividends, voting, return of capital of otherwise as may be stipulated in the resolution or other instrument authorizing such new shares.

8. Consolidation and Subdivision; Fractional Shares

With regard to its capital the Company may:

8.1. From time to time, by resolution of the Shareholders, subject to the Articles and the Law:

8.1.1. Consolidate all or any of its issued or unissued share capital into shares bearing a per share nominal value that is larger than the per share nominal value of its existing shares;

8.1.2. Cancel any shares that at the date of the adoption of such resolution have not been acquired or agreed to be acquired by any person, and reduce the amount of its share capital by the amount of the shares so cancelled;

8.1.3. Subdivide its shares (issued or unissued) or any of them, into shares of smaller per share nominal value than is fixed by these Articles. The resolution pursuant to which any share is subdivided may determine that, as among the holders of the shares resulting from such subdivision, one or more of such shares may, as compared with the others, have special rights, or be subject to any such restrictions, as the Company has power to attach to unissued or new shares;

8.1.4. Reduce its share capital in any manner, including with and subject to any incidental authorities and/or consents required by law.

8.2. Upon any consolidation or subdivision of shares that may result in fractional shares, the Board may settle any difficulty that may arise with regard thereto as it deems fit, including, without limitation, by:

8.2.1. Allotting, in contemplation of, or subsequent to, such consolidation or other action, such shares or fractional shares sufficient to preclude or remove fractional shareholdings;

8.2.2. Notwithstanding Section 295 of the Law, making such arrangements for the sale or transfer of the fractional shares to such other shareholders of the Company at such times and at such price as the Board deems fit so as to most expeditiously preclude or remove any fractional shareholdings and cause the transferees of such fractional shares to pay the full fair market value thereof to the transferors, and the Board is hereby authorized to act as agent for the transferors and transferees with power of substitution and off-setting for purposes of implementing the provisions of this sub-Article 8.2.2.

8.2.3. To the extent as may be permitted under the Law, redeeming or purchasing such fractional shares sufficient to preclude and remove such fractional shareholding; and

8.2.4. Determining, as to the holders of shares so consolidated, which issued shares shall be consolidated into each share of a larger nominal value.

INCREASE OF CAPITAL

9. Increase of Capital

9.1. The Company, by resolution of the Shareholders, may from time to time, whether or not all the shares then authorized have been issued, and whether or not all the shares theretofore issued have been fully called up for payment, increase its authorized share capital. Any such new share capital shall be of such amount and divided into shares of such nominal values and (subject to any special rights then attached to any existing class of shares) bear such rights or preferences or be subject to such conditions or restrictions (if any) as the resolution approving such share capital increase shall provide.

9.2. Except so far as otherwise provided in such resolution or pursuant to the Articles, such new shares shall be subject to all the provisions of the Articles applicable to the shares of such class included in the existing share capital.

10. Modification of Class Rights

10.1. If at any time the share capital of the Company is divided into different classes of shares, the right attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be modified only upon consent of a separate general meeting of the holders of the shares of that class. The provisions of these Articles relating to general meetings of Shareholders shall apply *mutatis mutandis* to every such separate general class meeting.

10.2. Unless otherwise provided by these Articles, the increase in an authorized class of shares, or the issuance of additional shares thereof out of the authorized and unissued share capital, shall not be deemed, for the purposes of Article 10.1 to vary, modify or abrogate the rights attached to previously issued shares of such class or of any other class of shares.

11. Redeemable Shares

The Company shall have the power to issue redeemable shares and redeem the same all in accordance with, and subject to, the provisions of the Law.

SHARES

12. Issuance of Share Certificates; Replacement of Lost Certificates

12.1. Share certificates, when issued, shall be issued, upon the written request of a Shareholder, under the Seal and shall bear the signature of any person or persons so authorized by the Board.

12.2. Each Shareholder shall be entitled to one or more numbered certificate(s) for all the shares of any class registered in his name, each of which shall state the number of shares represented by the certificate, their serial numbers and the amount paid on account of their nominal value.

12.3. A share certificate registered in the Shareholders Register in the names of two or more persons shall be delivered to the person first named in the Shareholders Register in respect of such co-ownership and the Company shall not be obligated to issue more than one certificate to all of the joint holders.

12.4. A share certificate that has been defaced, lost or destroyed, may be replaced, and the Company shall issue a new certificate to replace such defaced, lost or destroyed certificate upon payment of such fee, and upon the furnishing of such evidence of ownership and such indemnity, as the Board, in its discretion, deems fit.

13. Registered Holder

Except as otherwise provided in these Articles, the Company shall be entitled to treat each Shareholder identified on the Shareholders Register as the absolute owner of the shares registered in his name, and accordingly, shall not, except as ordered by a court of competent jurisdiction, or as required by statute, be obligated to recognize any equitable or other claim to, or interest in, such share on the part of any other person.

14. Payment in Installment

If, pursuant to the terms of allotment or issue of any share and unless determined otherwise in such terms, all or any portion of the price thereof shall be payable in installments, every such installment shall be paid to the Company on the due date thereof by the then registered holder(s) of the share or the person(s) then entitled thereto.

15. Calls on Shares

15.1. The Board may, from time to time, as in its discretion it deems fit, make calls for payment upon Shareholders in respect of any sum which has not been paid up in respect of shares held by such Shareholders and that is not, pursuant to the terms of allotment or issue of such shares or otherwise, payable at a fixed time. Each Shareholder shall pay the amount of every call so made upon him (and of each installment thereof if the same is payable in installments), to the person(s) and at the time(s) and place(s) designated by the Board. Unless otherwise stipulated in the resolution of the Board (and in the notice referred to below), each payment in response to a call shall be deemed to constitute a pro rata payment on account of all the shares in respect of which such call was made.

15.2. Notice of any call for payment by a Shareholder shall be given in writing to such Shareholder not less than 14 days prior to the time of payment fixed in such notice, and shall specify the time and place of payment, and the person to whom such payment is to be made. Prior to the time for any such payment fixed in a notice of a call given to a Shareholder, the Board may in its discretion, by notice in writing to such Shareholder, revoke such call in whole or in part, extend the time fixed for payment thereof, or designate a different place of payment or person to whom payment is to be made. In the event of a call payable in installments, only one notice thereof need be given.

15.3. If, pursuant to the terms of allotment or issue of a share or otherwise, an amount is made payable at a fixed time (whether on account of such share or by way of premium), such amount shall be payable at such time as if it were payable by virtue of a call made by the Board and for which notice was given in accordance with this Article 15, and the provisions of these Articles with regard to calls (and the non-payment thereof) shall be applicable to such amount (and the non-payment thereof).

15.4. Joint holders of a share shall be jointly and severally liable to pay all calls for payment in respect of such share and all interest payable thereon.

15.5. Any amount called for payment that is not paid when due shall bear interest from the date fixed for payment until actual payment thereof, at such rate and payable at such time(s) as the Board may prescribe.

15.6. The Board may provide for differences among the allottees of such shares as to the amounts and times for payment of calls for payment in respect of such shares.

16. Prepayment

With the approval of the Board, any Shareholder may pay to the Company any amount not yet payable in respect of his shares, and the Board may approve the payment by the Company of interest on any such amount until the same would be payable if it had not been paid in advance, at such rate and time(s) as may be approved by the Board. The Board may at any time cause the Company to repay all or any part of the money so advanced, without premium or penalty. Nothing in this Article 16 shall derogate from the right of the Board to make any call for payment before or after receipt by the Company of any such advance.

17. Forfeiture and Surrender

17.1. If any Shareholder fails to pay an amount payable by virtue of a call, or interest thereon as provided for in accordance herewith, on or before the day fixed for payment of the same, the Board may, at any time after the day fixed for such payment, so long as such amount (or any portion thereof) or interest thereon (or any portion thereof) remains unpaid, forfeit all or any of the shares in respect of which such payment was called for. All expenses incurred by the Company in attempting to collect any such amount or interest thereon, including, without limitation, attorneys' fees and costs of legal proceedings, shall be added to, and shall, for all purposes (including the accrual of interest thereon), constitute a part of, the amount payable to the Company in respect of such call.

17.2. Upon the adoption of a resolution as to the forfeiture of a Shareholder's share, the Board shall cause notice thereof to be given to such Shareholder, which notice shall state the place that payment is to be made and that, in the event of the failure to pay the entire amount so payable by a date specified in the notice (which date shall be not less than seven days after the date such notice is given and which may be extended by the Board), such shares shall be *ipso facto* forfeited; *provided, however*, that, prior to such date, the Board may nullify such resolution of forfeiture, but no such nullification shall prevent the Board from adopting a further resolution of forfeiture in respect of the non-payment of the same amount.

17.3. Without derogating from Articles 17.1 and 17.2 hereof, whenever shares are forfeited as herein provided, any and all dividends declared in respect of such shares and not actually paid shall be deemed to have been forfeited at the same time as the forfeiture of such shares.

17.4. The Company, by resolution of the Board, may accept the voluntary surrender of any share. A surrendered share shall be treated as if it had been forfeited.

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

17.6. Any Shareholder whose shares have been forfeited or surrendered shall cease to be a Shareholder in respect of the forfeited or surrendered shares, but shall, notwithstanding, be liable to pay, and shall forthwith pay, to the Company, all calls, interest and expenses owing upon or in respect of such shares at the time of forfeiture or surrender, together with interest thereon from the time of forfeiture or surrender until actual payment, at the rate prescribed in Article 15.5 above, and the Board, in its discretion, may, but shall not be obligated to, enforce the payment of such monies, or any part thereof. In the event of such forfeiture or surrender, the Company, by resolution of the Board, may accelerate the date(s) of payment of any or all amounts then owing to the Company by the Shareholder in question (but not yet due) in respect of all shares owned by such Shareholder, solely or jointly with another.

17.7. The Board may at any time, before any share so forfeited or surrendered shall have been sold, re-allotted or otherwise disposed of, nullify the forfeiture or surrender on such conditions as it deems fit, but no such nullification shall prevent the Board from re-exercising its powers of forfeiture pursuant to this Article 17.

17.8. A declaration in writing by a director or secretary of the Company that a share in the Company has been duly forfeited on the date stated in the declaration shall be conclusive evidence of the facts therein stated against all persons claiming to be entitled to the share.

17.9. The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the amount of the share, or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

18. Lien

18.1. Except to the extent the same may be waived or subordinated in writing, the Company shall have a first and paramount lien upon all the shares registered in the name of each Shareholder (without regard to any equitable or other claim or interest in such shares on the part of any other person), and upon the proceeds of the sale thereof, for his debts or other liabilities to the Company arising from any amount payable by such Shareholder in respect of any unpaid or partly paid share, whether or not such debt or other liability has matured. Such lien shall extend to all dividends from time to time declared or paid in respect of such share. Unless otherwise provided, the registration by the Company of a transfer of shares shall be deemed to be a waiver on the part of the Company of the lien (if any) existing on such shares immediately prior to such transfer.

