

## U.S. OPTION TERMS

### ISLAND PHARMACEUTICALS LIMITED EMPLOYEE INCENTIVE PLAN

1. Grant of Option. Pursuant to the United States Addendum (the “*Addendum*”) to the Island Pharmaceuticals Limited Employee Incentive Plan (the “*Base Plan*,” together with the Addendum, the “*Plan*”), as adopted by Island Pharmaceuticals Limited, an Australian limited company (the “*Company*”), the Company grants to the person set out in Item 1 of the Schedule (the “*Participant*”) who is a Director of the Company or a Subsidiary of the Company, Island Pharmaceuticals Limited (**Company**) options (the “*Options*”) to purchase the number of Shares of the Company set out in Item 2 of the Schedule (the “*Optioned Shares*”) at an “*Option Exercise Price*” equal to the exercise price set out in Item 3 of the Schedule (as to a third), in the amounts, during the periods and upon the terms and conditions set forth in this U.S. Option Terms (the “*Agreement*”). The “*Grant Date*” of the Options is the time the Company receives the conditional listing approval from the ASX, and the Participant is still an employee or officeholder of the Group and will continue to be on the date that the Company is admitted to the Official List of ASX. The “*Option Period*” shall commence on the relevant Vesting Date of each Option (as defined in Section 3, below) and shall expire on the date immediately following the third anniversary of the Grant Date, unless terminated earlier in accordance with Section 4 below.

2. Subject to Plan. Each Option and its exercise is subject to the terms and conditions of the Plan, and the terms of the Plan shall control to the extent not otherwise inconsistent with the provisions of this Agreement. The capitalized terms used herein that are defined in the Plan shall have the same meanings assigned to them in the Plan. Each Option is subject to any rules promulgated pursuant to the Plan by the Board (or a committee or sub-committee of the Board) and communicated to the Participant in writing.

3. Vesting; Time of Exercise. Except as specifically provided in this Agreement and subject to certain restrictions and conditions set forth in the Plan, the Optioned Shares shall be vested (and the Options shall be exercisable) on the second anniversary of the date on which the shares of the Company are admitted to the ASX (IPO Date) (“*Vesting Date*”).

In the event that a Change of Control (being an event described in Rule 9.3(a) of the Base Plan) occurs, then immediately prior to the effective date of such Change of Control, the total Optioned Shares not previously vested shall thereupon immediately become vested and this Option shall become fully exercisable, if not previously so exercisable.

4. Term; Forfeiture. Except as otherwise provided in this Agreement, to the extent the unexercised portion of the Options relates to Optioned Shares which are not vested on the date of the Participant’s separation from service, the Options will be terminated on that date unless the Board has made a determination to the contrary. The unexercised portion of the Options that relates to Optioned Shares which are vested will terminate at the first of the following to occur:

- a. 5 p.m. on the date the Option Period terminates;
- b. immediately upon the Board’s determination under Rule 8(a) of the Addendum that the Options shall be forfeited due to the fraud, dishonesty or other improper behavior of the Participant; or

c. 5 p.m. on the date the Company causes any portion of the Option to be forfeited pursuant to Section 7 hereof.

5. Who May Exercise. Subject to the terms and conditions set forth in Sections 3 and 4 above, during the lifetime of the Participant, the Options once vested, may be exercised only by the Participant, or by the Participant's guardian or personal or legal representative. If the Participant's separation from service is due to his or her death prior to the dates specified in Section 4 hereof, and the Participant has not exercised the Options as to the maximum number of vested Optioned Shares as set forth in Section 3 hereof as of the date of death, the following persons may exercise the exercisable portion of the Options on behalf of the Participant at any time prior to the earliest of the dates specified in Section 4 hereof: the personal representative of his or her estate or the person who acquired the right to exercise the Options by bequest or inheritance or by reason of the death of the Participant; provided that the Options shall remain subject to the other terms of this Agreement, the Plan, and applicable laws, rules, and regulations.

6. No Fractional Shares. The Options may be exercised only with respect to full Shares, and no fractional Share shall be issued.

