UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): September 1, 2011

LAPIS TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware	333-100979	27-0016420
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)
70 Kinderkamack Road, Emerson, New Jersey		07630
(Address of principal executive offices)		(Zip Code)

Registrant's telephone number, including area code: (201) 225-0190

n/a

(Former name or former address, if changed since last report)

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

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

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

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

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

Item 1.01. Entry into a Material Definitive Agreement.

Amendment of Purchase Agreement

On September 1, 2011, Lapis Technologies, Inc. (the "Company") entered into a Second Amendment to Note and Warrant Purchase Agreement (the "Amendment"), dated as of August 31, 2011, with UTA Capital LLC, a Delaware limited liability company ("UTA"), pursuant to which the Company and UTA amended the Note and Warrant Purchase Agreement, dated as of July 12, 2011, as amended on August 16, 2011, by and between the Company and UTA (the "Purchase Agreement").

Pursuant to the Amendment, the Company and UTA amended the Purchase Agreement (as so amended, the "Amended Purchase Agreement") to, among other things, provide for (i) a 12-month, secured promissory note for the principal amount of $1,500,000 (the "Intermediate Note") that may be issued to UTA by the Company upon 60 days' prior notice by UTA or the Company, which notice either UTA or the Company may give to the other party commencing on December 30, 2011 (but no later than the first to occur of June 1, 2012 or the consummation of the second closing contemplated by the Purchase Agreement); (ii) a warrant entitling UTA to purchase from the Company up to a total of 2% of the Company's outstanding common stock, on a fully-diluted basis, subject to adjustment as described below (the "2% Intermediate Warrant"), that the Company will issue to UTA if a closing with respect to the Intermediate Note takes place (the "Intermediate Closing"); (iii) a warrant entitling UTA to purchase from the Company up to a total of 2% of the Company's outstanding common stock, on a fully-diluted basis, that the Company will issue to UTA in certain circumstances in the event that the Intermediate Closing does not occur (the "2% Default Intermediate Warrant" and together with the 2% Intermediate Warrant, the "Intermediate Warrant"); and (iv) the amendment of the secured promissory note to be issued at the second closing (the "Second Note"), if any, to provide that the principal amount of the Second Note is to equal $3,000,000 less the aggregate unpaid principal amount outstanding under the Intermediate Note as of the date of the second closing.

The Intermediate Note will bear interest at a rate of 8% per annum and principal will be due to be repaid on the maturity date. The proceeds from the issuance of the Intermediate Note are to be used solely to refinance the existing bank facility provided by First International Bank of Israel and to pay fees and expenses related thereto.

In the event that, as of the six-month anniversary of the date of the Intermediate Closing, the Company has not satisfied and discharged all of its obligations under the Intermediate Note, the percentage of shares underlying the 2% Intermediate Warrant (the "Fixed Percentage") will be automatically increased from 2% to 4%. The Fixed Percentage will be increased by an additional 2% on each three-month anniversary thereafter until the expiration date of the 2% Intermediate Warrant if the Company has not satisfied and discharged all of its obligations under the Intermediate Note as of such dates. The Fixed Percentage will cease to increase following the closing of an acquisition by the Company, directly or indirectly, of the majority of the equity interests in or substantially all of the assets of (x) an acquisition candidate currently being considered by the Company, or, (y) subject to UTA's prior written consent, another entity.

The foregoing summary of the Amendment does not purport to be complete and is qualified in its entirety by reference to the full text of the Amendment, which is attached hereto as Exhibit 10.1, and is incorporated herein by reference.

Initial Closing of Amended Purchase Agreement

First Note

On September 1, 2011, the initial closing of the transactions contemplated by the Amended Purchase Agreement took place. In connection therewith, the Company issued to UTA a secured promissory note in the principal amount of $3,000,000 that matures on March 1, 2014 (the "First Note"). The First Note bears interest at a rate of 8% per annum and principal is due to be repaid in three equal principal payments of $1,000,000 on each of September 1, 2012, September 1, 2013 and March 1, 2014. Net proceeds from the sale of the First Note are to be used as working capital for the Company and its subsidiaries.

First Warrant

On September 1, 2011, the Company issued to UTA a warrant (the "First Warrant") to purchase up to 952,227 shares of the Company's common stock, par value $0.001 (the "Common Stock"), representing 12% of the Company's outstanding shares of Common Stock, on a fully diluted basis. The First Warrant first becomes exercisable on March 1, 2012 and will terminate, to the extent not exercised, on March 1, 2017.

Pledge and Security Agreements

On September 1, 2011, the Company entered into a Pledge and Security Agreement (the "Security Agreement") under which it pledged, as security in favor of UTA for the obligations of the Company under the First Note, the Intermediate Note (if and when issued), the Second Note (if and when issued) and the Amended Purchase Agreement, all of the shares of capital stock of Enertec Electronics Ltd., an Israeli company and a wholly-owned subsidiary of the Company ("Enertec Electronics"), and granted, as additional security in favor of UTA for the obligations of the Company under the transaction documents, a security interest in and lien on any and all accounts receivable, contracts, chattel paper, equipment and all other assets of the Company.

On September 1, 2011, each of Enertec Electronics and Enertec Management Limited, an Israeli company and a wholly-owned subsidiary of Enertec Electronics, entered into a Pledge and Security Agreement, under which they each guaranteed all of the Company's obligations under the transaction documents and agreed not to transfer, pledge or encumber any shares of Enertec Management and Enertec Systems 2001 Ltd., an Israeli company and a wholly-owned subsidiary of Enertec Management ("Enertec Systems"), without the prior written consent of UTA unless such transfer, pledge or encumbrance is contemplated by the transaction documents . Enertec Electronics also granted UTA, as security in favor of UTA for the obligations of the Company under the transaction documents, a security interest in and lien on all of the shares of Enertec Management and Enertec Management granted UTA, as security in favor of UTA for the obligations of the Company under the transaction documents, a security interest in and lien on all of the shares of capital stock of Enertec Systems.

On September 1, 2011, Enertec Systems also entered into a Security Agreement guaranteeing all of the Company's obligations under the transaction documents and granting UTA, as security in favor of UTA for the obligations of the Company under the transaction documents, a security interest in and lien on all of Enertec Systems' then owned or thereafter acquired accounts receivable, contracts, chattel paper, equipment and all other assets.

The foregoing summary of the First Note, the First Warrant and the Security Agreement do not purport to be complete and are qualified in their entirety by reference to the full text of the First Note, the First Warrant and the Security Agreement, which are attached hereto as Exhibits 10.2, 10.3 and 10.4, respectively, and are incorporated herein by reference.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The information provided in Item 1.01 of this Current Report on Form 8-K is incorporated herein by reference.

Item 3.02. Unregistered Sale of Equity Securities.

The First Warrant was issued in reliance upon an exemption from the registration requirements of the Securities Act of 1933, as amended, contained in Section 4(2) thereof and the rules and regulations promulgated thereunder in a transaction not involving a public offering.

The information provided in Item 1.01 of this Current Report on Form 8-K is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit Number	Description
10.1	Second Amendment to Note and Warrant Purchase Agreement, dated as of August 31, 2011, by and between Lapis Technologies Inc. and UTA Capital LLC.
10.2	Secured Promissory Note Dated September 1, 2011 issued to UTA Capital LLC.
10.3	Common Stock Purchase Warrant Dated September 1, 2011 issued to UTA Capital LLC.
10.4	Company Pledge and Security Agreement, dated as of September 1, 2011, by and between Lapis Technologies Inc. and UTA Capital LLC.

SIGNATURES

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

LAPIS TECHNOLOGIES, INC.

Dated: September 7, 2011

By: /s/ David Lucatz
Name: David Lucatz
Title: President and Chief Executive Officer

EXHIBIT INDEX

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10.3	Common Stock Purchase Warrant Dated September 1, 2011 issued to UTA Capital LLC.
10.4	Company Pledge and Security Agreement, dated as of September 1, 2011, by and between Lapis Technologies Inc. and UTA Capital LLC.

Exhibit 10.1

Execution Version

SECOND AMENDMENT
TO
NOTE AND WARRANT PURCHASE AGREEMENT

Second Amendment to Note and Warrant Purchase Agreement (this "Amendment"), dated as of August 31, 2011, by and between Lapis Technologies Inc., a Delaware corporation (the "Company"), and UTA Capital LLC, a Delaware limited liability company (the "Purchaser").

WITNESSETH :

WHEREAS, the Company and the Purchaser entered into a Note and Warrant Purchase Agreement, dated as of July 12, 2011 as amended on August 16, 2011 (the "Agreement"), pursuant to which, among other things, the Company agreed to issue to the Purchaser secured promissory notes and warrants, on the terms and subject to the conditions set forth in the Agreement; and

WHEREAS, pursuant to Section 14.4 of the Agreement, the Company and the Purchaser desire to amend the Agreement as provided herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby mutually acknowledged, the parties agree as follows:

Section 1.1. Amendments to the Recitals. The recitals to the Agreement are hereby deleted in their entirety and restated to read as follows:

"WHEREAS, the Company desires to issue and sell to the Purchaser, and the Purchaser desires to purchase from the Company, secured promissory notes, substantially in the forms of Exhibit A-1 (the "First Note"), Exhibit A-2 (the "Intermediate Note") and Exhibit A-3 (the "Second Note") attached hereto (each such note, a "Note" and together, the "Notes"), the First Note maturing thirty (30) months from the Initial Closing Date (as defined below) and having a principal amount of $3,000,000 (the "First Note Principal Amount"), the Intermediate Note maturing twelve (12) months from the Intermediate Closing Date (as defined below) and having a principal amount of $1,500,000 (the "Intermediate Note Principal Amount"), and the Second Note maturing twenty seven (27) months from the Second Closing Date (as defined below) and having a principal amount equal to (i) $3,000,000 less (ii) the aggregate unpaid principal amount outstanding under the Intermediate Note as of the Second Closing (as defined below) (the "Second Note Principal Amount");

WHEREAS, to induce Purchaser to purchase the Notes, the Company has agreed to issue to Purchaser warrants to purchase shares of the Company's common stock, $.001 par value per share (the "Common Stock"), in accordance with the terms set forth in the forms of warrant attached hereto as Exhibit B-1 and Exhibit B-2 (the "Warrants")."

Section 1.2. Amendments to the Agreement.

(a) Amendment to Section 1.1. Section 1.1 of the Agreement is hereby deleted in its entirety and restated to read as follows:

"1.1 Sale and Issuance of Notes. Subject to the terms and conditions of this Agreement, (a) the Purchaser agrees to purchase at the Initial Closing (as defined below), and the Company agrees to sell and issue to the Purchaser, the First Note in the First Note Principal Amount (the "Initial Closing Date Purchase Price"), (b) the Purchaser agrees to purchase at the Intermediate Closing (as defined below), if any, and the Company agrees to sell and issue to the Purchaser, the Intermediate Note in the Intermediate Principal Amount (the "Intermediate Closing Date Purchase Price") and (c) the Purchaser agrees to purchase at the Second Closing (as defined below), if any, and the Company agrees to sell and issue to the Purchaser, the Second Note in the Second Note Principal Amount (the "Second Closing Date Purchase Price")."

(b) Amendment to Section 1.2. Section 1.2 of the Agreement is hereby deleted in its entirety and restated to read as follows:

"1.2 Issuance of Warrants. Subject to the terms and conditions of this Agreement:

(a) the Company shall issue to the Purchaser, at the Initial Closing, a Warrant, substantially in the form attached hereto as Exhibit B-1 (the "First Warrant"), to initially purchase up to 952,227 shares of Common Stock, which equals, as of the date of the Initial Closing, 12% of the sum of (x) the number of then currently issued and outstanding shares of Common Stock, plus, without duplication, (y) the number of additional shares of Common Stock underlying Common Stock Equivalents (as defined below) outstanding as of immediately prior to the Initial Closing, and (z) the number of additional shares of Common Stock issuable upon exercise in full of the First Warrant,

(b) (I) the Company shall issue to the Purchaser, at the Intermediate Closing, a Warrant, substantially in the form attached hereto as Exhibit B-2 (the "2% Intermediate Warrant"), to initially purchase up to 2% of the sum of (x) the number of then currently issued and outstanding shares of Common Stock, plus, without duplication, (y) the number of additional shares of Common Stock underlying Common Stock Equivalents (as defined below) outstanding immediately prior to the Intermediate Closing, and (z) the number of additional shares of Common Stock issuable upon exercise in full of the 2% Intermediate Warrant or (II) if the Intermediate Closing does not occur within 60 days following the delivery of an Intermediate Closing Notice (as defined below) by the Purchaser to the Company pursuant to Section 2.3(a)(i) hereof (such 60th day, the "Warrant Issuance Date"), and the Purchaser is ready, willing and able to fund the Intermediate Note, the Company shall issue to the Purchaser, on the Warrant Issuance Date, a Warrant, substantially in the form attached hereto as Exhibit B-2 (the "2% Default Intermediate Warrant"; the 2% Intermediate Warrant and the 2% Default Intermediate Warrant are referred to collectively herein as the "Intermediate Warrant"), to initially purchase up to 2% of the sum of (x) the number of then currently issued and outstanding shares of Common Stock, plus, without duplication, (y) the number of additional shares of Common Stock underlying Common Stock Equivalents (as defined below) outstanding as of the Warrant Issuance Date, and (z) the number of additional shares of Common Stock issuable upon exercise in full of the 2% Default Intermediate Warrant; and

(c) the Company shall issue to Purchaser, at the Second Closing, a Warrant, substantially in the form attached hereto as Exhibit B-1 (the "Second Warrant"), to initially purchase up to such number of additional shares of Common Stock as equals, when added to the shares issuable upon exercise of the First Warrant, but without duplication, 12% of the sum of (x) the number of then currently issued and outstanding shares of Common Stock, plus, without duplication, (y) the number of additional shares of Common Stock underlying or Common Stock Equivalents (as defined below) outstanding immediately after the Second Closing (including, without limitation, the First Warrant and the Intermediate Warrant), and (z) the number of additional shares of Common Stock issuable upon exercise in full of the Second Warrant)."

(c) Amendments to Section 2.1. The last sentence of Section 2.1 of the Agreement is hereby amended by deleting the words "Purchase Price" and inserting in lieu thereof the words "Initial Closing Date Purchase Price".