18.2. The Board may cause the Company to sell a share subject to such a lien when the debt or other liability giving rise to such lien has matured, in such manner and for such sums as the Board deems fit, but no such sale shall be made unless such debt or other liability has not been satisfied within seven days after written notice of the intention to sell shall have been served on such Shareholder, his executors or administrators.

18.3. The net proceeds of any such sale, after payment of the costs thereof, shall be applied in or toward satisfaction of the debts or other liabilities of such Shareholder in respect of such share (whether or not the same have matured), and the remainder (if any) shall be paid to the Shareholder, his executors, administrators or assigns.

19. Sale After Forfeiture or Surrender or in Enforcement of Lien

Upon any sale of a share after forfeiture or surrender or for enforcing a lien, the Board may appoint any person to execute an instrument of transfer of the share so sold and cause the purchaser's name to be entered in the Shareholders Register in respect of such share and the seller's name to be stricken off of the Shareholders Register with respect to such share. The purchaser shall be registered as the Shareholder and shall not be obligated to supervise the application of the proceeds of such sale and after his name has been entered in the Shareholders Register in respect of such share, the validity of the sale shall not be affected by any defect or illegality in the sale proceedings. The sole remedy of any person aggrieved by any such sale shall be in damages only and against the Company exclusively.

20. Purchase of the Company's Shares

The Company may, subject to and in accordance with the provisions of the Law, purchase or undertake to purchase, provide finance and or assistance or undertake to provide finance and/or assistance directly or indirectly, with respect to the purchase of its shares or securities that may be converted into shares of the Company or that confer rights upon the holders thereof to purchase shares of the Company.

TRANSFER OF SHARES

21. Registration of Transfer

21.1. No transfer of shares shall be registered unless a proper writing or instrument of transfer (in any customary form or any other form satisfactory to the Board) has been submitted to the Company (or its transfer agent), together with the share certificate(s) or such other evidence of title as the Board may reasonably require.

21.2. The Board may, in its discretion to the extent it deems necessary and subject to any restrictions in the Law or the rules of any stock exchange upon which the Ordinary Shares are listed or included for quotation, close the Shareholders Register for registrations of transfers of shares during any year for periods to be determined by the Board, and no registrations in the Shareholders Register of transfers of shares shall be made by the Company during any such period during which the Shareholders Register is so closed.

22. Decedents' Shares

22.1. In case of a share registered in the name of two or more shareholders, the Company may recognize the survivor(s) as the sole owner(s) thereof unless and until the provisions of Article 22.2 have been effectively invoked.

22.2. Any person becoming entitled to a share in consequence of the death of any person, upon producing evidence of the grant of probate or letters of administration or declaration of succession (or such other evidence as the Board may reasonably deem sufficient), shall be registered as a Shareholder in respect of such share, or may, subject to the regulations as to transfer herein contained, transfer such share. However, nothing herein shall release the estate of a deceased Shareholder (whether sole or joint) of a share from any obligation to the Company with respect to any share held by the deceased.

23. Receivers and Liquidators

23.1. The Company may recognize any receiver, liquidator or similar official appointed to wind-up, dissolve or otherwise liquidate a Shareholder that is an entity, and a trustee, manager, receiver, liquidator or similar official appointed in bankruptcy or in connection with the reorganization of, or similar proceeding with respect to, a Shareholder or its properties, as being entitled to the shares registered in the name of such Shareholder.

23.2. Any such receiver, liquidator or similar official appointed to wind-up, dissolve or otherwise liquidate a Shareholder that is an entity and any such trustee, manager, receiver, liquidator or similar official appointed in bankruptcy or in connection with the reorganization of, or similar proceedings with respect to, a Shareholder or its properties, upon producing such evidence as the Board may deem sufficient as to his authority to act in such capacity or under this Article, shall with the consent of the Board (which the Board may grant or refuse in its discretion), be registered as a Shareholder in respect of such shares, or may, subject to the provisions as to transfer herein contained, transfer such shares.

BRANCH REGISTERS

24. Branch Registers

Subject to and in accordance with the provisions of the Law and to all orders and regulations issued thereunder, the Company may cause branch registers to be kept in any place outside Israel as the Board may think fit, and, subject to all applicable requirements of Law, the Board may from time to time adopt such rules and procedures as it may think fit in connection with the keeping of such branch registers.

RECORD DATE FOR NOTICES OF GENERAL MEETINGS AND OTHER ACTION

25. Record Date for Notices of General Meetings

25.1. Notwithstanding any provision of these Articles to the contrary and subject to applicable law, the Board may fix a date, not exceeding 40 days, and not less than four days, prior to the date of any general meeting of the Shareholders, as the date of which Shareholders entitled to participate and to vote at such meeting shall be determined, and all persons who were holders of record of voting shares on such date and no others shall be entitled to notice of, participate in and to vote at such meeting. A determination of Shareholders of record entitled to participate and to vote at any meeting shall apply to any adjournment of such meeting; *provided, however*, that the Board may fix a new record date for the adjourned meeting.

25.2. Any Shareholder or Shareholders of the Company holding at least one percent of the voting rights in the issued share capital of the Company may, subject to the Law, request that the Board include a subject in the agenda of a general meeting to be held in the future. Any such request (i) must be in writing, (ii) must include all information related to the subject matter and the reason that such subject is proposed to be brought before the general meeting and (iii) must be signed by the Shareholder or Shareholders making such request. In addition, subject to the Law, the Board may include such subject in the agenda of a general meeting only if the request has been delivered to the secretary of the Company at least 75 days and not more than 120 days prior to the date set for the relevant Annual General Meeting or Extraordinary General Meeting, as applicable. Each such request shall also set forth: (a) the name and address of the Shareholder making the request; (b) a representation that the Shareholder is a holder of shares of the Company entitled to vote at such meeting and intends to appear in person or by proxy at the meeting; (c) a description of all arrangements or understandings between the Shareholder and any other person or persons (naming such person or persons) in connection with the subject which is requested to be included in the agenda; and (d) a declaration that all the information that is required under the Law and any other applicable law to be provided to the Company in connection with such subject, if any, has been provided. In addition, if such subject includes a nomination to the Board in accordance with the Articles, the request shall also set forth the consent of each nominee to serve as a director of the Company if so elected and a declaration signed by each of the nominees declaring that there is no limitation under applicable law for the appointment of such a nominee. Furthermore, the Board may, in its discretion, to the extent it deems necessary, require that the Shareholders making the request provide additional information so as to include a subject in the agenda of a general meeting.

GENERAL MEETINGS

26. Annual Meetings

A general meeting shall be held at least once in every year at such time, being not more than 15 months after the last preceding Annual General Meeting (as such term is defined hereunder), and at such place, within or out of the State of Israel, as may be prescribed by the Board. Such general meetings shall be called "Annual General Meetings."

27. Extraordinary General Meetings

All general meetings of Shareholders other than Annual General Meetings shall be called "Extraordinary General Meetings." The Board may, whenever it thinks fit, convene an Extraordinary General Meeting, at such time and place, within or out of the State of Israel, as may be determined by the Board, and shall be obligated to do so upon a request in writing in accordance with Section 63 of the Law.

28. Powers of the General Meeting

Subject to the provisions of the Articles and the Law, the function of the General Meeting shall be to elect the members of the Board, including External Directors; to appoint and/or ratify the Company's auditor; to approve acts and transactions that require approval by a general meeting under the provisions of the Law or these Articles; to increase and reduce the authorized share capital, in accordance with the provisions of the Law; to approve any amendment to these Articles (subject to the special majority requirements contained in Article 34 below); and to approve a resolution to consummate a merger (as defined in Section 1 of the Law).

29. Notice of General Meetings; Omission to Give Notice

Subject to these Articles, applicable law and regulations, including the applicable laws and regulations of any stock market on which the Company's shares are listed or included for quotation, prior notice of at least 21 days of any general meeting, specifying the place, date and hour of the meeting, the agenda, proposed resolutions and voting arrangements shall be given as, hereinafter provided, to the Shareholders thereunto entitled pursuant to these Articles and the Law. Non-receipt of any such notice shall not invalidate any resolution passed or the proceedings held at that meeting.

30. Manner of Meeting

The Board may, in its absolute discretion, resolve to enable persons entitled to attend a general meeting to do so by simultaneous attendance and participation at the principal meeting place and a satellite or Internet meeting place or places anywhere in the world and the Shareholders present in person, by proxy or by written ballot at satellite or Internet meeting places shall be counted in the quorum for and entitled to vote at the general meeting in question, and that meeting shall be duly constituted and its proceedings valid, provided that the chairperson of the general meeting is satisfied that adequate facilities are available throughout the general meeting to ensure that Shareholders attending at all the meeting places are able to: (a) hear all persons who speak (whether by the use of microphones, loudspeakers audio-visual communications equipment or otherwise) in the principal meeting place and any satellite meeting place, and (b) be heard by all other persons so present in the same way.

PROCEEDINGS AT GENERAL MEETINGS

31. Quorum

31.1. No business shall be transacted at any general meeting unless a quorum is present when the meeting commences. For all purposes, the quorum shall be at least two Shareholders present in person, or by proxy, holding in the aggregate at least 33 1/3% (thirty three percent and one-third of a percent) of the voting rights in the issued share capital of the Company.

31.2. If within 30 minutes from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the request of the Shareholders, shall be dissolved; if the meeting is not convened upon the request of a Shareholder it shall stand adjourned to the same day in the next week at the same place and time, or to such day and at such time and place as the chairperson may determine with the consent of the holders of a majority of the voting power represented at the meeting in person or by proxy and voting on the question of adjournment. No business shall be transacted at any adjourned meeting except business that might lawfully have been transacted at the meeting as originally called. If at the adjourned meeting a legal quorum is not present after 30 minutes from the time specified for the commencement of the adjourned meeting, than the meeting shall take place regardless of the number of members present and in such event the required quorum shall consist of any number of shareholders present in person or by proxy.

32. Chairperson

The chairperson, if any, of the Board shall preside as chairperson at every General Meeting of the Company. If there is no such chairperson, or if at any meeting he is not present within 15 minutes after the time fixed for holding the meeting or is unwilling to act as chairperson, the Shareholders present shall choose one of the Shareholders present to be chairperson. The chairperson of any general meeting shall not, by virtue of such office, be entitled to vote at any general meeting nor shall the chairperson of a meeting have a second or casting vote (without derogation, however from the rights of such chairperson to vote as a Shareholder or proxy of a Shareholder if, in fact, he is also a Shareholder or a duly appointed proxy).

