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If you have sold or otherwise transferred all of your Ordinary Shares in ZONE-IP Ltd. please forward this document and the accompanying Form of Proxy (or Form of Direction for those who hold Depository Interests) at once to the purchaser or transferee or the agent through whom the sale or transfer was affected, for onward delivery to the purchaser or transferee. If you have sold only part of your Ordinary Shares in Zone-IP Ltd., please contact the bank, stockbroker or other agent through whom the sale or transfer was affected as to the actions you should take.

ZONE-IP LTD.

REGISTERED IN ISRAEL UNDER COMPANY NO: 513292805

NOTICE OF SPECIAL GENERAL MEETING

You are recommended to read the whole of this document. This document explains the background to and reasons for the resolutions proposed to be adopted by Zone-IP and contains a recommendation that you vote in favor of such resolutions to be proposed at the Special General Meeting.

Copies of this document will be available for review by the public commencing on the date hereof and until the date of the special general meeting, at the offices of John East & Partners Limited, 10 Finsbury Square, London EC2A 1AD, United Kingdom.

12 May 2009

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Latest time for receipt of Form of Direction	10 a.m. (UK time) on 15 June 2009
Latest time for receipt of Form of Proxy	10 a.m. (UK time) on 16 June 2009
Special General Meeting	10 a.m. (UK time) on 17 June 2009
Cancellation of Admission of Shares to trading on AIM	7 a.m. (UK time) on 24 June 2009

NOTICE OF SPECIAL GENERAL MEETING

ZONE-IP LTD.

(Incorporated and registered in Israel under company no: 513292805)

Registered office: 22 Zarhin Street, Ra'anana, Israel

12 May 2009

Dear Shareholder:

You are cordially invited to attend a Special General Meeting (the "Meeting") of Zone-IP Ltd. the "Company") to be held on 17 June, 2009 at 10 a.m. (UK time), at the offices of John East & Partners Limited, 10 Finsbury Square, London EC2A 1AD, UK. The notice of the Meeting is enclosed with this document, together with a form of proxy (if you are a holder of Depository Interests in the Company, you will receive a Form of Direction from the trustee of the Company's Depository Interests). The business to be conducted at the Meeting will comprise consideration of the following matters, all of which are described in more detail in the notice of the Meeting enclosed herewith:

1. Cancellation of Admission of the Company's Shares to trading on AIM

The Company's shareholders (the "Shareholders") will be requested to consider and vote on the proposal to cancel the admission of the Company's ordinary shares to trading on the AIM market of the London Stock Exchange ("AIM"), in accordance with Rule 41 of the AIM Rules. Under Rule 41 of the AIM Rules, the adoption of such resolution is subject to the approval of holders of at least 75 per cent of the Company's share capital represented and voted at the Meeting. If Shareholders approve the proposed resolution, it is expected that the cancellation of the admission will take place at 7 a.m. UK time on 24 June 2009.

In the past two years, there has been very limited trading in the Company's shares. Since 1 January 2008, only 321,301 ordinary shares of the Company have been traded on the market, representing 0.63 per cent. of the issued share capital of the Company, at a total monetary value of under £22,750. At the same time, the Company has been incurring significant costs and expenses relating to its listing on AIM, including fees paid to the Company's nominated adviser and broker and the registrar, annual fees paid to AIM, costs relating to public announcements and certain fees and expenses of directors and legal counsel fees. The Directors believe that, in light of the foregoing, it is in the best interests of Shareholders to cancel the admission of the Company's shares to AIM, thereby significantly reducing the Company's costs and expenses.

Shareholders should note that cancellation of admission is likely to reduce significantly the liquidity and marketability of the Company's shares and Shareholders will no longer be able to effect transactions in the Company's shares on market. Following cancellation, the Company intends to terminate the Depository Agreement entered into between the Company and the Depository (the Issuer of Depository Interests), Capita IRG Trustees Limited ("Capita") on 3 May 2005 (the "Depository Agreement"). Such termination shall take effect 45 days following the Company's notice to Capita of termination. Upon termination of the Depository Agreement, the Depository Interest facility maintained by Capita will be disabled and a share certificate will be despatched to each of the Depository Interests holders. If you wish to receive a share certificate before the date of expiry of the Depository Interests in CREST you should arrange to submit a stock withdrawal request without delay and in accordance with established CREST procedures. Until termination of the Depository Agreement, the Depository Interest holders will have to effect any transactions in the Company's shares off-market at a price to be agreed between the relevant parties and settle in CREST. Following termination of the Depository Agreement, a transaction will be affected through the surrender of the original share certificate(s) or such other evidence of title as the Company's Board of Directors (the "Board") may reasonably require from time to time. Once a transaction is agreed, either before or after termination of the Depository Agreement the relevant parties should contact Capita at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, England to affect the transfer or send to the aforementioned address a completed Stock Transfer Form (which will be accompanied, following termination of the Depository Agreement, by the original share certificate(s) or such other evidence of title as the Board may reasonably require). A Stock

Transfer Form may be downloaded from Capita's website as follows:
<http://www.capitaregistrars.com/shareholders/information/>.

In the event the resolution to cancel the admission of the Company's ordinary shares to AIM is approved as proposed, the Meeting will be adjourned until the cancellation of admission of the Company's shares to trading on AIM is completed, which is expected to occur on 24 June 2009. Thereafter, this Meeting will be re-convened to consider the proposals described below.

2. Amendment of the Terms of Remuneration of Mr. Tal Barnoach, the Executive Vice-Chairman of the Company's Board of Directors

Conditional upon the cancellation of admission of the Company's shares to trading on AIM becoming effective as proposed above, the Shareholders will be requested to consider and approve an amendment to the terms of remuneration of Mr. Tal Barnoach, the Executive Vice-Chairman of the Board, for each of the years 2008 and 2009, as set forth in Amendment No. 2 to the Letter of Appointment entered into by the Company and Mr. Barnoach on 15 May 2006, attached hereto as **Exhibit A** ("Letter of Appointment"). Under the Israeli Companies Law 5759-1999 (the "Israeli Companies Law"), the payment of compensation to a director who is not a "controlling shareholder" (as such term is defined in the Israeli Companies Law) requires the approval of the audit committee of the Board (the "Audit Committee"), the Board and a vote in favour by shareholders holding a majority of the shares represented at the meeting, either in person or by proxy, and voting on the resolution. The Audit Committee and the Board (other than Mr. Barnoach) have approved the entering by the Company into the proposed amendment to Mr. Barnoach's Letter of Appointment.

3. Indemnification Undertakings

Conditional upon the cancellation of admission of the Company's shares to trading on AIM becoming effective as proposed above, the Shareholders will be requested to consider and approve the entering by the Company into indemnification agreements with each of its current and future directors in the form attached to this circular as **Exhibit B** ("Indemnification Agreements"). Under the Israeli Companies Law, transactions relating to exculpation, insurance or indemnification of directors require the approval of the Audit Committee, Board and subsequent shareholders approval. The Shareholders approval of the indemnification undertaking with respect to the current Board members (other than Mr. Guy Bernstein and Mr. Shimon Laor) and future Board members (provided they are not controlling shareholders or affiliates of controlling shareholders of the Company) requires a vote in favour by shareholders holding a majority of the shares represented at the meeting, either in person or by proxy, and voting on the resolution. The approval of indemnification undertaking with respect to Mr. Guy Bernstein and Mr. Shimon Laor, who are directors (and with respect to Mr. Bernstein, also an executive officer) of Emblaze Ltd., which holds approximately 65 per cent of the Company's issued share capital and is therefore considered the "controlling shareholder" of the Company, requires an affirmative vote by a majority of the Company's ordinary shares present and voting at the Meeting, provided that either (a) such majority contains at least one third of the Company's ordinary shares present and voted for at the Meeting (excluding, for such calculation, all votes abstained) that are held by Shareholders that do not have a personal interest in the approval of the Indemnification Agreements with each of Messrs. Bernstein and Laor, or (b) the number of ordinary shares held by Shareholders that do not have a personal interest in the approval of the Indemnification Agreements with each of Messrs. Bernstein and Laor that vote against the approval of entering into such Indemnification Agreement does not exceed one per cent of the voting rights in the Company (the "Special Approval").