(d) Amendments to Section 2.2. The last sentence of Section 2.2 of the Agreement is hereby amended by deleting the words "Purchase Price" and inserting lieu thereof the words "Second Closing Date Purchase Price".

(e) New Section 2.3. The following new Sections 2.3(a)(i), 2.3(a)(ii), 2.3(b) and 2.3(c) are hereby inserted immediately following Section 2.2 to read as follows:

"(a) Requests for the Purchase and Sale of the Intermediate Notes

(i) Subject to Section 2.3(a)(ii), at any time following the 120th day following the Initial Closing, but not later than the earlier to occur of (x) the nine (9) month anniversary of the Initial Closing Date and (y) the Second Closing Date, (I) the Purchaser may, at its option, deliver to the Company irrevocable written notice requiring the Company to sell to the Purchaser the Intermediate Note at the Intermediate Closing or (II) the Company may, at its option, deliver to the Purchaser irrevocable written notice requiring the Purchaser to purchase from the Company the Intermediate Note at the Intermediate Closing (such written notice delivered by the Purchaser or the Company, as applicable, the "Intermediate Closing Notice"). The proceeds from the issuance of the Intermediate Note shall be used solely to refinance all principal, premium, if any, interest, fees and other amounts due or outstanding under the existing bank facility provided by First International Bank of Israel ("FIBI") (such obligations, specifically excluding any performance guarantees issued by FIBI on behalf of the Company, the "FIBI Obligations") and to pay fees and expenses related thereto.

(ii) At any time prior to the delivery by the Purchaser to the Company of an Intermediate Closing Notice (but if the Purchaser has delivered an Intermediate Closing Notice to the Company, not later than 60 days following the Company's receipt of such notice), if the Company (x) identifies to the Purchaser a lender (satisfactory to the Purchaser) who is ready, willing and able to provide financing sufficient to refinance at least 90% of the FIBI Obligations (but if the Purchaser has delivered an Intermediate Closing Notice to the Company, the Company shall have initially identified such lender to the Purchaser in writing not later than 45 days following the Company's receipt of such notice) and such lender provides such financing and concurrently enters into a subordination and intercreditor agreement on terms no less favorable to the Purchaser (as determined by the Purchaser in its discretion) than the terms set forth in the Acceptable Consent and Subordination Letter (as defined below) or (y) delivers to the Purchaser (i) an execution version of the Acceptable Consent and Subordination Letter, duly executed by FIBI and (ii) such other documentation as the Purchaser shall reasonably request evidencing that such Acceptable Consent and Subordination Letter shall replace the Letter Agreement, to be dated on or around September 1, 2011, by and among the Purchaser, FIBI and certain of the Company's Israeli subsidiaries, then the Purchaser shall no longer have the right to (a) deliver an Intermediate Closing Notice or, if an Intermediate Closing Notice has already been delivered, to close (or any obligation to consummate) the Intermediate Closing and (b) receive the Intermediate Note or the Intermediate Warrant.

(b) Intermediate Closing. Subject to the terms of this Agreement, on the sixtieth (60th) day following the delivery of the Intermediate Closing Notice, except as otherwise provided in Section 2.3(a)(ii) hereof, and subject to the satisfaction or, if permissible, waiver of the conditions set forth in Section 7 and Section 8, the closing for the sale and purchase of the Intermediate Note and the 2% Intermediate Warrant shall take place at the offices of Seyfarth Shaw LLP, 620 Eighth Avenue, New York, NY 10018, at 10:00 a.m., local time, unless another time, date or place is agreed to in writing by the Company and the Purchaser (the "Intermediate Closing"). The date upon which the Intermediate Closing shall occur is herein called the "Intermediate Closing Date". On the Intermediate Closing Date, Purchaser shall pay the Intermediate Closing Date Purchase Price to the Company via federal funds wire transfer(s) of immediately available funds, in accordance with written instructions provided to Purchaser prior to the date hereof.

(c) Warrant Issuance Date. Except as otherwise provided in Section 2.3(a)(ii) hereof, the Company shall issue to the Purchaser the 2% Default Intermediate Warrant on the Warrant Issuance Date if the Intermediate Closing does not occur within 60 days following the delivery of an Intermediate Closing Notice by the Purchaser to the Company pursuant to Section 2.3(a)(i) hereof and the Purchaser is ready, willing and able to fund the Intermediate Note."

(f) Amendment to Section 3.4(b). Section 3.4(b) is hereby amended by inserting the phrase "(other than as set forth in the Operating Subsidiary Pledge and Security Agreement)" immediately following the words "accounts receivable".

(g) Amendment to Section 3.6(a). Section 3.6(a) is hereby amended by deleting the words "the First International Bank ("FIBI")" and inserting in lieu thereof the word "FIBI".

(h) Amendment to Section 3.6(b). Section 3.6(b) is hereby amended by deleting the words "the First Note" and inserting in lieu thereof the words "the Notes" and by deleting the words "the Second Note" and inserting in lieu thereof the words "the Notes".

(i) Amendment to Section 6.2(a)(i)(c). Section 6.2(a)(i)(c) is hereby amended by deleting the words "the First Note and the Second Note" and inserting in lieu thereof the words "the First Note, the Intermediate Note and the Second Note".

(j) Amendment to Section 6.2(c). A new Section 6.2(c) is hereby inserting immediately following Section 6.2(b)(iii) to read as follows:

"(c) Following the issuance of the Intermediate Note and the repayment in full of the FIBI Obligations, the Company may incur additional first lien indebtedness from a lender satisfactory to the Purchaser, provided that (i) the proceeds from such indebtedness are used to repay in full all outstanding obligations under the Intermediate Note, (ii) following the incurrence of such indebtedness, the Company shall remain in compliance with Section 6.2(a)(i), and (iii) such lender shall agree to the subordination and intercreditor arrangements set forth in the draft consent and subordination letter attached hereto as Exhibit G (the "Acceptable Consent and Subordination Letter")."

(k) Amendment to Section 7. The lead-in paragraph of Section 7 is hereby amended and restated to read as follows:

"The obligation of Purchaser to complete the Initial Closing with respect to the First Note, the Intermediate Closing with respect to the Intermediate Note and the Second Closing with respect to the Second Note are subject to the fulfillment on or prior to the Initial Closing Date, the Intermediate Closing Date or the Second Closing Date, as applicable, of all of the following conditions, any one or more of which may be waived by Purchaser in writing and in its sole discretion:"

(l) Amendment to Section 7(l). Section 7(l) is hereby amended by deleting the words "twenty thousand dollars ($20,000)" and inserting in lieu thereof the words "twenty-five thousand dollars ($25,000)".

(m) New Section 7(o). The following new Section 7(o) is hereby inserted immediately following Section 7(n):

"(o) At the Intermediate Closing, (i) the Company shall deliver to the Purchaser (x) a payoff letter reasonably satisfactory to the Purchaser duly executed by FIBI indicating that upon payment of the amount set forth therein the FIBI Obligations shall be repaid and extinguished in full and all liens related thereto shall be released (other than liens on such collateral as may be reasonably necessary to secure the Company's obligations under performance guarantees issued by FIBI in favor of the Company) and (y) such documents or instruments reasonably requested by Purchaser evidencing the release of all such liens, and (ii) the Company shall grant to the Purchaser a first lien security interest in the collateral (other than any accounts receivable or contract rights representing the right to receive payment for goods or services provided by the Company or any of its subsidiaries to Israeli Aircraft Industries Ltd. ("IAI") or to any subsidiary or controlled affiliate of IAI) from which the liens were released pursuant to the foregoing clause (i). "

(n) Amendment to Section 8(d). Section 8(d) is hereby amended by deleting the words "Purchase Price" and inserting in lieu thereof the words "the Initial Closing Date Purchase Price, the Intermediate Closing Date Purchase Price or the Second Closing Date Purchase Price, as applicable,".

(o) New Section 9(b). The following new Section 9(b) is hereby inserted immediately following Section 9(a), and Sections 9(b) and (c) are hereby reordered to become Sections 9(c) and (d), respectively:

"(b) from the sale of the Intermediate Note, for the exclusive purpose of refinancing the FIBI Obligations."

(p) Amendment to Section 14.1. Section 14.1 is hereby amended by deleting "August 15" and inserting in lieu thereof "September 3".

(q) Amendment to Section 14.9. Section 14.9 is hereby amended by deleting clause (i) in its entirety and inserting in lieu thereof the following: "(i) repayment in full of the Notes,".

Section 1.3. Amendments to the Exhibits.

(i) The first sentence of Exhibit A-1 is hereby amended by adding the words "(the "Principal Amount")" at the end thereof.

(ii) The first sentence of Section 1 of Exhibit A-1 is hereby amended and restated to read as follows:

" This Secured Promissory Note (the "Note") is one of up to three notes (collectively, the "Notes") purchased or which may be purchased under that certain Note and Warrant Purchase Agreement, dated as of July 12, 2011, between Borrower and Purchaser (as may be amended from time to time, the "Purchase Agreement")."

(iii) New Exhibit A-2 is hereby inserted to read as set forth on Exhibit A attached hereto.

(iv) Exhibit A-2 to the Agreement is hereby amended and restated in its entirety as set forth on Exhibit B attached hereto and renamed Exhibit A-3.

(v) Exhibit B to the Agreement is hereby renamed Exhibit B-1.

(vi) New Exhibit B-2 is hereby inserted to read as set forth on Exhibit C attached hereto.

(vii) New Exhibit G is hereby inserted to read as set forth on Exhibit D attached hereto.

Section 1.4. Miscellaneous.

(a) Reference to and Effect on the Agreement. This Amendment modifies the Agreement to the extent set forth herein, is hereby incorporated by reference into the Agreement and is made a part thereof. Except as specifically amended by this Amendment, the Agreement shall remain in full force and effect in accordance with its terms and is hereby ratified and confirmed.

(b) Execution. This Amendment may be executed in counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party, it being understood that both parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or email attachment, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or email-attached signature page were an original thereof.

(c) Entire Agreement. This Amendment and the Transaction Documents (as defined in the Agreement), together with the exhibits and schedules hereto and thereto, contain the entire understanding of the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, oral or written, with respect to such matters, which the parties acknowledge have been merged into such documents, exhibits and schedules.

(d) Governing Law; Venue; Waiver of Jury Trial. ALL QUESTIONS CONCERNING THE CONSTRUCTION, VALIDITY, ENFORCEMENT AND INTERPRETATION OF THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO THE PRINCIPLES OF CONFLICTS OF LAWS THEREOF TO THE EXTENT THAT THE GENERAL APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY. THE COMPANY AND PURCHASER HEREBY IRREVOCABLY SUBMIT TO THE EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS SITTING IN THE CITY OF NEW YORK, BOROUGH OF MANHATTAN FOR THE ADJUDICATION OF ANY DISPUTE BROUGHT BY THE COMPANY OR PURCHASER HEREUNDER, ARISING FROM OR IN CONNECTION HEREWITH OR WITH ANY TRANSACTION CONTEMPLATED HEREBY OR DISCUSSED HEREIN, AND HEREBY IRREVOCABLY WAIVE, AND AGREE NOT TO ASSERT IN ANY SUIT, ACTION OR PROCEEDING BROUGHT BY THE COMPANY OR PURCHASER, ANY CLAIM THAT IT IS NOT PERSONALLY SUBJECT TO THE JURISDICTION OF ANY SUCH COURT, OR THAT SUCH SUIT, ACTION OR PROCEEDING IS IMPROPER. EACH PARTY HEREBY IRREVOCABLY WAIVES PERSONAL SERVICE OF PROCESS AND CONSENTS TO PROCESS BEING SERVED IN ANY SUCH SUIT, ACTION OR PROCEEDING BY MAILING A COPY THEREOF VIA REGISTERED OR CERTIFIED MAIL OR OVERNIGHT DELIVERY (WITH EVIDENCE OF DELIVERY) TO SUCH PARTY AT THE ADDRESS IN EFFECT FOR NOTICES TO IT UNDER THIS AGREEMENT AND AGREES THAT SUCH SERVICE SHALL CONSTITUTE GOOD AND SUFFICIENT SERVICE OF PROCESS AND NOTICE THEREOF. NOTHING CONTAINED HEREIN SHALL BE DEEMED TO LIMIT IN ANY WAY ANY RIGHT TO SERVE PROCESS IN ANY MANNER PERMITTED BY LAW. THE COMPANY AND PURCHASER HEREBY WAIVE ALL RIGHTS TO A TRIAL BY JURY.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment on the date first above written.

THE COMPANY:

LAPIS TECHNOLOGIES, INC.

By: /s/ David Lucatz
Name: David Lucatz
Title: President and Chief Executive Officer

Address:
70 Kinderkamack Road
Emerson, New Jersey
07630
Email Address: david@dl-capital.com
Facsimile Number: 9723-533-5129

PURCHASER:

UTA CAPITAL LLC

By: YZT Management LLC, its Managing Member

By: /s/ Udi Toledano
Name: Udi Toledano
Title: Managing Member

Address:
100 Executive Drive
Suite 330
West Orange, NJ 07052
Email Address: udi@aatcap.com
Facsimile Number: 973-736-0201

Exhibit 10.2

Execution Copy

THE SECURITIES REPRESENTED HEREBY HAVE BEEN ISSUED WITHOUT REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES LAWS, AND MAY NOT BE SOLD, TRANSFERRED OR PLEDGED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER APPLICABLE FEDERAL AND STATE SECURITIES LAWS OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO BORROWER THAT THE TRANSFER IS EXEMPT FROM REGISTRATION UNDER APPLICABLE FEDERAL AND STATE SECURITIES LAWS.

LAPIS TECHNOLOGIES INC.
SECURED PROMISSORY NOTE

$3,000,000.00

New York, New York
September 1, 2011

FOR VALUE RECEIVED, the undersigned, Lapis Technologies Inc., a Delaware corporation, with an office located at 70 Kinderkamack Road, Emerson, New Jersey 07630 ("Borrower"), hereby unconditionally promises to pay to UTA Capital LLC, a Delaware limited liability company ("Purchaser"), on the Maturity Date (as defined in Section 4 hereof) to the order of Purchaser, at the office of Purchaser located at 100 Executive Drive, Suite 330, West Orange, NJ 07052, or such other address designated by Purchaser, in lawful money of the United States of America and in immediately available funds, the principal amount of three million dollars ($3,000,000.00) (the "Principal Amount").