33. Adoption of Resolutions at General Meetings

33.1. Subject to Article 34 below, resolutions of the Shareholders with respect to all matters shall be deemed adopted if approved by the holders of a simple majority of the voting power of the Company represented at the meeting in person or by proxy and voting thereon, other than as specified in the Articles or otherwise required by the Law.

33.2. Every question submitted to a general meeting shall be decided by a show of hands, but if a written ballot is demanded by any Shareholder present in person or by proxy and entitled to vote at the meeting, the same shall be decided by such ballot. A written ballot may be demanded before the voting on a proposed resolution or immediately after the declaration by the chairperson of the meeting of the results of the vote by a show of hands. If a vote by written ballot is taken after such declaration, the results of the vote by a show of hands shall be of no effect, and the proposed resolution shall be decided by such written ballot. The demand for a written ballot may be withdrawn at any time before the same is conducted, in which event another Shareholder may then demand such written ballot. The demand for a written ballot shall not prevent the continuance of the meeting for the transaction of business other than the question on which the written ballot was demanded.

33.3. A declaration by the chairperson of the meeting that a resolution was carried unanimously, or carried by a particular majority, or did not receive the required majority in order to be carried, and an entry to that effect in the minute book of the Company, shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favor of or against such resolution.

34. Special Resolution

Notwithstanding anything in these Articles to the contrary, the provisions of Articles 34, 40, 43.1, 43.3, 49, 52, 79, and 80 may not be amended without a resolution of the general meeting of the Company approved by Shareholders holding more than two-thirds of the voting power of the issued and outstanding share capital of the Company.

VOTES OF SHAREHOLDERS

35. Voting Power

Subject to the provisions of Article 36 and subject to any provision in the Articles conferring special rights as to voting, or restricting the right to vote, every Shareholder shall have one vote for each share held by him of record, on every resolution, without regard to whether the vote thereon is conducted by a show of hands, by written ballot or by any other means.

36. Voting Rights

36.1. In the case of joint holders, the vote of the senior holder to tender a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For the purpose of this Article, seniority shall be determined by the order in which the names appear in the Shareholders Register (or in the Company's transfer agent records). The appointment of a proxy to vote on behalf of a jointly held share shall be executed by the senior holder.

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

36.3. Any Shareholder entitled to vote may vote either personally or by proxy (who need not be a shareholder of the Company), or, if the Shareholder is a company or other entity, by a representative authorized pursuant to Article 36.4.

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

PROXIES

37. Instrument of Appointment

37.1. The instrument appointing a proxy shall be in writing in such form as may be approved by the Board from time to time in compliance with applicable law.

37.2. The instrument appointing a proxy (and the power of attorney or other authority, if any, under which such instrument has been signed) shall either be delivered to the Company (at its Registered Office, at its principal place of business, at such place as the Board may specify, or by any other means, including electronic form, all in compliance with applicable law) not less than the close of business on the business day preceding the time fixed for the meeting at which the person named in the instrument proposes to vote, or presented to the chairperson at such meeting.

37.3. The Board may cause the Company to send, by mail or otherwise, instruments of proxy to Shareholders for use at any general meeting.

38. Effect of Death of Appointer or Revocation of Appointment

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

39. Multiple Proxies

A Shareholder is entitled to vote by a separate proxy with respect to each share held by him provided that each proxy shall have a separate letter of appointment containing the serial number of the share(s) with respect to which the proxy is entitled to vote. Where valid but differing instruments of proxy are delivered in respect of the same share for use at the same meeting, the instrument that is delivered last (regardless of its date or of the date of its execution) shall be treated as replacing and revoking the others as regards that share. However, if the Board, or some other person as may be authorized by the Board for such purpose, is unable to determine which was the last instrument delivered, none of them shall be treated as valid in respect of that share. Delivery of an instrument appointing a proxy or any other instrument, as aforesaid, shall not preclude a Shareholder from attending and voting in person at the meeting.

DIRECTORS

40. Number of Directors

The Board shall be composed of seven (7) members including two External Directors.

41. Qualification of Directors

No person shall be disqualified from serving as a director by reason of not holding shares in the Company.

42. Continuing Directors in the Event of Vacancies

In the event of one or more vacancies in the Board, the continuing directors may continue to act in every matter; *provided, however*, that if they number less than a majority of the number of directors set by the Board to hold office pursuant to Article 40 hereof, they may only act in an emergency, and may call a general meeting of the Company for the purpose of electing directors to fill any or all vacancies, or appoint any other person as a director pursuant to Article 53, so that at least a majority of the number of directors set by the Board to hold office pursuant to Article 40 hereof are in office as a result of such meeting.

43. Vacation of Office; Removal of Directors

43.1. The office of a director shall be vacated, *ipso facto*, upon his death or if he be found legally incompetent; if he becomes bankrupt, if he is prevented by applicable law or listing requirements from serving as a director of the Company, if the Board terminates his office according to Section 231 of the Law, if a court order is given in accordance with Section 233 of the Law, or if under the Law his term otherwise automatically terminates.

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

43.3. A director shall be removed from office only pursuant to the provisions of Article 43.1 or by a resolution of the general meeting of the Company approved by Shareholders holding more than two-thirds of the voting power of the issued and outstanding share capital of the Company.

44. Remuneration of Directors

Subject to the provisions of the Law, a director may be paid remuneration by the Company for his services as director to the extent such remuneration shall have been approved in accordance with the Law.

45. Conflict of Interests; Approval of Related Party Transactions

45.1. Subject to the provisions of the Law and the Articles, the Company may enter into any contract or otherwise transact any business with any director in which contract or business such director has a personal interest, directly or indirectly; and may enter into any contract of otherwise transact any business with any third party in which contract or business a director has a personal interest, directly or indirectly.

45.2. A director or other Office Holder, shall not participate in deliberations concerning, nor vote upon a resolution approving, a transaction with the Company in which he has a personal interest, except as otherwise provided for in the Law.

POWERS AND DUTIES OF DIRECTORS

46. Powers of the Board of Directors

46.1. General

In addition to all powers and authorities of the Board as specified in the Law, the determination of the Company's policies, and the supervision of the Chief Executive Officer of the Company (as defined herein) and the Company's officers shall be vested in the Board. In addition, the Board may exercise all such powers and do all such acts and things as the Company is authorized to exercise and do, and are not hereby or by law required to be exercised or done by the Company in a general meeting or by the Chief Executive Officer under his express or residual authority. The authority conferred on the Board by this Article shall be subject to the provisions of the Law, the Articles and any regulation or resolution consistent with the Articles adopted from time to time by the Company in a general meeting; *provided, however*, that no such regulation or resolution shall invalidate any prior act done by or pursuant to a decision of the Board that would have been valid if such regulation or resolution had not been adopted.

46.2. Borrowing Power

The Board may from time to time, in its discretion, cause the Company to borrow or secure the payment of any sum or sums of money for the purposes of the Company, and may secure or provide for the repayment of such sum or sums in such manner, at such times and upon such terms and conditions in all respects as it thinks fit, and, in particular, by the issuance of bonds, perpetual or redeemable debentures, debenture stock, or any mortgages, charges, or other securities on the undertaking or the whole or any part of the property of the Company, both present and future, including its uncalled or called but unpaid capital for the time being.

46.3. Reserves

The Board may, from time to time, set aside any amount(s) out of the profits of the Company as a reserve or reserves for any purpose(s) that the Board, in its discretion, shall think fit, and may invest any sum so set aside in any manner and from time to time deal with and vary such investments, and dispose of all or any part thereof, and employ any such reserve or any part thereof in the business of the Company without being bound to keep the same separate from other assets of the Company, and may subdivide or redesignate any reserve or cancel the same or apply the funds therein for another purpose, all as the Board may from time to time think fit.

47. Exercise of Powers of Directors

47.1. A meeting of the Board at which a quorum is present shall be competent to exercise all the authorities, powers and discretions vested in or exercisable by the Board.

47.2. Except as otherwise specifically set forth in these Articles or as required by the Law, a resolution proposed at any meeting of the Board shall be deemed adopted if approved by a majority of the directors present when such resolution is put to a vote and voting thereon.

47.3. A resolution in writing signed by all directors then in office and lawfully entitled to vote thereon, or to which all such directors have given their written consent (by letter, telegram, email, facsimile, telecopier, email, or otherwise), shall be deemed to have been unanimously adopted by a meeting of the Board duly convened and held.

48. Delegation of Powers

48.1. The Board may, subject to the provisions of the Law and any other applicable law, delegate any or all of its powers to committees, and it may from time to time revoke such delegation or alter the composition of any such committee. Any Committee so formed (in these Articles referred to as a "Committee of the Board"), shall, in the exercise of the powers so delegated, conform to any regulations imposed on it by the Board. The meetings and proceedings of any Committee of the Board shall be governed, with the relevant changes, by the provisions herein contained for regulating the meetings of the Board, so far as not superseded by any regulations adopted by the Board under this Article. Unless otherwise expressly provided by the Board in delegating powers to a Committee of the Board, such Committee shall not be empowered to further delegate such powers. In accordance with and subject to Section 271 of the Law, the Compensation Committee of the Board (if any) shall have the full power and authority to approve the terms of compensation of the Office Holders of the Company, other than Office Holders who are also directors.

These Articles of Association Shall Become Effective Simultaneously with the Closing of the Offering

48.2. Without derogating from the provisions of Article 48.1, the Board may, subject to the provisions of the Law, from time to time appoint a secretary to the Company, as well as officers, agents, employees and independent contractors, as the Board may deem fit, and may terminate the service of any such person. The Board may, subject to the provisions of the Law, determine the powers and duties, as well as the salaries and emoluments, of all such persons, and may require security in such cases and in such amounts as it thinks fit.

48.3. The Board may from time to time, by power of attorney or otherwise, appoint any person, company, firm or body of persons to be the attorney or attorneys of the Company at law or in fact for such purpose(s) and with such powers, authorities and discretions, and for such period and subject to such conditions, as it thinks fit, and any such power of attorney or other appointment may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Board may think fit, and may also authorize any such attorney to delegate all or any of the powers, authorities and discretions vested in him.

ELECTION OF DIRECTORS

49. Other than External Directors, the directors will be elected in three staggered classes by the vote of a majority of the ordinary shares present and entitled to vote. The directors of only one class will be elected at each annual meeting for a three year term, so that the regular term of only one class of directors expires annually. The directors serving as of the date these Articles become effective will be classified as shall be determined by a resolution of the Board. At the Company's Annual General Meeting to be held in 2006, the term of the first class, consisting of two directors will expire, and the directors elected at that meeting will be elected for a three-year term. At the Company's Annual General Meeting to be held in 2007, the term of the second class, consisting of two directors, will expire and the directors elected at that meeting will be elected for a three-year term. At the Company's Annual General Meeting to be held in 2008, the term of the third class, consisting of one director, will expire and the director elected at that meeting will be elected for a three-year term. The External Directors will not be assigned a class.