Each of the Shareholders participating in the Meeting is required to indicate, either at the Meeting or on his Form of Proxy (or Form of Direction if such Shareholder is a holder of Depository Interests) through which the vote is effected, whether such Shareholder has a personal interest in the approval of the Indemnification Agreements with respect to each of Messrs. Bernstein and Laor, and the ordinary shares of a Shareholder that does not so indicate shall not be voted.

The Audit Committee and the Board have approved the entering by the Company into each of the Indemnification Agreements.

4. Insurance of Directors

Conditional upon the cancellation of admission of the Company's shares to trading on AIM becoming effective as proposed above, the Shareholders will be requested to consider and approve the purchase by the Company from time to time of an insurance policy covering the actions and omissions of its current and future directors, which policy shall provide for a coverage of up to \$10 million per event and in the aggregate, at an annual premium not to exceed \$30,000. The provision by the Company of such insurance to its current and future directors requires the approval of the Audit Committee, Board and subsequent shareholder approval. The Shareholders approval of the insurance provision with respect to the Company's current and future directors (other than controlling shareholders or affiliates of controlling shareholders of the Company) requires a vote in favour by shareholders holding a majority of the shares represented at the meeting, either in person or by proxy, and voting on the resolution or, with respect to Messrs. Bernstein and Laor and future Board members who are either controlling shareholders or affiliates of controlling shareholders of the Company, the Special Approval.

Each of the Shareholders participating in the Meeting is required to indicate, either at the Meeting or on his Form of Proxy (or Form of Direction if such Shareholder is a holder of Depository Interests) through which the vote is effected, whether such Shareholder has a personal interest in the approval of the purchase by the Company of the insurance policy described above with respect to each of Messrs. Bernstein and Laor, and the ordinary shares of a Shareholder that does not so indicate shall not be voted.

The Audit Committee and the Board have approved the purchase by the Company of such insurance policy.

5. Amendment to the Articles of Associations

Conditional upon the cancellation of admission of the Company's shares to trading on AIM becoming effective as proposed above, the Shareholders will be asked to approve and adopt certain amendments to the Company's Amended and Restated Articles of Association (the "Articles"), according to which Sections 5.3 and 5.4 of the Articles, which provide for certain preemptive rights for the Shareholders, shall be deleted and such preemptive rights shall be cancelled.

Such preemptive rights are customarily adopted by companies that have a listing on a public market; however, following de-listing of the Company's shares from AIM, the Directors believe that it would not be necessary to include such provisions in the Articles.

Under the Israeli Companies Law and according to the Articles, approval of such amendments require a vote in favour by shareholders holding a majority of the shares represented at the meeting, either in person or by proxy, and voting on the resolution.

6. Approval of Offer Letters

On 30 December 2008, the Company announced that it had entered into a loan agreement with Emblaze Ltd. ("Emblaze"), the holder of 64.8 per cent. of the Company's issued share capital, pursuant to which Emblaze granted the Company a non-interest bearing loan of US\$909,536 (net of US\$28,793 previously owed by Company to Emblaze as a result of a reimbursement agreement between the parties dated 01 January 2007) (the "Loan"). The Loan is unsecured and is repayable on 25 December 2013.

In addition, Hans Wagner, Chairman, and Tal Barnoach, Executive Vice-Chairman, each entered into loan agreements with the Company of US\$279,253 and US\$93,084 respectively (the "Director Loans"). The Director Loans are also each unsecured and repayable on 25 December 2013.

Prior to execution of the Loan and the Director Loans, the Company became in urgent need of immediately available funds and therefore approached Emblaze, Mr. Barnoach and Mr. Wagner (the "Lenders") to request an immediate funds injection in the form of a loan.

Due to the uncertainties over future trading and the Company's ability in the future to raise equity capital or other funding to enable the Company to repay the Loan and the Director Loans, the independent directors of the Company, Amira Paz, Assaf Medina and David Blass (the "Independent Directors"), believe that it will be in the Company's best interests to amend the terms of the Loan and the Director Loans entered into on 5 December 2008 by the Company and each of the Lenders, such that the Loan and the Director Loans shall become convertible under certain circumstances.

It is proposed that the Loan and the Director Loans shall become convertible into shares of the Company as follows:

If the Company consummates prior to expiration of the term of the Loan and the Director Loans a round of equity financing in which the Company raises an amount of at least US\$ 3,000,000 from investors, who as of the date of the Offer Letters (as defined below), do not hold 3 per cent or more of the Company's issued and outstanding share capital, then the principal of the Loan and the Director Loans shall be automatically converted into securities of the same class as shall be issued upon the closing of such transaction, at a conversion price equal to the price per share in such transaction.

If the Company consummates prior to expiration of the term of the Loan and the Director Loans a sale of all or substantially all of the Company's assets or share capital or a similar transaction, then the principal of the Loan and the Director Loans shall be automatically converted into ordinary shares of the Company, at a price per share equal to the lower of (i) the price or value per share in such transaction, (ii) a fraction, the numerator of which shall be the consideration received in connection with the sale of all or substantially all of the Company's assets and the denominator of which shall be the number of issued and outstanding shares on the date of consummation of such sale and (iii) if traded on a securities exchange, a price equal to the average of the closing prices of the Company's shares on such exchange over the thirty (30) day period ending three (3) days prior to the announcement of such transaction ("FMV Price").

The Lenders shall also have a right to a voluntary conversion of the Loan and the Director Loans at any time during the term of the Loan and the Director Loans at a price per share equal to the FMV Price or, if at the time of such conversion the shares of the Company are not listed on a securities exchange, at a price per share determined by the Board in good faith to represent the fair market value of the Company.

Conditional upon (i) the approval of the Shareholders to the cancellation of admission of the Company's shares to trading on AIM becoming effective as proposed above; and (ii) the approval of the proposal to amend the Articles as proposed above, the Shareholders will be asked to approve the execution by the Company of an offer letter in the form attached hereto as Exhibit C (the "Offer Letter"), which, subject to Shareholders approval, will be sent by the Company to each of Emblaze and Messrs. Barnoach and Wagner. The Offer Letter is intended to amend and supplement the terms of the Loan and the Director Loans.

Under the Israeli Companies Law, the approval of the extension of the Offer Letter to the Lenders is subject to prior approval by the Audit Committee, Board and Shareholders, in such order. The extension of the Offer Letter by the Shareholders (other than with respect to Emblaze) requires a vote in favor by Shareholders holding a majority of the shares represented at the Meeting, either in person or by proxy, and voting on the resolution. The extension of the Offer Letter to Emblaze requires a Special Approval.

Each of the Shareholders participating in the Meeting is required to indicate, either at the Meeting or on his Form of Proxy (or Form of Direction if such Shareholder is a holder of Depository Interests) through which the vote is effected, whether such Shareholder has a personal interest in the resolution to extend the Offer Letter to Emblaze, and the ordinary shares of a Shareholder that does not so indicate shall not be voted.