1. PURCHASE AGREEMENT. This Secured Promissory Note (the "Note") is one of up to three notes (collectively, the "Notes") purchased or which may be purchased under that certain Note and Warrant Purchase Agreement, dated as of July 12, 2011, between Borrower and Purchaser (as may be amended from time to time, the "Purchase Agreement"). The Purchaser is entitled to the benefits and subject to certain obligations under the Purchase Agreement and may enforce the agreements of Borrower contained therein and exercise the remedies provided thereby. All words and phrases used herein and not otherwise specifically defined herein shall have the respective meanings assigned to such terms in the Purchase Agreement to the extent the same are used or defined therein.

2. HEADINGS, ETC. The headings and captions of the numbered paragraphs of this Note are for convenience of reference only and are not to be construed as defining or limiting, in any way, the scope or intent of the provisions hereof. Whenever used, the singular number shall include the plural, the plural the singular, and the words "Purchaser" and "Borrower" shall include, respectively, their respective successors and assigns; provided, however, that Borrower shall in no event or under any circumstance have the right to assign or transfer its obligations under this Note.

3. SECURITY. The obligations of Borrower hereunder are secured by (a) a security interest in and pledge of (i) all of the assets of the Borrower, including all of the shares of capital stock of the Borrower's Subsidiaries presently owned or hereinafter acquired, either directly or indirectly, by the Borrower, certain of which security interests and pledges may be subordinate to pledges of such assets to banking institutions that have or may provide credit to the Borrower, and (b) guarantees of all of the obligations of Borrower hereunder being made by the Borrower's Subsidiaries, which guarantees are secured by a security interest in and pledge of all of the assets of the Subsidiaries, including all of the shares of capital stock of the Borrower's other Subsidiaries presently owned or hereinafter acquired, either directly or indirectly, by the guarantor Subsidiaries, certain of which security interests and pledges may be subordinate to pledges of such assets to banking institutions that have or may provide credit to the Subsidiaries, all as more fully described in the Purchase Agreement and the other Transaction Documents.

4. MATURITY. This Note shall mature on March 1, 2014, unless such date shall be otherwise extended in writing by Purchaser in its sole discretion (such date, the "Maturity Date"). On the Maturity Date, all outstanding principal and any accrued and unpaid interest due and owing under the Note shall be immediately paid by Borrower.

5. INTEREST; INTEREST RATE; PAYMENT; ADDITIONAL INTEREST.

(a) This Note shall bear interest (other than interest accruing as a result of a failure by Borrower to pay any amount within three (3) business days of when due as set forth in subparagraph (b) below) at an annual interest rate initially equal to eight percent (8%) per annum on the then outstanding principal balance (the "Interest Rate"). Interest (other than interest accruing as a result of a failure by Borrower to pay any amount when due as set forth in subparagraph (b) below) shall accrue until all amounts owed under the Note shall be fully repaid, and shall be due and payable monthly in arrears on the last business day of each calendar month following the issuance date. Any accrued and unpaid interest shall be due at the Maturity Date. Interest shall be calculated on the basis of the actual number of days elapsed over an assumed year consisting of three hundred sixty-five (365) days.

(b) If all or a portion of the principal amount of the Note or any interest payable thereon shall not be repaid within three (3) business days of when due whether on the applicable repayment date, by acceleration or otherwise, such overdue amounts shall bear interest at a rate per annum that is three percent (3%) above the Interest Rate then in effect, from the date of such non-payment until such amount is paid in full (before as well as after judgment) and shall be due immediately.

(c) The Borrower shall repay to the Purchaser the Principal Amount in three equal principal payments of $1,000,000 each, the first on the first anniversary date of the date of this Note, and the second on the second anniversary date of the date of this Note, with the remaining principal balance due at the Maturity Date.

(d) All payments to be made by Borrower hereunder shall be made, without setoff or counterclaim, in lawful money of the United States by check or wire transfer in immediately available funds.

6. VOLUNTARY AND MANDATORY PREPAYMENT; PAYMENT RIGHTS UPON MERGER, CONSOLIDATION, ETC.;

(a) The Borrower shall have the right to prepay the principal amount of this Note, without penalty or premium, at any time upon two (2) days' prior written notice to Purchaser.

(b) If, at any time, prior to the Maturity Date, Borrower proposes to consolidate or effect any other corporate reorganization with, or merge into, another corporation or entity that previously did not hold, directly or indirectly, more than twenty percent (20%) of Borrower's Common Stock, whereby such corporation or entity immediately subsequent to such consolidation, merger or reorganization will own capital stock of Borrower or entity surviving such merger, consolidation or reorganization representing more than fifty (50%) percent of the combined voting power of the outstanding securities of Borrower or such entity immediately after such consolidation, merger or reorganization, or has the right to elect nominees to a represent a majority of Borrower's Board of Directors (a "Change of Control Event"), then Borrower shall provide Purchaser with at least ten (10) days' prior written notice of any such proposed action. Upon consummation of the Change of Control Event, Purchaser will, at its option, have the right to demand immediate payment of all amounts due and owing under this Note (including all accrued and unpaid interest) in cash. Purchaser will give Borrower written notice of such demand promptly (but in no event later than five (5) days) following consummation of the Change of Control Event. All amounts due and owing hereunder shall be paid by Borrower to Purchaser within five (5) days from the date of such written notice via federal funds wire transfer(s) of immediately available funds.

(c) Notwithstanding anything hereunder the Borrower acknowledges and agrees that:

(i) any net proceeds of any equity financing by the Borrower or any Subsidiary will be applied as follows: (x) the first $4,000,000 may be retained by the Borrower or applied to reduce other obligations of the Borrower or a Subsidiary, and (y) 50% of the excess of such net proceeds over $4,000,000 may be retained by the Borrower or applied to reduce other obligations of the Borrower or a Subsidiary and the remaining 50% shall be applied to repayment of the Principal Amount; and

(ii) any net proceeds of any debt financing by the Borrower or any Subsidiary will be applied 100% to repayment of the Principal Amount.

7. ASSURANCES WITH RESPECT OF PURCHASER RIGHTS. Borrower shall not, by amendment of its Certificate of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, intentionally avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by Borrower and shall at all times in good faith assist in the carrying out of all the provisions of this Note and in taking of all such actions as may be reasonably necessary or appropriate in order to protect the rights of Purchaser against impairment.

8. SENIOR INDEBTEDNESS. Subject to Section 3.6 of the Purchase Agreement, this Note shall be senior to all other Indebtedness of the Borrower.

9. EVENTS OF DEFAULT. If any of the following events (each, an "Event of Default") shall occur and be continuing:

(a) Borrower shall fail to pay any amount payable under this Note or any other Transaction Document within three (3) business days after such payment becomes due in accordance with the terms hereof;

(b) Borrower or any Subsidiary shall fail to pay when due, and it shall continue unremedied for a period of ten (10) calendar days, whether upon acceleration, prepayment obligation or otherwise, any indebtedness of Borrower or any Subsidiary (other than indebtedness owed to Purchaser under this Note and the other Transaction Documents);

(c) dissolution, termination of existence, suspension (unless fully covered by business interruption insurance) or discontinuance of business (other than as a result of a consolidation of one or more of Borrower's Subsidiaries with Borrower or another Subsidiary) or ceasing to operate as going concern of Borrower or any Subsidiary;

(d) any material representation or warranty made by Borrower herein, in the Purchase Agreement or in any other agreement, certificate or instrument contemplated by this Note or the Purchase Agreement shall have been incorrect in any material respect on or as of the date made or deemed made;

(e) any material portion of the Collateral is subjected to a levy of execution, attachment or other judicial process or any material portion of the Collateral is the subject of a claim (other than by the Purchaser) of a Lien or other right or interest in or to the Collateral and such levy or claim shall not be cured, disputed or stayed within a period of forty-five (45) days after the occurrence thereof;

(f) the Borrower fails, for any reason whatsoever, at the time of the consummation of the Target Company Acquisition, to pledge all equity interests or assets acquired in connection with such acquisition to Purchaser in accordance with the terms set forth in the Transaction Documents;

(g) Borrower shall default, in any material respect, in the observance or performance of any obligation or agreement contained in this Note, the Purchase Agreement, the other Transaction Documents, or any other agreement or instrument contemplated by the Transaction Documents, and such default shall continue unremedied for a period of fifteen (15) days after written notice to Borrower of such default; or

(h) (i) Borrower or any Subsidiary shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization, conservatorship or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or Borrower shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against Borrower or any Subsidiary any case, proceeding or other action of a nature referred to in clause (i) above that (A) results in the entry of an order for relief of any such adjudication of appointment or (B) remains undismissed, undischarged or unbonded for a period of forty-five (45) days; or (iii) there shall be commenced against Borrower or any Subsidiary any case, proceeding other action seeking issuance of a warrant of attachment, execution, distrait or similar process against all or any substantial part of its assets that results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within forty-five (45) days from the entry thereof; or (iv) Borrower or any Subsidiary shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in any of the acts set forth in clauses (i), (ii) or (iii) above; or (v) Borrower or any Subsidiary shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due,

then, and in any such event, (1) if such event is an Event of Default specified in subsection (h) above of this Section 9 with respect to Borrower, automatically this Note (with all accrued and unpaid interest thereon) and all other amounts owing under this Note shall immediately become due and payable, and (2) if such event is any other Event of Default, Purchaser may, by written notice to Borrower, declare the Note (with all accrued and unpaid interest thereon) and all other amounts owing under this Note to be due and payable forthwith, whereupon the same shall immediately become due and payable. Except as expressly provided in this Section 9, presentation, demand, protest and all other notices of any kind are hereby expressly waived by Borrower.

10. ENFORCEABILITY. The Borrower acknowledges that this Note and Borrower's obligations under this Note are and shall at all times continue to be absolute and unconditional in all respects, and shall at all times be valid and enforceable irrespective of any other agreements or circumstances of any nature whatsoever which might otherwise constitute a defense to this Note and the obligations of Borrower under this Note or the obligations of any other Person relating to this Note. The Transaction Documents set forth the entire agreement and understanding of Purchaser and Borrower, and Borrower absolutely, unconditionally and irrevocably waives any and all right to assert any set-off, counterclaim or crossclaim of any nature whatsoever with respect to this Note or the obligations of Borrower hereunder, or the obligations of any other Person relating hereto or thereto or to the obligations of Borrower hereunder or otherwise in any action or proceeding brought by Purchaser to collect on the Note, or any portion thereof (provided, however, that the foregoing shall not be deemed a waiver of Borrower's right to assert any compulsory counterclaim maintained in a court of the United States, or of the State of New York if such counterclaim is compelled under local law or rule of procedure, nor shall the foregoing be deemed a waiver of Borrower's right to assert any claim which would constitute a defense, setoff, counterclaim or crossclaim of any nature whatsoever against Purchaser in any separate action or proceeding). The Borrower acknowledges that no oral or other agreements, conditions, promises, understandings, representations or warranties exist with respect to the Transaction Documents or with respect to the obligations of Borrower thereunder, except those specifically set forth in the Transaction Documents. Borrower agrees to pay all costs and expenses of Purchaser related to Purchaser's enforcement of the obligations of Borrower hereunder and the collection of all sums payable hereunder, including but not limited to reasonable attorneys' fees and expenses, irrespective of whether litigation is commenced. Any such amounts shall be payable on demand, with interest at the rate provided above for overdue principal and interest.

11. WAIVER. Borrower waives presentment, demand for payment, notice of dishonor and any or all notices or demands in connection with the delivery, acceptance, performance, default or enforcement of any Transaction Document now or hereafter required by applicable law, and agrees that no failure or delay on the part of Purchaser, in the exercise of any power, right or remedy under this Note shall impair such power, right or remedy or shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or remedy preclude other or further exercise of such or any other power, right or remedy. No notice to or demand on Borrower shall be deemed to be a waiver of the obligation of Borrower or of the right of Purchaser, to take further action without further notice or demand as provided in any of the Transaction Documents.

12. AMENDMENTS. This Note may not be modified, amended, changed or terminated except by an agreement in writing signed by Borrower and the Purchaser. Any amendment or waiver effected in accordance with this Section 12 shall be binding upon Borrower, Purchaser and each transferee of this Note.

13. USURIOUS INTEREST RATE. Notwithstanding anything to the contrary contained in this Note, the interest paid or agreed to be paid hereunder shall not exceed the maximum rate of non-usurious interest permitted by applicable law (the "Maximum Rate"). If Purchaser shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Note or, if it exceeds such unpaid principal, shall be refunded to Borrower. In determining whether the interest contracted for, charged, or received by Purchaser exceeds the Maximum Rate, Borrower may, to the extent permitted by applicable law, (a) characterize any payment that is not principal as an expense, fee or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of this Note.

14. NOTICES. Any notice required or permitted by this Note shall be in writing and shall be deemed sufficient upon delivery, when delivered personally or by a nationally-recognized delivery service (such as Federal Express or UPS), or seventy-two (72) hours after being deposited in the U.S. mail, as certified or registered mail, with postage prepaid, and in all cases addressed to the party to be notified at such party's address as set forth above on the signature pages to the Purchase Agreement.

15. GOVERNING LAW; JURISDICTION; WAIVER OF JURY TRIAL. This Note and all acts and transactions pursuant hereto shall be governed by and construed in accordance with the laws of the State of New York, without regard to principles of conflicts of laws to the extent that the general application of the laws of another jurisdiction would be required thereby. The Borrower hereby irrevocably consents to the exclusive jurisdiction of any federal or state court located in the State of New York and consents that all service of process be sent by nationally recognized overnight courier service directed to Borrower at Borrower's address set forth herein and service so made will be deemed to be completed on the business day after deposit with such courier. The Borrower acknowledges and agrees that the venue provided above is the most convenient forum for both Purchaser and Borrower. The Borrower waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Note. **THE BORROWER AND THE PURCHASER (BY ACCEPTANCE OF THIS NOTE) MUTUALLY HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY AND ALL RIGHTS THAT THEY MAY NOW OR HEREAFTER HAVE UNDER THE LAWS OF THE UNITED STATES OF AMERICA OR ANY STATE THEREOF TO A TRIAL BY JURY IN RESPECT OF ANY CLAIM BASED HEREON, ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS NOTE OR ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY, INCLUDING, WITHOUT LIMITATION, ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS OR ACTIONS OF THE PURCHASER RELATING TO ENFORCEMENT OF THIS NOTE. EXCEPT AS PROHIBITED BY APPLICABLE LAW, THE BORROWER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY LITIGATION RELATING TO ENFORCEMENT OF THIS NOTE ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES OR ANY DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES. THIS WAIVER CONSTITUTES A MATERIAL INDUCEMENT FOR THE PURCHASER TO MAKE FUNDS AVAILABLE TO THE BORROWER AND TO ACCEPT THIS NOTE.**

[Signature page follows]

IN WITNESS WHEREOF, Borrower has duly executed this Secured Promissory Note as of the date first written above.