7. Manner of Exercise. Subject to such administrative regulations as the Board may from time to time adopt, the vested Options may be exercised by the delivery of written notice to the Company setting forth the number of Shares with respect to which the Options are to be exercised, the date of exercise thereof (the "**Exercise Date**") which shall be at least three (3) days after giving such notice unless an earlier time shall have been mutually agreed upon, and whether the Optioned Shares to be exercised will be considered as deemed granted under a U.S.-ISO as provided in Section 11 hereof. On the Exercise Date, the Participant shall deliver to the Company consideration with a value equal to the total Option Exercise Price of the Shares to be purchased, payable as follows: (a) cash, check, bank draft, or money order payable to the order of the Company; (b) if the Company, in its sole discretion, so consents in writing, by delivery (including by facsimile) to the Company or its designated agent of an executed irrevocable option exercise form together with irrevocable instructions from the Participant to a broker or dealer, reasonably acceptable to the Company, to sell certain of the Shares purchased upon exercise of the Options or to pledge such Shares as collateral for a loan and promptly deliver to the Company the amount of sale or loan proceeds necessary to pay such purchase price; and/or (d) in any other form of valid consideration that is acceptable to the Board in its sole discretion.

Upon payment of all amounts due from the Participant, the Company shall cause certificates for the Shares then being purchased or other evidence of the issue of the Shares to be delivered to the Participant (or the person exercising the Option in the event of the Participant's death) promptly after the Exercise Date. The obligation of the Company to deliver Shares shall, however, be subject to the condition that, if at any time the Company shall determine in its discretion that the listing, registration, or qualification of the Options or the Shares upon any securities exchange or inter-dealer quotation system or under any applicable law, or the consent or approval of any governmental regulatory body, is necessary as a condition of, or in connection with, the Options or the issuance or purchase of Shares thereunder, then the Options may not be exercised in whole or in part unless such listing, registration, qualification, consent, or approval shall have been effected or obtained free of any conditions not reasonably acceptable to the Board.

If the Participant fails to pay for any of the Optioned Shares specified in such notice or fails to accept delivery thereof, that portion of the Option and right to purchase such Optioned Shares may be forfeited by the Participant.

8. Nonassignability. The Options are not assignable or transferable by the Participant except subject to the Constitution of the Company, any applicable law or rules of any relevant security exchange.

9. Rights as Shareholder. The Participant will have no rights as a shareholder with respect to any of the Optioned Shares until the issuance of a certificate or certificates to the Participant for the Shares. The Optioned Shares shall be subject to the terms and conditions of this Agreement. Except as otherwise provided in Section 10 hereof, no adjustment shall be made for dividends or other rights for which the record date is prior to the issuance of such certificate or certificates. The Participant, by his or her execution of this Agreement, agrees to execute any documents requested by the Company in connection with the issuance of Shares.

10. Adjustment of Number of Optioned Shares and Related Matters. The number of Shares covered by the Options, and the Option Exercise Prices thereof, shall be subject to adjustment in accordance with Rule 13 of the Base Plan.

11. Type of Options. Subject to the provisions of the Plan, the Options are intended to be a U.S.-ISO. If shareholder approval of the Addendum is not obtained within the time period set forth in Rule 16 of the Addendum, then the Options shall be deemed granted pursuant to a U.S.-NQSO. To the extent the number of Optioned Shares exceeds the limit set forth in Rule 3 of the Addendum, such Optioned Shares shall be deemed granted pursuant to a U.S.-NQSO. Unless otherwise indicated by the Participant in the notice of exercise pursuant to Section 7, upon any exercise of the Options, the number of exercised Optioned Shares that shall be deemed to be exercised pursuant to a U.S.-ISO shall equal the total number of Optioned Shares so exercised multiplied by a fraction, (a) the numerator of which is the number of unexercised Optioned Shares that could then be exercised pursuant to a U.S.-ISO, and (b) the denominator of which is the then total number of unexercised Optioned Shares.

12. Disqualifying Disposition. In the event that Shares acquired upon exercise of the Options are disposed of by the Participant in a “Disqualifying Disposition,” the Participant shall notify the Company in writing within thirty (30) days after such disposition of the date and terms of such disposition. For purposes hereof, “**Disqualifying Disposition**” shall mean a disposition of Shares that are acquired upon the exercise of the Options (and that is not deemed granted pursuant to a U.S.-NQSO under Section 11) prior to the expiration of either two (2) years from the Grant Date or one (1) year from the transfer of shares to the Participant pursuant to the exercise of the Options.