The Audit Committee and the Board have approved the entering by the Company into each of the Offer Letters.

General

The Board has set close of business on 12 June 2009 as the record date for Shareholders and DI holders entitled to participate and vote at the Meeting.

A Shareholder or DI holder can ensure his vote is represented at the Meeting by completing, signing, dating and returning his Form of Proxy (or Form of Direction, in the case of Depository Interests) to the Company's Registrars, Capita Registrars (Proxies), The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, England, such that it is received no later than 24 hours prior to the Meeting (i.e., no later than 16 June 2009 at 10 a.m. (UK Time)), in the case of a Form of Proxy, and no later than 48 hours prior to the Meeting (i.e., no later than 15 June 2009 at 10 a.m. (UK Time)), in the case of a Form of Direction.

Each of the Shareholders participating in the Meeting is required to indicate, either at the Meeting or on his Form of Proxy (or Form of Direction if such Shareholder is a holder of Depository Interests) through which the vote is effected, whether such Shareholder has a personal interest in the approval of the Indemnification Agreements with respect to or the purchase by the Company of an insurance policy for the benefit of each of Messrs. Bernstein and Laor, as proposed in resolutions numbers 3 and 4 above, respectively, or in the resolution to extend the Offer Letter to Emblaze, as proposed in resolution number 6 above. Ordinary shares of a Shareholder that does not so indicate shall not be entitled to vote on the respective resolution.

The presence of two or more Shareholders, in person or by proxy, representing not less than 25 per cent of the outstanding share capital entitled to vote at the Meeting will constitute a quorum for the transaction of business at the Meeting. The quorum present at the first part of the Meeting (at which only proposal number 1 will be discussed) will be deemed to be present at the second part of the Meeting.

Directors' recommendation

The Board (other than the relevant directors on resolutions in which they have a personal interest) believes that the adoption of the resolutions to be proposed at the Meeting is in the best interests of the Company and of its Shareholders as a whole. Accordingly, the Board (other than the relevant directors on resolutions in which they have a personal interest) recommends that you vote in favour of each resolution as they intend to do in respect of their own holdings.

In accordance with Section 278 of the Israeli Companies Law, any director who had a personal interest in the approval of any of the proposed resolutions that was brought before each of the Audit Committee and the Board for approval (other than the proposed resolutions to approve the entering into the Indemnification Agreements and the purchase of the insurance policy) were not present during the deliberations and did not take part in the voting of the Audit Committee or of the Board on such proposed resolution, and each of the Board and the Audit Committee approved the resolutions set forth above by the affirmative consent of a majority of the disinterested directors.

Other Business

In addition to the aforementioned resolutions, the Shareholders will be requested to act upon such other matters as may properly come before the Meeting or any adjournment thereof. The members of the Board have no knowledge of any matters to be presented at the Meeting other than the matters presented above. If any other business requiring a vote of the Shareholders should come before the Meeting, the persons designated as your proxies will vote or refrain from voting in accordance with their best judgment.

Form of Proxy/Form of Direction

As mentioned above, you will also find enclosed with this document a Form of Proxy (unless you are a holder of Depository Interests in the Company, in which case you will receive a Form of Direction) for use at the Meeting and any Adjourned Meeting.

If you are a member of the Company, whether or not you intend to be present at the Meeting and the Adjourned Meeting, please complete and return the Form of Proxy (in accordance with the instructions set out in that document) to the Company's Registrars, Capita Registrars (Proxies), The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, England, as soon as possible and in any event so that it is received by the Company's Registrars by no later than 24 hours before the time fixed for the Meeting. Completion and return of a signed Form of Proxy will not prevent you from attending the Meeting and voting in person, if you so wish.

If you are a holder of Depository Interests representing ordinary shares in the Company, please complete and return the Form of Direction (in accordance with the instructions set out in that document) to the Company's Registrars, Capita Registrars (Proxies), The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, England, as soon as possible and in any event so that it is received by the Company's Registrars by no later than 48 hours before the time fixed for the Meeting.

Whether or not you plan to attend the Meeting, it is important that your ordinary shares or Depository Interests of the Company be represented and voted at the Meeting. Accordingly, after reading the enclosed circular, please sign, date and mail the enclosed Form of Proxy or Form of Direction in accordance with the instructions on your Form of Proxy or Form of Direction.

By order of the Board of Directors,

Dr. Hans Wagner
Chairman of the Board of Directors

12 May 2009

**NOTICE OF
SPECIAL GENERAL MEETING OF SHAREHOLDERS**

NOTICE IS HEREBY GIVEN that on 17 June 2009, at 10 a.m. (UK time), a Special General Meeting of Shareholders (the "Meeting") of Zone-IP Ltd. (the "Company") will be held at the offices of John East & Partners Limited, 10 Finsbury Square, London EC2A 1AD, United Kingdom.

The business to be conducted at the Meeting will comprise consideration of the following matters:

1. Approval of the cancellation of the admission of the Company's ordinary shares to trading on the AIM market of the London Stock Exchange. Under Rule 41 of the AIM Rules, the adoption of such resolution is subject to the approval of holders of at least 75 per cent of the Company's share capital represented and voted at the Meeting.
2. Approval of an amendment to the terms of remuneration of Mr. Tal Barnoach, the Executive Vice-Chairman of the Company's Board of Directors ("the Board"), for each of the years 2008 and 2009, as set forth in Amendment No. 2 to the Letter of Appointment entered into by the Company and Mr. Barnoach on 15 May 2006. Under the Israeli Companies Law 5759-1999 (the "Israeli Companies Law"), the payment of compensation to a director who is not a "controlling shareholder" (as such term is defined in the Israeli Companies Law) requires the approval of the audit committee of the Board (the "Audit Committee"), the Board and a vote in favour by shareholders holding a majority of the shares represented at the meeting, either in person or by proxy, and voting on the resolution (an "Ordinary Shareholders Approval").
3. Approval of the entering by the Company into an Indemnification Agreement with each of the Company's current and future directors. Under the Israeli Companies Law, the exculpation, insurance or indemnification of directors require the approval of the Audit Committee, Board and subsequent shareholder approval. The Company's shareholders (the "Shareholders") approval of the indemnification undertaking with respect to the current Board members (other than Mr. Guy Bernstein and Mr. Shimon Laor) and future Board members (provided they are not controlling shareholders or affiliates of controlling shareholders of the Company) requires an Ordinary Shareholders Approval. The approval of an indemnification undertaking with respect to Mr. Guy Bernstein and Mr. Shimon Laor, who are directors of Emblaze Ltd., which holds approximately 65 per cent of the Company's issued share capital and is therefore considered the "controlling shareholder" of the Company, requires an affirmative vote by a majority of the Company's ordinary shares present and voting at the Meeting, provided that either (a) such majority contains at least one third of the Company's ordinary shares present and voted at the Meeting (excluding, for such calculation, all votes abstained) that are held by Shareholders that do not have a personal interest in the approval of the indemnification undertaking with respect to each of Messrs. Bernstein and Laor, or (b) the number of ordinary shares held by Shareholders that do not have a personal interest in the approval of the indemnification undertakings with respect to each of Messrs. Bernstein and Laor that vote against the approval of such indemnification undertaking does not exceed one per cent of the voting rights in the Company (a "Special Shareholders Approval").
4. Approval of the purchase by the Company from time to time of an insurance policy covering actions and omissions of current and future directors of the Company at an annual premium not to exceed \$30,000. The provision by the Company of such insurance to its current and future directors requires the approval of the Audit Committee, Board and subsequent shareholder approval. The Shareholders approval of the insurance provision with respect to the Company's current and future directors (other than controlling shareholders or affiliates of controlling shareholders of the Company) requires an Ordinary Shareholders Approval or, with respect to Messrs.