BORROWER:

LAPIS TECHNOLOGIES INC.

By: /s/ David Lucatz
Name: David Lucatz
Title: President and Chief Executive Officer

Address:

70 Kinderkamack Road
Emerson, New Jersey
07630

Exhibit 10.3

Execution Copy

NEITHER THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE EXERCISABLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT, OR (B) IF REASONABLY REQUESTED BY THE COMPANY, AN OPINION OF COUNSEL REASONABLY ACCEPTABLE TO THE COMPANY THAT REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT.

LAPIS TECHNOLOGIES INC.

COMMON STOCK PURCHASE WARRANT

Warrant No. UTA 2011 - 1 Dated: September 1, 2011

Lapis Technologies Inc., a Delaware corporation (the "**Company**"), hereby certifies that, for value received, UTA Capital LLC, a Delaware limited liability company, or its registered assigns (the "**Holder**"), shall initially be entitled to purchase from the Company up to a total of 952,227 shares of common stock of the Company, $.001 par value per share (each such share, a "**Warrant Share**" and all such shares, the "**Warrant Shares**"), at an exercise price initially equal to: $0.50 per Warrant Share for the purchase of the Warrant Shares, as such exercise price may be adjusted pursuant to the following proviso and pursuant to Section 9 hereof, provided however, that in the event that the after-tax consolidated net income of the Company and its subsidiaries for calendar year 2012, increased by the recorded expenses related to this warrant and any additional warrant issued to the Holder pursuant to the Purchase Agreement (as defined below), each as calculated in accordance with GAAP and reflected in the Company's audited financial statements for the year ending December 31, 2012, is in excess of $7,000,000 (the "**Target After-Tax Net Income Amount**"), the exercise price in respect of one third (1/3) of all the unexercised Warrant Shares shall be automatically increased to $1.00 per share and two thirds (2/3) of all then unexercised Warrant Shares shall be exercisable at $0.50 per share (hereinafter, collectively, referred to as the "**Exercise Price**"), at any time commencing on the date that is six months after the Initial Closing Date, and through and including the date that is sixty-six months from such Initial Closing Date (the "**Expiration Date**"), and subject to the following terms and conditions hereof. In the event the Company issues additional shares or Common Stock Equivalents (as defined below) as part of an acquisition of assets or shares of another company following the date of this Warrant, then the Target After-Tax Net Income Amount shall be multiplied by the ratio of (x) the sum of post-acquisition (i) issued and outstanding shares of Common Stock and (ii) Common Stock Equivalents of the Company to (y) the sum of pre-acquisition (i) issued and outstanding shares of Common Stock and (ii) Common Stock Equivalents of the Company.

This Warrant was issued pursuant to that certain Note and Warrant Purchase Agreement, dated as of even date herewith, by and among the Company and the Purchaser (the "**Purchase Agreement**").

1. Definitions. In addition to the terms defined elsewhere in this Warrant, capitalized terms that are not otherwise defined herein have the meanings given to such terms in the Purchase Agreement.

2. Registration of Warrant. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the "**Warrant Register**"), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

3. Registration of Transfers. The Company shall register the transfer of any portion of this Warrant in the Warrant Register, upon surrender of this Warrant, with the Form of Assignment attached hereto as Annex A duly completed and signed, to the transfer agent or to the Company at its address specified herein. Upon any such registration or transfer, a new warrant to purchase shares of Common Stock, in substantially the form of this Warrant (any such new warrant, a "**New Warrant**"), evidencing the portion of this Warrant so transferred shall be issued to the transferee and a New Warrant evidencing the remaining portion of this Warrant not so transferred, if any, shall be issued to the transferring Holder. The acceptance of the New Warrant by the transferee thereof shall be deemed the acceptance by such transferee of all of the rights and obligations of a holder of a Warrant.

4. Exercise and Duration of Warrants.

a. This Warrant shall be exercisable by the registered Holder at any time and from time to time commencing six months after the date hereof, and through and including the Expiration Date. At 6:30 P.M., New York City time on the Expiration Date, the portion of this Warrant not exercised prior thereto shall be and become void and of no value; provided that, this Warrant shall be deemed to have been exercised in full (to the extent not previously exercised) on a "cashless exercise" basis at 6:30 P.M. New York City time on the Expiration Date.

b. A Holder may exercise this Warrant by delivering to the Company (i) an exercise notice, in the form attached hereto as Annex B (the "**Exercise Notice**"), appropriately completed and duly signed along with the Warrant, and (ii) payment of the Exercise Price for the number of Warrant Shares as to which this Warrant is being exercised (which may take the form of a "cashless exercise" if so indicated in the Exercise Notice), and the date that the last of such items are delivered to the Company (as determined in accordance with the notice provisions hereof) is an "**Exercise Date**." Execution and delivery of the Exercise Notice shall have the same effect as cancellation of the original Warrant and issuance of a New Warrant evidencing the right to purchase the remaining number of Warrant Shares.

c . Insufficient Authorized Shares. If at any time while this Warrant is outstanding, the Company does not have a sufficient number of authorized and unreserved shares of Common Stock to satisfy its obligation to reserve for issuance upon exercise of this Warrant and Warrants of like tenor at least a number of shares of Common Stock equal to 100% (the "**Required Reserve Amount**") of the number of shares of Common Stock as shall from time to time be necessary to effect the exercise of all of the Warrants of like tenor then outstanding (an "**Authorized Share Failure**"), then the Company shall immediately take all action necessary to increase the Company's authorized shares of Common Stock to an amount sufficient to allow the Company to reserve the Required Reserve Amount for the Warrants of like tenor then outstanding. Without limiting the generality of the foregoing sentence, as soon as practicable after the date of the occurrence of an Authorized Share Failure, but in no event later than sixty (60) days after the occurrence of such Authorized Share Failure, the Company shall either (i) call a meeting of its stockholders for the approval of an increase in the number of authorized shares of Common Stock or (ii) attempt to obtain the requisite stockholder vote by written consents. In connection with the foregoing, the Company shall provide each stockholder with a proxy statement or an information statement, as the case may be, and, in the case of a stockholders' meeting, shall use its best efforts to solicit its stockholders' approval of such increase in authorized shares of Common Stock and to cause its board of directors to recommend to the stockholders that they approve such proposal.

5. Delivery of Warrant Shares.

a. The Holder shall not be required to physically surrender this Warrant unless this Warrant is being exercised in full. To effect exercises hereunder, the Holder shall duly execute and deliver to the Company at its address for notice set forth herein, an Exercise Notice in the form of Annex B hereto, along with the Warrant Share Exercise Log in the form of Annex C hereto, and shall pay the Exercise Price, if applicable, multiplied by the number of Warrant Shares that the Holder intends to purchase hereunder. The Company shall promptly (but in no event later than five (5) Trading Days after the date of exercise) issue or cause to be issued and cause to be delivered to or upon the written order of the Holder a certificate for the Warrant Shares issuable upon such exercise. The Company shall, upon request of the Holder, and subsequent to the date on which a registration statement covering the resale of the Warrant Shares has been declared effective by the SEC (provided that the Holder represents in writing to the Company that it has sold or committed in a binding sale agreement or sale order to promptly sell such Warrant Shares pursuant to the terms of the prospectus contained in the registration statement), or if and to the extent this Warrant has been exercised on a "cashless exercise" basis and the provisions of Rule 144 have been satisfied, use its best efforts to deliver Warrant Shares hereunder electronically through the Depository Trust Corporation or another established clearing corporation performing similar functions. If by the fifth (5rd) Trading Day after exercise of this Warrant, the Company fails to deliver the required number of Warrant Shares, the Holder will have the right to rescind the exercise. If by the fifth (5rd) Trading Day after exercise, the Company fails to deliver the required number of Warrant Shares, and if after such fifth Trading Day and prior to the receipt of such Warrant Shares, the Holder purchases (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by the Holder of Warrant Shares which the Holder anticipated receiving upon such exercise (a "**Buy In**"), then the Company shall (i) pay in cash to the Holder the amount by which (x) the Holder's total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased exceeds (y) the amount obtained by multiplying (A) the number of Warrant Shares that the Company was required to deliver to the Holder in connection with the exercise at issue by (B) the closing bid price of the shares of Common Stock on the Exercise Date and (ii) at the option of the Holder, either reinstate the portion of the Warrant and equivalent number of Warrant Shares for which such exercise was not honored or deliver to the Holder the number of shares of Warrant Shares that would have been issued had the Company timely complied with its exercise and delivery obligations hereunder. The Holder shall provide the Company written notice indicating the amounts payable to the Holder in respect of the Buy In.

b. This Warrant is exercisable, either in its entirety or, from time to time, for a portion of at least 100,000 Warrant Shares unless this Warrant is at any time exerciseable for fewer than 100,000 Warrant Shares, in which case this Warrant shall only be exerciseable for such remainder. Upon surrender of this Warrant following one or more partial exercises, the Company shall issue or cause to be issued, at its expense, a new Warrant evidencing the right to purchase the remaining number of Warrant Shares.

c. The Company's obligations to issue and deliver Warrant Shares in accordance with the terms hereof are absolute and unconditional, irrespective of any action or inaction by the Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder or any other Person of any obligation to the Company or any violation or alleged violation of law by the Holder or any other Person, and irrespective of any other circumstance which might otherwise limit such obligation of the Company to the Holder in connection with the issuance of Warrant Shares. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver certificates representing shares of Common Stock upon exercise of the Warrant as required pursuant to the terms hereof.

6 . Charges, Taxes and Expenses. Initial issuance and delivery of certificates for shares of Common Stock upon exercise of this Warrant shall be made without charge to the Holder for any issue or transfer tax, transfer agent fee or other incidental expense in respect of the issuance of such certificates, all of which taxes and expenses shall be paid by the Company; provided, however, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the registration of any certificates for Warrant Shares or Warrants in a name other than that of the Holder. The Holder shall be responsible for all other tax liability that may arise as a result of holding or transferring this Warrant or receiving Warrant Shares upon exercise hereof.

7 . Replacement of Warrant. If this Warrant is mutilated, lost, stolen or destroyed, the Company shall issue or cause to be issued in exchange and substitution for and upon cancellation hereof, or in lieu of and substitution for this Warrant, a new Warrant, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction and customary and reasonable bond or indemnity, if requested. Applicants for a new Warrant under such circumstances shall also comply with such other reasonable regulations and procedures and pay such other reasonable third-party costs as the Company may prescribe.

8. Reservation of Warrant Shares. The Company covenants that it will at all times reserve and keep available out of the aggregate of its authorized but unissued and otherwise unreserved shares of Common Stock, solely for the purpose of enabling it to issue Warrant Shares upon exercise of this Warrant as herein provided, the number of Warrant Shares that are then issuable and deliverable upon the exercise of this entire Warrant, free from preemptive rights or any other contingent purchase rights of persons other than the Holder (after giving effect to the adjustments and restrictions of Section 9, if any). The Company covenants that all Warrant Shares so issuable and deliverable shall, upon issuance and the payment of the applicable Exercise Price in accordance with the terms hereof, be duly and validly authorized, issued and fully paid and nonassessable. The Company will take all such action as may be necessary to assure that such shares of Common Stock may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of any securities exchange or automated quotation system upon which the shares of Common Stock may be listed. The Company will notify its transfer agent for the reservation of shares of Common Stock as required under this provision.

9. Certain Adjustments. The Exercise Price and number of Warrant Shares issuable upon exercise of this Warrant are subject to adjustment from time to time as set forth in this Section 9. In no event shall the Exercise Price and/or the number of Warrant Shares issuable upon exercise of this Warrant be adjusted pursuant to more than one subsection of this Section 9 as a result of any single event or series of related events.

a. Share Dividends and Splits. If after the date hereof, the number of outstanding shares of Common Stock is increased by a share dividend payable in shares of Common Stock or by a split-up of shares of Common Stock or other similar event, then, on the effective date thereof, the number of shares issuable on exercise of this Warrant shall be increased in proportion to such increase in outstanding shares and the then applicable Exercise Price shall be correspondingly decreased.

b. Aggregation of Shares. If after the date hereof, the number of outstanding shares of Common Stock is decreased by a consolidation, combination or reclassification of shares of Common Stock or other similar event, then, upon the effective date of such consolidation, combination or reclassification, the number of shares issuable on exercise of this Warrant shall be decreased in proportion to such decrease in outstanding shares and the then applicable Exercise Price shall be correspondingly increased.

c. Replacement of or Payment for Securities Upon Reorganization, etc. If after the date hereof any capital reorganization or reclassification of the shares of Common Stock of the Company, or consolidation or merger of the Company with another corporation, or the sale of all or substantially all of its assets to another corporation or other similar event (each, a "**Fundamental Transaction**") shall be effected, then, as a condition of such Fundamental Transaction, lawful and fair provision shall be made whereby the Holder of this Warrant shall thereafter have the right to purchase and receive, upon the basis and upon the terms and conditions specified in this Warrant and in lieu of the shares of Common Stock of the Company immediately theretofore purchasable and receivable upon the exercise of the rights represented thereby, such shares, securities, cash or other assets as may be issued or payable with respect to or in exchange for the number of outstanding shares of Common Stock equal to the number of such shares of Common Stock immediately theretofore purchasable and receivable upon the exercise of the rights represented by this Warrant, had such Fundamental Transaction not taken place and in such event appropriate provision shall be made with respect to the rights and interests of the Holder of this Warrant to the end that the provisions hereof (including, without limitation, provisions for adjustments of the Exercise Price and of the number of shares purchasable upon the exercise of this Warrant) shall thereafter be applicable, as nearly as may be in relation to any shares, securities, or assets thereafter deliverable upon the exercise hereof. The Company shall not effect any such Fundamental Transaction unless prior to the consummation thereof the successor corporation (if other than the Company) resulting from such Fundamental Transaction, or the corporation purchasing such assets in a Fundamental Transaction, shall assume by written instrument executed and delivered to the Holder of this Warrant the obligation to deliver to the Holder of this Warrant such shares, securities, cash or other assets as, in accordance with the foregoing provisions, such Holder may be entitled to purchase.

d . Adjustment of Exercise Price and Number of Warrant Shares Purchasable Upon Issuance of Additional Shares of Common Stock . In the event the Company shall at any time after the date hereof issue shares of Common Stock (the "**Additional Shares of Common Stock**"), other than **Exempt Issuances** (as defined below), while any portion of this Warrant remains outstanding, without consideration or for a consideration per share less than the Exercise Price, then:

i. the Exercise Price shall be reduced, concurrently with such issue, to a price (calculated to the nearest one-hundredth of a cent), determined in accordance with the following formula:

$$EP_2 = EP_1 * (A + B) \div (A + C).$$

For purposes of the foregoing formula, the following definitions shall apply:

a. "EP_2" shall mean the Exercise Price in effect immediately after such issue of Additional Shares of Common Stock;

b. "EP_1" shall mean the Exercise Price in effect immediately prior to such issue of Additional Shares of Common Stock;

c. "A" shall mean the number of shares of Common Stock outstanding immediately prior to such issue of Additional Shares of Common Stock (treating for this purpose as outstanding all shares of Common Stock issuable upon exercise, conversion or exchange of Common Stock Equivalents (as defined below) outstanding immediately prior to such issue;

d. "B" shall mean the number of shares of Common Stock that would have been issued if such Additional Shares of Common Stock had been issued at a price per share equal to EP_1 (determined by dividing the aggregate consideration received by the Company in respect of such issue by EP_1); and

e. "C" shall mean the number of such Additional Shares of Common Stock issued in such transaction; and

ii. the number of Warrant Shares purchasable upon the exercise of this Warrant shall be increased, concurrently with the decrease in Exercise Price described above, such that the Aggregate Warrant Equity Percentage (as defined below) of the Warrant shall be no less than the Aggregate Warrant Equity Percentage of the Warrant immediately prior to such decrease in Exercise Price, less only such appropriate adjustments as are required to reflect prior partial exercises of this Warrant.