13. Voting; Dividends. The Participant, as record holder of some or all of the Optioned Shares following exercise of an Option, will have the right to vote such Shares and receive dividends thereon, on and following the issuance of such Shares to the Participant; provided, however, that this Section shall not create any right where the holders of such Optioned Shares otherwise have no such right.

14. Specific Performance. The parties acknowledge that remedies at law will be inadequate remedies for breach of this Agreement and consequently agree that this Agreement shall be enforceable by specific performance. The remedy of specific performance shall be cumulative of all of the rights and remedies at law or in equity of the parties under this Agreement.

15. Participant’s Representations. In addition to Rule 9 of the Addendum or requirements of the Base Plan, and notwithstanding any of the provisions hereof, the Participant hereby agrees that he or she will not exercise the Options granted hereby, and that the Company will not be obligated to issue any Shares to the Participant hereunder, if the exercise thereof or the issuance of such Shares shall constitute a violation by the Participant or the Company of any provision of any law or regulation of any governmental authority. Any determination in this connection by the Company shall be final, binding,

and conclusive. The obligations of the Company and the rights of the Participant are subject to all applicable laws, rules, and regulations.

16. Investment Representation. Unless the Shares are issued to the Participant in a transaction registered under applicable U.S. federal and state securities laws, by the Participant's execution hereof, the Participant represents and warrants to the Company that all Shares which may be purchased hereunder will be acquired by the Participant for investment purposes for his or her own account and not with any intent for resale or distribution in violation of U.S. federal or state securities laws. Unless the Shares are issued to the Participant in a transaction registered under the applicable U.S. federal and state securities laws, all certificates issued with respect to the Shares shall bear an appropriate restrictive investment legend and shall be held indefinitely, unless they are subsequently registered under the applicable U.S. federal and state securities laws or the Participant obtains an opinion of counsel, in form and substance satisfactory to the Company and its counsel, that such registration is not required.

17. Participant's Acknowledgments. The Participant acknowledges that a copy of the Plan has been made available for his or her review by the Company, and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts the Options subject to all the terms and provisions thereof. The Participant hereby agrees to accept as binding, conclusive, and final all decisions or interpretations of the Board (or a committee or sub-committee of the Board) upon any questions arising under the Plan or this Agreement.

18. Law Governing. This Agreement shall be governed by, construed, and enforced in accordance with the laws of the State of Victoria and Commonwealth of Australia (excluding any conflict of laws rule or principle of Australian law that might refer the governance, construction, or interpretation of this Agreement to the laws of another state).

19. No Right to Continue Employment. Nothing herein shall be construed to confer upon the Participant the right to continue in the employment of the Company or to interfere with or restrict in any way the right of the Company to discharge the Participant at any time (subject to any contract rights of the Participant).

20. Legal Construction. In the event that any one or more of the terms, provisions, or agreements that are contained in this Agreement shall be held by a court of competent jurisdiction to be invalid, illegal, or unenforceable in any respect for any reason, the invalid, illegal, or unenforceable term, provision, or agreement shall not affect any other term, provision, or agreement that is contained in this Agreement, and this Agreement shall be construed in all respects as if the invalid, illegal, or unenforceable term, provision, or agreement had never been contained herein.

21. Covenants and Agreements as Independent Agreements. Each of the covenants and agreements that is set forth in this Agreement shall be construed as a covenant and agreement independent of any other provision of this Agreement. The existence of any claim or cause of action of the Participant against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of the covenants and agreements that are set forth in this Agreement.

22. Entire Agreement. This Agreement together with the Plan supersede any and all other prior understandings and agreements, either oral or in writing, between the parties with respect to the subject matter hereof and constitute the sole and only agreements between the parties with respect to the said subject matter. All prior negotiations and agreements between the parties with respect to the subject matter hereof are merged into this Agreement. Each party to this Agreement acknowledges that no representations, inducements, promises, or agreements, orally or otherwise, have been made by any party or by anyone acting on behalf of any party, which are not embodied in this Agreement or the Plan and

that any agreement, statement, or promise that is not contained in this Agreement or the Plan shall not be valid or binding or of any force or effect.