If the number of directors constituting the Board is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, but in no case will a decrease in the number of directors constituting the Board shorten the term of any incumbent director.

50. Subject to Article 49, directors shall be elected at the Annual General Meeting or an Extraordinary General Meeting of the Company by the vote of the holders of a majority of the voting power represented at such meeting in person or by proxy and voting on the election of directors.

51. Notwithstanding the provisions of Article 49, External Directors shall be elected and hold office in accordance with the provisions of the Law.

52. Nominations to the Board

52.1. Nominations for the election of directors may be made by the Board or a Committee of the Board or, subject to the Law, by any Shareholder. Any Shareholder or Shareholders holding at least five percent of the voting rights in the issued share capital of the Company may nominate one or more persons for election as directors at a general meeting only if a written notice of such Shareholder's intent to make such nomination or nominations has been given to the secretary of the Company and each such notice sets forth all the details and information set forth in Article 25.2. The chairperson of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

52.2. Notwithstanding the provisions of Articles 52.1 and 51, no person shall be nominated or appointed to the office of a director if such person is disqualified under the Law from being appointed as a director.

52.3. A director's term (including External Directors) shall begin either on the date of his appointment to the Board or at such later date designated in the resolution appointing such director.

53. Subject to the provisions of Article 49, the Board may at any time appoint any other person as a director, whether to fill a vacancy or as an addition to the then current number of directors, provided that the total number of directors shall not at any time exceed seven directors. Any director so appointed shall hold office until the Annual General Meeting at which the term for the other directors of his class expires, unless otherwise stated in the appointing resolution.

54. Subject to the provisions of the Law, a director may appoint an alternate director to attend a meeting in his or her place, but an alternate director so appointed must be approved by the board prior to the relevant meeting.

PROCEEDINGS OF DIRECTORS

55. Meetings of the Board

55.1. The Board may meet and adjourn its meetings at such places either within or out the State of Israel and otherwise regulate such meetings and proceedings as the directors think fit, provided that meetings shall be convened at least once every three months. Subject to all of the other provisions of the Articles concerning meetings of the Board, the Board may meet by telephone conference call or other communication equipment so long as each director participating in such call can hear, and be heard by, each other director participating in such call. The directors participating in this manner shall be deemed to be present in person at such meeting and shall be entitled to vote or be counted in a quorum accordingly.

55.2. Board meetings may be convened at any time by the chairperson of the Board. The chairperson of the Board shall convene a Board meeting upon the written request of any two directors (or one director if the Board is comprised of fewer than seven directors) as soon as practicable after receiving such request and shall otherwise convene a Board meeting as provided by the Law.

56. Notice

56.1. Notice of a Board meeting shall contain the information required by the Law and shall be delivered to the directors not less than three days before such meeting.

56.2. Notice of a meeting of the Board shall be given in writing, and may be sent by hand, post, facsimile or electronic mail to a director at the address, facsimile number or electronic mail address given by such director to the Company for such purpose. Any such notice shall be deemed duly received, if sent by post, three days following the day when any such notice was duly posted and if delivered by hand or transmitted by facsimile transmission or electronic mail, such notice shall be deemed duly received by the director on the date of delivery or, as the case may be, transmission of the same.

56.3. Notwithstanding anything contained to the contrary herein, failure to deliver notice to a director of any such meeting in the manner required hereby may be waived (in advance or retroactively) by such director and a meeting shall be deemed to have been duly convened notwithstanding such defective notice if such failure or defect is waived (in advance or retroactively), by all directors entitled to participate at such meeting and to whom notice was not duly given. The presence of a director at any such meeting shall be deemed due receipt of prior notice or a waiver of any such notice requirement by such director.

57. Quorum

57.1. A quorum at a meeting of the Board shall be constituted by the presence in person, or by telephone or similar communication equipment of a majority of the directors then in office who are lawfully entitled to participate and vote at the meeting. If within 30 minutes (or within such longer time as the chairperson of the meeting may decide) from the time appointed for the holding of the Board meeting a quorum is not present, the Board meeting shall stand adjourned to the date, time, and place determined by the chairperson. No business shall be transacted at a meeting of the Board unless the requisite quorum is present.

57.2. If at any adjourned Board meeting a quorum is not present within 30 minutes (or within such longer time as the chairperson of the meeting may decide) from the time appointed for holding the meeting, then the quorum at such meeting shall be constituted by the presence in person, or by telephone or similar communication equipment of two of the directors then in office who are lawfully entitled to participate and vote at the meeting. If at such meeting such quorum is not present within the above mentioned time frame, the Board meeting shall be adjourned in accordance with the provisions of this Article 57. No business shall be transacted at a meeting of the Board unless the requisite quorum is present.

58. Chairperson

The Board may from time to time elect by resolution or otherwise appoint a director to be chairperson or deputy chairperson and determine the period for which each of them is to hold office. The chairperson, or in his absence the deputy chairperson, shall preside at meetings of the Board, but if no such chairperson or deputy chairperson shall be elected or appointed, or if at any meeting the chairperson or deputy chairperson shall not be present within 15 minutes after the time appointed for holding such meeting, or if the chairperson, or, if applicable, deputy chairperson, is unwilling or unable to chair such meeting, the directors present shall choose one of their number to be chairperson of such meeting. The chairperson shall not have a second or casting vote at any Board meeting. The Chief Executive Officer of the Company may not serve as the chairperson of the Board, other than pursuant to Section 121 of the Law.

59. Validity of Acts

Subject to the provisions of the Law, all *bona fide* actions of any meeting of the Board, or of a Committee of the Board, or of any person acting as a director or a member of such Committee shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such director or such committee or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person or committee had been duly appointed or had duly continued in office and was qualified.

CHIEF EXECUTIVE OFFICER

60. Subject to the Articles and the Law, the Board may from time to time appoint one or more persons, whether or not directors, as the General Manager, Chief Executive Officer, and/or President of the Company (the "Chief Executive Officer"). Subject to the Law, the powers, authorities and responsibilities any such Chief Executive Officer shall have shall be those that the Board may, at its discretion, lawfully confer on the same. The Board may, from time to time, as the Board may deem fit, modify or revoke, such title(s), duties and authorities the Board conferred as aforesaid. Subject to the Articles and the Law, any such appointment(s) and any such powers, authorities and responsibilities may be either for a fixed term or without any limitation of time, and may be made upon such conditions and subject to such limitations and restrictions as the Board may, from time to time, determine. In addition, the Board may from time to time (subject to the provisions of any applicable law or the rules of any stock exchange upon which securities of the Company are listed or included for quotation and of any contract between any such person(s) and the Company) determine the salary of any such person(s) and remove or dismiss any such person(s) from office and appoint another or others in his or their place.

61. The management and the operation of the Company's affairs and business in accordance with the policies determined by the Board shall be vested in the Chief Executive Officer, in addition to all powers and authorities of the Chief Executive Officer, as specified in the Law. Without derogating from the above, all powers of management and executive authority that are not vested by the Law or by the Articles in another organ of the Company shall be vested in the Chief Executive Officer.

MINUTES

62. The Company shall cause minutes to be recorded of all general meetings of the Company and also of all appointments of directors and Office Holders and of the proceedings of all meetings of the Board and any Committees thereof. Such minutes shall set forth the names of persons present and all business transacted at such meetings. Any such minutes of any meeting, if purporting to be signed by the chairperson of such meeting or of the next succeeding meeting, or by the chairperson of the Board or the secretary of the Company, shall be *prima facie* evidence of the facts therein stated. Minutes of a meeting shall be kept at the Office for the period, and in the manner, prescribed in the Law.

DIVIDENDS AND RESERVES

63. Declaration of Dividends

Subject to the provisions of the Law, the Board may from time to time declare such dividends and cause the Company to pay such dividends. The Board shall have the full authority to determine the time for payment of such dividends, and the record date for determining the Shareholders entitled thereto, provided such date is not prior to the date of the resolution to distribute the dividend and no Shareholder who shall be registered in the Shareholders Register with respect to any shares after the record date so determined shall be entitled to share in any such dividend with respect to such shares.

64. Funds Available for Payment of Dividends

Dividends shall be paid out of the profits of the Company, as defined in the Law, or in accordance with Section 303 of the Law.

65. Amount Payable by Way of Dividends

Subject to any special or restricted rights conferred upon the holders of shares as to dividends, any dividend paid by the Company shall be allocated among the Shareholders entitled thereto in proportion to the sums paid up or credited as paid up on account of the nominal value of their respective holdings of the shares in respect of which such dividend is being paid without taking into account the premium paid up for the shares. The amount paid up on account of a share that has not yet been called for payment or fallen due for payment and upon which the Company pays interest to the shareholder shall not be deemed, for the purposes of this Article, to be a sum paid on account of the share.

66. Interest

No dividend shall bear interest as against the Company.

67. Payment in Kind

67.1. A dividend may be paid, wholly or partly, by the distribution of specific assets, and, in particular, by distribution of paid-up shares, debentures of the Company or debentures of any other company, or in any one or more such ways.

67.2. The Board may resolve that: (a) any monies, investments, or other assets forming part of the undivided profits of the Company standing to the credit of the reserve fund, or to the credit of any reserve fund for the redemption of capital, or to the credit of a reserve fund for the revaluation of real estate or other assets of the Company or any other reserve fund or investment funds or assets in the hands of the Company and available for dividends, or representing premiums received on the issue of shares and standing to the credit of the share premium account, be capitalized and distributed among such of the Shareholders as would be entitled to receive the same if distributed by the way of dividend and in the same proportion on the basis that they become entitled thereto as capital; (b) all or any part of such capitalized fund be applied on behalf of such Shareholders in paying up in full, either at nominal or at such premiums as the resolution may provide, any unissued shares or debentures of the Company that shall be distributed accordingly or in or towards the payment, in full or in part, of the uncalled liability on any issued shares or debentures of the Company; and (c) such distribution or payment shall be accepted by such Shareholders in full satisfaction of their share and interest in the said capitalized sum.

68. Implementation of Powers under Article 67

For the purpose of giving full effect to any resolution under Article 67 and without derogating from the provisions of Article 8.2 hereof, the Board may settle any difficulty that may arise in regard to the distribution as it thinks expedient, and, in particular, may issue certificates for fractional amounts of shares or other securities, and may fix the value for distribution of any specific assets, and may determine that cash payments shall be made to any shareholder upon the footing of the value so fixed, or that fractions of less value than the nominal value of one share may be disregarded in order to adjust the rights of all parties, and may vest any such cash, shares, debentures, debenture stock or specific assets in trustees upon such trusts for the persons entitled to the dividend or capitalized fund as may seem expedient to the Board. Where required, a proper contract shall be filed in accordance with Section 291 of the Law, and the Board may appoint any person to sign such contract on behalf of the persons entitled to the dividend or capitalized fund.