Bernstein and Laor and future Board members who are either controlling shareholders or affiliates of controlling shareholders of the Company, a Special Shareholders Approval.

5. Approval of an amendment to the Company's Amended and Restated Articles of Association (the "Articles") according to which Sections 5.3 and 5.4 of the Articles, which provide for certain preemptive rights to the shareholders of the Company, shall be deleted and such preemptive rights shall be cancelled. Under the Israeli Companies Law and according to the Articles, approval of such amendments requires an Ordinary Shareholders Approval.

6. Approval of Offer Letters to be sent by the Company to each of Emblaze Ltd. and Messrs. Hans Wagner, the Chairman of the Board, and Tal Barnoach, the Executive Vice-Chairman of the Board. Under the Israeli Companies Law, the approval of the extension of the Offer Letter to the foregoing is subject to prior approval by the Audit Committee, Board and Shareholders, in such order. The extension of the Offer Letter to each of Messrs. Wagner and Barnoach requires an Ordinary Shareholders Approval and the extension of the Offer Letter to Emblaze Ltd. require a Special Shareholders Approval.

EXHIBIT A

Amendment No. 2 to Letter of Appointment of Mr. Tal Barnoach

This Amendment No. 2 (the "**Amendment**") is entered into as of January 1, 2009 by and between **Zone-IP Ltd.** ("**Company**") and **Mr. Tal Barnoach** ("**Tal**"). Company and Tal shall hereinafter be collectively referred to as the "**Parties**" and each individually as a "**Party**".

WHEREAS Tal was appointed as a non-executive director of the Company pursuant to and under the terms and conditions of the Letter of Appointment dated May 15, 2006, and was appointed as the Executive Vice Chairman of the Company pursuant to Amendment No. 1 to the Letter of Appointment, dated May 21, 2007 (together with the schedules, attachments, extensions, amendments (including Amendment No. 1 and modifications thereto, the "**Letter of Appointment**"); and

WHEREAS The Parties wish to amend certain terms of the Letter of Appointment.

NOW, THEREFORE, The Parties agree to amend the Letter of Appointment as follows:

1. **Definitions.**

Any capitalized term not defined herein shall have the respective meaning ascribed to it in the Letter of Appointment.

2. The following Section 3.4 will replace in its entirety the current Section 3.4 of the Letter of Appointment (which was added pursuant to Amendment No. 1 dated May 21, 2007):

"3.4 Your appointment may entail extensive traveling abroad. You agree to travel as may reasonably be necessary to successfully perform your duties hereunder. Traveling arrangements (hotel reservations, flight booking etc.) will be made by you, through the Company's traveling coordinator in accordance with the Company's travel policy, provided that you may travel abroad in business class. You shall be reimbursed for your reasonable expenses incurred while traveling pursuant to Section 4.3 herein below."

3. **Consideration.**

Section 4 of the Letter of Appointment will be replaced in its entirety with the following (but without derogating from the effectiveness of the grant to you of options pursuant to current Section 4.2 of the Letter of Appointment (which was added pursuant to Amendment No. 1 dated May 21, 2007)):

"4 **Fees**

4.1 **Monthly Fees.** For the period commencing on January 1, 2008 and through December 31, 2008, you shall be paid a fee of NIS 20,000 (twenty thousand New Israeli Shekels) gross plus VAT per month; and commencing on January 1, 2009 the monthly fee shall be increased to NIS 38,000 gross plus VAT ("**Monthly Fees**"). Monthly Fees will be paid quarterly in arrears, on the last day of each calendar quarter, in each case against the issuance by you of an invoice.

4.2 **Bonus.** You shall be entitled to an annual bonus in an amount equal to 2.5% (two and one half percent) of the operating profit of Emblaze V Con Ltd., the Company's Subsidiary (the "**Subsidiary**") for the period commencing January 1, 2008 and through December 31, 2008, and thereafter such annual bonus shall be increased to 3% (three percent) of the higher of the Subsidiary's operating profit for the relevant year or the capital gains of the Subsidiary during the relevant year (the "**Bonus**"). The operating profit and the capital gains will be based on the audited annual financial statements of the Subsidiary in respect of the relevant calendar year ("**Annual Financial Statements**"). The Bonus shall be paid to you within 60 days from the date of publish of the Annual Financial Statements.

4.3 Other Benefits.

As of January 1, 2009, the Company shall provide you with the following benefits:

4.3.1 Business Expenses. You will be reimbursed for necessary and customary business expenses incurred by you in connection with the performance of your duties under this Letter of Appointment (as may be amended from time to time), including travel expenses, in accordance with the Company's policies as determined by the Company from time to time, provided that each expense exceeding US\$100 will be approved in advance and in writing by the Chairman of the Board or by the Company Secretary. As a condition to reimbursement, you shall provide the Company original invoices, receipts and other evidence of expenditures as might be required under the Company's policies from time to time.

4.3.2 Car Expenses. The Company shall reimburse you for the cost of a leased vehicle of level 4 in an amount of up to NIS 4,000 per month (the "Car"). All costs related to the lease of the Car under the leasing agreement, if any, and all other related reasonable expenses such as fuel and insurance shall not be borne by the Company. The Company shall not bear costs of any tickets, traffic offense or fines of any kind incurred by you while using the Car.

4.3.3 Communication Expenses. The Company shall pay your cellular phone bills."

4. All other terms and conditions set forth in the Letter of Appointment shall remain in full force and effect.
5. You acknowledge that the terms and conditions under this Amendment are subject to such corporate approvals in the manner provided under applicable law (including Company's shareholders approval) ("**Approvals**") and that if such Approvals are not obtained you will not be entitled to receive any of the fees and payments described under this Amendment, and you irrevocably and unconditionally agree to return to the Company any of such fees and payments that have been or may be paid to you prior to receipt of all Approvals.

IN WITNESS WHEREOF, the Parties have caused this Amendment No. 2 to Letter of Appointment to be duly executed as of the date set forth above.

Zone-IP Ltd.

Mr. Tal Barnoach

By: _____

Title: _____

EXHIBIT B

Form of Indemnification Undertaking

Indemnification Undertaking dated as of _____, 2009 from Zone-IP Ltd. (the "Company")
to _____ [director/office holder]

You are a director of the Company, and in order to enhance your service to the Company in an effective manner, the Company desires to provide hereunder for your indemnification to the fullest extent permitted by law. This Indemnification Undertaking shall become effective upon approval by the Company's Audit Committee, Board of Directors and Shareholders of this Indemnification Undertaking.

In consideration of your continued provision of service to the Company, the Company hereby agrees as follows:

1. The Company hereby undertakes to indemnify you to the maximum extent permitted by the Companies Law – 1999 (the "Companies Law") in respect of the following:

1.1 any financial obligation imposed on you in favor of another person by, or expended by you as a result of, a court judgment, including a settlement or an arbitrator's award approved by court, in respect of any act or omission ("action") taken or made by you in your capacity as a director of the Company;

1.2 all reasonable litigation expenses, including reasonable attorneys' fees, expended by you or charged to you by a court, in a proceeding instituted against you by the Company or on its behalf or by another person, or in any criminal proceedings in which you are acquitted, or in any criminal proceedings of a crime which does not require proof of *mens rea* (criminal intent) in which you are convicted, all in respect of actions taken by you in your capacity as a director of the Company; and

1.3 all reasonable litigation expenses, including reasonable attorneys' fees, expended by you due to an investigation or a proceeding instituted against you by an authority qualified to conduct such investigation or proceeding, where such investigation or proceeding is concluded without the filing of an indictment against you (as defined in the Companies Law) and without any financial obligation imposed on you in lieu of criminal proceedings (as defined in the Companies Law), or that is concluded without your indictment but with a financial obligation imposed on you in lieu of criminal proceedings with respect to a crime that does not require proof of *mens rea* (criminal intent), all in respect of actions taken by you in your capacity as a director of the Company.