23. Parties Bound. The terms, provisions, and agreements that are contained in this Agreement shall apply to, be binding upon, and inure to the benefit of the parties and their respective heirs, executors, administrators, legal representatives, and permitted successors and assigns, subject to the limitation on assignment expressly set forth herein.

24. Modification. No change or modification of this Agreement shall be valid or binding upon the parties unless the change or modification is in writing and signed by the parties. Notwithstanding the preceding sentence, the Company may amend the Plan to the extent permitted by the Plan.

25. Headings. The headings that are used in this Agreement are used for reference and convenience purposes only and do not constitute substantive matters to be considered in construing the terms and provisions of this Agreement.

26. Gender and Number. Words of any gender used in this Agreement shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural, and vice versa, unless the context requires otherwise.

27. Notice. Any notice required or permitted to be delivered hereunder shall be deemed to be delivered only when actually received by the Company or by the Participant, as the case may be, at the addresses set forth below, or at such other addresses as they have theretofore specified by written notice delivered in accordance herewith:

- a. Notice to the Company shall be addressed and delivered as follows:

Island Pharmaceuticals Limited  
Attn: The Directors  
Email: PWebse@governancecorp.com.au

- b. Notice to the Participant shall be addressed and delivered as set forth on the signature page.

28. Tax Requirements. The Participant is hereby advised to consult immediately with his own tax advisor regarding the tax consequences of this Agreement. The Company or, if applicable, any Subsidiary (for purposes of this Section 28, the term “*Company*” shall be deemed to include any applicable Subsidiary), shall have the right to deduct from all amounts paid in cash or other form in connection with the Plan, any U.S. federal, state, local, or other taxes required by law to be withheld in connection with this Options. The Company may, in its sole discretion, also require the Participant receiving Shares issued under the Plan to pay the Company the amount of any taxes that the Company is required to withhold in connection with the Participant’s income arising with respect to the Options. Such payments shall be required to be made when requested by the Company and may be required to be made prior to the delivery of any certificate representing Shares. Such payment may be made by (a) the delivery of cash to the Company in an amount that equals or exceeds (to avoid the issuance of fractional shares under (c) below) the required tax withholding obligations of the Company; (b) if the Company, in its sole discretion, so consents in writing, the actual delivery by the exercising Participant to the Company of Shares that the Participant has not acquired from the Company within six (6) months prior to the date of exercise, which shares so delivered have an aggregate Market Value that equals or exceeds (to avoid the issuance of fractional shares under (c) below) the required tax withholding payment; (c) if the

Company, in its sole discretion, so consents in writing, the Company's withholding of a number of shares to be delivered upon the exercise of the Options, which shares so withheld have an aggregate Market Value that equals (but does not exceed) the required tax withholding payment; or (d) any combination of (a), (b), or (c). The Company may, in its sole discretion, withhold any such taxes from any other cash remuneration otherwise paid by the Company to the Participant.

\* \* \* \* \*

*[Remainder of Page Intentionally Left Blank]*

Schedule

<b>Item 1</b> Name	<b>Item 2</b> Number of Options	<b>Item 3</b> Exercise price of Options
David Charles Foster	177,778	\$0.3125
	177,778	\$0.3750
	177,777	\$0.4375
Albert Hansen	400,000	\$0.3625

**U.S. ADDENDUM TO THE  
ISLAND PHARMACEUTICALS EMPLOYEE INCENTIVE PLAN RULES**

Purposes of this Addendum. This U.S. Addendum (this “Addendum”) to the Island Pharmaceuticals Limited Incentive Plan Rules (the “Plan”) is applicable to all Awards made to Participants who are subject to the Code or resident in the United States and is incorporated into the Plan for all such Awards.

Definitions. The following definitions shall apply as used herein and in the individual Award Agreements except as defined otherwise in an individual Award Agreement or in the Plan. In the event a term is separately defined in an individual Award Agreement, such definition shall supersede the definition contained in this Section 2.

“Applicable Laws” means the legal requirements relating to the Plan and the Awards under applicable laws, including provisions of U.S. federal and state securities laws, the Code and state tax laws, and the Listing Rules.

“Award Agreement” means the written agreement or instrument evidencing the grant of an Award executed by the Company and the Participant, including any amendments thereto. An Award Agreement may be in the form of an agreement to be executed by both the Participant and the Company (or an authorized representative of the Company) or certificates, notices or similar instruments, as determined by the Company.

“Cause” means, with respect to the termination by the Company or a Related Entity of the Participant’s Employee status, that such termination is for “Cause” as such term (or word of like import) is expressly defined in a then-effective written agreement between the Participant and the Company or such Related Entity, or in the absence of such then-effective written agreement and definition, is based on, in the determination of the Company, the Participant’s: (i) performance of any act or failure to perform any act in bad faith and to the detriment of the Company or a Related Entity; (ii) dishonesty, intentional misconduct or material breach of any agreement with the Company or a Related Entity; or (iii) commission of a crime involving dishonesty, breach of trust, or physical or emotional harm to any person.

“Code” means the Internal Revenue Code of 1986, as amended.

“Disability” means as such term (or word of like import) defined under the long-term disability policy of the Company or the Related Entity to which the Participant provides services regardless of whether the Participant is covered by such policy. If the Company or the Related Entity to which the Participant provides service does not have a long-term disability plan in place, “Disability” means that a Participant is unable to carry out the responsibilities and functions of the position held by the Participant by reason of any medically determinable physical or mental impairment for a period of not less than ninety (90) consecutive days. A Participant will not be considered to have incurred a Disability unless he or she furnishes proof of such impairment sufficient to satisfy the Company in its discretion.

“Fair Market Value” means, as of any date, the value of a Share determined by the Company in good faith and in a manner consistent with Applicable Laws.

“Immediate Family” means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the Participant’s household (other than a tenant or employee), a trust in which these persons (or the Participant) have more than fifty percent (50%) of the beneficial interest, a foundation in which these persons (or the Participant) control the management of assets, and any other entity in which these persons (or the Participant) own more than fifty percent (50%) of the voting interests.

“Incentive Stock Option” means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

“ISO-Employee” means any person who is in the employ of the Company or any Related Entity, subject to the control and direction of the Company or any Related Entity as to both the work to be performed and the manner and method of performance.

“Non-Qualified Stock Option” means an Option not intended to qualify as an Incentive Stock Option.

“Parent” means a “parent corporation”, whether now or hereafter existing, as defined in Section 424(e) of the Code.

“Post-Termination Exercise Period” means the period specified in the Award Agreement of not less than thirty (30) days commencing on the date of termination (other than termination by the Company or any Related Entity for Cause) of the Participant’s Employee status, or such longer period as may be applicable upon death or Disability.

“Related Entity” means any (i) Parent or Subsidiary of the Company (or, if with respect to an entity other than the Company, Parent or Subsidiary of such person), and (ii) any other entity controlling, controlled by or under common control with the Company (or, if with respect to an entity other than the Company, controlling, controlled by or under common control with such entity).

“Subsidiary” means a “subsidiary corporation”, whether now or hereafter existing, as defined in Section 424(f) of the Code.

Shares Subject to Incentive Stock Options. Subject to the provisions of Section 10 below, the maximum aggregate number of Shares which may be issued pursuant to Incentive Stock Options is 8,000,000 Shares. Subject to the provisions of Section 10 below, any increase to the maximum aggregate number of Shares which may be issued pursuant to all Incentive Stock Options shall be subject to stockholder approval.

Incentive Stock Option Amendments. An amendment or modification by the Company that merely causes a Participant’s Incentive Stock Option to become a Non-Qualified Stock Option shall not be treated as materially prejudicing or adversely affecting the rights of the Participant.

Eligibility. Incentive Stock Options may be granted only to ISO-Employees of the Company or a Parent or a Subsidiary of the Company.

Terms and Conditions of Awards.

Designation of Awards. Each Award shall be designated in the Award Agreement. In the case of an Option, the Option shall be designated as either an Incentive Stock Option or a Non-Qualified Stock Option. However, notwithstanding such designation, an Option will qualify as an Incentive Stock Option under the Code only to the extent the \$100,000 limitation of Section 422(d) of the Code is not exceeded. The \$100,000 limitation of Section 422(d) of the Code is calculated based on the aggregate Fair Market Value of the Shares subject to Options designated as Incentive Stock Options which become exercisable for the first time by a Participant during any calendar year (under all plans of the Company or any Parent or Subsidiary of the Company). For purposes of this calculation, Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of the Shares shall be determined as of the grant date of the relevant Option. In the event that the Code or the regulations promulgated thereunder are amended after the date the Plan becomes effective to provide for a different limit on the Fair Market Value of Shares permitted to be subject to Incentive Stock Options, then such different limit will be automatically incorporated herein and will apply to any Options granted after the effective date of such amendment.

Term of Award. The term of each Award shall be the term stated in the Award Agreement, provided, however, that the term shall be no more than ten (10) years from the date of grant thereof. However, in the case of an Incentive Stock Option granted to a Participant who, at the time the Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary of the Company, the term of the Incentive Stock Option shall be five (5) years from the date of grant thereof or such shorter term as may be provided in the Award Agreement. Notwithstanding the foregoing, the specified term of any Award shall not include any period for which the Participant has elected to defer the receipt of the Shares or cash issuable pursuant to the Award.

Transferability of Awards. Incentive Stock Options may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Participant, only by the Participant. Other Awards shall be transferable (i) by will or by the laws of descent and distribution and (ii) during the lifetime of the Participant, to the extent and in the manner authorized by the Company by gift or pursuant to a domestic relations order to members of the Participant's Immediate Family. Notwithstanding the foregoing, the Participant may designate one or more beneficiaries of the Participant's Award in the event of the Participant's death on a beneficiary designation form provided by the Company.

Time of Granting Awards. The date of grant of an Award shall for all purposes be the date on which the Company makes the determination to grant such Award, or such other later date as is determined by the Company.

## Exercise Price and Taxes.

Exercise Price. The Exercise Price for an Option shall be as follows:

In the case of an Incentive Stock Option:

granted to an ISO-Employee who, at the time of the grant of such Incentive Stock Option, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary of the Company, the per Share Exercise Price shall be not less than one hundred ten percent (110%) of the Fair Market Value per Share on the date of grant; or

granted to any ISO-Employee other than an ISO-Employee described in the preceding paragraph, the per Share Exercise Price shall be not less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

In the case of a Non-Qualified Stock Option, the per Share Exercise Price shall be such price as is determined by the Company in accordance with Applicable Laws.

Taxes. No Shares shall be delivered under the Plan to any Participant or other person until such Participant or other person has made arrangements acceptable to the Company for the satisfaction of any non-U.S., U.S. federal, state, or local income and employment tax withholding obligations, including, without limitation, obligations incident to the receipt of Shares. Upon exercise or vesting of an Award the Company or its designee shall withhold or collect from the Participant an amount sufficient to satisfy such tax obligations.

## Exercise of Option.

Exercise of Option Following Termination of Employee status. In the event of termination of a Participant's Employee status for any reason other than Disability or death, such Participant may, but only during the Post-Termination Exercise Period (but in no event later than the expiration date of the term of such Option as set forth in the Award Agreement), exercise the portion of the Participant's Option that was vested at the date of such termination or such other portion of the Participant's Option as may be determined by the Company. The Participant's Award Agreement may provide that upon the termination of the Participant's Employee status for Cause, the Participant's right to exercise the Option shall terminate concurrently with the termination of the Participant's Employee status. To the extent that the Participant's Option was unvested at the date of termination, or if the Participant does not exercise the vested portion of the Participant's Option within the Post-Termination Exercise Period, the Option shall terminate.

Disability of Participant. In the event of termination of a Participant's Employee status as a result of his or her Disability, such Participant may, but only within six (6) months from the date of such termination (or such longer period as specified in the Award Agreement but in no event later than the expiration date of the term of such Option as set forth in the Award Agreement), exercise the portion of the Participant's Option that was vested at the date of such termination; provided, however, that if such Disability is not a "disability" as such term is defined in Section 22(e)(3) of the Code, in the case of an Incentive Stock Option such Incentive Stock Option shall automatically convert to a Non-Qualified Stock Option on the day three (3)

months and one day following such termination. To the extent that the Participant's Option was unvested at the date of termination, or if Participant does not exercise the vested portion of the Participant's Option within the time specified herein, the Option shall terminate.