69. Dividends on Unpaid Shares

69.1. Without derogating from Article 65 hereof, the Board may give an instruction that shall prevent the distribution of a dividend to the holders of shares for which the full amount payable has not been paid.

69.2. The Board may deduct from any dividend payable to any Shareholder all sums of money, if any, presently payable by such Shareholder to the Company on account of calls or otherwise in relation to the shares of the Company. The Board may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien, and may apply the same in or toward the satisfaction of the debts, liabilities or engagement in respect of which the lien exists.

70. Retention of Dividends

70.1. The Board may retain any dividend or other monies payable or property distributable in respect of a share on which the Company has a lien, and may apply the same in or toward satisfaction of the debts, liabilities, or engagements in respect of which the lien exists.

70.2. The Board may retain any dividend or other monies payable or property distributable in respect of a share in respect of which any person is, under Article 21 entitled to become a Shareholder, or which any person is, under such Article, entitled to transfer, until such person shall become a shareholder in respect of such share or shall transfer the same.

71. Unclaimed Dividends

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

72. Payment

Any dividend or other money payable in cash in respect of a share may be paid by check or warrant sent through the post to, or left at, the registered address of the person entitled thereto or by transfer to a bank account specified by such person (or, if two or more persons are registered as joint holders of such share or are entitled jointly thereto in consequence of the death or bankruptcy of the holder or otherwise, to any one of such persons or to his bank account), or to such person and at such address as the person entitled thereto may direct in writing. Every such check or warrant shall be made payable to the order of the person to whom it is sent, or to such person as the person entitled thereto as aforesaid may direct, and payment of the check or warrant by the banker upon whom it is drawn shall be a good discharge to the Company. Every such check or warrant shall be sent at the risk of the person entitled to the money represented thereby.

73. Receipt from a Joint Holder

If two or more persons are registered as joint holders of any share, or are entitled jointly thereto in consequence of the death or bankruptcy of the holder or otherwise, any one of them may give an effective receipt for any dividend or other monies payable or property distributable in respect of such share.

ACCOUNTS AND AUDIT

74. Books of Account

The Board shall cause accurate books of account to be kept in accordance with the provisions of the Law, and of any other applicable law or regulation including the rules of any stock exchange upon which the Ordinary Shares are listed or included for quotation. Such books of account shall be kept at the Office, or at such other place or places as the Board may think fit, and they shall always be open to inspection by all directors. Shareholders who do not serve as directors, shall only have such rights to inspect any account or book or other similar document of the Company as conferred by Law or authorized by the Board.

75. Audit

At least once in every fiscal year the accounts of the Company shall be audited and the correctness of the profit and loss account and balance sheet certified by one or more duly qualified auditors.

76. Auditors

The appointment, authorities, rights and duties of the auditor(s) of the Company, shall be regulated by applicable law; *provided, however*, that in exercising authority to fix the remuneration of the auditor(s), the Shareholders in a general meeting may act (and in the absence of any action in connection therewith shall be deemed to have so acted) to authorize the Board and/or a Committee of the Board to fix such remuneration subject to such criteria or standards, if any, as may be provided in such resolution, and if no such criteria or standards are so provided, such remuneration shall be fixed in an amount commensurate with the volume and nature of the services rendered by such auditor(s).

RIGHTS OF SIGNATURES

77. Rights of Signature

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

NOTICES

78. Notices

78.1. Any written notice or other document may be served by the Company upon any Shareholder either personally, electronically, or by sending it by prepaid mail (airmail if sent internationally) addressed to such Shareholder at his address as described in the Shareholders Register or such other address as he may have designated in writing for the receipt of notices and other documents. Any written notice or other document may be served by any Shareholder upon the Company by tendering the same in person to the secretary or the Chief Executive Officer of the Company at the Office or by sending it by prepaid registered mail (airmail if posted outside Israel) to the Company at its Office. Any such notice or other document shall be deemed to have been served 48 hours after it has been posted (seven business days if sent internationally), or when actually received by the addressee if sooner than 48 hours or seven business days, as the case may be, after it has been posted, or when actually tendered in person, to such shareholder (or to the secretary or the Chief Executive Officer). Notice sent by telegram, facsimile or electronic mail shall be deemed to have been served when actually received by the addressee, including in the event that it was defectively addressed or failed, in some other respect, to comply with the provisions of this Article 78.1.

78.2. All notices to be given to the Shareholders shall, with respect to any share to which persons are jointly entitled, be given to whichever of such persons is named first in the Shareholders Register or in the records of the Company's transfer agent, and any notice so given shall be sufficient notice to the holders of such share.

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

78.4. Notwithstanding anything to the contrary contained herein and subject to the provisions of the Law, notice to a Shareholder may be served, as general notice to all Shareholders, in accordance with applicable rules and regulations of any stock exchange upon which the Company's shares are listed or included for quotation.

78.5. Subject to applicable law, any Shareholder, director or any other person entitled to receive notice in accordance with these Articles or Law, may waive notice, in advance or retroactively, in a particular case or type of cases or generally, and if so, notice will be deemed as having been duly served, and all proceedings or actions for which the notice was required will be deemed valid.

78.6. The accidental omission to give notice of a meeting to any Shareholder or the non-receipt of notice by any Shareholder entitled to receive notice shall not invalidate the proceedings at any meeting or any resolution(s) adopted by such a meeting.

INSURANCE, EXEMPTION AND INDEMNITY OF OFFICERS

79. Subject to the provisions of the Law, the Company may:

79.1. enter into a contract for the insurance of the liability, in whole or in part, of any of its Office Holders with respect to an obligation imposed on such Office Holder due to an act performed by the Office Holder in the Office Holder's capacity as an Office Holder of the Company arising from any of the following:

79.1.1. a breach of duty of care to the Company or to any other person;

79.1.2. a breach of the duty of loyalty to the Company provided that the Office Holder acted in good faith and had reasonable grounds to assume that the act would not harm the interests of the Company;

79.1.3. a financial liability imposed on such Office Holder in favor of any other person;

79.2. undertake, in advance to indemnify, or may indemnify retroactively, an Office Holder of the Company with respect to any of the following liabilities or expenses that arise from an act performed by the Office Holder by virtue of being an Office Holder of the Company:

79.2.1. a financial liability imposed on an Office Holder in favor of another person by any judgment, including a judgment given as a result of a settlement or an arbitrator's award which has been confirmed by a court,

79.2.2. reasonable litigation expenses including attorney's fees, incurred by him as a result of an investigation or proceedings instituted against him by an authority empowered to conduct an investigation or proceedings, which are concluded without the filing of an indictment against the Office Holder and without the levying of a monetary obligation in lieu of criminal proceedings upon the Office Holder, or which are concluded without the filing of an indictment against the Office Holder but with levying a monetary obligation in substitute of such criminal proceedings upon the Office Holder for a crime that does not require proof of criminal intent; and

79.2.3. reasonable litigation expenses, including attorney's fees, expended by an Office Holder or which were imposed on an Office Holder by a court in proceedings filed against the Office Holder by the Company or in its name or by any other person or in a criminal charge on which the Office Holder was acquitted or in a criminal charge on which the Office Holder was convicted for an offense which did not require proof of criminal intent;

provided however, that in the event the Company wishes to indemnify an Office Holder in advance for financial liabilities under Article 79.2.1 it may only do so if the undertaking to indemnify the Office Holder for such liabilities was restricted to those events that the Board may deem foreseeable in light of the Company's actual activities, at the time of giving of such undertaking, and to a specific sum or a reasonable criterion under such circumstances as determined by the Board.

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

81. The provisions of Articles 79 and 80 are not intended, and shall not be interpreted, to restrict the Company in any manner in respect of the procurement of insurance or in respect of indemnification (i) in connection with any person who is not an Office Holder, including, without limitation, any employee, agent, consultant or contractor of the Company who is not an Office Holder, or (ii) in connection with any Office Holder to the extent that such insurance and/or indemnification is not specifically prohibited under law; *provided* that the procurement of any such insurance or the provision of any such indemnification shall be approved by the Board . Any modification of Articles 79 through 81 shall be prospective in effect and shall not affect the Company's obligation or ability to indemnify an Office Holder for any act or omission occurring prior to such modification.

Exhibit 4.3

THE SECURITIES REPRESENTED BY OR UNDERLYING THIS PURCHASE OPTION HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED ("ACT") OR APPLICABLE STATE LAW. SUCH SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT, OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT AND APPLICABLE STATE LAW AND EXCEPT AS OTHERWISE PROVIDED FOR HEREIN.

NOT EXERCISABLE PRIOR TO _____, 2007.
VOID AFTER 5:00 P.M. EASTERN TIME, _____, 2010.

PURCHASE OPTION

For the Purchase of up to

[ ] Ordinary Shares

of

IncrediMail Ltd.
(An Israeli Company)

Section 1. Purchase Option.

THIS PURCHASE OPTION CERTIFIES THAT, in consideration of $100.00 duly paid by or on behalf of Maxim Partners, LLC ("**Holder**"), as registered owner of this Purchase Option, to IncrediMail Ltd., an Israeli corporation (the "**Company**"), Holder is entitled to subscribe for, purchase and receive, in whole or in part, up to [ ] ([ ]) ordinary shares, par value NIS 0.01 per share, of the Company (the "**Shares**"), at any time during the period commencing one year (the "**Commencement Date**"), and expiring at 5:00 p.m. New York City Time five (5) years, ("**Expiration Date**") from the closing date of the Company's initial public offering (the "**Closing Date**") described in that certain registration statement on Form F-1, as amended (No. 333-129276) (the "**Registration Statement**") pursuant to which the Company has registered the Shares. If the Expiration Date is a day on which banking institutions in New York City are authorized by law to close, then this Purchase Option may be exercised on the next succeeding day that is not such a day in accordance with the terms herein. During the period ending on the Expiration Date, the Company agrees not to take any action that would terminate the Purchase Option. This Purchase Option is initially exercisable at $[ ] per share purchased [125% of the initial public offering price per share] (the "**Exercise Price**"); *provided, however*, that upon the occurrence of any of the events specified in Section 6 hereof, the rights granted by this Purchase Option, including the Exercise Price and the number of Shares to be received upon such exercise, shall be adjusted as therein specified. The term "Exercise Price" as used herein shall mean the initial exercise price of this Purchase Option as set forth above or the adjusted exercise price, depending on the context.

Section 2. Exercise.