For purposes hereof, "**Aggregate Warrant Equity Percentage**" at any time means the percentage determined by dividing the number of Warrant Shares purchasable upon exercise of this Warrant at such time by the sum of the number of shares of Common Stock (x) outstanding at such time, (y) issuable upon conversion or exchange of any stock or securities (other than any rights, warrants or options to subscribe for or purchase shares of Common Stock or Convertible Securities) convertible into or exercisable or exchangeable for shares of Common Stock outstanding at such time and (y) issuable upon exercise of Common Stock Equivalents outstanding at such time (including this Warrant). The initial Aggregate Warrant Equity Percentage of this Warrant shall be 12.00%.

For purposes hereof, "**Exempt Issuances**" shall mean the issuance of (i) up to 500,000 shares to employees, officers and/or independent directors (but not including any officer, director or employee who immediately prior to such issuance or grant is the beneficial owner of 10% or more of the Company's Common Stock (calculated in accordance with Exchange Act Rule 13d-3)) pursuant to equity incentive plans approved by the Company's stockholders, provided such issuances are approved by the Company's Board of Directors including a majority of the Company's independent directors, (ii) up to 1,000,000 shares of Common Stock as part of mergers or acquisitions approved by the Company's Board of Directors including a majority of the Company's independent directors, and (iii) Settlement Shares (as defined below).

e . Adjustment of Exercise Price and Number of Warrant Shares Purchasable Upon Issuance of Common Stock Equivalents. In the event the Company shall at any time after the date hereof issue any Convertible Security (defined as evidences of indebtedness, ordinary or convertible preferred shares or other securities which are or may be at any time convertible into or exchangeable for shares of Common Stock) or warrant, option or other right to subscribe for or purchase any shares of Common Stock or any Convertible Security (an "**Common Stock Equivalents**"), other than Settlement Shares, while any portion of this Warrant remains outstanding, and the price per share for which Additional Shares of Common Stock may be issuable thereafter pursuant to such Common Stock Equivalents shall be less than the Exercise Price, or if, after any such issuance of Common Stock Equivalents, the price per share for which Additional Shares of Common Stock may be issuable thereafter is amended, and such price as so amended shall be less than the Exercise Price, then the Exercise Price and number of Warrant Shares purchasable upon each such issuance or amendment shall be adjusted as provided in Section 9(d) above, on the basis that Additional Shares of Common Stock issuable pursuant to such Common Stock Equivalents shall be deemed to have been issued (whether or not such Common Stock Equivalents are actually then exercisable, convertible or exchangeable in whole or in part) as of the earlier of (i) the date on which the Company shall enter into a firm contract for the issuance of such Common Stock Equivalents, or (ii) the date of actual issuance of such Common Stock Equivalents. No adjustment of the Exercise Price and number of Warrant Shares purchasable shall be made under this Section 9(e) upon the issuance of any Convertible Security which is issued pursuant to the exercise of any warrants or other subscription or purchase rights therefore, if any adjustment shall previously have been made in the Exercise Price and the number of Warrant Shares purchasable then in effect upon the issuance of such warrants or other rights pursuant to this Section 9(e).

f . Computation of Consideration. The consideration received by the Company shall be deemed to be the following: to the extent that any Additional Shares of Common Stock or any Common Stock Equivalents shall be issued for a cash consideration, the consideration received by the Company therefore; or, if such Additional Shares of Common Stock or Common Stock Equivalents are offered by the Company for subscription, the subscription price; or, if such Additional Shares of Common Stock or Common Stock Equivalents are sold to underwriters or dealers for public offering without a subscription offering, the initial public offering price, in any such case excluding any amounts paid or receivable for accrued interest or accrued dividends and without deduction of any compensation, discounts, commissions, or expenses paid or incurred by the Company for or in connection with the underwriting thereof or otherwise in connection with the issue thereof. The consideration for any Additional Shares of Common Stock issuable pursuant to any Common Stock Equivalents shall be the consideration received by the Company for issuing such Common Stock Equivalents, plus the additional consideration payable to the Company upon the exercise, conversion or exchange of such Common Stock Equivalents. In case of the issuance at any time of any Additional Shares of Common Stock or Common Stock Equivalents in payment or satisfaction of any dividend upon any class of share other than share of Common Stock, the Company shall be deemed to have received for such Additional Shares of Common Stock or Common Stock Equivalents a consideration equal to the amount of such dividend so paid or satisfied. In any case in which the consideration to be received or paid shall be other than cash, the Board of Directors of the Company shall determine in good faith the fair market value of such consideration and promptly notify the Holder of its determination of the fair market value of such consideration prior to payment or accepting receipt thereof. If, within thirty (30) days after receipt of said notice, the Holder shall notify the Board of Directors of the Company in writing of its objection to such determination, a determination of fair market value of such consideration shall be made by an appraiser selected by the Company and approved by the Holder. If the Company and the Holder are unable to agree on the selection of an appraiser, the issue of selection of an appraiser shall be submitted to the American Arbitration Association.

g . Settlement Shares. In the event the Company issues additional shares of Common Stock or Common Stock Equivalents subsequent to the Initial Closing Date while any portion of this Warrant remains outstanding in settlement of, or otherwise arising out of, any claim of entitlement to equity of the Company or of any Subsidiary that is based on events or circumstances that arose prior to the Initial Closing Date ("**Settlement Shares**"), then the number of Warrant Shares for which this Warrant is exercisable shall then be increased by a number of shares of Common Stock such that the Aggregate Warrant Equity Percentage of the Warrant equals the Aggregate Warrant Equity Percentage of the Warrant immediately prior to the issuance of such Settlement Shares. The remedy provided in this Section 9(g) shall be the sole and exclusive remedy of the Holder with respect to the matters covered hereby.

h . Readjustment of Exercise Price and Number of Warrant Shares Purchasable. Upon the expiration of the right to convert, exchange or exercise any Common Stock Equivalents the issuance of which effected an adjustment in the Exercise Price, if such Common Stock Equivalents shall not have been converted, exercised or exchanged, the number of shares of Common Stock deemed to be issued and outstanding by reason of the fact that they were issuable upon conversion, exchange or exercise of any such Common Stock Equivalents shall no longer be computed as set forth above, and the Exercise Price and number of Warrant Shares purchasable shall forthwith be readjusted and thereafter be the price which it would have been (but reflecting any other adjustments in the Exercise Price and number of Warrant Shares purchasable made pursuant to the provisions of this Section 9 after the issuance of such Common Stock Equivalents) had the adjustment of the Exercise Price and number of Warrant Shares purchasable been made in accordance with the issuance or sale of the number of Additional Shares of Common Stock actually issued upon conversion, exchange or issuance of such Common Stock Equivalents and thereupon only the number of Additional Shares of Common Stock actually so issued shall be deemed to have been issued and only the consideration actually received by the Company shall be deemed to have been received by the Company.

i. Treasury Shares. In making any adjustment in the Exercise Price and number of Warrant Shares purchasable hereinbefore provided in this Section 9, the number of shares of Common Stock at any time outstanding shall not include any shares thereof then directly or indirectly owned or held by or for the account of the Company.

j . Calculations. All calculations under this Section 9 shall be made to the nearest cent or the nearest 1/100th of a share, as applicable. The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Company, and the disposition of any such shares shall be considered an issue or sale of shares of Common Stock.

k . Notice of Adjustments. Upon the occurrence of each adjustment pursuant to this Section 9, the Company at its expense will promptly compute such adjustment in accordance with the terms of this Warrant and prepare a certificate setting forth such adjustment, including a statement of the adjusted Exercise Price and adjusted number or type of Warrant Shares or other securities, cash or property issuable upon exercise of this Warrant (as applicable), describing the transactions giving rise to such adjustments and showing in detail the facts upon which such adjustment is based. Upon written request, the Company will promptly deliver a copy of each such certificate to the Holder and to the Company's transfer agent.

l. Notice of Corporate Events. If the Company (i) declares a dividend or any other distribution of cash, securities or other property in respect of its shares of Common Stock, including without limitation any granting of rights or warrants to subscribe for or purchase any capital stock of the Company or any Subsidiary, (ii) authorizes or approves, enters into any agreement contemplating or solicits stockholder approval for (x) any sale of all or substantially all of its assets in one or a series of related transactions, (y) any tender offer or exchange offer (whether by the Company or another person) pursuant to which holders of shares of Common Stock are permitted to tender or exchange their shares for other securities, cash or property, or (z) any reclassification of the shares of Common Stock or any compulsory share exchange pursuant to which the shares of Common Stock is effectively converted into or exchanged for other securities, cash or property or (iii) authorizes the voluntary dissolution, liquidation or winding up of the affairs of the Company, then the Company, subject to obtaining an agreement from the Holder to keep such information confidential and not to purchase or sell the Company's securities while in possession of material non-public information (in a form reasonably satisfactory to the Company), shall deliver to the Holder a notice describing the material terms and conditions of such transaction, at least five business days prior to the applicable record or effective date on which a Person would need to hold shares of Common Stock in order to participate in or vote with respect to such transaction, and the Company will take all steps reasonably necessary in order to insure that the Holder is given the practical opportunity to exercise this Warrant prior to such time so as to participate in or vote with respect to such transaction; provided, however, that the failure to deliver such notice or any defect therein shall not affect the validity of the corporate action required to be described in such notice.

m. Rights Upon Distribution of Assets. If the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) to holders of shares of Common Stock, by way of return of capital or otherwise (including, without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (a "**Distribution**"), at any time after the issuance of this Warrant, then, in each such case:

i. any Exercise Price in effect immediately prior to the close of business on the record date fixed for the determination of holders of shares of Common Stock entitled to receive the Distribution shall be reduced, effective as of the close of business on such record date, to a price determined by multiplying such Exercise Price by a fraction of which (i) the numerator shall be the closing bid price of the shares of Common Stock on the Trading Day immediately preceding such record date minus the fair market value of the Distribution (as determined in good faith by the Company's Board of Directors) applicable to one share of the Company, and (ii) the denominator shall be the closing bid price of the shares of Common Stock on the Trading Day immediately preceding such record date; and

ii. the number of Warrant Shares shall be increased to a number of shares equal to the number of shares of Common Stock into which this Warrant is exerciseable immediately prior to the close of business on the record date fixed for the determination of holders of shares of Common Stock entitled to receive the Distribution multiplied by the reciprocal of the fraction set forth in the immediately preceding subparagraph (i); provided that in the event that the Distribution is of shares ("**Other Shares of Common Stock**") of a company whose common shares are traded on a national securities exchange or a national automated quotation system, then the Holder may elect to receive a warrant to purchase Other Shares of Common Stock in lieu of an increase in the number of Warrant Shares, the terms of which shall be identical to those of this Warrant, except that such warrant shall be exercisable into the number of shares of Other Shares of Common Stock that would have been payable to the Holder pursuant to the Distribution had the Holder exercised this Warrant immediately prior to such record date and with an aggregate exercise price equal to the product of the amount by which the exercise price of this Warrant was decreased with respect to the Distribution pursuant to the terms of the immediately preceding subparagraph (i) and the number of Warrant Shares calculated in accordance with the first part of this subparagraph (ii).

10. Payment of Exercise Price. The Holder shall pay the Exercise Price in immediately available funds; provided, however, that any time the Holder may satisfy its obligation to pay the Exercise Price through a "cashless exercise," in which event the Company shall issue to the Holder the number of Warrant Shares determined as follows:

$$X = Y [(A-B)/A]$$

Where:

X = the number of Warrant Shares to be issued to the Holder.

Y = the number of Warrant Shares with respect to which this Warrant is being exercised.

A = the average of the applicable closing prices for the five Trading Days immediately prior to (but not including) the Exercise Date, or (if the Common Stock is not listed for trading on a securities exchange or quoted on an over-the-counter quotation service) the price reasonably determined by the Company's Board of Directors to constitute the fair market value of the Common Stock immediately prior to the Exercise Date.

B = the Exercise Price.

For purposes of Rule 144 promulgated under the Securities Act, it is intended, understood and acknowledged that the Warrant Shares issued in a cashless exercise transaction shall be deemed to have been acquired by the Holder, and the holding period for the Warrant Shares shall be deemed to have commenced, on the date this Warrant was originally issued.