Death of Participant. In the event of a termination of the Participant's Employee status as a result of his or her death, or in the event of the death of the Participant during the Post-Termination Exercise Period or during the six (6) month period following the Participant's termination of Employee status as a result of his or her Disability, the Participant's estate or a person who acquired the right to exercise the Option by bequest or inheritance may exercise the portion of the Participant's Option that was vested as of the date of termination, within six (6) months from the date of death (or such longer period as specified in the Award Agreement but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). To the extent that, at the time of death, the Participant's Option was unvested, or if the Participant's estate or a person who acquired the right to exercise the Option by bequest or inheritance does not exercise the vested portion of the Participant's Option within the time specified herein, the Option shall terminate.

Extension if Exercise Prevented by Law. Notwithstanding the foregoing, if the exercise of an Option within the applicable time periods set forth in this Section 8 is prevented by the provisions of Section 9 below, the Option shall remain exercisable until one (1) month after the date the Participant is notified by the Company that the Option is exercisable, but in any event no later than the expiration of the term of such Option as set forth in the Award Agreement and only in a manner and to the extent permitted under Code Section 409A.

Conditions Upon Issuance of Shares. If at any time the Company determines that the delivery of Shares pursuant to the exercise, vesting or any other provision of an Award is or may be unlawful under Applicable Laws, the vesting or right to exercise an Award or to otherwise receive Shares pursuant to the terms of an Award shall be suspended until the Company determines that such delivery is lawful and shall be further subject to the approval of counsel for the Company with respect to such compliance. The Company shall have no obligation to effect any registration or qualification of the Shares under U.S. federal or state laws. As a condition to the exercise of an Award, the Company may require the person exercising such Award to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required by any Applicable Laws.

Adjustments Upon Changes in Capitalization. Subject to any required action by the stockholders of the Company, the number and kind of Shares covered by each outstanding Award, and the number and kind of Shares which have been authorized for issuance under the Plan but as to which no Awards have yet been granted or which have been returned to the Plan, the exercise or purchase price of each such outstanding Award, as well as any other terms that the Company determines require adjustment shall be proportionately adjusted for: (i) any increase or decrease in the number of issued Shares resulting from a stock split, reverse stock split, stock dividend, recapitalization, combination or reclassification of the Shares, or similar transaction affecting the Shares; (ii) any other increase or decrease in the number of issued Shares effected without receipt of consideration by the Company; or (iii) any other transaction with respect to Shares including a corporate merger, consolidation, acquisition of property or

stock, separation (including a spin-off or other distribution of stock or property), reorganization, liquidation (whether partial or complete) or any similar transaction; provided, however that conversion of any convertible securities of the Company shall not be deemed to have been “effected without receipt of consideration.” In the event of any distribution of cash or other assets to stockholders other than a normal cash dividend, the Company shall also make such adjustments as provided in this Section 10 or substitute, exchange or grant Awards to effect such adjustments (collectively “adjustments”). Any such adjustments to outstanding Awards will be effected in a manner that precludes the enlargement of rights and benefits under such Awards. In connection with the foregoing adjustments, the Company may, in its discretion, prohibit the exercise of Awards or other issuance of Shares, cash or other consideration pursuant to Awards during certain periods of time. Except as the Company determines, no issuance by the Company of shares of any class, or securities convertible into shares of any class, shall affect, and no adjustment by reason hereof shall be made with respect to, the number or price of Shares subject to an Award.