Section 2.1 Exercise Form. In order to exercise this Purchase Option, the exercise form attached hereto as Annex I must be duly executed and completed and delivered to the Company, together with this Purchase Option and payment of the Exercise Price in cash, check or or wire transfer of immediately available funds (to an account designated by the Company) for the Shares being purchased. If the subscription rights represented hereby shall not be exercised at or before 5:00 p.m., New York City time, on the Expiration Date, this Purchase Option shall become and be void without further force or effect, and all rights represented hereby shall cease and expire.

Section 2.2 Legend. Each certificate for Shares purchased under this Purchase Option shall bear a legend as follows unless such Shares have been registered under the Securities Act of 1933, as amended (the "**Act**"):

> "The Shares represented by this certificate have not been registered under the Securities Act of 1933, as amended ("Act") or applicable state law. The Shares may not be offered for sale, sold or otherwise transferred except pursuant to an effective registration statement under the Act, or pursuant to an exemption from registration under the Act and applicable state law."

Section 2.3 Conversion Right.

Section 2.3.1 Determination of Amount. In lieu of the payment of the Exercise Price in the manner required by Section 2.1, the Holder shall have the right (but not the obligation) to exercise this Purchase Option on a cashless basis by converting any exercisable but unexercised portion of this Purchase Option into Shares ("**Conversion Right**") as follows. Upon exercise of the Conversion Right, the Company shall deliver to the Holder (without payment by the Holder of any of the Exercise Price in cash) that number of Shares equal to the quotient obtained by dividing: (x) the "Value" (as defined below), at the close of trading on the next to last trading day immediately preceding the exercise of the Conversion Right, of the portion of the Purchase Option being converted by (y) the "Market Price" (as defined below). The "**Value**" of the portion of the Purchase Option being converted shall equal the remainder derived from subtracting: (a) the Exercise Price multiplied by the number of Shares underlying that portion of the Purchase Option being converted from (b) the Market Price of the Common Stock multiplied by the number of Shares underlying that portion of the Purchase Option being converted. As used in this herein, the term "**Market Price**" at any date shall be deemed to be the last reported sale price of the Common Stock on such date, or, in case no such reported sale takes place on such day, the last reported sale price for the immediately preceding trading day, in either case as officially reported by the principal securities exchange on which the Common Stock is listed or admitted to trading, or, if the Common Stock is not listed or admitted to trading on any national securities exchange or if any such exchange on which the Common Stock is listed is not its principal trading market, the last reported sale price as furnished by the NASD through the Nasdaq National Market or Nasdaq Capital Market, or, if applicable, the OTC Bulletin Board, or if the Common Stock is not listed or admitted to trading on any of the foregoing markets, or similar organization, as determined in good faith by resolution of the Board of Directors of the Company using industry standard valuation methods based on the best information available to it.

Section 2.3.2 Mechanics of Conversion. The Conversion Right may be exercised by the Holder on any business day on or after the Commencement Date and not later than the Expiration Date by delivering the Purchase Option with a duly executed exercise form attached hereto with the Conversion Right section completed to the Company, exercising the Conversion Right and specifying the total number of Shares that the Holder will purchase pursuant to such Conversion Right.

Section 3. Transfer.

Section 3.1 General Restrictions. The registered Holder of this Purchase Option, by its acceptance hereof, agrees that it will not sell, transfer or assign or hypothecate this Purchase Option prior to the Commencement Date to anyone other than: (i) by operation of law or reorganization of the Company or the Holder or its affiliate, Maxim Group LLC, (ii) to the underwriters of the offering described in the Registration Statement (the "**Underwriters**") and bona fide partners, officers of the Underwriters and selling group members or (iii) to any successor, officer, manager or member of the Holder (or its affiliate, Maxim Group LLC) and the Underwriters (or to officers, managers or members of any successor or member of the Holder and the Underwriters), provided that any successor agrees to be bound by the terms of this Purchase Option. On and after the Commencement Date, transfers to others may be made subject to compliance with or exemptions from applicable securities laws. In order to make any permitted assignment, the Holder must deliver to the Company the assignment form attached hereto as Annex II duly executed and completed, together with the Purchase Option and payment of all transfer taxes, if any, payable in connection therewith. The Company shall promptly (but in no event more than five (5) business days from its receipt of the assignment) transfer this Purchase Option on the books of the Company and shall execute and deliver a new Purchase Option or Purchase Options of like tenor to the appropriate assignee(s) expressly evidencing the right to purchase the aggregate number of Shares purchasable hereunder or such portion of such number as shall be contemplated by any such assignment. The effective date of any transfer shall be the date the Company receives the assignment form or such later date as may be provided for therein.

Section 3.2 Restrictions Imposed by the Act. This Purchase Option and the Shares underlying this Purchase Option shall not be transferred unless and until: (i) the Company has received the opinion of counsel for the Holder that this Purchase Option or the Shares, as the case may be, may be transferred pursuant to an exemption from registration under the Act and applicable state law, the availability of which is established to the reasonable satisfaction of the Company (the Company hereby agreeing that an opinion of Ellenoff Grossman & Schole LLP shall be deemed satisfactory evidence of the availability of an exemption), or (ii) a registration statement relating to such Purchase Option or Shares, as the case may be, has been filed by the Company and declared effective by the U.S. Securities and Exchange Commission ("**SEC**") and compliance with applicable state law.

Section 4. New Purchase Options to be Issued.

Section 4.1 Partial Exercise or Transfer. Subject to the restrictions in Section 3 hereof, this Purchase Option may be exercised or assigned in whole or in part. In the event of the exercise or assignment hereof in part only, upon surrender of this Purchase Option for cancellation, together with the duly executed exercise or assignment form and funds sufficient to pay any Exercise Price and/or transfer tax, the Company shall cause to be delivered to the Holder without charge a new Purchase Option of like tenor to this Purchase Option in the name of the Holder evidencing the right of the Holder to purchase the aggregate number of Shares purchasable hereunder as to which this Purchase Option has not been exercised or assigned.

Section 4.2 Lost Certificate. Upon receipt by the Company of evidence satisfactory to it of the loss, theft, destruction or mutilation of this Purchase Option and of reasonably satisfactory indemnification, the Company shall execute and deliver a new Purchase Option of like tenor and date. Any such new Purchase Option executed and delivered as a result of such loss, theft, mutilation or destruction shall constitute a substitute contractual obligation on the part of the Company.

Section 5. Registration Rights.

Section 5.1 Demand Registration.

Section 5.1.1 Grant of Right. The Company, upon written demand (a "**Demand Notice**") of the Holder(s) of at least 51% of the Purchase Options and/or the underlying Shares ("**Majority Holders**"), agrees to register, on two occasions (at least twelve months apart), all or any portion of the Shares underlying the Purchase Options (collectively the "**Registrable Securities**"). On such occasions, the Company will file a registration statement with the SEC covering the Registrable Securities within sixty (60) days after receipt of a Demand Notice and use its reasonable best efforts to have the registration statement declared effective promptly thereafter, subject to compliance with review by the SEC; *provided, however*, that the Company shall not be required to comply with a Demand Notice if the Company has filed a registration statement with respect to which the Holder is entitled to piggyback registration rights pursuant to Section 5.2 hereof and either: (i) the Holder has elected to participate in the offering covered by such registration statement or (ii) if such registration statement relates to an underwritten primary offering of securities of the Company, until the offering covered by such registration statement has been withdrawn or until thirty (30) days after such offering is consummated. The demands for registration may be made at any time during a period of four (4) years beginning one year from the Closing Date. The Company covenants and agrees to give written notice of its receipt of any Demand Notice by any Holder(s) to all other registered Holders of the Purchase Options and/or the Registrable Securities within ten (10) days from the date of the receipt of any such Demand Notice.

Section 5.1.2 Terms. The Company shall bear all fees and expenses attendant to the first registration of the Registrable Securities pursuant to Section 5.1.1, but the Holders shall pay any and all underwriting commissions and the expenses of any legal counsel selected by the Holders to represent them in connection with the sale of the Registrable Securities. The Holders shall bear all fees and expenses (including all underwriting commissions and the expenses of any legal counsel selected by the Holders to represent them) in connection with the second registration of the Registrable Securities described in Section 5.1.1 hereof. The Company agrees to use its reasonable best efforts to cause the filing required herein to become effective promptly and to qualify or register the Registrable Securities in such States as are reasonably requested by the Holder(s); *provided, however,* that in no event shall the Company be required to register the Registrable Securities in a State in which such registration would cause: (i) the Company to be obligated to register or license to do business in such State or submit to general service of process in such State, or (ii) the principal shareholders of the Company to be obligated to escrow their shares of capital stock of the Company. The Company shall cause any registration statement filed pursuant to the demand right granted under Section 5.1.1 to remain effective for a period of at least twelve consecutive months from the date that the Holders of the Registrable Securities covered by such registration statement are first given the opportunity to sell all of such securities. The Holders shall only use the prospectuses provided by the Company to sell the shares covered by such registration statements, and will immediately cease to use any prospectus furnished by the Company if the Company advises the Holder that such prospectus may no longer be used due to a material misstatement or omission.

Section 5.2 "Piggy-Back" Registration.

Section 5.2.1 Grant of Right. In addition to the demand right of registration, described in Section 5.1 hereof the Holder shall have the right, for a period of five (5) years commencing one year from the Closing Date, to include the Registrable Securities as part of any other registration of securities filed by the Company (other than in connection with a transaction contemplated by Rule 145(a) promulgated under the Act or pursuant to Form S-8 or any equivalent form); *provided, however,* that if, solely in connection with any primary underwritten public offering for the account of the Company, the managing underwriter(s) thereof shall, in its reasonable discretion, impose a limitation on the number of shares of Common Stock which may be included in the Registration Statement because, in such underwriter(s)' judgment, marketing or other factors dictate such limitation is necessary to facilitate public distribution, then the Company shall be obligated to include in such Registration Statement only such limited portion of the Registrable Securities with respect to which the Holder requested inclusion hereunder as the underwriter shall reasonably permit. Any exclusion of Registrable Securities shall be made pro rata among the Holders seeking to include Registrable Securities in proportion to the number of Registrable Securities sought to be included by such Holders; *provided, however*, that the Company shall not exclude any Registrable Securities unless the Company has first excluded all outstanding securities, the holders of which are not entitled to inclusion of such securities in such Registration Statement or are not entitled to pro rata inclusion with the Registrable Securities.