11. Fractional Shares. The Company shall not be required to issue or cause to be issued fractional Warrant Shares on the exercise of this Warrant. If any fraction of a Warrant Share would, except for the provisions of this Section, be issuable upon exercise of this Warrant, the number of Warrant Shares to be issued will be rounded down to the nearest whole share and the purchase prices of such fraction of a share shall be paid to the Holder in cash.

12. Notices. Any and all notices or other communications or deliveries hereunder (including without limitation any Exercise Notice) shall be in writing and shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile or email at the facsimile number or email address specified in the Purchase Agreement prior to 6:30 p.m. (New York City time) on a Trading Day, (ii) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number specified in the Purchase Agreement on a day that is not a Trading Day or later than 6:30 p.m. (New York City time) on any Trading Day, (iii) the Trading Day following the date of mailing, if sent by nationally recognized overnight courier service or (iv) upon actual receipt by the party to whom such notice is required to be given. The address for such notices or communications shall be as set forth in the Purchase Agreement.

13. Purchase Agreement. The Warrant Shares for which this Warrant is exercisable are entitled to the benefits and subject to the limitations of the Purchase Agreement, which include registration rights for the Warrant Shares.

14. Miscellaneous.

a. Subject to the restrictions on transfer set forth herein, this Warrant and the registration rights set forth in the Purchase Agreement may be assigned by the Holder in denominations of not less than 100,000 Warrant Shares or in its entirety, provided that following such assignment, the further disposition of such Warrant and Warrant Shares by the assignee is restricted under the Securities Act and applicable state securities laws and such transferee agrees in writing to be bound, with respect to the transferred Warrant and Warrant Shares, by the provisions of Articles 10, 11, and 13 of the Purchase Agreement and Section 5.2(b) of the Purchase Agreement . This Warrant may not be assigned by the Company except to a successor in the event of a sale of all or substantially all of the Company's assets or a merger or acquisition of the Company. This Warrant shall be binding on and inure to the benefit of the parties hereto and their respective successors and assigns. Subject to the preceding sentences, nothing in this Warrant shall be construed to give to any Person other than the Company and the Holder any legal or equitable right, remedy or cause of action under this Warrant. This Warrant may be amended only in writing signed by the Company and the Holder and their successors and assigns.

b. The Company will not, by amendment of its governing documents or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be reasonably necessary or appropriate in order to protect the rights of the Holder against impairment. Without limiting the generality of the foregoing, the Company (i) will not increase the par value of any Warrant Shares above the amount payable therefor on such exercise, (ii) will take all such action as may be reasonably necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares on the exercise of this Warrant, and (iii) will not close its stockholder books or records in any manner which interferes with the timely exercise of this Warrant.

c . GOVERNING LAW; VENUE; WAIVER OF JURY TRIAL. ALL QUESTIONS CONCERNING THE CONSTRUCTION, VALIDITY, ENFORCEMENT AND INTERPRETATION OF THIS WARRANT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING REGARD TO ANY APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE GENERAL APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY. EACH PARTY HEREBY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS SITTING IN THE CITY OF NEW YORK, BOROUGH OF MANHATTAN, FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR ARISING OUT OF OR IN CONNECTION HEREWITH OR WITH ANY TRANSACTION CONTEMPLATED HEREBY OR DISCUSSED HEREIN (INCLUDING WITH RESPECT TO THE ENFORCEMENT OF ANY OF THE TRANSACTION DOCUMENTS), AND HEREBY IRREVOCABLY WAIVES, AND AGREES NOT TO ASSERT IN ANY SUIT, ACTION OR PROCEEDING, ANY CLAIM THAT IT IS NOT PERSONALLY SUBJECT TO THE JURISDICTION OF ANY SUCH COURT, THAT SUCH SUIT, ACTION OR PROCEEDING IS IMPROPER. EACH PARTY HEREBY IRREVOCABLY WAIVES PERSONAL SERVICE OF PROCESS AND CONSENTS TO PROCESS BEING SERVED IN ANY SUCH SUIT, ACTION OR PROCEEDING BY MAILING A COPY THEREOF VIA REGISTERED OR CERTIFIED MAIL OR OVERNIGHT DELIVERY (WITH EVIDENCE OF DELIVERY) TO SUCH PARTY AT THE ADDRESS IN EFFECT FOR NOTICES TO IT UNDER THIS AGREEMENT AND AGREES THAT SUCH SERVICE SHALL CONSTITUTE GOOD AND SUFFICIENT SERVICE OF PROCESS AND NOTICE THEREOF. NOTHING CONTAINED HEREIN SHALL BE DEEMED TO LIMIT IN ANY WAY ANY RIGHT TO SERVE PROCESS IN ANY MANNER PERMITTED BY LAW. THE COMPANY HEREBY WAIVES ALL RIGHTS TO A TRIAL BY JURY.

d. The headings herein are for convenience only, do not constitute a part of this Warrant and shall not be deemed to limit or affect any of the provisions hereof.

e. In case any one or more of the provisions of this Warrant shall be invalid or unenforceable in any respect, the validity and enforceability of the remaining terms and provisions of this Warrant shall not in any way be affected or impaired thereby and the parties will attempt in good faith to agree upon a valid and enforceable provision which shall be a commercially reasonable substitute therefor, and upon so agreeing, shall incorporate such substitute provision in this Warrant.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK,
SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by its authorized officer as of the date first indicated above.

LAPIS TECHNOLOGIES INC.

By: David Lucatz
Name: David Lucatz
Title: President and Chief Executive Officer

Address:
70 Kinderkamack Road
Emerson, New Jersey
07630

Exhibit 10.4

Execution Copy

COMPANY PLEDGE AND SECURITY AGREEMENT

This COMPANY PLEDGE AND SECURITY AGREEMENT (as amended, restated or otherwise modified from time to time, this "Agreement") is entered into as of September 1, 2011, by and between Lapis Technologies Inc., a Delaware corporation (the "Pledgor," or the "Company") and UTA Capital LLC, a Delaware limited liability company (the "Pledgee").

RECITALS

WHEREAS, pursuant to that certain Note and Warrant Purchase Agreement, dated as of July 12, 2011 (as amended, restated or otherwise modified from time to time, the "Purchase Agreement"), by and between the Company and the Pledgee, the Company has requested that the Pledgee make a loan or loans available to the Company in the aggregate principal amount of up to $6,000,000, and the Pledgee has agreed to make such loans available to the Company subject to the terms and conditions set forth in the Purchase Agreement;

WHEREAS, the borrowings under the Purchase Agreement by the Pledgor will confer direct economic benefit upon the Pledgor; and

WHEREAS, in order to induce the Pledgee to provide the financial accommodations described in the Purchase Agreement, the Pledgor has agreed to pledge and grant a security interest in the collateral described herein to the Pledgee, on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of these premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions. Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to such terms in the Purchase Agreement. The following terms which are defined in the Uniform Commercial Code in effect in the State of New York on the date hereof (the "UCC") are used herein as so defined: Inventory and Proceeds.

2. Pledge and Grant of Security Interest. To secure the prompt payment and performance in full when due, whether by lapse of time or otherwise, of the aggregate amount of the Notes, and all of the other Secured Obligations (as defined below), the Pledgor hereby pledges, assigns, hypothecates and grants to the Pledgee a first priority lien on and security interest in and charge on (the "Security Interest") any and all right, title and interest of the Pledgor in and to the following, whether now owned or existing or whether owned, acquired, or arising hereafter (collectively, the "Collateral"):

(a) Enertec Electronics Equity Interests. All of the shares of capital stock of Enertec Electronics Ltd., an Israeli company and wholly-owned subsidiary of the Company ("Enertec Electronics") presently owned or hereinafter acquired, either directly or indirectly, by the Company, representing 100% of the issued and outstanding shares of capital stock of Enertec Electronics (the "Equity Interests"); and

(b) Pledgor's Assets. All of the Pledgor's accounts receivable, contracts, chattel paper, equipment, inventory and any other assets (the "Company Assets"), and all proceeds and products arising from the sale or disposition of such Company Assets, however and whenever acquired and in whatever form.

3. Security for Secured Obligations. The Security Interest created hereby in the Collateral constitutes continuing collateral security for the following obligations (collectively, the "Secured Obligations"): (a) the aggregate principal amount, interest and other payment obligations due, or which may become due, under the Notes, (b) all other obligations and liabilities of the Pledgor to the Pledgee under the Purchase Agreement and the Transaction Documents, and (c) all other obligations and liabilities of the Pledgor to the Pledgee under this Agreement (the Notes, the Purchase Agreement, the Transaction Documents and this Agreement, as each may be amended, restated, modified and/or supplemented from time to time, collectively, the "Documents"), whether now existing or hereafter arising, direct or indirect, liquidated or unliquidated, absolute or contingent, due or not due and whether under, pursuant to or evidenced by a note, agreement, guaranty, instrument or otherwise (in each case, irrespective of the genuineness, validity, regularity or enforceability of such Secured Obligations, or of any instrument evidencing any of the Secured Obligations or of any collateral therefor or of the existence or extent of such collateral, and irrespective of the allowability, allowance or disallowance of any or all of such Secured Obligations in any case commenced by or against the Pledgor under Title 11, United States Code, including, without limitation, obligations of the Pledgor for post-petition interest, fees, costs and charges that would have accrued or been added to the Secured Obligations but for the commencement of such case).

4. Delivery of the Collateral. The Pledgor hereby agrees that:

(a) Delivery of Certificates. The Pledgor shall deliver to Seyfarth Shaw LLP for the benefit of the Pledgee (i) all certificates and instruments constituting the Equity Interests presently owned by the Pledgor and (ii) promptly upon the receipt by the Pledgor, all certificates and instruments constituting the Equity Interests that are hereinafter received, whether directly or indirectly, by the Pledgor. Prior to such delivery to Seyfarth Shaw LLP for the benefit of the Pledgee, all such certificates and instruments constituting the Equity Interests shall be held in trust by the Pledgor for the benefit of the Pledgee pursuant hereto. All such certificates shall be delivered in suitable form for transfer by delivery or shall be accompanied by duly executed instruments of transfer or assignment in blank, substantially in the form provided in Exhibit 1 attached hereto.

(b) Additional Securities. If the Pledgor shall receive by virtue of it being or having been the owner of the Collateral, any (i) stock certificate, membership certificate or other certificate representing stock or a membership or partnership interest, including without limitation, any certificate representing a dividend or distribution in connection with any increase or reduction of capital, reclassification, merger, consolidation, sale of assets, combination of shares of stock or membership or equity or partnership interests, stock splits, spin-off or split-off, promissory notes or other instruments; (ii) option or right, whether as an addition to, substitution for, or an exchange for, the Collateral or otherwise; (iii) dividends payable in securities; or (iv) distributions of securities in connection with a partial or total liquidation, dissolution or reduction of capital, capital surplus or paid-in surplus, then the Pledgor shall receive such certificate, instrument, option, right, dividend or distribution in trust for the benefit of the Pledgee, shall segregate it from the Pledgor's other property and shall promptly deliver it to the Pledgee in the exact form received together with any necessary endorsement and/or appropriate stock power, membership interest power or partnership interest power, as applicable, duly executed in blank, substantially in the form provided in Exhibit 1, to be held by the Pledgee as Collateral and as further collateral security for the Secured Obligations.

(c) Financing Statements. The Pledgor authorizes the Pledgee to file such UCC (as defined in Section 1 above) or other applicable financing statements, as may be reasonably requested by the Pledgee in order to perfect and protect the Security Interest created hereby in the Collateral.

5. Other Obligations of the Pledgor.

(a) Waiver. The Pledgor hereby waives promptness, diligence, notice of acceptance and any other notice with respect to any of the Secured Obligations and this Agreement and any requirement that the Pledgee exhaust any right or take any action against the Company or any other Person or any collateral.

(b) Subrogation. The Pledgor will not exercise any rights which the Pledgor may acquire by way of subrogation under this Agreement, by any payment made hereunder or otherwise until all the Secured Obligations shall have been paid in full (other than indemnification and other contingent obligations which by their terms survive termination of the Purchase Agreement and other Documents). If any amount shall be paid to the Pledgor on account of such subrogation rights at any time when all the Secured Obligations shall not have been paid in full (other than indemnification and other contingent obligations which by their terms survive termination of the Purchase Agreement and other Documents), such amount shall be held in trust for the benefit of the Pledgee and shall forthwith be paid to the Pledgee to be credited and applied upon the Secured Obligations, whether matured or unmatured, in any order which it may, in its discretion, elect. If (i) the Pledgor shall make payment to the Pledgee of all or any part of the Secured Obligations and (ii) all the Secured Obligations shall be paid in full (other than indemnification and other contingent obligations which by their terms survive termination of the Purchase Agreement and other Documents), the Pledgee will, at the Pledgor's request, execute and deliver to the Pledgor appropriate documents, without recourse and without representation or warranty, necessary to evidence the transfer by subrogation to the Pledgor of an interest in the Secured Obligations resulting from such payment by the Pledgor.

6. Representations and Warranties. The Pledgor hereby represents and warrants to the Pledgee that as of the date hereof:

(a) Authorization of the Equity Interests. The Equity Interests are duly authorized and validly issued, are fully paid and nonassessable and are not subject to the preemptive rights of any Person. All other shares of stock or membership or partnership interests constituting Collateral will be duly authorized and validly issued, fully paid and nonassessable and not subject to the preemptive rights of any Person.

(b) Title. The Pledgor has good and indefeasible title to the Collateral and will at all times be the legal and beneficial owner of such Collateral free and clear of any attachments, levies, taxes, liens, security interests, hypothecations and encumbrances of every kind and nature ("Liens"), other than Liens permitted by the Purchase Agreement. There exists no "adverse claim" within the meaning of Section 8-102 of the UCC with respect to the Equity Interests.

(c) Exercising of Rights. To the best of the Pledgor's Knowledge so long as done in accordance with laws affecting the offering and sale of securities and the UCC or other relevant law in the applicable jurisdiction, the exercise by the Pledgee of its rights and remedies hereunder will not violate any law or governmental regulation or any material contractual restriction (except for the loan documents entered into with FIBI) binding on or affecting the Pledgor, the Collateral or any of the Pledgor's other property.

(d) Pledgor's Authority . No authorization, approval or action by, and no notice or filing with any governmental authority or with the issuer of any Equity Interests is required either (i) for the pledges made by the Pledgor or for the granting of the Security Interest by the Pledgor pursuant to this Agreement or (ii) to the best of the Pledgor's Knowledge, for the exercise by the Pledgee of its rights and remedies hereunder (except as may be required by laws affecting the offering and sale of securities and those that have already been obtained).