2. The Company will not indemnify you for any amount you may be obligated to pay in respect of:

2.1 a breach of your duty of loyalty to the Company, except, to the extent permitted by the Companies Law, for a breach of a duty of loyalty to the Company while acting in good faith and having reasonable cause to assume that such act would not prejudice the interests of the Company;

2.2 a willful or reckless breach of your duty of care to the Company;

2.3 an action taken or omission by you with the intent of unlawfully realizing personal gain;

2.4 a fine or penalty imposed upon you for an offense; and

2.5 a counterclaim brought by the Company or in its name in connection with a claim against the Company filed by you, other than by way of defense or by way of third party notice in connection with a claim brought against you by the Company, or in specific cases in which the Company's Board of Directors has approved the initiation or bringing of such suit by you, which approval shall not be unreasonably withheld.

3. The Company will make available all amounts payable to you in accordance with Section 1 above on the date on which such amounts are first payable by you (“Time of Indebtedness”), including with respect to any claim against you initiated by the Company or in its right, and with respect to items referred to in Sections 1.2 and 1.3 above, not later than the date on which the applicable court renders its decision. Advances given to cover legal expenses in criminal proceedings will be repaid by you to the Company if you are found guilty of a crime which requires proof of criminal intent. Other advances will be repaid by you to the Company if it is determined that you are not lawfully entitled to such indemnification.

As part of the aforementioned undertaking, the Company will make available to you any security or guarantee that you may be required to post in accordance with an interim decision given by a court or an arbitrator, including for the purpose of substituting liens imposed on your assets.

4. The Company will indemnify you even if at the relevant Time of Indebtedness you are no longer a director of the Company provided that the obligations with respect to which you will be indemnified hereunder are in respect of actions taken by you while you were a director of the Company as aforesaid, and in such capacity.

5. The indemnification will be limited to the expenses mentioned in Sections 1.2 and 1.3 (pursuant and subject to Section 3 and insofar as indemnification with respect thereto is not restricted by law or by the provisions of Section 2 above) and to the expenses mentioned in Section 1.1 above insofar as they result from, or are connected to, events and circumstances set forth in Schedule A hereto, which are deemed by the Company's Board of Directors, based on the current activity of the Company, to be foreseeable as of the date hereof.

6. The indemnification that the Company undertakes towards all persons whom it has resolved to indemnify for the matters and in the circumstances described herein, jointly and in the aggregate, shall not exceed \$2.0 million, provided that if such amount is insufficient to cover all amounts to which such persons are entitled pursuant to such undertaking of the Company, such amount shall be allocated to such persons pro rata to the amounts to which they are so entitled.

7. The Company will not indemnify you for any liability with respect to which you have received payment by virtue of an insurance policy or another indemnification agreement other than for amounts which are in excess of the amounts actually paid to you pursuant to any such insurance policy or other indemnity agreement (including deductible amounts not covered by insurance policies), within the limits set forth in Section 6 above.

8. Subject to the provisions of Sections 6 and 7 above, the indemnification hereunder will, in each case, cover all sums of money that you will be obligated to pay, in those circumstances for which indemnification is permitted under the law and under this Indemnification Undertaking.

9. The Company will be entitled to any amount collected from a third party in connection with liabilities indemnified hereunder.

10. In all indemnifiable circumstances, indemnification will be subject to the following:

10.1 You shall promptly notify the Company of any legal proceedings initiated against you and of all possible or threatened legal proceedings without delay following your first becoming aware thereof, however, your failure to notify the Company as aforesaid shall not derogate from your right to be indemnified as provided herein (except to the extent that such failure to notify causes the Company damages). You shall deliver to the Company, or to such person as it shall advise you, without delay all documents you receive in connection with these proceedings.

Similarly, you must advise the Company on an ongoing and current basis concerning all events which you suspect may give rise to the initiation of legal proceedings against you in connection with your actions or omissions as a director of the Company.

10.2 Other than with respect to proceedings that have been initiated against you by the Company or in its name, the Company shall be entitled to undertake the conduct of your defense in respect of such legal proceedings and/or to hand over the conduct thereof to any attorney which the Company may choose for that purpose, except to an attorney who is not, upon reasonable grounds, acceptable to you. The Company shall notify you of any such decision to defend with ten (10) calendar days of receipt of notice of any such proceeding.

The Company and/or the attorney as aforesaid shall be entitled, within the context of the conduct as aforesaid, to conclude such proceedings, all as it shall see fit, including by way of settlement. At the request of the Company, you shall execute all documents required to enable the Company and/or its attorney as aforesaid to conduct your defense in your name, and to represent you in all matters connected therewith, in accordance with the aforesaid.

For the avoidance of doubt, in the case of criminal proceedings the Company and/or the attorneys as aforesaid will not have the right to plead guilty in your name or to agree to a plea-bargain in your name without your consent. However, the aforesaid will not prevent the Company and/or its attorneys as aforesaid, with the approval of the Company, to come to a financial arrangement with a plaintiff in a civil proceeding without your consent so long as such arrangement will not be an admittance of an occurrence not indemnifiable pursuant to this Indemnification Undertaking and/or pursuant to law. The Company shall not, without your prior written consent, consent to the entry of any judgment against you or enter into any settlement or compromise which (i) includes an admission of your fault, (ii) does not include, as an unconditional term thereof, the full release of you from all liability in respect of such proceeding or (iii) is not fully indemnifiable pursuant to this Indemnification Undertaking and/or pursuant to law. This paragraph shall not apply to a proceeding brought by you under Section 10.7 below.

10.3 You will fully cooperate with the Company and/or any attorney as aforesaid in every reasonable way as may be required of you within the context of their conduct of such legal proceedings, including but not limited to the execution of power(s) of attorney and other documents, provided that the Company shall cover all costs incidental thereto such that you will not be required to pay the same or to finance the same yourself.

10.4 Notwithstanding the provisions of Sections 10.2 and 10.3 above, (i) if in a proceeding to which you are a party by reason of your status as a director of the Company and the named parties to any such proceeding include both you and the Company or any subsidiary of the Company, a conflict of interest or potential conflict of interest (including the availability to the Company and its subsidiary, on the one hand, and you, on the other hand, of different or inconsistent defenses or counterclaims) exists between you and the Company, or (ii) if the Company fails to assume the defense of such proceeding in a timely manner, you shall be entitled to be represented by separate legal counsel, which shall represent other persons similarly situated, of the Company's choice and reasonably acceptable to you and other person's choice, at the expense of the Company. In addition, if the Company fails to comply with any of its material obligations under this Indemnification Undertaking or in the event that the Company or any other person takes any action to declare this Indemnification Undertaking void or unenforceable, or institutes any action, suit or proceeding to deny or to recover from you the benefits intended to be provided to you hereunder, except with respect to such actions, suits or proceedings brought by the Company that are resolved in favor of the Company, you shall have the right to retain counsel of your choice, and reasonably acceptable to the Company and at the expense of the Company, to represent you in connection with any such matter.

10.5 If, in accordance with Section 10.2 (but subject to Section 10.4), the Company has taken upon itself the conduct of your defense, the Company will have no liability or obligation pursuant to this Indemnification Undertaking or the above resolutions to indemnify you for any legal expenses, including any legal fees, that you may expend in connection with your defense, unless (i) the Company shall not have assumed the conduct of your defense as contemplated, (ii) the Company refers the conduct of your defense to an attorney who is not, upon reasonable grounds, acceptable to you, (iii) the named parties to any such action (including any impleaded parties) include both you and the Company, and joint representation is inappropriate under applicable standards of professional conduct due to a conflict of interest between you and the Company, or (iv) the Company shall agree to such expenses in either of which events all reasonable fees and expenses of your counsel shall be borne by the Company.

10.6 The Company will have no liability or obligation pursuant to this Indemnification Undertaking to indemnify you for any amount expended by you pursuant to any compromise or settlement agreement reached in any suit, demand or other proceeding as aforesaid without the Company's consent to such compromise or settlement.

10.7 If required by law, the Company's authorized organs will consider the request for indemnification and the amount thereof and will determine if you are entitled to indemnification and the amount thereof. In the event that you make a request for payment of an amount of indemnification hereunder or a request for an advancement of indemnification expenses hereunder and the Company fails to determine your right to indemnification hereunder or fails to make such payment or advancement, you may petition any court which has jurisdiction to enforce the Company's obligations hereunder. The Company agrees to reimburse you in full for any reasonable expenses incurred by you in connection with investigating, preparing for, litigating, defending or settling any action brought by you under the immediately preceding sentence, except where such action or any claim or counterclaim in connection therewith is resolved in favor of the Company.

11. The Company hereby exempts you, to the fullest extent permitted by law, from any liability for damages caused as a result of a breach of your duty of care to the Company, provided that in no event shall you be exempt with respect to any actions listed in Section 2 above or breach of your duty of care in connection with distribution of Company's assets.

12. If for the validation of any of the undertakings in this Indemnification Undertaking any act, resolution, approval or other procedure is required, the Company undertakes to cause them to be done or adopted in a manner which will enable the Company to fulfill all its undertakings as aforesaid.

13. For the avoidance of doubt, it is hereby clarified that nothing contained in this Indemnification Undertaking derogates from the Company's right to indemnify you post factum for any amounts which you may be obligated to pay as set forth in Section 1 above without the limitations set forth in Sections 5 and 6 above.

14. If any undertaking included in this Indemnification Undertaking is held invalid or unenforceable, such invalidity or unenforceability will not affect any of the other undertakings which will remain in full force and effect. Furthermore, if such invalid or unenforceable undertaking may be modified or amended so as to be valid and enforceable as a matter of law, such undertaking will be deemed to have been modified or amended, and any competent court or arbitrator are hereby authorized to modify or amend such undertaking, so as to be valid and enforceable to the maximum extent permitted by law.

15. This Indemnification Undertaking and the agreements herein shall be governed by and construed and enforced in accordance with the laws of the State of Israel.

16. Neither the settlement nor termination of any proceeding nor the failure of the Company to award indemnification or to determine that indemnification is payable shall create an adverse presumption that you are not entitled to indemnification hereunder. In addition, the termination of any proceeding by judgment or order (unless such judgment or order provides so specifically) or settlement, shall not create a presumption that you did not act in good faith and in a manner which you reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal action or proceeding, had reasonable cause to believe that your action was unlawful.

18. This Indemnification Undertaking shall be (a) binding upon all successors and assigns of the Company (including any transferee of all or a substantial portion of the business, stock and/or assets of the Company and any direct or indirect successor by merger or consolidation or otherwise by operation of law), and (b) binding on and shall inure to the benefit of your heirs, personal representatives, executors and administrators. This Indemnification Undertaking shall continue for your benefit and your heirs', personal representatives', executors' and administrators' benefit after you cease to be a director of the Company.

19. Except with respect to changes in the governing law that expand your right to be indemnified by the Company, no supplement, modification or amendment of this Indemnification Undertaking shall be binding unless executed in writing by each of the parties hereto. No waiver of any of the provisions of this Indemnification Undertaking shall be deemed or shall constitute a waiver of any other provisions of this Indemnification Undertaking (whether or not similar), nor shall such waiver constitute a continuing waiver.

This Indemnification Undertaking is being issued to you pursuant to the resolutions adopted by the Audit Committee of the Board of Directors and by the Board of Directors of the Company on _____, 2009 and by the shareholders of the Company on _____, 2009. The Board of Directors has determined, based on the current activity of the Company, that the amount stated in Section 6 is reasonable and that the events listed in Schedule A are reasonably anticipated.

Kindly sign and return the enclosed copy of this letter to acknowledge your agreement to the contents hereof.

Very truly yours,

Zone-IP Ltd.

By: _____

Title: _____

Date: _____

Accepted and agreed to:

Name: _____

Date: _____

Schedule A

1. Negotiations, execution, delivery and performance of agreements on behalf of the Company and any subsidiary thereof ("Subsidiary") including, inter alia, any claim or demand made by a customer, supplier, contractor or other third party transacting any form of business with the Company, its Subsidiaries or affiliates relating to the negotiations or performance of such transactions, representations or inducements provided in connection thereto or otherwise.
2. Anti-competitive acts and acts of commercial wrongdoing.
3. Acts in regard of invasion of privacy including with respect to databases and acts in regard of slander.
4. Any claim or demand made for actual or alleged infringement, misappropriation or misuse of any third party's intellectual property rights including, but not limited to confidential information, patents, copyrights, design rights, service marks, trade secrets, copy-rights, misappropriation of ideas by the Company, its Subsidiaries or affiliates.
5. Actions taken in connection with the intellectual property of the Company and any Subsidiary and its protection, including the registration or assertion of rights to intellectual property and the defense of claims relating thereof.
6. Participation and/or non-participation at the Company's board meetings, bona fide expression of opinion and/or voting and/or abstention from voting at the Company's board meetings.
7. Approval of corporate actions including the approval of the acts of the Company's management, their guidance and their supervision.
8. Claims of failure to exercise business judgement and a reasonable level of proficiency, expertise and care in regard of the Company's business.
9. Violations of securities laws of any jurisdiction, including without limitation, fraudulent disclosure claims, failure to comply with any securities authority and/or any stock exchange disclosure or other rules and any other claims relating to relationships with investors, shareholders and the investment community.
10. Any claim or demand made under any securities laws or by reference thereto, or related to the failure to disclose any information in the manner or time such information is required to be disclosed pursuant to such laws, or related to inadequate or improper disclosure of information to shareholders, or prospective shareholders, or related to the purchasing, holding or disposition of securities of the Company or any other investment activity involving or affected by such securities, including any actions relating to an offer or issuance of securities of the Company or of its subsidiaries and/or affiliates to the public by prospectus or privately by private placement, in Israel or abroad, including the details that shall be set forth in the documents in connection with execution thereof.
11. Violations of laws requiring the Company to obtain regulatory and governmental licenses, permits and authorizations or laws related to any governmental grants in any jurisdiction.
12. Claims in connection with publishing or providing any information, including any filings with any governmental authorities, on behalf of the Company in the circumstances required under any applicable laws.
13. Any claim or demand made by employees, consultants, agents or other individuals or entities employed by or providing services to the Company relating to compensation owed to them or damages or liabilities suffered by them in connection with such employment or service.
14. Resolutions and/or actions relating to employment matters of the Company and/or its Subsidiaries and/or affiliates.
15. Events, pertaining to the employment conditions of employees and to the employer – employee relations, including the promotion of workers, handling pension arrangements, insurance and saving funds, options and other benefits.
16. Any claim or demand made by any lenders or other creditors or for moneys borrowed by, or other indebtedness of, the Company, its Subsidiaries or affiliates.
17. Any claim or demand made by any third party suffering any personal injury and/or bodily injury and/or property damage to business or personal property through any act or omission attributed to the Company, its Subsidiaries or affiliates, or their respective employees, agents or other persons acting or allegedly acting on their behalf.
18. Any claim or demand made directly or indirectly in connection with complete or partial failure, by the Company or any Subsidiary or affiliate thereof, or their respective directors, officers and employees, to pay, report, keep applicable records or otherwise, of any foreign, federal, state, country, local, municipal or city taxes or other compulsory payments of any nature whatsoever,

including without limitation, income, sales, use, transfer, excise, value added, registration, severance, stamp, occupation, customs, duties, real property, personal property, capital stock, social security, unemployment, disability, payroll or employee withholding or other withholding, including any interest, penalty or addition thereto, whether disputed or not.

19. Any claim or demand made by purchasers, holders, lessors or other users of products or assets of the Company, or individuals treated with such products, for damages or losses related to such use or treatment.
20. Any administrative, regulatory or judicial actions, orders, decrees, suits, demands, demand letters, directives, claims, liens, investigations proceedings or notices of noncompliance or violation by any governmental entity or other person alleging potential responsibility or liability (including potential responsibility or liability for costs of enforcement, investigation, cleanup, governmental response, removal or remediation, for natural resources damages, property damage, personal injuries, or penalties or contribution, indemnification, cost recovery, compensation, or injunctive relief) arising out of, based on or related to (x) the presence of, release spill, emission, leaking, dumping, pouring, deposit, disposal, discharge, leaching or migration into the environment (each a "Release") or threatened Release of, or exposure to, any hazardous, toxic, explosive or radioactive substance, wastes or other substances or wastes of any nature regulated pursuant to any environmental law, at any location, whether or not owned, operated, leased or managed by the Company or any of its subsidiaries, or (y) circumstances forming the basis of any violation of any environmental law, environmental permit, license, registration or other authorization required under applicable environmental and/or public health law.
21. Actions in connection with the Company's development, use, sale, licensing, distribution, marketing or offer of products and/or services.
22. Resolutions and/or actions relating to a merger of the company and/or of its subsidiaries and/or affiliates, the issuance of shares or securities exercisable into shares of the Company, changing the share capital of the Company, formation of subsidiaries, reorganization, winding up or sale of all or part of the business, operations or shares the Company.
23. Resolutions and/or actions relating to investments in the Company and/or its subsidiaries and/or affiliated companies and/or the purchase or sale of assets, including the purchase or sale of companies and/or businesses, and/or investments in corporate or other entities and/or investments in traded securities and/or any other form of investment.
24. Any administrative, regulatory or judicial actions, orders, decrees, suits, demands, demand letters, directives, claims, liens, investigations, proceedings or notices of noncompliance or violation by any governmental entity or other person alleging the failure to comply with any statute, law, ordinance, rule, regulation, order or decree of any of its subsidiaries and/or affiliates, or any of their respective business operations.
25. Any claim or demand, not covered by any of the categories of events described above, which, pursuant to any applicable law, a director or officer of the Company may be held liable to any government or agency thereof, or any person or entity, in connection with actions taken by such director or officer in such capacity.

EXHIBIT C

Form of Offer Letter

[____] [___], 2009 (the "Amendment Effective Date")

To: [Name of Lender]

Re: Offer Letter to amend Loan Agreement

Dear [contact person's name],

Reference is hereby made to that certain Loan Agreement entered between [Name of Lender] (the "Lender") and the undersigned, Zone-IP Ltd. (the "Company" or the "Borrower") dated December 5, 2008 (the "Agreement Effective Date" and the "Loan Agreement" respectively).

The Company hereby offers to amend certain terms of the Loan Agreement as set forth below (the "Offer Letter"):

1. **Interpretation.**

The preamble to this Offer Letter forms an integral part hereof. Unless otherwise expressly referred to herein, reference to various sections, schedules and exhibits shall refer to the schedules and exhibits attached to the Loan Agreement. Capitalized terms used but not expressly defined herein shall bear the meanings ascribed thereto in the Loan Agreement.

2. **Term.**

The definition of "Loan Repayment Date" in the Loan Agreement shall be amended to a date that is three (3) years after the Agreement Effective Date.

3. **Interest and Payment Thereof**

Notwithstanding the provisions of Section 4 of the Loan Agreement, the Loan shall bear interest (the "Interest") at a rate of 5% per annum, compounded monthly from December 5, 2008 until repayment of the Loan (unless earlier converted pursuant to the terms hereof or otherwise). Interest will be computed on the basis of a 365-day year, for the actual number of days elapsed. Interest will be paid upon repayment of the Loan.

4. **Repayment of the Loan.**

Notwithstanding the provisions of Section 3 of the Loan Agreement, after the first anniversary of the Agreement Effective Date, Lender may elect in writing the immediate repayment of the Loan plus all Interest accrued thereon through the date of such election, and the Borrower shall repay the Loan plus all Interest accrued thereon through the date of such election within 30 days after receipt of the foregoing written notice (or, if the election of repayment is made in connection with the sale of all or substantially all of the assets of the Borrower or the Subsidiary (as defined herein), such repayment will be made simultaneously with the consummation of such transaction), provided that the Borrower will only be required to effect such repayment if (i) the Borrower's most recent annual audited financial report at the time of repayment reflects a positive cash flow of at least US\$3,000,000; or (ii) the repayment of the Loan plus all Interest accrued thereon will occur upon consummation of the sale of all or substantially all of the Borrower's or the Subsidiary's assets following which the Borrower is reasonably expected to have (together with the Subsidiary) a positive cash flow of at least US\$3,000,000.

5. **Seniority.**

The Loan (unless converted pursuant to the terms hereof or otherwise) shall rank senior to all other indebtedness and obligations of the Borrower, whether existing on the date hereof or created hereafter and through the date of repayment or earlier conversion of the Loan as set forth herein, except that the Loan shall not be senior to any future loans to be extended to the Borrower by any financial institution or governmental institution.

6. **Conversion of the Loan.**

Notwithstanding any of the provisions of the Loan Agreement, the Loan shall become convertible as follows:

6.1. **Automatic Conversion.**

- 6.1.1. If the Borrower consummates, following the date of approval of this Offer Letter by the Borrower's shareholders and prior to the Loan Repayment Date (as amended by this Offer Letter) or the earlier conversion of the Loan pursuant to paragraph 0 below, a round of equity financing in which the Borrower raises, in one or a series of related transactions and in consideration for the issuance of securities of the Borrower, an amount of at least US\$ 3,000,000 from investors who as of the date hereof do not hold 3% or more of the Borrower's issued and outstanding share capital nor affiliates of any such shareholder (the "Next Financing"), then, the principal of the Loan shall be automatically converted into securities of the same class as shall be issued by the Borrower upon the closing of the Next Financing, on the same terms and conditions and having the same representations, rights and preferences as such securities issued in the Next Financing (the "Round Conversion Securities") and any and all rights and preferences otherwise granted to all the investors participating in the Next Financing, based on a price per security equal to the lowest price per security payable by the investors participating in the Next Financing. Upon such conversion, the Round Conversion Securities will be duly authorized, validly issued, fully-paid, non-assessable and free and clear of any preemptive rights, pledges, liens, claims, encumbrances or third party rights of any kind ("Liens"), except pursuant to the Company's Amended and Restated Articles of Association (as may be amended from time to time) ("Articles"), and any other relevant agreement and other documents that may be executed by the Borrower in connection with the Next Financing (collectively with the Articles, the "Next Financing Documents") or applicable Israeli and foreign securities laws.
- 6.1.2. Upon consummation, during the term of the Loan (as amended by this Offer Letter), of the earlier to occur of a sale of all or substantially all of the Borrower's assets or share capital or a merger, stock swap, stock issuance, reorganization or similar transaction that results in the holders of a majority of the issued and outstanding share capital of the Borrower immediately prior to such transaction owning beneficially less than a majority of the issued and outstanding share capital of the entity surviving such transaction (each of the foregoing, an "M&A Event"), the principal of the Loan shall be automatically converted, immediately prior to and conditioned upon consummation of the M&A Event, into Borrower's Ordinary Shares (the "M&A Shares"), at a price per share (the "Conversion Price") equal to the lower of (i) the price or value per share of the M&A Shares in an M&A Event (and the value of any non-cash consideration paid to Borrower or its shareholders pursuant to an M&A Event shall be determined by the Borrower's board of directors in good faith), (ii) a fraction, the numerator of which shall be the consideration received in connection with the sale of all or substantially all of the Borrower's assets plus the value of all assets (including cash) retained by the Borrower following such sale (and the value of any non-cash asset shall be determined by the Borrower's board of directors in good faith) and the denominator of which shall be the number of issued and outstanding shares on the date of consummation of such sale and (iii) if traded on a securities exchange, a price equal to the average of the closing prices of the Ordinary Shares on such exchange over the thirty (30) day period ending three (3) days prior to the announcement of the M&A Event ("FMV Price"). Upon such conversion, the M&A Shares will be duly authorized, validly issued, fully-paid, non-assessable and free and clear of any Liens, except pursuant to the Articles and applicable Israeli and foreign securities laws.

6.1.3. Prior to any conversion of the Loan in accordance with this Section 6.1, the Borrower shall send the Lender a 10-day prior notice regarding the designated conversion, and the Lender may elect in writing prior to such conversion the immediate repayment of the Loan subject to the terms of Section 4 above.

6.2. Voluntary Conversion.

6.2.1. Following the Amendment Effective Date and prior to the consummation of the Next Financing or an M&A Event, the principal amount of the Loan may be converted at the Lender's discretion into Borrower's Ordinary Shares, at a price per share equal to the FMV Price at the time of such conversion or, if at the time of such conversion the shares of the Borrower are not listed on a securities exchange, at a price per share determined by the board of directors of the Borrower in good faith to represent the fair market value of the Borrower.

6.2.2. Upon conversion pursuant to this Section 6.2, the shares issued to the Lender hereunder will be duly authorized, validly issued, fully-paid, non-assessable and free and clear of any Liens, except pursuant to the Articles and applicable Israeli and foreign securities laws.

6.3. Results and Mechanism of Conversion.

6.3.1. Upon conversion of the Loan in accordance with Sections 6.1 or 6.2 above, the Loan will become null and void, all of the Borrower's obligations with respect to the Loan will automatically expire and any Interest accrued on the Loan through and including the date of conversion of the Loan shall be deemed to have been paid in full through such conversion.

6.3.2. Upon the occurrence of the earlier of the conversion events set forth in Sections 6.1 and 6.2 above, the Borrower shall, as soon as practicable thereafter, take any and all actions necessary or useful in order to affect the issue of shares to the Lender subject to such conversion and shall issue and deliver to the Lender a share certificate for the number and series or class of shares to which the Lender shall be entitled as aforesaid (the "Conversion Shares").

6.3.3. From the date of occurrence of any of the conversion events set forth in Sections 6.1 and 6.2 above and thereafter, whether or not the Conversion Shares required to be issued have actually been issued, the Lender shall be deemed to be the holder of such Conversion Shares and shall have all rights, preferences, powers, privileges, restrictions, qualifications and limitations under the Articles and applicable law resulting from holding such Conversion Shares.

7. Default.

Without derogating from any rights of the Lender hereunder or by law, upon the occurrence of any Repayment Event (as defined below), any portion of the Loan outstanding (together with any Interest accrued prior to the date of actual repayment) will, at the option of the Lender, immediately become due and payable. The occurrence of any of the following shall be a "Repayment Event": (a) the commencement by or against the Borrower or Emblaze V Con Ltd., the Borrower's subsidiary (the "Subsidiary"), of any liquidation proceedings or the adoption of a winding up resolution by the Borrower or the Subsidiary, or the appointment of a receiver or trustee over the whole or a substantial part of the assets of the Borrower or the Subsidiary, or the calling by the Borrower or the Subsidiary of a meeting of creditors for the purpose of entering into a scheme or arrangement with them, if any of the aforementioned actions or proceedings is not canceled within 30 days of its initiation, (b) the execution by the Borrower or the Subsidiary of a general assignment in favor of creditors or the admission of insolvency by the Borrower or the Subsidiary or (c) the entry of a judgment or attachment against the Borrower or the Subsidiary or any of their respective assets in an amount in excess of US\$3,000,000. The Borrower shall notify the Lender within 48 hours of any such

proceeding, adoption, appointment or calling; or the levy of an attachment or the institution of execution proceedings against the whole or a substantial part of the Borrower's or the Subsidiary's assets.

8. **General Provisions.**

- 8.1. Except as otherwise amended and modified hereby, the provisions of the Loan Agreement shall remain in full force and effect. This Offer Letter shall be deemed for all intents and purposes as an integral part of the Loan Agreement. The Loan Agreement, as amended by this Offer Letter, constitute the entire agreement of the parties hereto with respect to the subject matter hereof and supersede all prior agreements and undertakings, both written and oral, between the parties hereto with respect to the subject matter hereof.
- 8.2. Each of the parties shall perform such further acts and execute such further documents as may reasonably be necessary to carry out and give full effect to the provisions of this Offer Letter and the intentions of the parties as reflected hereby, and this Offer Letter shall be interpreted and construed in such manner so as to give effect to the parties' intentions.
- 8.3. The Loan Agreement, as amended by this Offer Letter, shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereto; provided, however, that no party may assign or transfer any of its rights, obligations or interests hereunder without the prior written consent of the other party, which shall not be unreasonably withheld, delayed or conditioned. Notwithstanding the above, either party may assign the agreement to its successor by way of reorganization, merger or sale of all of substantially all of its assets and liabilities, provided such successor shall assume all obligations of such party under the Loan Agreement.
- 8.4. Except as otherwise specified in the Loan Agreement or in this Offer Letter, all taxes, excises and governmental charges incurred by each party under the Loan Agreement, as amended by this Offer Letter, shall be borne by such party incurring the same.
- 8.5. The Loan Agreement, as amended by this Offer Letter, shall be governed by the laws of the State of Israel, without giving effect to its principles on conflict of law. Any disputes arising under or in connection with the validity, interpretation and performance of the Loan Agreement as amended by this Offer Letter, shall be settled exclusively by the competent courts located in Tel-Aviv, Jaffa and the parties hereby irrevocably submit to such courts.

If you are in agreement with the terms and conditions set forth above, kindly execute a copy of this Offer Letter and return it to the Company no later than __ ____, 2009. Your signature will acknowledge that you have read and understood and agreed to the terms and conditions of this Offer Letter.

Sincerely yours,
ZONE – IP LTD.

By: _____
Title: _____
Date: _____

I have read and understood this Offer Letter and hereby acknowledge, accept and agree to the terms as set forth above.

Name of lender: _____
By: _____
Signature: _____
Date signed: _____