Section 5.2.2 Terms. The Company shall bear all fees and expenses attendant to registering the Registrable Securities pursuant to Section 5.2.1 hereof, but the Holders shall pay any and all underwriting commissions and the expenses of any legal counsel selected by the Holders to represent them in connection with the sale of the Registrable Securities. In the event of such a proposed registration, the Company shall furnish the then Holders of outstanding Registrable Securities with not less than thirty (30) days written notice prior to the proposed date of filing of such registration statement. Such notice to the Holders shall continue to be given for each registration statement filed by the Company until such time as all of the Registrable Securities have been sold by the Holder. The holders of the Registrable Securities shall exercise the "piggy-back" rights provided for herein by giving written notice, within ten (10) days of the receipt of the Company's notice of its intention to file a registration statement.

Section 5.3 General Terms.

Section 5.3.1 Indemnification. The Company shall indemnify the Holder(s) of the Registrable Securities to be sold pursuant to any registration statement hereunder and each person, if any, who controls such Holders within the meaning of Section 15 of the Act or Section 20(a) of the Securities Exchange Act of 1934, as amended ("**Exchange Act**"), against all loss, claim, damage, expense or liability (including all reasonable attorneys' fees and other expenses reasonably incurred in investigating, preparing or defending against any claim whatsoever) to which any of them may become subject under the Act, the Exchange Act or otherwise, arising from such registration statement but only to the same extent and with the same effect as the provisions pursuant to which the Company has agreed to indemnify the Underwriters contained in Section 8 of the Underwriting Agreement between the Underwriters and the Company, dated as of _____, 2006. The Holder(s) of the Registrable Securities to be sold pursuant to such registration statement, and their successors and assigns, shall severally, and not jointly, indemnify the Company, against all loss, claim, damage, expense or liability (including all reasonable attorneys' fees and other expenses reasonably incurred in investigating, preparing or defending against any claim whatsoever) to which they may become subject under the Act, the Exchange Act or otherwise, arising from information furnished by or on behalf of such Holders, or their successors or assigns, in writing, for specific inclusion in such registration statement to the same extent and with the same effect as the provisions contained in Section 8 of the Underwriting Agreement pursuant to which the Underwriters have agreed to indemnify the Company.

Section 5.3.2 Exercise of Purchase Options. Nothing contained in this Purchase Option shall be construed as requiring the Holder(s) to exercise their Purchase Options prior to or after the initial filing of any registration statement or the effectiveness thereof.

Section 5.3.3 Documents Delivered to Holders. The Company shall furnish to each Holder participating in any of the foregoing offerings and to each underwriter of any such offering, if any, a signed counterpart, addressed to such Holder or underwriter, of: (i) an opinion of counsel to the Company, dated the effective date of such registration statement (and, if such registration includes an underwritten public offering, an opinion dated the date of the closing under any underwriting agreement related thereto), and (ii) a "cold comfort" letter dated the effective date of such registration statement (and, if such registration includes an underwritten public offering, a letter dated the date of the closing under the underwriting agreement) signed by the independent public accountants who have issued a report on the Company's financial statements included in such registration statement, in each case covering substantially the same matters with respect to such registration statement (and the prospectus included therein) and, in the case of such accountants' letter, with respect to events subsequent to the date of such financial statements, as are customarily covered in opinions of issuer's counsel and in accountants' letters delivered to underwriters in underwritten public offerings of securities. The Company shall also deliver promptly to each Holder participating in the offering requesting the correspondence and memoranda described below and to the managing underwriter, if any, copies of all correspondence between the SEC and the Company, its counsel or auditors and all memoranda relating to discussions with the SEC or its staff with respect to the registration statement and permit each Holder and underwriter to do such investigation, upon reasonable advance notice, with respect to information contained in or omitted from the registration statement as it deems reasonably necessary to comply with applicable securities laws or rules of the National Association of Securities Dealers, Inc. ("**NASD**"). Such investigation shall include access to books, records and properties and opportunities to discuss the business of the Company with its officers and independent auditors, all to such reasonable extent and at such reasonable times as any such Holder shall reasonably request.

Section 5.3.4 Underwriting Agreement. The Company shall enter into an underwriting agreement with the managing underwriter(s), if any, selected by any Holders whose Registrable Securities are being registered pursuant to this Section 5, which managing underwriter shall be reasonably satisfactory to the Company. Such agreement shall be reasonably satisfactory in form and substance to the Company, each Holder and such managing underwriters, and shall contain such representations, warranties and covenants by the Company and such other terms as are customarily contained in agreements of that type used by the managing underwriter. The Holders shall be parties to any underwriting agreement relating to an underwritten sale of their Registrable Securities and may, at their option, require that any or all the representations, warranties and covenants of the Company to or for the benefit of such underwriters shall also be made to and for the benefit of such Holders. Such Holders shall not be required to make any representations or warranties to or agreements with the Company or the underwriters except as they may relate to such Holders, their Shares and their intended methods of distribution.

Section 5.3.5 Documents to be Delivered by Holder(s). Each of the Holder(s) participating in any of the foregoing offerings shall furnish to the Company a completed and executed questionnaire provided by the Company requesting information customarily sought of selling securityholders.

Section 5.3.6 Damages. Should the registration or the effectiveness thereof required by Sections 5.1 and 5.2 hereof be delayed by the Company or the Company otherwise fails to comply with such provisions, the Holder(s) shall, in addition to any other legal or other relief available to the Holder(s), be entitled to obtain specific performance or other equitable (including injunctive) relief against the threatened breach of such provisions or the continuation of any such breach, without the necessity of proving actual damages and without the necessity of posting bond or other security.

Section 6. Adjustments.

Section 6.1 Adjustments to Exercise Price and Number of Securities. The Exercise Price and the number of Shares underlying the Purchase Option shall be subject to adjustment from time to time as hereinafter set forth:

Section 6.1.1 Stock Dividends - Recapitalization, Reclassification, Split-Ups. If after the date hereof, and subject to the provisions of Section 6.2 below, the number of outstanding Shares is increased by a stock dividend payable in Shares or by a split-up, recapitalization or reclassification of Shares or other similar event, then, on the effective date thereof, the number of Shares issuable on exercise of the Purchase Option shall be increased in proportion to such increase in outstanding Shares.

Section 6.1.2 Aggregation of Shares. If after the date hereof, and subject to the provisions of Section 6.2, the number of outstanding Shares is decreased by a consolidation, combination or reclassification of Shares or other similar event, then, upon the effective date thereof, the number of Shares issuable on exercise of the Purchase Option shall be decreased in proportion to such decrease in outstanding Shares.

Section 6.1.3 Adjustments in Exercise Price. Whenever the number of Shares purchasable upon the exercise of this Purchase Option is adjusted, as provided in this Section 6.1, the Exercise Price shall be adjusted (to the nearest cent) by multiplying such Exercise Price immediately prior to such adjustment by a fraction: (x) the numerator of which shall be the number of Shares purchasable upon the exercise of this Purchase Option immediately prior to such adjustment, and (y) the denominator of which shall be the number of Shares so purchasable immediately thereafter.

Section 6.1.4 Replacement of Securities upon Reorganization, Merger, etc. In case of any reclassification or reorganization of the outstanding Shares other than a change covered by Section 6.1.1 hereof or which solely affects the par value of such Shares, or in the case of any merger or consolidation of the Company with or into another corporation or any other entity (other than a consolidation or merger in which the Company is the continuing corporation and which does not result in any reclassification or reorganization of the outstanding Shares), or in the case of any sale or conveyance to another corporation or any other entity of the property of the Company as an entirety or substantially as an entirety in connection with which the Company is dissolved, the Holder of this Purchase Option shall have the right thereafter (until the expiration of the right of exercise of this Purchase Option) to receive upon the exercise hereof, for the same aggregate Exercise Price payable hereunder immediately prior to such event, the kind and amount of Shares or other securities or property (including cash) receivable upon such reclassification, reorganization, merger or consolidation, or upon a dissolution following any such sale or other transfer, by a Holder of the number of Shares obtainable upon exercise of this Purchase Option immediately prior to such event; and if any reclassification also results in a change in Shares covered by Section 6.1.1, then such adjustment shall be made pursuant to Sections 6.1.1, 6.1.3 and this Section 6.1.4. The provisions of this Section 6.1.4 shall similarly apply to successive reclassifications, reorganizations, mergers or consolidations, sales or other transfers.

Section 6.1.5 Changes in Form of Purchase Option. This form of Purchase Option need not be changed because of any change pursuant to this Section, and Purchase Options issued after such change may state the same Exercise Price and the same number of Shares as are stated in the Purchase Options initially issued pursuant to this Agreement. The acceptance by any Holder of the issuance of new Purchase Options reflecting a required or permissive change shall not be deemed to waive any rights to a prior adjustment or the computation thereof.

Section 6.2 Elimination of Fractional Interests. The Company shall not be required to issue certificates representing fractions of Shares upon the exercise or transfer of the Purchase Option, nor shall it be required to issue scrip or pay cash in lieu of any fractional interests, it being the intent of the parties that all fractional interests shall be eliminated by rounding any fraction up or down to the nearest whole number of Shares.

Section 7. Reservation and Listing. The Company shall at all times reserve and keep available out of its authorized Shares, solely for the purpose of issuance upon exercise of the Purchase Options, such number of Shares or other securities, properties or rights as shall be issuable upon the exercise thereof. The Company covenants and agrees that, upon exercise of the Purchase Options and payment of the Exercise Price therefor, all Shares and other securities issuable upon such exercise shall be duly and validly issued, fully paid and non-assessable and not subject to preemptive rights of any shareholder. As long as the Purchase Options shall be outstanding, the Company shall use its best efforts to cause all Shares issuable upon exercise of the Purchase Options to be listed (subject to official notice of issuance) on all securities exchanges (or, if applicable on Nasdaq) on which the ordinary shares of the Company (the "**Ordinary Shares**") issued to the public pursuant to the Registration Statement are then listed and/or quoted.

Section 8. Certain Notice Requirements.

Section 8.1 Holder's Right to Receive Notice. Nothing herein shall be construed as conferring upon the Holders the right to vote or consent or to receive notice as a shareholder for the election of directors or any other matter, or as having any rights whatsoever as a shareholder of the Company. If, however, at any time prior to the expiration of the Purchase Options and their exercise, any of the events described in Section 8.2 hereof shall occur, then, in one or more of said events, the Company shall give written notice of such event at least fifteen (15) days prior to the date fixed as a record date or the date of closing the transfer books for the determination of the shareholders entitled to such dividend, distribution, conversion or exchange of securities or subscription rights, or entitled to vote on such proposed dissolution, liquidation, winding up or sale. Such notice shall specify such record date or the date of the closing of the transfer books, as the case may be.

Section 8.2 Events Requiring Notice. The Company shall be required to give the notice described in this Section 8 upon one or more of the following events: (i) if the Company shall take a record of the holders of its Ordinary Shares for the purpose of entitling them to receive a dividend or distribution payable otherwise than in cash, or a cash dividend or distribution payable otherwise than out of retained earnings, as indicated by the accounting treatment of such dividend or distribution on the books of the Company, or (ii) the Company shall offer to all the holders of its Ordinary Shares any additional shares of capital stock of the Company or securities convertible into or exchangeable for shares of capital stock of the Company, or any option, right or warrant to subscribe therefor, or (iii) merger, combination, consolidation, stock acquisition, dissolution, liquidation or winding up of the Company or a sale of all or substantially all of its property, assets and business shall be proposed.

Section 8.3 Notice of Change in Exercise Price. The Company shall, promptly after an event requiring a change in the Exercise Price pursuant to Section 6 hereof, send notice to the Holders of such event and change ("**Price Notice**"). The Price Notice shall describe the event causing the change and the method of calculating same and shall be certified as being true and accurate by the Company's President and Chief Financial Officer.

Section 8.4 Transmittal of Notices. Any notice, demand, request or other communication required or permitted under this Purchase Option shall be in writing and shall be deemed to have been duly given if personally delivered or mailed by reputable overnight courier or delivered by facsimile transmission, to the Company at the address set forth in the Company's filings with the SEC or its facsimile number (+972-3-5160917) or to the Holder at its address or facsimile number set forth in the records of the Company. Any party hereto may by notice so given change its address for future notice hereunder. Notice shall conclusively be deemed to have been given when personally delivered or when deposited in the mail in the manner set forth above and shall be deemed to have been received when delivered or, if notice is given by facsimile transmission, when delivered with confirmation of receipt.

Section 9. Miscellaneous.

Section 9.1 Amendments. The Company and the Maxim Partners LLC may from time to time supplement or amend this Purchase Option without the approval of any of the Holders of any portion of this Purchase Option in order to cure any ambiguity, to correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions herein, or to make any other provisions in regard to matters or questions arising hereunder which the Company and the Underwriters may deem necessary or desirable and which the Company and the Underwriters deem shall not adversely affect the interest of the Holders. All other modifications or amendments shall require the written consent of the party against whom enforcement of the modification or amendment is sought.

Section 9.2 Headings. The headings contained herein are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Purchase Option.

Section 9.3 Entire Agreement. This Purchase Option (together annexes hereto) constitutes the entire agreement of the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements and understandings of the parties, oral and written, with respect to the subject matter hereof.

Section 9.4 Binding Effect. This Purchase Option shall inure solely to the benefit of and shall be binding upon, the Holder and the Company and their respective successors, legal representatives and assigns, and no other person shall have or be construed to have any legal or equitable right, remedy or claim under or in respect of or by virtue of this Purchase Option or any provisions herein contained.

Section 9.5 Governing Law; Submission to Jurisdiction. This Purchase Option and the transactions contemplated hereby shall be governed as to validity, interpretation, construction, effect, and in all other respects by the laws of the State of New York pursuant to Section 5-1401 of the New York General Obligations Law, without regard to the conflicts of laws principals thereof (other than Section 5-1401 of The New York General Obligations Law). The Company: (a) agrees that any legal suit, action or proceeding arising out of or relating to this Purchase Option and/or the transactions contemplated hereby shall be instituted exclusively in the Supreme Court of the State of New York, New York County, or in the United States District Court for the Southern District of New York, (b) waives any objection which it may have or hereafter to the venue of any such suit, action or proceeding, and (c) irrevocably consents to the jurisdiction of Supreme Court of the State of New York, New York County, or in the United States District Court for the Southern District of New York in any such suit, action or proceeding. The Company has appointed Morrison & Foerster LLP as its authorized agent (the "**Authorized Agent**") upon whom process may be served in any suit, action or proceeding arising out of or based upon this Purchase Option or the transactions contemplated herein which may be instituted in any New York Court, by the Holder or by any person who controls any Underwriter, and expressly accepts the exclusive jurisdiction of any such court in respect of any such suit, action or proceeding. The Company hereby represents and warrants that the Authorized Agent has accepted such appointment and has agreed to act as said agent for service of process, and the Company agrees to take any and all action, including the filing of any and all documents that may be necessary to continue such appointment in full force and effect as aforesaid. Service of process upon the Authorized Agent shall be deemed, in every respect, effective service of process upon the Company. Notwithstanding the foregoing, the Company hereby agrees to the exclusive jurisdiction of the Supreme Court of the State of New York, New York County, or in the United States District Court for the Southern District of New York in connection with any action brought by them arising out of or based upon this Purchase Option. THE COMPANY (ON BEHALF OF ITSELF AND, TO THE FULLEST EXTENT PERMITTED BY LAW, ON BEHALF OF ITS RESPECTIVE EQUITY HOLDERS AND CREDITORS) HEREBY WAIVES ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY CLAIM BASED UPON, ARISING OUT OF OR IN CONNECTION WITH THIS PURCHASE OPTION AND THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 9.6 Waiver, etc. The failure of the Company or the Holder to at any time enforce any of the provisions of this Purchase Option shall not be deemed or construed to be a waiver of any such provision, nor to in any way affect the validity of this Purchase Option or any provision hereof or the right of the Company or any Holder to thereafter enforce each and every provision of this Purchase Option. No waiver of any breach, non-compliance or non-fulfillment of any of the provisions of this Purchase Option shall be effective unless set forth in a written instrument executed by the party or parties against whom or which enforcement of such waiver is sought; and no waiver of any such breach, non-compliance or non-fulfillment shall be construed or deemed to be a waiver of any other or subsequent breach, non-compliance or non-fulfillment.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Purchase Option to be signed by its duly authorized officer as of the _____ day of _____, 2006.

INCREDIMAIL LTD.

By: _____

Name:

Title

ANNEX I

Form to be used to exercise Purchase Option

IncrediMail Ltd.

Date:_____, 200__

The undersigned hereby elects irrevocably to exercise the within Purchase Option and to purchase ____ Ordinary Shares of IncrediMail Ltd. and hereby makes payment of $_____ (at the rate of $_____ per share) in payment of the Exercise Price pursuant thereto. Please issue the Share as to which this Purchase Option is exercised in accordance with the instructions given below.

or

The undersigned hereby elects irrevocably to exercise the within Purchase Option and to purchase _____ Ordinary Shares of IncrediMail Ltd. by surrender of the unexercised portion of the within Purchase Option (with a "Value" of $_____ based on a "Market Price" of $_____. Please issue the Shares as to which this Purchase Option is exercised in accordance with the instructions given below.

_____

Signature

NOTICE: The signature to this form must correspond with the name as written upon the face of the within Purchase Option in every particular without alteration or enlargement or any change whatsoever.

INSTRUCTIONS FOR REGISTRATION OF SECURITIES

Name _____

(Print in Block Letters)

Address _____

ANNEX II

Form to be used to assign Purchase Option

ASSIGNMENT

(To be executed by the registered Holder to effect a transfer of the within Purchase Option):

FOR VALUE RECEIVED,_____ does hereby sell, assign and transfer unto _____ the right to purchase _____ Ordinary Shares of IncrediMail Ltd. ("Company") evidenced by the within Purchase Option and does hereby authorize the Company to transfer such right on the books of the Company.

Dated:_____, 200_

_____

Signature

_____

Signature Guaranteed

NOTICE: The signature to this form must correspond with the name as written upon the face of the within Purchase Option in every particular without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank, other than a savings bank, or by a trust company or by a firm having membership on a registered national securities exchange.

Exhibit 5.1

[Letterhead of Erdinast, Ben Nathan & Co., Advocates]

Tel Aviv, 4 January 2006

Incredimail Ltd.
2 Kaufman Street
Tel Aviv 68012
Israel

Ladies and Gentlemen:

We have acted as Israeli counsel to Incredimail Ltd., a company organized under the laws of the State of Israel (the "**Company**"), in connection with the Company's Registration Statement on Form F-1 (the "**Registration Statement**"). The Registration Statement relates to the registration of the offer and sale under the United States Securities Act of 1933, as amended (the "**1933 Act**"), of Ordinary Shares, par value NIS 0.01 each, of the Company (the "**Ordinary Shares**"). As described in the Registration Statement, the Company intends to issue and sell up to 2,500,000 Ordinary Shares, and the selling shareholders named in the Registration Statement (the "**Selling Shareholders**") may sell up to 375,000 Ordinary Shares pursuant to an over-allotment option granted to the underwriters.

This opinion is being furnished to you in accordance with the requirements of Item 601(b)(5) of Regulation S-K under the 1933 Act.

In connection with this opinion, we have examined originals or copies, certified or otherwise identified to our satisfaction, of all such agreements, certificates, and other statements of and corporate officers and other representatives of the Company, and other documents provided to us by the Company as we have deemed necessary as a basis for this opinion.

In rendering an opinion on the matters hereinafter set forth, we have assumed the authenticity of all original documents submitted to us as certified, conformed or photographic copies thereof, the genuineness of all signatures and the due authenticity of all persons executing such documents. We have assumed the same to have been properly given and to be accurate, we have assumed the truth of all facts communicated to us by the Company or the Selling Shareholders, and we have also assumed that all consents, minutes and protocols of meetings of the Company's board of directors and shareholders meetings of the Company which have been provided to us are true, accurate and have been properly prepared in accordance with the Company's incorporation documents and all applicable laws.

In giving the opinion expressed herein, no opinion is expressed as to the laws of any jurisdiction other than the State of Israel as the same are in force on the date hereof.

This opinion is limited to the matters stated herein and no opinion is implied or may be inferred beyond the matters expressly stated.

Based upon and subject to the foregoing, we are of the opinion that:

1. The Ordinary Shares to be issued and sold by the Company as contemplated by the Underwriting Agreement are duly authorized, and when issued, sold and paid for in accordance with the Underwriting Agreement as described in the Registration Statement will be validly issued, fully paid and non-assessable.

2. The Ordinary Shares to be sold by the Selling Shareholders are duly authorized and will be, on the effective date of the Registration Statement, validly issued, fully paid and non-assessable.

We hereby consent to the filing of this opinion with the Securities and Exchange Commission as Exhibit 5.1 to the Registration Statement, and to the use of our name where appearing in the Registration Statement in connection with Israeli law. In giving such consent, we do not thereby admit that we are in the category of persons whose consent is required under Section 7 of the Act.

This opinion shall be governed by the laws of the State of Israel, and exclusive jurisdiction with respect thereto under all and any circumstances, and under all and any proceedings shall be vested only and exclusively with the courts of Tel Aviv in the State of Israel. This opinion is rendered to you subject to, based and in reliance on your agreement to comply with the exclusive choice of law and jurisdiction contained herein and to refrain under all and any circumstances from initiating any proceedings or taking any legal action relating to this opinion outside the State of Israel.

Very truly yours,

/s/ Erdinast, Ben Nathan & Co., Advocates

Erdinast, Ben Nathan & Co., Advocates