(e) Security Interest/Priority. This Agreement creates a valid first priority Security Interest and charge in favor of the Pledgee in the Collateral, under the UCC. The taking possession by the Pledgee of the certificates representing the Equity Interests will perfect and establish the first priority of the Pledgee's Security Interest in the Equity Interests. The filing of appropriate financing statements (and continuation statements, if applicable) with the applicable Secretary of State with respect to the Company Assets will perfect and establish the first priority of the Pledgee's security interest in the Company Assets, to the extent Pledgor has or may acquire rights in such Company Assets. Except as set forth in this Section 6(e), no action is necessary to perfect or otherwise protect the Pledgee's Security Interest in the Collateral.

(f) Litigation. There are no pending or, to Pledgor's Knowledge, threatened actions or proceedings before any court, judicial body, administrative agency or arbitrator which may materially adversely affect the Collateral.

(g) Power and Authority. The Pledgor has the requisite power and authority to enter into this Agreement and any related documents, perform its obligations hereunder and thereunder and to pledge and assign the Collateral to the Pledgee in accordance with the terms of this Agreement.

(h) Transfer Restrictions. There are no provisions contained in the certificate of incorporation or by-laws (or equivalent organizational documents) of the Pledgor or Enertec Electronics, or any other documents or agreements, that impose any form of restriction on the transfer of the Equity Interests which have not otherwise been enforceably and legally waived by the necessary parties.

(i) Securities Laws. None of the shares of the Equity Interests have been issued or transferred in violation of the securities registration, securities disclosure or similar laws of any jurisdiction to which such issuance or transfer may be subject.

(j) Grant of Security Interest. The pledge and assignment of the Equity Interests and the grant of a Lien in the Collateral under this Agreement vest in the Pledgee all rights of the Pledgor in the Collateral as contemplated by this Agreement.

(k) Principal Addresses; Legal or Other Names. The location of Pledgor's chief executive office, offices, other locations of Collateral and locations where records with respect to Collateral are kept, are as set forth in Exhibit 3 and, except as set forth in such Schedule, such locations have not changed during the preceding twelve months. As of the date hereof, during the prior five years, except as set forth in Exhibit 3, Pledgor has not been known as or conducted business under any other name (including trade names).

7. Covenants. The Pledgor hereby covenants that so long as any of the Secured Obligations remain outstanding (other than indemnification and other contingent obligations which by their terms survive termination of the Purchase Agreement and the other Documents) or any Document is in effect, the Pledgor shall:

(a) Books and Records. Mark its books and records (and shall cause Enertec Electronics to mark its books and records) to reflect the Security Interest granted to the Pledgee pursuant to this Agreement and the other Documents, including entering particulars of the share pledge in the share register of Enertec Electronics.

(b) Defense of Title. Warrant and defend title to and ownership of the Collateral at its own reasonable expense against the claims and demands brought against the Pledgee and/or Pledgor by any other parties claiming an interest therein, keep the Collateral free from all Liens (other than Liens permitted by the Purchase Agreement), and not sell, exchange, transfer, convey, assign, lease or otherwise dispose of its rights in or to the Collateral or any interest therein nor create, incur or permit to exist any Lien whatsoever with respect to any of the Collateral or the proceeds thereof other than that created hereby or as otherwise permitted by the Purchase Agreement.

(c) Defend Against Claims. The Pledgor will, at its reasonable expense, defend the Pledgee's right, title and security interest in and to the Collateral against the claims of any other party.

(d) Additional Equity Interests. Not consent to or approve the issuance to the Pledgor of (i) any additional shares of any class of capital stock or other equity interests of Enertec Electronics or (ii) any securities convertible either voluntarily by the holder thereof or automatically upon the occurrence or nonoccurrence of any event or condition into, or any securities exchangeable for, shares of Enertec Electronics' capital stock, unless, in either case, 100% of such shares and/or convertible securities are pledged as Collateral pursuant to this Agreement.

(e) Further Assurances. Promptly execute and deliver at its expense all further instruments and documents and take all further action that may be reasonably necessary and desirable or that the Pledgee may reasonably request in order to (i) perfect and protect the Lien created hereby in the Collateral (including, without limitation, any and all action necessary to satisfy the Pledgee that the Pledgee has obtained a first priority perfected Security Interest in the Equity Interests and the Company Assets); (ii) enable the Pledgee to exercise and enforce hereunder with respect to its rights and remedies relating to the Collateral; and (iii) otherwise effect the purposes of this Agreement, including, without limitation and if requested by the Pledgee, (A) delivering to the Pledgee irrevocable proxies with respect to the Collateral, which irrevocable proxies will be strictly and only used for the purpose of allowing the Pledgee to perfect and protect the Security Interest granted or purported to be granted hereby or to enable the Pledgee to exercise and enforce their rights and remedies hereunder with respect to the Collateral, but only in accordance with the terms of this Agreement following the occurrence of an Event of Default (as defined below) and (B) executing and delivering, and causing the issuer of such Equity Interests to execute and deliver, to Pledgee a control acknowledgment ("Control Acknowledgement") substantially in the form of Exhibit 2 with respect to the Equity Interests. The Pledgor shall cause the issuer to acknowledge in writing its receipt and acceptance thereof. Such Control Acknowledgement shall instruct such issuer to follow instructions from the Pledgee without any Pledgor's consultation or consent.

(f) Amendments. Not make or consent to any amendment or other modification or waiver with respect to any of the Collateral or enter into any agreement or allow to exist any restriction with respect to any of the Collateral other than pursuant hereto, including any amendment that would (i) impair the Collateral or adversely affect in any respect the rights, privileges, benefits and security interests provided to or intended to be provided to the Pledgee, (ii) that in any way adversely affects the perfection of the Security Interest of the Pledgee in the Collateral, or (iii) be in conflict with any of the provisions of the Purchase Agreement.

(g) Compliance with Securities Laws. File all reports and other information now or hereafter required to be filed by the Pledgor with the United States Securities and Exchange Commission and any other state, federal or foreign agency in connection with the ownership of the Collateral.

(h) Subordination of Rights of Payment and Application of Accounts and Contract Proceeds. At all times following the occurrence and during the continuance of an Event of Default (after giving effect to all applicable notice and cure rights), distribute to Pledgee any cash dividends or distributions received in respect of the Equity Interests or any payments received with respect the Company Assets (if any), and all such amounts shall be immediately utilized by the Pledgee to repay the Notes and other obligations of the Pledgor to the Pledgee.

8. Advances by the Pledgee. Upon the occurrence and during the continuance of an Event of Default (after giving effect to all applicable notice and cure rights), the Pledgee may, at its sole option and in its sole discretion, take all such action as it deems appropriate and in so doing may expend such sums as the Pledgee may reasonably deem advisable in the performance thereof, including, without limitation, the payment of any insurance premiums, the payment of any taxes, a payment to obtain a release of a Lien or potential Lien, expenditures made in defending against any adverse claim and all other expenditures which the Pledgee may make for the protection of the Collateral hereof or which may be compelled to make by operation of law. All such sums and amounts so expended shall be reimbursed by the Pledgor promptly upon timely notice thereof and demand therefore and shall constitute additional Secured Obligations. No such performance of any covenant or agreement by the Pledgee on behalf of the Pledgor, and no such advance or expenditure therefor, shall relieve the Pledgor of any default under the terms of this Agreement or the other Documents. The Pledgee may make any payment hereby authorized in accordance with any bill, statement or estimate procured from the appropriate public office or holder of the claim to be discharged without inquiry into the accuracy of such bill, statement or estimate or into the validity of any tax assessment, sale, forfeiture, tax lien, title or claim except to the extent such payment is being contested in good faith by the Pledgor in appropriate proceedings and against which adequate reserves are being maintained in accordance with GAAP.

9. Events of Default. An Event of Default (as defined in the Notes) shall constitute an event of default ("Event of Default") hereunder.

10. Remedies.

(a) General Remedies. Upon the occurrence of an Event of Default and during the continuation thereof, the Pledgee shall have, in respect of the Collateral, in addition to the rights and remedies provided herein, in the Documents or by law, the rights and remedies of a secured party under the UCC or any other applicable law. In addition, the Pledgee may exercise all corporate rights with respect to the Collateral including, without limitation, all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining to any shares of the Collateral as if it were the absolute owner thereof, including, but without limitation, the right to exchange, at its discretion, any or all of the Collateral upon the merger, consolidation, reorganization, recapitalization or other readjustment of the issuer thereof, or upon the exercise by the issuer of any right, privilege or option pertaining to any of the Collateral, and, in connection therewith, to deposit and deliver any and all of the Collateral with any committee, depository, transfer agent, registrar or other designated agent upon such terms and conditions as it may determine, all without liability except to account for property actually received by it.

(b) Transfer and Sale of Collateral. Upon the occurrence of an Event of Default and during the continuation thereof, without limiting the generality of this Section and without notice, the Pledgee may, in its sole discretion, sell or otherwise dispose of or realize upon the Collateral, or any part thereof, in one or more parcels, at public or private sale, at any exchange or broker's board or elsewhere, at such price or prices and on such other terms as the Pledgee may deem commercially reasonable, for cash, credit or for future delivery or otherwise in accordance with applicable law. To the extent permitted by law, the Pledgee may in such event bid for the purchase of such securities. The Pledgor agrees that, to the extent notice of sale shall be required by law and has not been waived by such Pledgor, any requirement of reasonable notice shall be met if notice, specifying the place of any public sale or the time after which any private sale is to be made, is personally served on or mailed, postage prepaid, to the Pledgor, in accordance with the notice provisions of the Purchase Agreement at least ten (10) days before the time of such sale. The Pledgee shall not be obligated to make any sale of the Collateral regardless of notice of sale having been given. The Pledgee may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. At any such sale, unless prohibited by applicable law, the Pledgee may bid for and purchase the whole or any part of the Collateral so sold free from any such right or equity of redemption. All moneys received by the Pledgee hereunder, whether upon sale of the Collateral or any part thereof or otherwise, shall be held by the Pledgee and applied by it as provided in Section 15 hereof. No failure or delay on the part of the Pledgee in exercising any rights hereunder shall operate as a waiver of any such rights nor shall any single or partial exercise of any such rights preclude any other or future exercise thereof or the exercise of any other rights hereunder. The Pledgee shall have no duty as to the collection or protection of the Collateral or any income thereon nor any duty as to preservation of any rights pertaining thereto, except to apply the funds in accordance with the requirements of Section 15 hereof. The Pledgee may exercise its rights with respect to property held hereunder without resort to other security for or sources of reimbursement for the Secured Obligations. In addition to the foregoing, Pledgee shall have all of the rights, remedies and privileges of a secured party under the UCC regardless of the jurisdiction in which enforcement hereof is sought.

(c) Private Sale. The Pledgor recognizes that the Pledgee may be unable to effect (or to do so only after delay which would adversely affect the value that might be realized from the Collateral) or may deem it impracticable to effect a public sale of all or any part of the Company Assets or the Equity Interests constituting the Collateral and that the Pledgee may, therefore, determine to make one or more private sales of any such collateral to a restricted group of purchasers who will be obligated to agree, among other things, to acquire such securities for their own account, for investment and not with a view to the distribution or resale thereof. The Pledgor acknowledges that any such private sale may be at prices and on terms less favorable to the seller than the prices and other terms which might have been obtained at a public sale and, notwithstanding the foregoing, agrees that such private sale shall be deemed to have been made in a commercially reasonable manner and that the Pledgee shall have no obligation to delay sale of any such securities for the period of time necessary to permit the issuer of such securities to register such securities for public sale under the Securities Act of 1933, as amended. The Pledgor further acknowledges and agrees that any offer to sell such securities which has been made privately in the manner described above shall be deemed to involve a "public sale" under the UCC, notwithstanding that such sale may not constitute a "public offering" under the Securities Act of 1933, as amended, and the Pledgee may, in such event, bid for the purchase of such securities.

(d) Retention of Collateral. Without limiting the application of, and Pledgee's rights under Section 7(h) of this Agreement, in addition to the rights and remedies hereunder, upon the occurrence and during the continuance of an Event of Default, the Pledgee may, after providing the notices required by Section 9-620 of the UCC or otherwise complying with the requirements of applicable law of the relevant jurisdiction, retain all or any portion of the Collateral in satisfaction of the Secured Obligations. Unless and until the Pledgee shall have provided such notices, however, the Pledgee shall not be deemed to have retained the Collateral in satisfaction of any Secured Obligations for any reason.

11. Release of Collateral. The Pledgee may release any of the Collateral from this Agreement or may substitute any of the Collateral for other Collateral without altering, varying or diminishing in any way the force, effect or Lien of this Agreement as to any Collateral not expressly released or substituted, and this Agreement shall continue as a first priority Lien on all Collateral not expressly released or substituted.

12. Waiver of Marshaling. The Pledgor hereby waives any right to compel any marshaling of any of the Collateral.

13. No Waiver. Any and all of the Pledgee's rights with respect to the rights granted under this Agreement shall continue unimpaired, and the Pledgor shall be and remain obligated in accordance with the terms hereof, notwithstanding (a) the bankruptcy, insolvency or reorganization of the Pledgor, if any (b) the release or substitution of any item of the Collateral at any time, or of any rights or interests therein, or (c) any delay, extension of time, renewal, compromise or other indulgence granted by the Pledgee in reference to any of the Secured Obligations. The Pledgor hereby waives all notice of any such delay, extension, release, substitution, renewal, compromise or other indulgence, and hereby consents to be bound hereby as fully and effectively as if the Pledgor had expressly agreed thereto in advance. No delay or extension of time by the Pledgee in exercising any power of sale, option or other right or remedy hereunder, and no failure by the Pledgee to give notice or make demand, shall constitute a waiver thereof, or limit, impair or prejudice the Pledgee's right to take any action against Pledgor or to exercise any other power of sale, option or any other right or remedy.

14. Expenses. The Collateral shall secure, and the Pledgor shall pay to the Pledgee on demand, from time to time, all reasonable costs and expenses (including but not limited to, reasonable attorneys' fees and costs, taxes, and all transfer, recording, filing and other charges) of, or incidental to, the custody, care, transfer, administration of the Collateral or any other collateral, or in any way relating to the enforcement, protection or preservation of the rights or remedies of the Pledgee under this Agreement or with respect to any of the Secured Obligations.