Compliance with Section 409A of the Code. Unless otherwise expressly provided in an Award Agreement, the Plan and Award Agreements will be interpreted to the greatest extent possible in a manner that makes the Plan and the Awards granted hereunder exempt from Section 409A of the Code, and, to the extent not so exempt, in compliance with Section 409A of the Code. If the Company determines that any Award granted hereunder is not exempt from and is therefore subject to Section 409A of the Code, the Award Agreement evidencing such Award will incorporate the terms and conditions necessary to avoid the consequences specified in Section 409A(a)(1) of the Code, and to the extent an Award Agreement is silent on terms necessary for compliance, such terms are hereby incorporated by reference into the Award Agreement. If a Participant holding an Award that constitutes deferred compensation under Section 409A of the Code is a specified employee within the meaning of Section 409A of the Code, no distribution or payment of any amount that is payable because of a separation from service (as defined in Section 409A of the Code without regard to alternative definitions thereunder) will be issued or paid before the date that is six months following the date of such Participant’s separation from service or, if earlier, the date of the Participant’s death, unless such distribution or payment can be made in a manner that complies with Section 409A of the Code, and any amounts so deferred will be paid in a lump sum on the day after such six month period elapses, with the balance paid thereafter on the original schedule. In no event will any Participant have a right to payment or reimbursement or otherwise from the Company or its Related Entities, or their successors or assigns, for any taxes, penalties or interest imposed or other costs incurred as a result of Section 409A of the Code.

No Effect on Terms of Employment/Consulting Relationship. The Plan shall not confer upon any Participant any right with respect to the Participant’s Employee status, nor shall it interfere in any way with his or her right or the right of the Company or any Related Entity to terminate the Participant’s Employee status at any time, with or without cause including, but not limited to, Cause, and with or without notice. The ability of the Company or any Related Entity to terminate the employment of a Participant who is employed at will is in no way affected by its determination that the Participant’s Employee status has been terminated for Cause for the purposes of this Plan.

No Effect on Retirement and Other Benefit Plans. Except as specifically provided in a retirement or other benefit plan of the Company or a Related Entity, Awards shall not be deemed compensation for purposes of computing benefits or contributions under any retirement plan of the Company or a Related Entity, and shall not affect any benefits under any other benefit plan of any kind or any benefit plan subsequently instituted under which the availability or amount of benefits is related to level of compensation. The Plan is not a “Pension Plan” or “Welfare Plan” under the Employee Retirement Income Security Act of 1974, as amended.

Stockholder Approval. Continuance of the Plan shall be subject to approval by the stockholders of the Company within twelve (12) months before or after the date the Plan is adopted. Such stockholder approval shall be obtained in the degree and manner required under Applicable Laws. Any Award exercised before stockholder approval is obtained shall be rescinded if stockholder approval is not obtained within the time prescribed, and Shares issued on the exercise of any such Award shall not be counted in determining whether stockholder approval is obtained.

Unfunded Obligation. Participants shall have the status of general unsecured creditors of the Company. Any amounts payable to Participants pursuant to the Plan shall be unfunded and unsecured obligations for all purposes, including, without limitation, Title I of the Employee Retirement Income Security Act of 1974, as amended. Neither the Company nor any Related Entity shall be required to segregate any monies from its general funds, or to create any trusts, or establish any special accounts with respect to such obligations. The Company shall retain at all times beneficial ownership of any investments, including trust investments, which the Company may make to fulfill its payment obligations hereunder. Any investments or the creation or maintenance of any trust or any Participant account shall not create or constitute a trust or fiduciary relationship between the Company, the Company or any Related Entity and a Participant, or otherwise create any vested or beneficial interest in any Participant or the Participant’s creditors in any assets of the Company or a Related Entity. The Participants shall have no claim against the Company or any Related Entity for any changes in the value of any assets that may be invested or reinvested by the Company with respect to the Plan.

Effective Date and Term of Addendum. This Addendum shall become effective upon the earlier to occur of its adoption by the Board or its approval by the stockholders of the Company. It shall continue in effect for a term of ten (10) years unless sooner terminated. Subject to Section 14 above, and Applicable Laws, Awards may be granted under the Plan to upon its becoming effective. No Awards may be made under the Plan to Participants subject to the Code or resident in the United States following the termination of this Plan. The Company may at any time amend, suspend or terminate this Addendum. To the extent necessary to comply with Applicable Laws, the Company shall obtain stockholder approval of any Plan amendment in such a manner and to such a degree as required. No suspension or termination of the Addendum shall adversely affect any rights under Awards already granted to a Participant.