15. Rights of the Pledgee.

(a) Power of Attorney. The Pledgor hereby designates and appoints the Pledgee and each of its designees or agents as attorney-in-fact of the Pledgor, irrevocably and with power of substitution, with authority to take any or all of the following actions, which power of attorney shall become effective upon the occurrence and during the continuance of an Event of Default:

(i) to demand, collect, settle, compromise, adjust and give discharges and releases concerning the Collateral, all as the Pledgee may reasonably determine;

(ii) to commence and prosecute any actions at any court for the purposes of collecting any of the Collateral and enforcing any other right in respect thereof;

(iii) to defend, settle or compromise any action brought and, in connection with the Collateral, give such discharge or release as the Pledgee may deem reasonably appropriate;

(iv) to pay or discharge taxes or Liens levied or placed on or threatened against the Collateral;

(v) to direct any parties liable for any payment under any of the Collateral to make payment of any and all monies due and to become due thereunder directly to the Pledgee or as the Pledgee shall direct;

(vi) to receive payment of and receipt for any and all monies, claims, and other amounts due and to become due at any time in respect of or arising out of any Collateral;

(vii) to sign and endorse any drafts, assignments, proxies, stock powers, membership interest powers, partnership interest powers, verifications, notices and other documents relating to the Collateral;

(viii) to settle, compromise or adjust any suit, action or proceeding described above and, in connection therewith, to give such discharges or releases as the Pledgee may deem reasonably appropriate;

(ix) to execute and deliver all assignments, conveyances, statements, financing statements, renewal financing statements, pledge agreements, affidavits, notices and other agreements, instruments and documents that the Pledgee may determine necessary in order to perfect and maintain the Security Interests granted in this Agreement and in order to fully consummate all of the transactions contemplated therein;

(x) to exchange any of the Collateral or other property upon any merger, consolidation, reorganization, recapitalization or other readjustment of the issuer thereof and, in connection therewith, deposit any of the Collateral with any committee, depository, transfer agent, registrar or other designated agency upon such terms as the Pledgee may determine;

(xi) to vote for a shareholder, partner or member resolution, or to sign an instrument in writing, sanctioning the transfer of any or all of the Collateral into the name of the Pledgee or into the name of any transferee to whom the Collateral or any part thereof may be sold pursuant to Section 10 hereof; and

(xii) to do and perform all such other acts and things as the Pledgee may reasonably deem to be necessary, proper or convenient in connection with the Collateral.

This power of attorney is a power coupled with an interest and upon the occurrence and during the continuance of an Event of Default shall be irrevocable for so long as any of the Secured Obligations remain outstanding (other than indemnification and other contingent obligations which by their terms survive termination of the Purchase Agreement and the other Documents) and any Document is in effect. The Pledgee shall be under no duty to exercise or withhold the exercise of any of the rights, powers, privileges and options expressly or implicitly granted to the Pledgee in this Agreement, and shall not be liable for any failure to do so or any delay in doing so. The Pledgee shall not be liable for any act or omission or for any error of judgment or any mistake of fact or law in its individual capacity or its capacity as attorney-in-fact except acts or omissions resulting from its gross negligence or willful misconduct. This power of attorney is conferred on the Pledgee solely to protect, preserve and realize upon its security interest in the Collateral.

(b) Performance by the Pledgee of the Pledgor's Obligations. If the Pledgor fails to perform any agreement or obligation contained herein, the Pledgee itself may perform, or cause performance of, such agreement or obligation, and the expenses of the Pledgee incurred in connection therewith shall be payable by the Pledgor pursuant to Section 8 hereof.

(c) Assignment by the Pledgee. The Pledgee may from time to time assign the Secured Obligations and any portion thereof and/or, upon and following an Event of Default, the Collateral and any portion thereof, and the assignee shall be entitled to all of the rights and remedies of the Pledgee under this Agreement in relation thereto.

(d) The Pledgee's Duty of Care. Other than the exercise of reasonable care to assure the safe custody of the Collateral while being held by the Pledgee hereunder, the Pledgee shall have no duty or liability to preserve rights pertaining thereto, it being understood and agreed that the Pledgor shall be responsible for preservation of all rights in the Collateral, and the Pledgee shall be relieved of all responsibility for the Collateral upon surrendering it or tendering the surrender of it to the Pledgor. The Pledgee shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if such Collateral is accorded treatment substantially equal to that which the Pledgee accords its own property, which shall be no less than the treatment employed by a reasonable and prudent Person in the industry, it being understood that the Pledgee shall not have responsibility for (i) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relating to any Collateral, whether or not the Pledgee have or is deemed to have knowledge of such matters; or (ii) taking any necessary steps to preserve rights against any parties with respect to any Collateral.

(e) Voting Rights in Respect of the Collateral.

(i) So long as no Event of Default shall have occurred and be continuing, to the extent permitted by law, the Pledgor may exercise any and all voting and other consensual rights pertaining to the Collateral or any part thereof for any purpose not inconsistent with the terms of this Agreement or any Document; and

(ii) Upon the occurrence and during the continuance of an Event of Default, all rights of the Pledgor to exercise the voting and other consensual rights which they would otherwise be entitled to exercise pursuant to clause (i) of this subsection (e) shall cease and all such rights shall thereupon become vested in the Pledgee which shall then have the sole right to exercise such voting and other consensual rights.

16. Application of Proceeds. Upon the occurrence of and during the continuance of an Event of Default, any payments in respect of the Secured Obligations and any proceeds of any Collateral, when received by the Pledgee in cash or its equivalent, will be applied as follows: first, to all reasonable costs and expenses of the Pledgee (including, without limitation, reasonable attorneys' fees and expenses) incurred in connection with the implementation and/or enforcement of this Agreement and/or any of the other Documents; second, to the principal amount of the Secured Obligations; third, to such of the Secured Obligations consisting of accrued but unpaid interest and fees; fourth, to all other amounts payable with respect to the Secured Obligations; and fifth, to the payment of the surplus, if any, to whoever may be lawfully entitled to receive such surplus.

17. Costs of Counsel. If at any time hereafter, whether upon the occurrence of an Event of Default or not, the Pledgee employs counsel to prepare or consider amendments, waivers or consents with respect to this Agreement, or to take action or make a response in or with respect to any legal or arbitral proceeding relating to this Agreement or relating to the Collateral, or to protect the Collateral or exercise any rights or remedies under this Agreement or with respect to the Collateral, then the Pledgor agrees to promptly pay upon demand any and all such reasonable documented costs and expenses incurred by the Pledgee, all of which costs and expenses shall constitute Secured Obligations hereunder.

18. Continuing Agreement.

(a) This Agreement shall be a continuing agreement in every respect and shall remain in full force and effect so long as any Secured Obligations shall remain unpaid and outstanding (other than indemnification and other contingent obligations which by their terms survive termination of the Purchase Agreement and the other Documents).

(b) This Agreement shall continue to be effective or be automatically reinstated, as the case may be, if at any time payment, in whole or in part, of any of the Secured Obligations is rescinded or must otherwise be restored or returned by the Pledgee as a preference, fraudulent conveyance or otherwise under any bankruptcy, insolvency or similar law, all as though such payment had not been made; provided that in the event payment of all or any part of the Secured Obligations is rescinded or must be restored or returned, all reasonable costs and expenses (including, without limitation, any reasonable legal fees and disbursements) incurred by the Pledgee in defending and enforcing such reinstatement shall be deemed to be included as a part of the Secured Obligations.

19. Amendments; Waivers; Modifications. This Agreement and the provisions hereof may not be amended, waived, modified, changed, discharged or terminated except in accordance with the terms of the Purchase Agreement.

20. Successors in Interest. This Agreement shall create a continuing Lien in the Collateral and shall be binding upon the Pledgor, its successors and assigns and shall inure, together with the rights and remedies of the Pledgee hereunder, to the Pledgee and its successors and permitted assigns; provided, however, that the Pledgor may not assign its rights or delegate its duties hereunder without the prior written consent of the Pledgee. To the fullest extent permitted by law, the Pledgor hereby releases the Pledgee and its successors and permitted assigns, from any liability for any act or omission relating to this Agreement or the Collateral, except to the extent such liability arose from the gross negligence or willful misconduct of the Pledgee.

21. Notices. All notices required or permitted to be given under this Agreement shall be in conformance with the Purchase Agreement.

22. Counterparts. This Agreement may be executed in any number of counterparts, each of which where so executed and delivered shall be an original, but all of which shall constitute one and the same instrument.

23. Headings. The headings of the sections and subsections hereof are provided for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

24. Governing Law; Consent to Jurisdiction and Service of Process; Waiver of Jury Trial; Joinder.

(a) THIS AGREEMENT AND THE OTHER DOCUMENTS SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN SUCH STATE, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE GENERAL APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

(b) THE PLEDGOR HEREBY CONSENTS AND AGREES THAT THE STATE OR FEDERAL COURTS LOCATED IN THE COUNTY OF NEW YORK, STATE OF NEW YORK SHALL HAVE EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN THE PLEDGOR, ON THE ONE HAND, AND THE PLEDGEE, ON THE OTHER HAND, PERTAINING TO THIS AGREEMENT OR ANY OF THE OTHER DOCUMENTS OR TO ANY MATTER ARISING OUT OF OR RELATED TO THIS AGREEMENT OR ANY OF THE OTHER DOCUMENTS, PROVIDED, THAT THE PLEDGOR ACKNOWLEDGES THAT ANY APPEALS FROM THOSE COURTS MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE OF THE COUNTY OF NEW YORK, STATE OF NEW YORK; AND FURTHER PROVIDED, THAT NOTHING IN THIS AGREEMENT SHALL BE DEEMED OR OPERATE TO PRECLUDE THE PLEDGEE FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION TO COLLECT THE INDEBTEDNESS, TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE INDEBTEDNESS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF THE PLEDGEE. THE PLEDGOR EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND THE PLEDGOR HEREBY WAIVES ANY OBJECTION WHICH HE, SHE OR IT MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS. THE PLEDGOR HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS, COMPLAINT AND OTHER PROCESS ISSUED IN ANY SUCH ACTION OR SUIT AND AGREES THAT SERVICE OF SUCH SUMMONS, COMPLAINT AND OTHER PROCESS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO SUCH PLEDGOR AT THE ADDRESS SET FORTH IN THE PURCHASE AGREEMENT AND THAT SERVICE SO MADE SHALL BE DEEMED COMPLETED UPON THE EARLIER OF SUCH PLEDGOR'S ACTUAL RECEIPT THEREOF OR THREE (3) DAYS AFTER DEPOSIT IN THE U.S. MAILS, PROPER POSTAGE PREPAID.

(c) THE PARTIES HERETO DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, THE PARTIES HERETO WAIVE ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER ARISING IN CONTRACT, TORT, OR OTHERWISE BETWEEN THE PLEDGEE AND/OR THE PLEDGOR ARISING OUT OF, CONNECTED WITH, RELATED OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED BETWEEN THEM IN CONNECTION WITH THIS AGREEMENT, ANY OTHER DOCUMENT OR THE TRANSACTIONS RELATED HERETO OR THERETO.

(d) It is understood and agreed that any Person that desires to become a Pledgor hereunder, or is required to execute a counterpart of this Agreement after the date hereof pursuant to the requirements of any Document, shall become a Pledgor hereunder by (i) executing a joinder agreement in form and substance satisfactory to the Pledgee, (ii) delivering supplements to such exhibits and annexes to such Documents as the Pledgee shall reasonably request and/or set forth in such joinder agreement and (iii) taking all actions as specified in this Agreement as would have been taken by the Pledgor had it been an original party to this Agreement, in each case with all documents required above to be delivered to the Pledgee and with all documents and actions required above to be taken to the reasonable satisfaction of the Pledgee.

25. Severability. If any provision of this Agreement is determined to be illegal, invalid or unenforceable, such provision shall be fully severable and the remaining provisions shall remain in full force and effect and shall be construed without giving effect to the illegal, invalid or unenforceable provisions.

26. Entirety. This Agreement and the other Documents represent the entire agreement of the parties hereto and thereto, and supersede all prior agreements and understandings, oral or written, if any, including any commitment letters or correspondence relating to the Documents or the transactions contemplated herein and therein.

27. Survival. All representations and warranties of the Pledgor hereunder shall survive the execution and delivery of this Agreement and the other Documents.

28. Other Security. To the extent that any of the Secured Obligations are now or hereafter secured by property other than the Collateral (including, without limitation, real and other personal property owned by the Pledgor), or by a guarantee, endorsement or property of any other Person, then the Pledgee shall have the right to proceed against such other property, guarantee or endorsement upon the occurrence and during the continuance of any Event of Default, and the Pledgee has the right, in its sole discretion, to determine which rights, Liens or remedies the Pledgee shall at any time pursue, relinquish, subordinate, modify or take with respect thereto, without in any way modifying or affecting any of them or any of the Pledgee's rights or the Secured Obligations under this Agreement or under any of the other Documents.

29. Termination. Upon satisfaction in full in cash of the Secured Obligations (other than indemnification or other contingent obligations which by their terms survive the termination of the Purchase Agreement and the other Documents), Pledgee's rights under this Agreement, and the Security Interest created hereby and under the other Documents, shall terminate and Pledgee shall (i) execute and deliver to Pledgor, without recourse, representation or warranty, and Pledgor shall be entitled to file (A) UCC-3 termination statements (or similar documents and agreements) required to terminate all of Pledgee's rights under this Agreement and all other Documents and (B) such other agreements and documents reasonably required to terminate, or evidence the termination of, the Security Interest created hereby and under the other Documents and (ii) return to Pledgor all certificates and other Collateral to the extent the same have not been sold or otherwise disposed of or applied in accordance with the terms hereof.

[*Remainder of page intentionally left blank.*]

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the day and year first written above.

PLEDGOR:

LAPIS TECHNOLOGIES, INC.

By: /s/ David Lucatz
Name: David Lucatz
Title: President and Chief Executive Officer

PLEDGEE:

UTA CAPITAL LLC

By YZT Management LLC, Managing Member

/s/ Udi Toledano
By Udi Toledano, Managing Member

Acknowledged and accepted this
1st day of September, 2011.

ENERTEC ELECTRONICS LTD.

By: /s/ David Lucatz
Name:
Title: