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

FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

For the month of March 2012

Commission File Number: 000-28508

Flamel Technologies, S.A.

(Translation of registrant's name into English)

Parc Club du Moulin à Vent
33 avenue du Dr. Georges Levy
69693 Vénissieux Cedex France
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F S Form 40-F £

Indicate by check mark whether registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes £ No S

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-_____

Acquisition of Éclat Pharmaceuticals

On March 13, 2012, Flamel Technologies S.A. ("Flamel"), through its wholly owned Delaware subsidiary Flamel US Holdings, Inc. ("Flamel US"), acquired all of the membership interests of Éclat Pharmaceuticals, LLC ("Éclat"), a St. Louis-based specialty pharmaceutical company focused on the development, approval, and commercialization of niche brands and generic products (the "Acquisition"). Prior to the Acquisition, Éclat was owned by Éclat Holdings, LLC (now renamed Breaking Stick Holdings, LLC) ("Éclat Holdings"), an affiliate of Deerfield Capital L.P. Deerfield Capital, together with its affiliates, is Flamel's largest shareholder.

Purchase Agreement

The Acquisition was made pursuant to a Membership Interest Purchase Agreement (the "Purchase Agreement") among Flamel, Flamel US, Éclat Holdings and Éclat. In exchange for all of the issued and outstanding membership interests of Éclat (the "Purchased Interests"), Flamel US provided consideration consisting of:

- a $12 million senior, secured six-year Note (as described below);
- two Warrants (as described below) to purchase American Depositary Shares ("ADSs") of Flamel; and
- a commitment to make earnout payments of 20% of any gross profit generated by certain Éclat launch products.

The Purchase Agreement also contains certain representations and warranties, covenants, indemnification and other customary provisions.

Note Agreement and Note

Under the terms of the Note Agreement among Flamel, Flamel US and Éclat Holdings dated March 13, 2012 (the "Note Agreement"), Flamel US issued a $12 million senior note (the "Note") to Éclat Holdings that is guaranteed by Flamel and its subsidiaries and secured by the Purchased Interests and assets of Éclat. The note is payable over six years only if certain contingencies are satisfied, namely that: (a) two or more Éclat launch products are approved by the U.S. Food and Drug Administration (the "FDA") or (b) one Éclat launch product is approved by the FDA and has generated $40 million or more in cumulative net sales (the "Thresholds"). If either Threshold is satisfied, Flamel US will pay 25% of the original principal amount due under the Note on each of the third, fourth, fifth and sixth anniversaries of the date of the Note. The Note accrues interest at an annual rate of 7.5%, payable in kind, until one Éclat launch product is approved by the FDA. After FDA approval of one Éclat launch product is obtained, any interest previously capitalized is payable in cash no later than nine months following FDA approval, and any future interest is payable in cash when due.

The Note Agreement contains certain affirmative covenants that require Flamel and its subsidiaries generally to maintain their existence and qualifications to conduct business, to comply with applicable laws, to maintain licenses and permits required to conduct business, to notify Éclat Holdings of defaults and material legal proceedings against Flamel or any subsidiary, to timely file SEC periodic reports or otherwise provide timely financial statements and require Flamel to convene a shareholders meeting to vote on approval of the Warrants (as defined below) as promptly as practicable and no later than September 30, 2012.

The Note Agreement also contains certain negative covenants that, until the final payment date under the Note, do not permit:

- Flamel or its subsidiaries to liquidate, dissolve, merge, consolidate or reorganize, subject to certain permitted exceptions;
- Flamel to establish any subsidiary unless the subsidiary guarantees the Note;
- Flamel or any subsidiary to:
  (a) prior to March 13, 2015, enter into any management contract whereby a substantial part of its business is managed by someone other than Mr. Anderson, unless Mr. Anderson's employment agreement is terminated due to death, disability or cause or Mr. Anderson resigns as Chief Executive Officer prior to March 13, 2015 other than as a result of Flamel's breach of Mr. Anderson's employment agreement, or

(b) make any restricted payments (such as dividends or distributions) to any Flamel shareholder, subject to certain permitted exceptions; or
- Flamel or any subsidiary to create or incur any lien on any of its assets or create, incur assume or guarantee any indebtedness, subject to certain permitted exceptions.

In the event of a transaction involving a change in control by Flamel at any time after a Threshold has been reached, Éclat Holdings has a put right to accelerate the full unpaid amount under the Note.

The Note Agreement also contains certain acceleration provisions if certain defined events of default occur and continue beyond applicable cure periods. Prior to a Threshold having been reached, the occurrence of the following events of default, among others, would permit acceleration of the unpaid balance under the Note:

- Flamel US fails to make payments of principal when due or interest within 5 business days of any due date;
- Flamel or Flamel US becomes generally unable to pay its debts as they become due or commences bankruptcy or similar proceedings;
- Mr. Anderson does not become Chief Executive Officer of Flamel as contemplated by his employment agreement;
- Mr. Anderson is removed as Chief Executive Officer of Flamel prior to March 13, 2015 for any reason other than on account of death, disability or cause;
- Mr. Anderson voluntarily resigns as Chief Executive Officer of Flamel prior to March 13, 2015 because Flamel has breached its agreements under Mr. Anderson's employment agreement;
- Éclat ceases conducting the business it currently conducts or proposes to conduct;
- Any asset of Éclat is sold, assigned, licensed or otherwise transferred except in the ordinary course of business, subject to certain exceptions; or
- The limited liability company agreement of Éclat is amended in any manner adverse to the interests of Éclat Holdings in any material respect under the purchase documents.

After a Threshold has been reached, the occurrence of the following events of default, among others, also would permit acceleration of the unpaid balance under the Note:

- Flamel or Flamel US fails to comply with any covenant under any purchase document that remains uncured within 30 days after receiving notice of such default from Éclat;
- Any representation or warranty made by Flamel or Flamel US in any purchase document to which it is a party is incorrect, false or misleading in any material respect as of the date it was made;
- One or more money judgments against Flamel or Flamel US or attachments against any of its property (not covered by insurance), that exceed $500,000 in the aggregate, or which could reasonably be expected to have a material adverse effect remain unpaid, unstayed, undischarged, unbounded or undismissed for 30 days from the date of entry of such judgment; or
- Flamel or any of its subsidiaries fails to perform any agreement related to indebtedness of Flamel or any subsidiary having an aggregate principal amount in excess of $500,000.

Warrants to Purchase American Depositary Shares

In addition to the Note, Flamel also issued to Éclat Holdings, two six-year warrants (the "Warrants") to purchase an aggregate of 3,300,000 American Depositary Shares ("ADSs"), each representing one ordinary share, of Flamel. One Warrant is exercisable for 2,200,000 ADSs at an exercise price of $7.44 per ADS, and the other Warrant is exercisable for 1,100,000 ADSs at an exercise price of $11.00 per ADS. The Warrants may be only be exercised upon approval by the holders of Flamel's ordinary shares (the "Shareholder Approval"). If Shareholder Approval is not obtained by March 13, 2014, the term of the Warrants will extend to seven years, and the Warrants may be cash settled if the holder chooses to redeem the Warrants at a redemption price based on the intrinsic value of the Warrant.

The Warrants contain certain limitations that prevent the holder from exercising the Warrants during any time that would result in the holder beneficially owning ADSs that exceed more than 19.985% of the total number of Flamel's ordinary shares then issued and outstanding. In addition, upon certain changes in control of Flamel after March 13, 2014 or upon certain defaults under the Warrants, the holder has the right to cause Flamel to redeem the Warrants in ADSs at a redemption price based on the Black Scholes value of the outstanding ADSs issuable under the Warrants.

The sale of the Warrants was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act") as a transaction not involving a public offering. The Warrants and the securities to be issued upon exercise of the Warrants have not been registered under the Securities Act or state securities laws and may not be offered or sold in the United States absent registration with the SEC or an applicable exemption from the registration requirements.

Registration Rights Agreement

In connection with the issuance of the Warrants, Flamel entered into a Registration Rights Agreement (the "Registration Rights Agreement") with Éclat Holdings dated March 13, 2012, pursuant to which Flamel has agreed to file, no later than 30 days after the date of the Shareholder Approval, a registration statement with the Securities and Exchange Commission (the "SEC") covering the resale of the ADSs issuable upon exercise of the Warrants.

The foregoing description of the Note Agreement, the Warrants and the Registration Rights Agreement is intended to be a summary of the provisions therein and is qualified in its entirety by reference to the actual documents attached as exhibits to this Form 6-K and incorporated by reference herein.

Chief Executive Officer Transition

Resignation of Stephen H. Willard as Chief Executive Officer

On March 13, 2012, Mr. Stephen H. Willard resigned from his position as Chief Executive Officer of Flamel. Mr. Willard will remain on the board of directors of Flamel. He also will remain as an employee of a US subsidiary of Flamel through December 31, 2012.

Under an agreement among Mr. Willard, Flamel and Flamel's US subsidiary Flamel Technologies, Inc. ("Flamel Inc."), Mr. Willard will receive, among other things, a salary of $250,000 payable through December 31, 2012, cash severance payments totaling $1,233,151 (based on applicable exchange rates) from Flamel and Flamel Inc., vesting of all unvested free shares as of December 31, 2012 and continuation of certain benefits through December 31, 2012. The agreement also contains certain customary provisions, including releases and nonsolicitation and confidentiality provisions.

On March 8, 2012, Mr. Willard exercised options to purchase 195,000 ADSs at an exercise price of €2.33 (or $3.09 based on applicable exchange rates) and has informed Flamel of his intent to continue holding such ADSs. However, there can be no assurance that such ADSs will not be sold or that other ADSs beneficially owned by Mr. Willard will not be sold.

Appointment of Michael S. Anderson as Chief Executive Officer

On March 13, 2012, the board of directors of Flamel appointed Michael S. Anderson as Flamel's Chief Executive Officer. Prior to his appointment, Mr. Anderson was the founder and Chief Executive Officer of Éclat.

Effective March 13, 2012, Mr. Anderson and Flamel entered into an employment letter that provides, among other things, for annual base compensation of $524,197 (based on applicable exchange rates) as Chief Executive Officer of Flamel and Éclat, eligibility for an annual cash bonus of up to $200,000 subject to achievement of certain objectives established by Flamel's board of directors and a grant of a total of 275,000 stock options at an exercise price of $6.93 per share that will vest in tranches over a thirty (30) month period. In the event that Mr. Anderson remains as Chief Executive Officer for at least one year and is terminated by Flamel without just cause, Flamel will pay Mr. Anderson €500,000, which will be subject to the signing of a settlement agreement with Flamel.

SIGNATURES

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

Flamel Technologies, S.A.

Dated: March 21, 2012

By: /s/ Michael S. Anderson
Name: Michael S. Anderson
Title: Chief Executive Officer

EXHIBIT INDEX

Exhibit Number	Description
4.1*	Note Agreement among Flamel Technologies S.A., Flamel US Holdings, Inc. and Éclat Holdings, LLC, dated March 13, 2012
4.2	Guaranty of Note made by Flamel Technologies S.A. in favor of Éclat Holdings, LLC, dated March 13, 2012
4.3	Warrant to purchase 2,200,000 American Depositary Shares, each representing one Ordinary Share of Flamel Technologies S.A.
4.4	Warrant to purchase 1,100,000 American Depositary Shares, each representing one Ordinary Share of Flamel Technologies S.A.
4.5	Registration Rights Agreement between Flamel Technologies S.A. and Éclat Holdings, LLC, dated March 13, 2012

*Confidential treatment has been requested for the redacted portions of this agreement. A complete copy of the agreement, including the redacted portions, has been filed separately with the Securities and Exchange Commission.

Certain portions of this agreement, for which confidential treatment has been requested,
have been omitted and filed separately with the Securities and Exchange Commission.
Sections of the agreement where portions have been omitted have been identified in the text.

NOTE AGREEMENT

NOTE AGREEMENT (this "Agreement"), dated as of March 13, 2012, between Flamel US Holdings, Inc., a Delaware corporation ("Purchaser"), Flamel Technologies SA, a societe anonyme organized under the laws of the Republic of France ("Flamel") and Eclat Holdings, LLC, a Delaware limited liability company ("Eclat" and, together with Purchaser and Flamel, the "Parties").

WHEREAS, Purchaser has purchased from Eclat all of the limited liability company interests of Éclat Pharmaceuticals, LLC, a Delaware limited liability company ("Eclat Pharma") and, as part of the purchase price, has issued to Eclat a secured promissory note in the principal amount of twelve million Dollars ($12,000,000),

NOW, THEREFORE, in consideration of the mutual agreements set forth herein, the Parties agree as follows:

ARTICLE 1

DEFINITIONS

Section 1.1 General Definitions. Wherever used in this Agreement or the Exhibits attached hereto, unless the context otherwise requires, the following terms have the following meanings:

"Affiliate" means, with respect to any Person, any other Person:

(i) that owns, directly or indirectly, in the aggregate more than 10% of the beneficial ownership interest of such Person;

(ii) that directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such Person; or

(iii) that directly or indirectly is a general partner, controlling shareholder, or managing member of such Person.

"Anniversary" has the meaning given to it in Section 2.1(a).

"Applicable Laws" means all statutes, rules and regulations of the U.S. Food and Drug Administration ("FDA") and of other Governmental Authorities in the United States or elsewhere exercising regulatory authority similar to that of the FDA applicable to the ownership, testing, development, manufacture, packaging, processing, use, distribution, marketing, labeling, promotion, sale, offer for sale, storage, import, export or disposal of any product manufactured or distributed by or on behalf of Flamel or its Subsidiaries.

"Business Day" means a day on which banks are open for business in The City of New York.

"Code" means the Internal Revenue Code of 1986, as amended, and any Treasury Regulations promulgated thereunder.

"Default" means any event which at the giving of notice or lapse of time would constitute an Event of Default.

"Deferred Amortization" has the meaning given to it in Section 2.1(b)(i).

"Dollars" and the "$" sign mean the lawful currency of the United States of America.

"Employment Agreement" means the Employment Agreement dated the date hereof, between Michael Anderson and Flamel.

"ERISA" means the Employee Retirement Income Security Act of 1974, and the rules and regulations thereunder, each as amended or modified from time to time.

"Event of Default" has the meaning given to it in Section 4.4.

"Existing Notes Documents" means (i) that certain Note Purchase Agreement, dated as of November 1, 2010, by and between Eclat Pharma and Deerfield Private Design International, Limited, a British Virgin Island corporation, (ii) that certain Pledge and Security Agreement, dated as of November 1, 2010, by and among Éclat, Eclat Pharma, Deerfield Management Company, L.P. Series C, as collateral agent for the purchasers, and the other parties party thereto, and (iii) any agreement entered into in connection with the foregoing from time to time.

"Exchange Act" means the Securities Exchange Act of 1934, including the rules and regulations promulgated thereunder.

"FDA Approval" means approval of a New Drug Application or an Abbreviated New Drug Application by the FDA under 21 USC Sec. 355.

"Final Payment" means the amount necessary to repay the outstanding principal amount of the Note and any other amounts owing by Purchaser to Eclat pursuant to this Agreement.

"Final Payment Date" means the earlier of (i) the date on which Purchaser makes the Final Payment and (ii) the sixth anniversary of the date hereof.

"GAAP" means generally accepted accounting principles consistently applied as set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the accounting profession).

"Government Authority" means any government, governmental department, ministry, cabinet, commission, board, bureau, agency, tribunal, regulatory authority, instrumentality, judicial, legislative, fiscal, or administrative body or entity, having jurisdiction over the matter or matters and Person or Persons in question.

"Guaranty" means the Guaranty, dated as of the date hereof, of Flamel in favor of Eclat.

"Hedging Obligations" means all liabilities under take-or-pay or similar arrangements or under any interest rate swaps, caps, floors, collars and other interest hedge or protection agreements, treasury locks, equity forward contracts, currency agreements or commodity purchase or option agreements or other interest or exchange rate or commodity price hedging agreements and any other derivative instruments, in each case, whether Flamel and its Subsidiaries is liable contingently or otherwise, as obligor, guarantor or otherwise, or in respect of which liabilities Flamel or its Subsidiaries otherwise assures a creditor against loss.

"Indebtedness" means the following:

(i) all indebtedness for borrowed money;

(ii) the deferred purchase price of assets or services (other than payables) which in accordance with GAAP would be shown to be a liability (or on the liability side of a balance sheet);

(iii) all guarantees of Indebtedness;

(iv) the maximum amount of all letters of credit issued or acceptance facilities established for the account of Flamel and any of its Subsidiaries, including without duplication, all drafts drawn thereunder;

(v) all capitalized lease obligations;

(vi) all indebtedness of another Person secured by any Lien on any property of Flamel or its Subsidiaries, whether or not such indebtedness has been assumed or is recourse (with the amount thereof, in the case of any such indebtedness that has not been assumed by Flamel or its Subsidiaries, being measured as the lower of (x) fair market value of such property and (y) the amount of the indebtedness secured);

(vii) all Hedging Obligations; and

(viii) indebtedness created or arising under any conditional sale or title retention agreement.

"Indemnified Person" has the meaning given to it in Section 5.11.

"Indemnity" has the meaning given to it in Section 5.11.

"Interest Agreement" means the Membership Interest Purchase Agreement dated as of the date hereof.

"Interest Rate" means 7.5% simple interest per annum.

"IP" has the meaning given to it in Section 3.1(vii).

"Launch Products" has the meaning set forth in Exhibit A(1).

"Lien" means any lien, pledge, preferential arrangement, mortgage, security interest, deed of trust, charge, assignment, hypothecation, title retention, privilege or other encumbrance on or with respect to property or interest in property.

"Loss" has the meaning given to it in Section 5.11.

"Major Transaction" and "Major Transaction Notice" has the meaning set forth in the Warrant.

"Material Adverse Effect" means a material adverse effect on (a) the business, operations, condition (financial or otherwise) or assets of Flamel and its Subsidiaries, taken as a whole, (b) the validity or enforceability of any material provision of any Purchase Document against any party thereto other than Eclat, (c) the ability of Flamel, the Purchaser and Eclat Pharma, taken as a whole, to perform the Obligations or (d) the rights and remedies of Eclat against any party to the Purchase Documents.

"Net Sales" means without duplication, the gross amount invoiced by or on behalf of Flamel or any of its Affiliates or any direct or indirect assignee or licensee of Flamel or any of its Affiliates sold globally in *bona fide*, arm's length transactions, less, pursuant to the selling Person's customary accounting methods as generally and consistently applied, customary deductions, without duplication for: (i) cash or terms discounts, (ii) sales, use and value added taxes (if and only to the extent included in the gross invoice amount), (iii) reasonable and customary accruals for third party relates and chargebacks, (iv) returns and (v) recalls.

"Note" means the note issued to Eclat in the form attached hereto as Exhibit B.

"Obligations" means all obligations (monetary or otherwise) of Flamel, the Purchaser or Eclat Pharma arising in connection with the Purchase Documents to which each is a party, as the case may be.

"Ordinary Shares" means ordinary shares of Flamel, nominal value $0.122 Euros per share, the American Depository Shares evidencing such shares, and the American Depository Receipts evidencing rights in such American Depository Shares.

"Permitted Indebtedness" means:

(ix) The Obligations and any other obligations under the Purchase Documents;

(x) Item (ii) (including any earnout and other similar obligations incurred to a seller in an acquisition) under the definition of Indebtedness;

(xi) Item (v) under the definition of Indebtedness;

(xii) Indebtedness secured by purchase money Liens; provided that such Indebtedness when incurred by Flamel or any of its Subsidiaries shall not exceed the purchase price of the asset(s) financed;

(xiii) Indebtedness of any Person acquired pursuant to an acquisition, provided that such Indebtedness is either (i) not incurred in contemplation of or in connection with such acquisition or (ii) constitutes Indebtedness owing to the seller of the assets acquired in such acquisition;

(xiv) Indebtedness existing as of the date hereof and set forth on Exhibit C attached hereto;

(xv) (x) Indebtedness among Flamel and its Subsidiaries that guaranty the Obligations of the Purchaser under the Purchase Documents (y) Indebtedness among the Subsidiaries of Flamel and (z) Indebtedness to Flamel of its Subsidiaries that are not party to the Purchase Agreements.

(xvi) Hedging Obligations incurred in the ordinary course of business not for speculative purposes;

(xvii) Indebtedness for borrowed money subordinated to the Note by documentation that is reasonably acceptable to Eclat in form and content;

(xviii) Indebtedness in respect of letters of credit in an aggregate outstanding amount not to exceed $750,000 at any time;

(xix) Performance bonds, surety bonds, bank guaranties and similar instruments incurred in the ordinary course of business;

(xx) Guarantees with respect to any Permitted Indebtedness;

(xxi) Indebtedness evidenced by the Existing Note Documents;

(xxii) Indebtedness in an aggregate amount outstanding at any time of $500,000

(xxiii) Indebtedness in an aggregate amount of 15,000,000 Euros outstanding at any one time from a Government Authority of the Republic of France;

(xxiv) Indebtedness incurred to pay the promissory note provided for in Section 2(j) of the Warrant;

(xxv) Indebtedness incurred to purchase equipment of the Warrant; and

(xxvi) Any refinancings, renewals, extensions, increases or replacements of Indebtedness listed in clauses (ii), (iii), (iv) and (v) so long as no such Indebtedness shall be refinanced for a principal amount in excess of the principal balance outstanding thereon at the time of such refinancing.

"Permitted Liens" means:

(xxvii) Liens existing on the date hereof and set forth on Exhibit E attached hereto, and any renewals or extensions thereof, provided that the property covered thereby is not increased and any renewal or extension of the obligations secured or benefited thereby is permitted by clause (iii), (iv) or (vi) of the definition of Permitted Indebtedness;

(xxviii) Liens in favor of Eclat;

(xxix) Statutory Liens created by operation of applicable law;

(xxx) Liens arising in the ordinary course of business and securing obligations that are not more than 30 days past due or are being contested in good faith by appropriate proceedings;

(xxxi) Liens for taxes, assessments or governmental charges or levies not more than 30 days past due and payable or that are being contested in good faith by appropriate proceedings;

(xxxii) Liens arising from judgments, decrees or attachments in circumstances not constituting an Event of Default;

(xxxiii) Liens in favor of financial institutions arising in connection with Flamel's or its Subsidiaries' accounts maintained in the ordinary course of Flamel's and its Subsidiaries' business held at such institutions to secure standard fees for services charged by, but not financing made available by, such institutions;

(xxxiv) Liens securing Indebtedness permitted pursuant to clauses (iii), (iv), (v) and (xiii) of the definition of Permitted Indebtedness;

(xxxv) Lessor liens;

(xxxvi) Pledges or deposits in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security legislation, other than any Lien imposed by ERISA;

(xxxvii) Deposits to secure (i) the performance of tenders, bids, trade contracts, licenses and leases, statutory obligations, surety bonds, performance bonds, bank guaranties and other obligations of a like nature incurred in the ordinary course of business (including earnest money deposits in respect of any acquisition), or (ii) indemnification obligations relating to any disposition;

(xxxviii) Easements, rights of way, restrictions and other similar encumbrances affecting real property which, in the aggregate, are not substantial in amount, and which do not in any case materially interfere with the ordinary conduct of the business of the applicable Person;

(xxxix) Leases, licenses or subleases granted to others not interfering in any material respect with the business of Flamel and its Subsidiaries;

(xl) Liens of a collection bank arising under Section 4-210 of the Uniform Commercial Code (or equivalent in foreign jurisdictions) on items in the course of collection;

(xli) Licenses of intellectual property granted by Flamel or any of its Subsidiaries in the ordinary course of business and not restricted by this Agreement and not interfering in any material respect with the ordinary conduct of business of Flamel and its Subsidiaries;

(xlii) Good faith deposits required in connection with any acquisition;

(xliii) To the extent constituting a Lien, escrow arrangements securing indemnification obligations associated with any acquisition;

(xliv) Liens (i) on advances of cash or cash equivalents in favor of the seller of any property to be acquired by Flamel or any of its Subsidiaries to be applied against the purchase price for such acquisition; provided, that (x) the aggregate amount of such advances of cash or cash equivalents shall not exceed the purchase price of such acquisition and (y) the property is acquired within 90 days following the date of the first such advance so made; and (ii) consisting of an agreement to dispose of any property in a disposition of assets, in each case, solely to the extent such acquisition or disposition, as the case may be, would have been permitted on the date of the creation of such Lien;

(xlv) Liens on cash collateral securing reimbursement obligations of Flamel and its Subsidiaries under letters of credit;

(xlvi) Liens securing the Indebtedness permitted by clause (xiii) of the definition of Permitted Indebtedness; and

(xlvii) Liens not otherwise permitted hereunder in respect of obligations in an aggregate amount not to exceed $500,000 at any time outstanding.

"Person" means and includes any natural person, individual, partnership, joint venture, corporation, trust, limited liability company, limited company, joint stock company, unincorporated organization, government entity or any political subdivision or agency thereof, or any other entity.

"Purchase Document" or "Purchase Documents" means this Agreement, the Note, the Security Agreements, the Guaranty, the Interest Agreement, and any other document or instrument delivered in connection with any of the foregoing whether or not specifically mentioned herein or therein (other than, for the avoidance of doubt, the Warrant and the Registration Rights Agreement).

"Registration Rights Agreement" means the Registration Rights Agreement, dated as of the date hereof, by and among Flamel and Eclat.

"Restricted Payment" means any dividend or other distribution (whether in cash, securities or other Property) with respect to any capital stock of Flamel or any Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such capital stock or of any option, warrant or other right to acquire any such capital stock. The term "Restricted Payment" shall not include (a) Restricted Payments made by any Subsidiary (directly or indirectly) to the holders of its capital stock and (b) dividend payments and other distributions to the extent payable in the capital stock of the Person making such payment or distribution.

"Scheduled Amortization" has the meaning given to it in Section 2.1(a).

"SEC" means the United States Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, including the rules and regulations promulgated thereunder.

"Security Agreements" means (a) the Pledge Agreement, dated as of the date hereof, between the Purchaser and Eclat and (b) the Security Agreement dated as of the date hereof between Eclat Pharma and Eclat.

"Shareholder Approval Date" has the meaning given to it in Section 1 of the Warrant.

"Shareholder Approval" means the approvals set forth in the definition of Shareholder Approval Date.

"Subsidiary" or "Subsidiaries" means any entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by Flamel.

"Threshold" has the meaning given to it in Section 2.1(b)(i).

"Warrant" has the meaning given to it in Section 2.5.

"Warrant Shares" shall have the meaning given to them in Section 2(a) of the Warrant.

Section 1.2 Interpretation. In this Agreement, unless the context otherwise requires, all words and personal pronouns relating thereto shall be construed as the number and gender of the party or parties requires and the verb shall be read and construed as agreeing with the required word and pronoun; the division of this Agreement into Articles and Sections and the use of captions is for convenience of reference only and shall not modify or affect the interpretation of any provision of this Agreement; the words "herein," "hereof," "hereunder," "hereinafter" and "hereto" and words of similar import refer to this Agreement as a whole and not to any particular Article or Section hereof; the words "include," "including," and derivations thereof shall be deemed to have the phrase "without limitation" attached thereto unless otherwise expressly stated; references to a specified Article or Section shall be construed as a reference to that specified Article or Section; and any reference to any Purchase Document means as amended or supplemented and from time to time in effect.

ARTICLE 2

THE NOTE

Section 2.1 Payment.

(a) Purchaser shall make the Final Payment to Eclat on the earlier to occur of (i) the Final Payment Date and (ii) the date the principal amount of the Note becomes due and payable following an Event of Default in accordance with Sections 4.4 and 4.5 hereof. The Purchaser may prepay the Note at any time, without premium or penalty. Subject to the provisions of subsection (b) below, Purchaser shall remit to Eclat 25% of the original principal amount of the Note on each of the third, fourth, fifth and sixth anniversaries of the date hereof (each such date, an "Anniversary"), in each case without premium (each such payment, a "Scheduled Amortization").

(b)

(i) Each Scheduled Amortization and each Deferred Amortization (as defined below) in respect of a prior Anniversary shall be paid in full on the applicable Anniversary only if on such Anniversary (a) 2 or more Launch Products have received FDA Approval, or (b) one Launch Product has received FDA Approval and the cumulative Net Sales of such Launch Product is $40 million or more (each a "Threshold"). Any portion of Scheduled Amortization not paid on an Anniversary as a result of the application of the provisions of this subsection (i) shall be deferred and, subject to the provisions of subsection (ii) below, shall be payable on the next Anniversary if a Threshold has been reached ("Deferred Amortization").

(ii) If on any Anniversary, only one Launch Product has received FDA Approval and the Net Sales of such Launch Product are less than $40 million, the Scheduled Amortization and the Deferred Amortization due and payable on such Anniversary shall equal the product of the sum of such Scheduled Amortization and Deferred Amortization multiplied by a fraction, the numerator of which is the amount of Net Sales and the denominator of which is $40 million. Any amount of Scheduled Amortization and Deferred Amortization not paid on such Anniversary Date as a result of the foregoing sentence shall constitute Deferred Amortization and, subject to the provisions of the foregoing sentence, shall be payable on the next Anniversary if a Threshold has been reached. Examples of the calculation contemplated by this clause (ii) are set forth on Exhibit A (2).

(iii) If a Threshold has not been reached by the sixth Anniversary, after the application of any payments on such date pursuant to subsection (ii), above, the then outstanding principal amount of the Note, including any interest that remains capitalized pursuant to Section 2.3 after such application, shall be forgiven, all Obligations with respect to the Note and this Agreement shall be deemed paid in full and the Note and this Agreement shall automatically terminate without any further action by either Party.

(c) After a Threshold has been reached, the Note shall be deemed prepaid without premium to the extent Eclat satisfies the payment of the Exercise Price (as such term is defined in the Warrant) through a reduction of the principal amount outstanding under the Note in accordance with Section 3(a)(i) of the Warrant.

(d) Each prepayment shall be applied first, to accrued and unpaid interest and second, to the remaining scheduled principal prepayments in reverse order of maturity.

Section 2.2 Payments. Each payment shall be made in immediately available funds prior to 11:00 a.m. New York City time on the date that such payment is due, at such account as Eclat shall designate at least 5 Business Days prior to the date such payment is due. The Purchaser shall pay all costs imposed by any financial institution, in connection with making any such payment, except for costs imposed by Eclat's banks.

Section 2.3 Interest. The outstanding principal amount of the Note shall bear interest at the Interest Rate (calculated on the basis of the actual number of days elapsed in each month). Interest shall be paid quarterly in arrears commencing on July 2, 2012 and on the first Business Day of each October, January, April and July thereafter (each an "Interest Payment Date"); provided, however, that if on any Interest Payment Date, FDA Approval has not been received for at least one Launch Product, the interest payable on such date shall not be payable but shall be added on such date to the outstanding principal amount of the Note. Purchaser shall pay any interest so accrued no later than nine months after such FDA Approval. Upon such payment, such outstanding principal amount shall be reduced by the amount thereof.

Section 2.4 Interest on Late Payments. Without limiting the remedies available to Eclat under the Purchase Documents or otherwise, to the maximum extent permitted by applicable law, if Purchaser fails to make any payment of principal or interest when due under the Note, the Purchaser shall pay on demand, in respect of the outstanding principal amount and interest, interest at the rate per annum equal to 15% for so long as such payment remains outstanding.

Section 2.5 Delivery of Warrant.

On the date hereof, Flamel has issued and will deliver to Eclat, on behalf of the Purchaser, Warrants to purchase 2,200,000 and 1,100,000 Warrant respectively, Shares at initial Exercise Prices (as defined in the Warrants) of $7.44 and $11.00 respectively, in the form attached hereto as Exhibit F (the "Warrant").

ARTICLE 3

REPRESENTATIONS AND WARRANTIES

Section 3.1 Representations and Warranties of Flamel. Each of Flamel and the Purchaser represents and warrants as of the date hereof that except as set forth in an Exhibit to this Agreement:

(i) No Default or Event of Default has occurred under any Purchase Document.

(ii) Flamel (i) is capable of paying its debts as they fall due, is not unable and has not admitted its inability to pay debts as they fall due and (ii) is not bankrupt or insolvent. Flamel has not taken action, and no such action has been taken by a third party, for Flamel's winding up, dissolution, or liquidation or similar executory or judicial proceeding or for the appointment of a liquidator, custodian, receiver, trustee, administrator or other similar officer for Flamel or any or all of its assets or revenues.

(iii) No Lien exists on Flamel's or any of its Subsidiaries' assets, except for Permitted Liens.

(iv) The obligation of the Purchaser to make any payment under this Agreement is absolute and unconditional, and there exists no right of setoff or recoupment, counterclaim, cross-claim or defense of any nature whatsoever to any such payment.

(v) No Indebtedness of Flamel or any of its Subsidiaries exists other than Permitted Indebtedness.

(vi) Each Purchase Document has been duly authorized, executed and delivered by Flamel, the Purchaser and Eclat Pharma, as the case may be, and constitutes valid, legal and binding obligations of Flamel, the Purchaser and Eclat Pharma, as the case may be, enforceable in accordance with its terms, except as such enforceability may be limited by (i) applicable insolvency, bankruptcy, reorganization, moratorium or other similar laws affecting creditors' rights generally, and (ii) applicable equitable principles (whether considered in a proceeding at law or in equity). The execution, delivery and performance of the Purchase Documents by Flamel, the Purchaser and Eclat Pharma, as the case may be, will not (A) conflict with or result in a breach or violation of any of the provisions of, or constitute a default under, or result in the creation or imposition of any Lien (other than a Permitted Lien) upon any assets of Flamel or any Subsidiary pursuant to any agreement (other than the Existing Notes Documents) to which Flamel or any Subsidiary is a party or by which Flamel or any Subsidiary is bound or to which any of the assets of Flamel or any Subsidiary is subject, (B) result in any violation of or conflict with, the provisions of the organizational documents of Flamel or any Subsidiary or (C) result in the violation of any law or any judgment, order, rule, regulation or decree of any Governmental Authority, except, in the case of clause (C) above, for any such violation that would not, individually or in the aggregate, have a Material Adverse Effect. No material consent, approval, authorization or order of, or registration or filing with any Governmental Authority is required for the execution, delivery and performance by Flamel, the Purchaser and the Eclat Pharmaceuticals LLC, as the case may be, of any Purchase Document (other than any consent, approval, authorization or order that has been obtained, or registration or filing that has been made, and in each case, is in full force and effect); and each of Flamel, the Purchaser and Eclat Pharma has the power and authority to enter into and perform each Purchase Document to which each is a party**.**

(vii) Each of Flamel and its Subsidiaries owns or has the right to use pursuant to a valid and enforceable written license, implied license or other legally enforceable right, all of the Intellectual Property (as defined below) that is necessary for the conduct of their respective businesses as currently conducted (the "IP") except as would not reasonably be expected to have a Material Adverse Effect. Except as would not reasonably be expected to have a Material Adverse Effect, (A) to the knowledge of Flamel, no person has infringed, or misappropriated any IP; (B) all of the IP that is registered with or issued by a Governmental Authority is valid and enforceable; (C) there is no outstanding, pending, or, to the knowledge of Flamel, threatened action, suit, other proceeding or claim by any third person challenging or contesting the validity, scope, use, ownership, enforceability, or other rights of Flamel or its Subsidiaries in or to any IP and Flamel and its Subsidiaries have not received any written notice regarding, any such action, suit, or other proceeding; (D) to Flamel's knowledge, neither Flamel nor any of its Subsidiaries has infringed or misappropriated any material Intellectual Property rights of others; (E) there is no pending or to Flamel's knowledge, threatened action, suit, other proceeding or claim by others that Flamel or any of its Subsidiaries infringes upon, violates or uses the Intellectual Property rights of others without authorization, and Flamel and its Subsidiaries have not received any written notice regarding, any such action, suit, other proceeding or claim; and (F) neither Flamel nor any of its Subsidiaries is a party to or bound by any options, licenses, or agreements with respect to Intellectual Property. The term "Intellectual Property" as used herein means (i) all patents, patent applications, patent disclosures and inventions (whether patentable or unpatentable and whether or not reduced to practice), (ii) all trademarks, service marks, trade dress, trade names, slogans, logos, and corporate names and Internet domain names, together with all of the goodwill associated with each of the foregoing, (iii) copyrights, copyrightable works, and licenses, (iv) registrations and applications for registration for any of the foregoing, (v) computer software (including but not limited to source code and object code), data, databases, and documentation thereof, (vi) trade secrets and other confidential information, (vii) other intellectual property, and (viii) copies and tangible embodiments of the foregoing (in whatever form and medium).

(viii) Neither Flamel nor any of its Subsidiaries has granted rights to develop, manufacture, produce, assemble, distribute, license, market or sell any of the Launch Products to any other Person and is not bound by any agreement that affects the exclusive right of Flamel to develop, manufacture, produce, assemble, distribute, license, market or sell any of the Launch Products.

(ix) {Reserved}.

(x) Subsequent to September 30, 2011, Flamel has not declared or paid any dividends or made any distribution of any kind with respect to its Ordinary Shares; and there has not been any change in the capital stock (other than a change in the number of outstanding Ordinary Shares due to the issuance of shares upon the exercise of outstanding options) or any issuance of options, warrants, convertible securities or other rights to purchase Ordinary Shares, or any Material Adverse Effect or any development which would reasonably be expected to result in any Material Adverse Effect

(xi) All of the issued and outstanding Ordinary Shares are duly authorized and validly issued, fully paid and nonassessable, have been issued in compliance with all applicable securities laws and were not issued in violation of any preemptive rights or other rights to subscribe for or purchase securities that have not been waived in writing. Except for (i) options and warrants issued pursuant to Flamel's option plans and free share plans and (ii) the preemptive rights of the holders of Ordinary Shares with respect to any new issuance of Ordinary Shares, there are no preemptive rights, options, warrants or other rights to subscribe for or to purchase, or any restriction upon the voting or transfer of any Ordinary Shares pursuant to Flamel's organizational documents or any agreement, to which Flamel or any of its Subsidiaries is a party or by which Flamel or any of its Subsidiaries is bound. All of the issued and outstanding shares of capital stock of each of Flamel's Subsidiaries have been duly and validly authorized and issued and in the case if any Subsidiary that is a corporation, are fully paid and nonassessable, and Flamel owns of record and beneficially, free and clear of any Liens (other than those imposed by law that constitute Permitted Liens and those described in clause (xx) of the definition of Permitted Liens) all of the issued and outstanding capital stock of the Subsidiaries.

(xii) The Subsidiaries are set forth on Exhibit G.

(xiii) The Annual Report for 2010 on Form 20-F of Flamel filed with the SEC does not make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

Section 3.2 Flamel and Purchaser Acknowledgment. Each of Flamel and the Purchaser acknowledges that it has made the representations and warranties referred to in Section 3.1 with the intention of persuading Eclat to enter into the Purchase Documents and that Eclat has entered into the Purchase Documents on the basis of, and in full reliance on, each of such representations and warranties.

Section 3.3 Representations and Warranties of Eclat. Eclat represents and warrants to Flamel as of the date hereof that:

(i) It is acquiring the Warrant solely for its account for investment, not as an agent or nominee, and not with a view to or for resale in connection with any distribution of the Warrant or Warrant Shares or any part thereof.

(ii) The Warrant and, if Shareholder Approval is obtained, the Warrant Shares, must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption for such registration is available.

(iii) Neither the Warrant nor the Warrant Shares may be sold pursuant to Rule 144 adopted under the Securities Act unless certain conditions are met.

(iv) It will not make any disposition of all or any part of the Warrant or Warrant Shares until:

(a) Flamel shall have received a letter secured by Eclat or its counsel from the SEC stating that no action will be recommended to the SEC with respect to the proposed disposition;

(b) There is then in effect a registration statement under the Securities Act covering such proposed disposition and such disposition is made in accordance with said registration statement; or

(c) Eclat shall have notified Flamel of the proposed disposition and, in the case of a sale or transfer in a so-called "4(1) and a half" transaction, shall have furnished counsel for Flamel with an opinion of counsel, substantially in the form annexed as Exhibit C to the Warrant. Flamel agrees that it will not require an opinion of counsel with respect to transactions under Rule 144 or Rule 144A of the Securities Act.

It understands and agrees that all certificates evidencing the Warrant Shares may bear a legend as set forth in the Warrant.

(v) Eclat is an "accredited investor" as defined in Regulation D promulgated the Securities Act.

(vi) Eclat is duly organized and validly existing under the laws of the jurisdiction of its formation.

(vii) Each Purchase Document to which it is a party has been duly authorized, executed and delivered by Eclat and constitutes the valid and legally binding obligation of Eclat, enforceable in accordance with its terms, except as such enforceability may be limited by (a) applicable insolvency, bankruptcy, reorganization, moratorium or other similar laws affecting creditors' rights generally, and (b) applicable equitable principles (whether considered in a proceeding at law or in equity).

ARTICLE 4

PARTICULAR COVENANTS AND EVENTS OF DEFAULT

Section 4.1 Affirmative Covenants. From and after the date hereof, unless Eclat shall otherwise agree:

(i) Flamel shall and shall cause its Subsidiaries to maintain its existence and qualify and remain qualified to do its business as currently conducted, except where the failure to so maintain such qualification would not reasonably be expected to have a Material Adverse Effect.

(ii) Flamel shall and shall cause its Subsidiaries to comply in all material respects with all Applicable Laws, except where the necessity of compliance therewith is contested in good faith by appropriate proceedings or where the failure to comply would not have a Material Adverse Effect.

(iii) Flamel shall obtain and shall cause its Subsidiaries to make and keep in full force and effect all licenses, certificates, approvals, registrations, clearances, authorizations and permits required to conduct their corporation businesses, except where the failure to do so would not have a Material Adverse Effect

(iv) Flamel shall promptly notify Eclat of the occurrence of (i) any Default or Event of Default and (ii) any claims, litigation, arbitration, mediation or administrative or regulatory proceedings that are instituted or threatened against Flamel or any of its Subsidiaries that could reasonably be expected to have a Material Adverse Effect, and (iii) each event which, at the giving of notice, lapse of time, determination of materiality or fulfillment of any other applicable condition (or any combination of the foregoing), would constitute an event of default (however described) under any Purchase Document.

(v) [Reserved.]

(vi) (i) If Flamel is not required to file reports pursuant to the Exchange Act, Flamel will provide unaudited quarterly consolidated financial statements of Flamel and its Subsidiaries within 45 days after the end of each of the first three fiscal quarters of each calendar year, and audited annual consolidated financial statements of Flamel and its Subsidiaries within 120 days after the end of each calendar year prepared in accordance with GAAP (subject, in the case of unaudited financial statements, to the absence of footnotes and other presentation items and to normal year-end adjustments) with, in the case of annual financial statements, a report thereon by Flamel's independent certified public accountants, (ii) Flamel will timely file with the SEC (subject to appropriate extensions made under the Exchange Act) any annual reports, quarterly reports and other periodic reports required to be filed pursuant to the Exchange Act, and (iii) Flamel and its Subsidiaries will provide to Eclat copies of all documents, reports, financial data and other information that Eclat may reasonably request.

(vii) As promptly as practicable after the date hereof, but not later than September 30, 2012, Flamel shall convene a meeting of the holders of Ordinary Shares in accordance with French law and Flamel's organizational documents for the purpose of voting on the approvals set forth in the definition of Shareholder Approval Date.

Section 4.2 **Negative Covenants.** From and after the date hereof until the Final Payment Date, unless Eclat shall otherwise agree:

(i) Flamel shall not and shall not permit any Subsidiary to (a) liquidate, provided that a Subsidiary may merge into the Flamel or any other Subsidiary, or dissolve (unless such Subsidiary ceases to own any operating assets or conduct business), or (b) enter into any merger, consolidation or reorganization, unless (x) Flamel or a Subsidiary is the surviving corporation or (y) in connection with a disposition of a Subsidiary permitted under the Purchase Documents. Flamel shall not maintain or establish any Subsidiary unless such Subsidiary executes and delivers to Eclat a guarantee substantially in the form of the Guaranty, if such Subsidiary is organized outside of the United States, and in the form of the Guaranty of Eclat Pharma, dated as of the date hereof, to Eclat, if such Subsidiary is organized within the United States.

(ii) Flamel shall not and shall not permit any Subsidiary to (a) prior to the third anniversary of the date hereof, enter into any management contract or similar arrangement whereby a substantial part of its business is managed by another Person other than the Employment Agreement, unless the Employment Agreement is terminated on account of death, disability or cause or Michael Anderson resigns as Chief Executive Officer of Flamel prior to such third anniversary other than as a result of Flamel's breach of the Employment Agreement, or (b) make any Restricted Payment, to any shareholder of Flamel or an Affiliate of such shareholder except in arms' length transaction in the ordinary course of business; provided, however, that (a) Flamel may repurchase its capital stock issued to its employees and directors in an amount necessary to satisfy such individual's income tax withholding obligations relating to the vesting of any restricted stock grants that have been approved by Flamel's Board of Directors or the appropriate committee thereof, (b) Flamel may repurchase its capital stock issued to employees, directors or managers upon the death, disability or termination of employment of such person or pursuant to the terms of any subscription, stockholder or other agreement or plan approved by Flamel's Board of Directors and (c) to the extent constituting a Restricted Payment, (I) payment of reasonable compensation and fees to directors. officers and employees of Flamel and its Subsidiaries and (II) customary indemnification provisions issued by Flamel or any of its Subsidiaries to officers and directors of Flamel and its Subsidiaries.

(iii) Flamel shall not and shall not permit any Subsidiary to (a) create, incur or suffer any Lien upon any of its assets, now owned or hereafter acquired, except Permitted Liens or (b) assign, sell, transfer or otherwise dispose of, any Purchase Document, or the rights and obligations thereunder.

(iv) Flamel shall not and shall not permit any Subsidiary to create, incur, assume, guarantee or remain liable with respect to any Indebtedness, other than Permitted Indebtedness.

Section 4.3 Major Transaction. Within 5 days after the receipt of a Major Transaction Notice at any time after a Threshold has been reached, Eclat, in the exercise of their sole discretion, may deliver a written notice to the Purchaser (the "Put Notice"), that the Final Payment shall be due and payable. If Eclat deliver a Put Notice, then simultaneously with such consummation, the Purchaser shall make the Final Payment to Eclat and upon Eclat's receipt of the Final Payment, this Agreement and the Note and the Obligations in respect of the foregoing shall terminate. Flamel shall not consummate any Major Transaction without complying with the provisions of this Section 4.3.

Section 4.4 General Acceleration Provision upon Events of Default. (a) If any event specified in this Section 4.4 (other than an event specified in any of clauses (ii), (iii), (v) and (viii)) shall have happened and be continuing beyond any applicable cure period at (an "Event of Default"), Eclat, by notice to the Purchaser, may declare the principal of and accrued and unpaid interest on the Note (together with any other Obligations) to be, and the same shall thereupon become, immediately due and payable, without any further notice and without any presentment, demand, or protest of any kind, all of which the Purchaser expressly waives, and take any further action available at law or in equity, including, without limitation, the sale of the Note:

(i) The Purchaser shall have failed to make payment of (a) principal when due, or (b) interest and any other amounts due under the Note within five (5) Business Days of their due date.

(ii) Flamel or the Purchaser shall have failed to comply with the due observance or performance of any covenant contained in any Purchase Document to which it is a party (other than the covenant described in (i) above) and such failure shall not have been cured by Flamel or the Purchaser within 30 days after receiving notice of such failure from Eclat.

(iii) Any representation or warranty made by Flamel or the Purchaser in any Purchase Document which it is a party shall have been incorrect, false or misleading in any material respect as of the date it was made.

(iv) (i) Flamel or the Purchaser shall generally be unable to pay its debts as such debts become due, or shall admit in writing its inability to pay its debts as they come due or shall make a general assignment for the benefit of creditors; (ii) Flamel or the Purchaser shall declare a moratorium on the payment of its debts; (iii) the commencement by Flamel or the Purchaser of proceedings to be adjudicated bankrupt or insolvent, or the consent by it to the commencement of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization, intervention or other similar relief under any applicable law, or the consent by it to the filing of any such petition or to the appointment of an intervenor, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of all or substantially all of its assets; (iv) the commencement against Flamel or the Purchaser of a proceeding in any court of competent jurisdiction under any bankruptcy or other applicable law (as now or hereafter in effect) seeking its liquidation, winding up, dissolution, reorganization, arrangement, adjustment, or the appointment of an intervenor, receiver, liquidator, assignee, trustee, sequestrator (or other similar official), and any such proceeding shall continue undismissed, or any order, judgment or decree approving or ordering any of the foregoing shall continue unstayed or otherwise in effect, for a period of ninety (90) days; or (v) any other event shall have occurred which under any applicable law in the United States, France or another jurisdiction would have an effect analogous to any of those events listed above in this subsection.

(v) One or more money judgments against Flamel or the Purchaser or attachments against any of its property (not covered by insurance), which in the aggregate exceed $500,000, or which could reasonably be expected to have a Material Adverse Effect remain(s) unpaid, unstayed on appeal, undischarged, unbonded or undismissed for a period of thirty (30) days from the date of entry of such judgment.

(vi) [Reserved:]

(vii) Any material provision of the Purchase Documents for any reason, other than a partial or full release in accordance with the terms thereof or any authorization by a Government Authority necessary for the execution, delivery or performance of any Purchase Document is not given or ceases to be in full force and effect or is declared to be null and void.

(viii) Flamel or any of its Subsidiaries fails to perform any agreement relating to Indebtedness (other than any Indebtedness arising out of, or in respect of the Warrant, including, without limitation, a promissory note in the form of Exhibit D to the Warrant) of Flamel or any of its Subsidiaries having an aggregate outstanding principal amount in excess of $500,000, in each case after the expiration of any applicable cure period, resulting in a right by the holder of such Indebtedness to accelerate the maturity thereof.

(ix) [Reserved].

(x) Michael Anderson does not become Chief Executive Officer of Flamel as contemplated by the Employment Agreement.

(xi) Michael Anderson is removed as the Chief Executive Officer of Flamel prior to the third anniversary of the date hereof for any reason other than on account of death, disability, or cause (as such term is defined in the Employment Agreement).

(xii) Michael Anderson voluntarily resigns as Chief Executive Officer of Flamel prior to the third anniversary of the date hereof because Flamel has breached its agreements in the Employment Agreement.

(xiii) Eclat Pharma shall cease conducting the business it currently conducts and proposes to conduct and such business, with the direct or indirect consent of Flamel, shall be conducted by any other Person.

(xiv) Any asset of Eclat Pharma shall be sold, assigned, licensed or otherwise transferred except in the ordinary course of business and except for (i) transfers of property subject to casualty or condemnation proceeding, (ii) used, worn-out, obsolete or surplus equipment, (iii) the abandonment of intellectual property rights which, in the reasonable good faith determination of Flamel, are no longer used or useful to the business of Eclat Pharma, (iv) Restricted Payments permitted pursuant to Section 4.2(ii)(b), and (v) any such asset with a fair market value of not more than $75,000.

(xv) The Limited Liability Company Agreement of Eclat Pharmaceuticals LLC shall be amended in any manner adverse to the interests of Eclat in any material respect under the Purchase Documents or the transactions contemplated thereby.

(b) If an Event of Default specified in clauses (ii), (iii), (v), or (viii) occurs and is continuing, and a Threshold has been reached, Eclat, by notice to the Purchaser may exercise the acceleration rights with respect to the principal of and accrued and unpaid interest on the Note and the other Obligations of the Purchaser and Flamel set forth in Section 4.4(a) of this Agreement.

Section 4.5 Automatic Acceleration on Dissolution or Bankruptcy. Notwithstanding any other provisions of this Agreement, if an Event of Default under Section 4.4(iv) shall occur on or prior to a Threshold having been reached or at any time thereafter, the principal of the Note (together with any other amount accrued or payable under this Agreement) shall thereupon become immediately due and payable without any presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by the Purchaser.

Section 4.6 Recovery of Amounts Due. If any amount payable hereunder is not paid as and when due, the Purchaser authorizes Eclat to proceed, to the fullest extent permitted by applicable law, without prior notice, by right of set-off, banker’s lien or counterclaim, against assets of the Purchaser to the full extent of such amount.

ARTICLE 5

MISCELLANEOUS

Section 5.1 Notices. Any notice or other communication to be given or made under this Agreement, the Note or the Security Agreement shall be in writing and shall be deemed to have been duly given or made when it shall be delivered by hand, overnight mail, courier (confirmed by facsimile), electronic mail or facsimile (with a hard copy delivered within two (2) Business Days to the Party to which it is required or permitted to be given or made at such Party's address specified below or at such other address as such Party shall have designated by notice to the other Party.

For Purchaser:

Flamel Technologies S.A.
33, avenue du Dr. Georges Levy
Parc Club du Moulin à Vent
69693 Vénissieux Cedex – France
Attention: Stephen H. Willard

For Eclat:

Eclat Holdings, LLC
c/o Deerfield Management Company, L.P.
780 Third Avenue, 37th Floor
New York, NY 10017
Attention: Structured Products

with a courtesy copy to:

Katten Muchin Rosenman LLP
575 Madison Avenue
New York, New York 10022-2585
Facsimile: (212) 894-5827
Attention: Mark I. Fisher

Section 5.2 Waiver of Notice. Whenever any notice is required to be given to Eclat or Purchaser under any Purchase Document, a waiver thereof in writing signed by each person entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

Section 5.3 Reimbursement of Legal and Other Expenses. If any amount owing to Eclat under any Purchase Document shall be collected through enforcement of such Purchase Document, any refinancing or restructuring in the nature of a work-out, settlement, negotiation, or any process of law, or shall be placed in the hands of third Persons for collection, Purchaser shall pay (in addition to all monies then due or otherwise payable under any Purchase Document) all reasonable and documented out-of-pocket attorneys' and other fees and expenses incurred in respect of such collection.

Section 5.4 Applicable Law and Consent to Non-Exclusive New York Jurisdiction.

(i) Each Purchase Document shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to the conflicts of laws principles thereof other than Sections 5-1401 and 5-1402 of the General Obligations Law of such State.

(ii) Each Party hereby irrevocably agrees that any legal action, suit or other proceeding arising out of any Purchase Document may be brought in the courts of the State of New York or of the United States of America for the Southern District of New York. Each Party irrevocably consents to the service of any process in any such legal action, suit or other proceeding by the mailing of copies of such process to such Party at its address specified in Section 5.1 by registered mail, return receipt requested. By the execution and delivery of this Agreement, each Party hereby irrevocably consents and submits to the jurisdiction of any such court in any such action, suit or other proceeding. Final judgment against each Party in any such action, suit or other proceeding shall be conclusive and may be enforced in any other jurisdiction by suit on the judgment. Nothing contained in any Purchase Document shall affect the right of the Parties to commence legal proceedings in any court having jurisdiction, or concurrently in more than one jurisdiction, or to serve process, pleadings and other legal papers upon the other Parties in any manner authorized by the laws of any such jurisdiction.

(iii) Each Party irrevocably waives, to the fullest extent permitted by applicable law, any objection which it may now or hereafter have to the laying of venue of any action, suit or other proceeding arising out of or relating to any Purchase Document, brought in the courts of the State of New York or in the United States District Court for the Southern District of New York, and any claim that any such action, suit or other proceeding brought in any such court has been brought in an inconvenient forum.

(iv) Each Party hereby waives any and all rights to demand a trial by jury in any action, suit or other proceeding arising out of any Purchase Document or the transactions contemplated by any Purchase Document.

(v) To the extent that each Party may, in any suit, action or other proceeding brought in any court arising out of or in connection with any Purchase Document, be entitled to the benefit of any provision of law requiring another Party in such suit, action or other proceeding to post security for the costs of another Party, or to post a bond or to take similar action, each Party hereby irrevocably waive such benefit, in each case to the fullest extent now or hereafter permitted under any applicable law.

(vi) The Purchaser waives its rights under Article 14 and Article 15 of the French Civil Code.

Section 5.5 Successors and Assigns. This Agreement shall bind and inure to the respective successors and assigns of the Parties, except that Purchaser may not assign or otherwise transfer any part of its rights and liabilities under this Agreement without the prior written consent of Eclat. Eclat may assign or otherwise transfer all or any part of its rights or obligations under this Agreement without the prior written consent of the Purchaser and shall give the Purchaser notice thereof.

Section 5.6 Entire Agreement. The Purchase Documents contain the entire understanding of the Parties with respect to the matters covered thereby and supersede any and all other written and oral communications, negotiations, commitments and writings with respect thereto. The provisions of the Purchase Documents may be waived, modified, supplemented or amended only by an instrument in writing signed by the authorized officer of each Party.

Section 5.7 Severability. If any provision of any Purchase Document shall be invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 5.8 Counterparts. Each Purchase Document may be executed in several counterparts, and by each Party on separate counterparts, each of which and any photocopies and facsimile copies thereof shall be deemed an original, but all of which together shall constitute one and the same agreement.

Section 5.9 Survival.

(i) This Agreement and all agreements, representations and warranties made by a Party in the Purchase Documents, shall be considered to have been relied upon by the other Party and shall survive the execution and delivery of this Agreement regardless of any investigation made by or on behalf of such other Party and shall continue in force until all amounts payable under this Agreement and the Note shall have been fully paid in accordance with the provisions hereof and thereof; provided, however, that such agreements, representations and warranties made in the Security Agreements, the Guaranty and the Interest Agreement shall continue in force until terminated pursuant to the provisions of such agreements. Upon payment in full of all amounts due under the Note, including pursuant to Section 2.1(b)(iii), the Note Agreement and the Note shall automatically terminate without any further action by either Party. In connection with any such termination, Eclat shall promptly execute and deliver to Purchaser, at Purchaser's expense, all documents that Purchaser shall reasonably request to evidence such termination. Promptly following the termination of this Agreement and the Note, Eclat shall return to Purchaser (i) the Note, or (ii) in the case of any loss, theft or destruction of the Note, a customary lost note affidavit in form and substance reasonably satisfactory to Purchaser.

(ii) The obligations of Purchaser and Eclat under this Article 5 shall survive and remain in full force and effect regardless of the repayment of the Note, or the termination of any provision of this Agreement.

Section 5.10 Waiver. Neither the failure of, nor any delay on the part of, any Party in exercising any right, power or privilege under any Purchase Document shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under the Purchase Documents preclude other or further exercise thereof or the exercise of any other right, power or privilege; nor shall any waiver of any right, power, or privilege under any Purchase Document, constitute a waiver of any other right, power or privilege or constitute a waiver of any default of the same or of any other provision. No course of dealing and no delay in exercising, or omission to exercise, any right, power or privilege hereunder accruing to Eclat upon any default under any Purchase Document shall impair any such right, power or privilege or be construed to be a waiver thereof or an acquiescence therein; nor shall the action of Eclat in respect of any such default, or any acquiescence by it therein, affect or impair any right, power or privilege of Eclat in respect of any other default. All rights, power or privileges provided in any Purchase Document are cumulative and not exclusive of any rights, power or privileges otherwise provided by law.

Section 5.11 Indemnity.

(i) The Parties shall, at all times, indemnify and hold each other harmless (the "Indemnity") and each of their respective directors, partners, officers, employees, agents, counsel and advisors (each, an "Indemnified Person") in connection with any losses, claims (including the cost of defending against such claims), damages, liabilities, penalties, or other expenses arising out of, or relating to, the Purchase Documents (other than the Interest Agreement) which an Indemnified Person may incur or to which an Indemnified Person may become subject (each, a "Loss"). The Indemnity shall not apply to the extent that a court or arbitral tribunal with jurisdiction over the subject matter of the Loss, and over Eclat, Flamel or the Purchaser, as applicable, and such other Indemnified Person that had an adequate opportunity to defend its interests, determines that such Loss resulted from the gross negligence or willful misconduct of the Indemnified Person, which determination results in a final, non-appealable judgment or decision of a court or tribunal of competent jurisdiction. The Indemnity is independent of and in addition to any other agreement of any Party under any Purchase Document (other than the Interest Agreement) to pay any amount to Eclat, and any exclusion of any obligation to pay any amount under this subsection shall not affect the requirement to pay such amount under any other section hereof or under any other agreement.

(ii) Without prejudice to the survival of any other agreement of any of the Parties hereunder, the agreements of the Parties contained in this Section 5.11 shall survive the termination of each other provision hereof and the payment of all amounts payable to Eclat hereunder.

Section 5.12 No Usury. This Agreement and the Note are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of acceleration or otherwise, shall the amount paid or agreed to be paid to Eclat under the Note exceed the maximum amount permissible under applicable law. If from any circumstance whatsoever fulfillment of any provision hereof, at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by law, then, ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any such circumstance Eclat shall ever receive anything which might be deemed interest under applicable law, that would exceed the highest lawful rate, such amount that would be deemed excessive interest shall be applied to the reduction of the principal amount owing under the Note, or if such deemed excessive interest exceeds the unpaid balance of principal under the Note, such deemed excess shall be refunded to Purchaser. All sums paid or agreed to be paid to Eclat on account of the Note shall, to the extent permitted by applicable law, be deemed to be amortized, prorated, allocated and spread throughout the full term of the Note until payment in full so that the deemed rate of interest on account of the Note is uniform throughout the term thereof. The terms and provisions of this Section shall control and supersede every other provision of this Agreement and the Note.

Section 5.13 **Further Assurances.** From time to time, Flamel and the Purchaser shall perform any acts and execute and deliver to Eclat such additional documents as reasonably requested by Eclat to carry out the purposes of any Purchase Document and to preserve and protect Eclat's rights as contemplated therein.

Section 5.14 **Currency.** All amounts owing under this Agreement, the Note and the Security Agreement shall be paid in Dollars

Section 5.15 **Judgment Currency.**

(i) If, for the purpose of obtaining or enforcing judgment against Flamel or the Purchaser in any court in any jurisdiction with respect to this Agreement, the Note and/or the Security Agreement, it becomes necessary to convert into any other currency (such other currency being hereinafter in this Section 5.15(i) referred to as the "Judgment Currency") an amount due in United States dollars, the conversion shall be made at the last exchange rate published in the Wall Street Journal on the business day immediately preceding (the "Exchange Rate"):

(a) the date actual payment of the amount is due, in the case of any proceeding in the courts of New York or in the courts of any other jurisdiction that will give effect to payment being due on such date; or

(b) the date on which the French or any other non U.S. court determines, in the case of any proceeding in the courts of any other jurisdiction (the date as of which such payment is made pursuant to this Section 5.15(i)(b) being hereinafter referred to as the "Judgment Payment Date").

(ii) If in the case of any proceeding in the court of any jurisdiction referred to in Section 5.15(i)(b) above, there is a change in the Exchange Rate on the date of calculation prevailing between the Judgment Payment Date and the date of actual payment of the amount due, Flamel or the Purchaser shall pay such adjusted amount as may be necessary to ensure that the amount paid in the Judgment Currency, when converted at the Exchange Rate prevailing on the date of payment, will produce the amount of United States dollars which could have been purchased with the amount of Judgment Currency stipulated in the judgment or judicial order at the Exchange Rate prevailing on the Judgment Payment Date.

(iii) Any amount due from Flamel or the Purchaser under this Section 5.15 shall be due as a separate debt and shall not be affected by judgment being obtained for any other amount due under or in respect of this Agreement and/or the Note.

Section 5.16 **Minutes.** The Purchaser shall provide to Eclat promptly executed copies of the minutes of a meeting of the Board of Directors of Flamel consistent with the text attached hereto as Exhibit H.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Eclat, Flamel, and the Purchaser have caused this Agreement to be duly executed as of the date set forth above.

ECLAT HOLDINGS, LLC:

By: /s/ Alex Karnal

Name: Alex Karnal
Title: Secretary

FLAMEL US HOLDINGS, INC.

By: /s/ Stephen H. Willard

Name: Stephen H. Willard
Title: President

FLAMEL TECHNOLOGIES, SA:

By: /s/ Stephen H. Willard

Name: Stephen H. Willard
Title: Chief Executive Officer

EXHIBIT A(2)

Assumptions:

1. 3rd Anniversary: Neither Threshold reached.

2. Net Sales: $30 million between 3rd and 4th Anniversaries.

Amortization Payments:

3rd Anniversary: 25% (Scheduled Amortization) deferred.

4th Anniversary: 25% (Scheduled Amortization) + 25% (3rd Anniversary Deferred Amortization) multiplied by 30/40 = 37.5%.

5th Anniversary: 25% (Scheduled Amortization) + 12.5% (4th Anniversary Deferred Amortization) multiplied by 30/40 = 28.125%.

6th Anniversary: 25% (Scheduled Amortization) + 9.375% (5th Anniversary Deferred Amortization) multiplied by 30/40 = 25.78125%.

EXHIBIT A(1)

LAUNCH PRODUCTS

1. **[***]***
2. **[***]***
3. **[***]***
4. **[***]***
5. **[***]***

* **CONFIDENTIAL INFORMATION HAS BEEN OMITTED AND HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION**

EXHIBIT B

INSTALLMENT SALE NOTE

March 13, 2012

FOR VALUE RECEIVED, Flamel US Holdings, Inc., a Delaware corporation (the "Maker"), by means of this Installment Sale Note (this "Note"), hereby unconditionally promises to pay to Eclat Holdings, LLC (the "Payee"), the principal amount of $12,000,000, in lawful money of the United States of America and in immediately available funds, on the dates provided in the Note Agreement referred to below.

This Note is the "Note" referred to in the Note Agreement dated as of the date hereof between the Maker and the Payee (as modified and supplemented and in effect from time to time, the "Note Agreement"), and is subject in its entirety to the terms of the Note Agreement. Capitalized terms used and not expressly defined in this Note shall have the respective meanings assigned to them in the Note Agreement.

This Note shall bear interest on the outstanding principal amount hereof pursuant to the provisions of the Note Agreement.

The Maker shall make all payments to the Payee of interest and principal under this Note in the manner provided in the Note Agreement. Subject to Section 2.1 of the Note Agreement, the outstanding principal amount of this Note shall be due and payable in full on the Maturity Date.

If any Event of Default has occurred and is continuing, this Note shall, at the Payee's option exercised at any time upon or after the occurrence and during the continuance of any such Event of Default and pursuant to the provisions of the Note Agreement, become immediately due and payable.

All payments due to the Payee from the Maker pursuant to this Note shall be made in the full face amount thereof.

Other than those notices required to be provided by Payee to Maker pursuant to the Note Agreement, the Maker and every endorser of this Note, or the obligations represented hereby, expressly waives presentment, protest, demand, notice of dishonor or default, and notice of any kind with respect to this Note and the Note Agreement or the performance of the obligations under this Note and/or the Note Agreement. No renewal or extension of this Note or the Note Agreement, no release of any Person primarily or secondarily liable on this Note or the Note Agreement, including the Maker and any endorser (other than as provided in Sections 2.1 and 5.9(i) of the Note Agreement), no delay in the enforcement of payment of this Note or the Note Agreement, and no delay or omission in exercising any right or power under this Note or the Note Agreement shall affect the liability of the Maker or any endorser of this Note.

No delay or omission by the Payee in exercising any power or right hereunder shall impair such right or power or be construed to be a waiver of any default, nor shall any single or partial exercise of any power or right hereunder preclude the full exercise thereof or the exercise of any other power or right. The provisions of this Note may be waived only in a writing signed by the Payee. This Note may be prepaid in whole or in part pursuant to the Note Agreement.

The Maker hereby irrevocably agrees that any legal action, suit or other proceeding arising out of this Note may be brought in the courts of the State of New York or of the United States of America for the Southern District of New York, and hereby consents that service of any process may be made as set forth in Section 5.4 of the Note Agreement, which service the Maker agrees shall be sufficient and valid. The Maker hereby waives its right to demand a trial by jury in any such action, suit or other proceeding.

This Note shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts made and to be performed in such State, without giving effect to the conflicts of laws principles thereof other than Sections 5-1401 and 5-1402 of the General Obligations Law of the State of New York.

IN WITNESS WHEREOF, an authorized representative of the Maker has executed this Note as of the date first written above.

FLAMEL US HOLDINGS, INC.

By: _____

Name:
Title:

GUARANTY

GUARANTY, dated as of March 13, 2012, made by Flamel Technologies, SA, a societe anonyme organized under the laws of the Republic of France ("**Guarantor**"), in favor of the Holder (as defined below).

WITNESSETH:

WHEREAS, pursuant to that certain Note Agreement (the "**Note Agreement**") dated as of the date hereof between Guarantor, Flamel US Holdings, Inc. (the "**Purchaser**") and the Holder, the Purchaser has issued to the Holder an Installment Sale Note dated the date hereof, in the principal amount of $12,000,000 (the "**Note**");

WHEREAS, the maturity date of the Note is the sixth anniversary of the date of this Guaranty and the interest rate of the Note is 7.5% simple interest per annum.

WHEREAS, the Purchaser directly holds all of the equity interests in Éclat Pharmaceuticals, LLC ("**Éclat**") pursuant to a membership interest purchase agreement entered into between the Purchaser and the Holder dated as of the date hereof whereby the Purchaser purchased from the Holder all of equity interests held in Éclat;

WHEREAS, in order to induce the Holder to accept the Note, Guarantor has agreed to guaranty the Obligations (as defined below) in accordance with the terms set forth in this Guaranty,

NOW, THEREFORE, in consideration of the foregoing premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Guarantor hereby agrees with the Holder as follows:

SECTION 1. DEFINED TERMS

1.1 Definitions

(a) Capitalized terms used herein and not otherwise defined herein shall have the meanings given to them in the Note Agreement.

(b) The following terms shall have the following meanings:

"**Event of Default**" means (i) until the Obligations (other than contingent indemnification obligations that have not yet been asserted) in respect of the Note Agreement have been paid in full, an "Event of Default" as such term is defined in the Note Agreement and (ii) thereafter if any Obligations remains outstanding, (x) an "Acceleration Trigger Event" as such term is defined in the Interest Agreement and (y) the failure by Guarantor, Eclat (solely in respect of any obligations of Eclat to the Holder under the Purchase Agreement), or the Purchaser to comply with the due observance or performance of any covenant contained in the Interest Agreement after the expiration of any grace periods and the giving of any required notices.

"**Guaranty**" means this Guaranty, as the same may be amended or supplemented from time to time.

"**Holder**" means Éclat Holdings, LLC and its successors and assigns.

"**Obligations**" mean the collective reference to all obligations and liabilities of the Purchaser and Éclat to the Holder under the Note Agreement, the Security Agreements and the Interest Agreement (including, without limitation, default interest accruing at the then applicable rate provided in the Note and after the maturity thereof interest accruing at the then applicable rate after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Purchaser or Éclat, and post-filing or post-petition interest, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, the Note Agreement, the Security Agreements and the Interest Agreement, or any other document executed and delivered in connection therewith (other than, for the avoidance of doubt, that certain Warrant to Purchase American Depositary Shares of Flamel Technologies S.A. issued to the Holder), in each case whether on account of principal, interest, fees, indemnities, costs, expenses or otherwise (including, without limitation, all reasonable fees and disbursements of counsel to the Holder that are required to be paid by the Purchaser or Éclat pursuant to the terms of any of the foregoing agreements).

"**Person**" shall mean and include an individual, a partnership, a corporation, a limited liability company, an unincorporated association, a joint venture or other entity or a governmental authority.

1.2 Other Definitional Provisions. The words "hereof," "herein", "hereto" and "hereunder" and words of similar import when used in this Guaranty shall refer to this Guaranty as a whole and not to any particular provision of this Guaranty, and Section references are to this Guaranty unless otherwise specified. The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

SECTION 2. GUARANTY

2.1 Guaranty. Guarantor hereby absolutely, unconditionally and irrevocably guarantees to the Holder, the prompt and complete payment and performance by the Purchaser and Éclat of the Obligations when due (whether at the stated maturity, by acceleration or otherwise).

2.2 Nature of Guaranty. Guarantor's liability under this Guaranty shall be unlimited, open and continuous for so long as this Guaranty remains in force. Guarantor intends to guaranty the performance and prompt payment of the Obligations when due, whether at maturity or earlier by reason of acceleration or otherwise. Accordingly, no payments made upon the Obligations will discharge or diminish the continuing liability of Guarantor in connection with any remaining portions of the Obligations which subsequently arises or is thereafter incurred. No payment made by the Purchaser or Éclat, or any other Person or received or collected by the Holder from the Purchaser or Éclat, or any other Person by virtue of any action or other proceeding or any set-off or appropriation or application at any time or from time to time in reduction of or in payment of the Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of Guarantor hereunder which shall, notwithstanding any such payment (other than payment and performance in full of the Obligations), remain liable for the Obligations until the Obligations are paid and performed in full.

2.3 Duration of Guaranty. This Guaranty will take effect when received by the Holder without the necessity of any acceptance by the Holder, or any notice to Guarantor, and will continue in full force until the Obligations shall have been fully paid and satisfied and all other obligations of Guarantor under this Guaranty shall have been performed in full. All renewals, extensions, substitutions, and modifications of the Obligations, release of any other guarantor or termination of any other guaranty of the Obligations shall not affect the liability of Guarantor under this Guaranty. This Guaranty is irrevocable and is binding upon Guarantor and Guarantor's successors and assigns so long as any of the Obligations remain unpaid.

2.4 No Subrogation. Notwithstanding any payment made by Guarantor hereunder or any set-off or application of funds of Guarantor by the Holder, Guarantor shall not be entitled to be subrogated to any of the rights of the Holder against the Purchaser or Éclat or any other guarantor or guaranty or right of offset held by the Holder for the payment of the Obligations, nor shall Guarantor seek or be entitled to seek any contribution or reimbursement from the Purchaser or Éclat or any other guarantor in respect of payments made by Guarantor hereunder, until all amounts owing to the Holder by the Purchaser or Éclat on account of the Obligations are paid in full. If any amount shall be paid to Guarantor on account of such subrogation rights at any time when all of the Obligations shall not have been paid in full, such amount shall be held in trust for the benefit of the Holder, segregated from other funds of Guarantor, and shall, forthwith upon receipt by Guarantor, be turned over to the Holder in the exact form received by such Guarantor (duly indorsed by Guarantor to the Holder, if required), to be applied against the Obligations, whether matured or unmatured, in such order as the Holder may determine.

2.5 Amendments, Etc. With Respect to The Obligations. Guarantor shall remain obligated hereunder notwithstanding that, without any reservation of rights against Guarantor and without notice to or further assent by Guarantor, any demand for payment or performance of any of the Obligations made by the Holder may be rescinded by the Holder and any of the Obligations continued, and the Obligations, or the liability of any other Person upon or for any part thereof, or guaranty therefor or right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered or released by the Holder, and the Note Agreement and, the Security Agreements and the Interest Agreement and any other documents executed and delivered in connection therewith may be amended, modified, supplemented or terminated, in whole or in part, as the Holder may deem advisable from time to time, and any guaranty or right of offset at any time held by the Holder for the payment of the Obligations may be sold, exchanged, waived, surrendered or released.

2.6 Guaranty Absolute and Unconditional. Guarantor hereby waives any and all notice of the creation, renewal, extension or accrual of any of the Obligations and notice of or proof of reliance by the Holder upon the guaranty contained in this Section 2 or acceptance of the guaranty contained in this Section 2; the Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended or waived, in reliance upon the guaranty contained in this Section 2; and all dealings between the Purchaser and Éclat and Guarantor, on the one hand, and the Holder, on the other hand, likewise shall be conclusively presumed to have been had or consummated in reliance upon the guaranty contained in this Section 2. Guarantor hereby waives, to the extent permitted by law, diligence, presentment, protest, demand for payment and notice of default or nonpayment to or upon the Purchaser or Éclat or Guarantor with respect to the Obligations. Guarantor understands that the guaranty contained in this Section 2 shall be construed as a continuing, absolute and unconditional guaranty of payment and performance without regard to (a) the validity or enforceability of the Note Agreement, the Security Agreements and the Interest Agreement, any of the Obligations or any other guaranty or right of offset with respect thereto at any time or from time to time held by the Holder, (b) any defense, set-off or counterclaim (other than a defense of actual payment and performance of all Obligations) which may at any time be available to or be asserted by the Purchaser or Éclat or any other Person against the Holder, or (c) any other circumstance whatsoever (with or without notice to or knowledge of Guarantor) which constitutes, or might be construed to constitute, an equitable or legal discharge of the Purchaser or Éclat for the Obligations, or of Guarantor under the guaranty contained in this Section 2, in bankruptcy or in any other instance. When making any demand hereunder or otherwise pursuing its rights and remedies hereunder against Guarantor, the Holder may, but shall be under no obligation to, make a similar demand on or otherwise pursue such rights and remedies as they may have against the Purchaser or Éclat or any other Person or against any other guaranty for the Obligations or any right of offset with respect thereto, and any failure by the Holder to make any such demand, to pursue such other rights or remedies or to collect any payments from the Purchaser or Éclat or any other Person or to realize upon any such other guaranty or to exercise any such right of offset, or any release of the Purchaser or Éclat or any other Person or any such other guaranty or right of offset, shall not relieve Guarantor of any obligation or liability hereunder, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of the Holder against Guarantor.

The obligations of the Guarantor are principal and independent obligations from the obligations of the parties to the Note Agreement, the Security Agreements, the Interest Agreement or any other agreement. Therefore, the Guarantor cannot, in order to delay or to avoid the unconditional and immediate performance of its obligations under this Guaranty, invoke any defense or exception relating to or resulting from any current or future relationships (including legal relationships) nor any contentious or non-contentious claims, between the Purchaser and the Holder or any other third party, or any other challenge or the Purchaser or of a third party.

2.7 Reinstatement. The guaranty contained in this Section 2 shall continue to be effective, or be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the Obligations is rescinded or must otherwise be restored or returned by the Holder upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Purchaser or Éclat, Guarantor or any other guarantor of the Obligations, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for the Purchaser or Éclat, Guarantor or any other guarantor of the Obligations or any substantial part of its property, or otherwise, all as though such payments had not been made.

2.8 Payments. Guarantor hereby guarantees that payments hereunder will be paid to the Holder without set-off or counterclaim in U.S. dollars at the address set forth in the Note Agreement or by wire transfer pursuant to instructions provided to Guarantor by the Holder.

SECTION 3. REPRESENTATIONS AND WARRANTIES

Guarantor represents and warrants to the Holder that as of the date hereof:

3.1 Organization, Good Standing and Subsidiaries. Guarantor is a legal entity duly organized, validly existing and in good standing under the laws of the Republic of France and has all requisite power and authority to carry on its business as now conducted and own its properties. Guarantor does not have any Subsidiaries, except as set forth in a Schedule to the Note Agreement.

3.2 Authorization. Guarantor has full power and authority and has taken all requisite action necessary for (i) the authorization, execution and delivery of this Guaranty and (ii) authorization of the performance of all obligations of Guarantor hereunder. This Guaranty constitutes legal, valid and binding obligations of Guarantor, enforceable against Guarantor in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability, relating to or affecting creditors' rights generally.

3.3 Consents. The execution, delivery and performance by Guarantor of this Guaranty require no consent of, action by or in respect of, or filing with, any Person.

3.4 No Conflict, Breach, Violation or Default; Compliance with Law. The execution, delivery and performance of this Guaranty by Guarantor will not conflict with or result in a breach or violation of any of the provisions of, or constitute a default under, Guarantor's organizational documents as in effect on the date hereof. Guarantor (i) is not in violation of any statute, rule or regulation applicable to Guarantor or its assets, (ii) is not in violation of any judgment, order or decree applicable to Guarantor or its assets, and (iii) is not in breach or violation of any agreement to which it or its assets are a party or are bound or subject, excluding, in each case described in clauses (i), (ii) and (iii) above, violations and breaches which would not have a Material Adverse Effect. Guarantor has not received notice from any Person of any claim or investigation that, if adversely determined, would render the preceding sentence untrue or incomplete.

3.5 No Limitation of Guaranty. No representations, warranties or agreements of any kind have been made to or with Guarantor that would limit or qualify in any way the terms of this Guaranty.

3.6 Borrower's Request. This Guaranty is executed at request of the Purchaser and Éclat and not at the request of the Holder.

3.7 Obtaining Borrower Information. Guarantor has established adequate means of obtaining from the Purchaser and Éclat on a continuing basis information regarding the Purchaser's and Éclat's financial condition.

3.8 Solvency. As of the date hereof and after giving effect to the transactions contemplated hereby, (a) the property of Guarantor, at a fair valuation, will not exceed its debt; (b) the capital of Guarantor will not be unreasonably small to conduct its business; (c) Guarantor will not have incurred debts, or have intended to incur debts, beyond its ability to pay such debts as they mature; and (d) the present fair salable value of the assets of Guarantor will be greater than the amount that will be required to pay its probable liabilities (including debts) as they become absolute and matured. For purposes of this Section 3.8, "debt" means any liability on a claim, and "claim" means (i) the right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, undisputed, legal, equitable, secured or unsecured, or (ii) the right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, undisputed, secured or unsecured.

3.9 Litigation Matters. There are no actions, suits or other proceedings by or before any arbitrator or Governmental Authority pending against or threatened against or affecting Guarantor which would have a Material Adverse Effect.

3.10 Compliance with Laws and Agreements. Guarantor is in compliance with all laws applicable to it or its property and all agreements binding upon it or its Property except where such noncompliance would not have a Material Adverse Effect.

3.11 Taxes. Guarantor has timely filed or caused to be filed all tax returns and reports required to have been filed and has paid or caused to be paid all taxes required to have been paid, except taxes that are being contested in good faith by appropriate proceedings and for which Guarantor has set aside on its books adequate reserves.

3.12 Disclosure. None of the written reports on financial or other information, in each case furnished by Guarantor to Holder in connection with the negotiation of this Guaranty (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any fact necessary to make the statements therein, in the light of the circumstances under which they were made, not materially misleading.

SECTION 4. COVENANTS

The provisions of Sections 4.1 and 4.2 of the Note Agreement applicable to the Purchaser, Éclat and Guarantor are incorporated herein by reference, mutatis mutandis, such incorporation to continue after the termination of the Note Agreement.

SECTION 5. WAIVERS; SUBORDINATION

5.1 Guarantor's Waivers.

(a) *Holder's Actions*. Guarantor waives any right to require the Holder to resort for payment from, or to proceed directly or at once against, any Person, including the Purchaser and Éclat or any other guarantor.

(b) *Insolvency*. If the Purchaser or Éclat shall become insolvent, until such time as the Obligations have been paid and performed in full, Guarantor hereby waives and relinquishes in favor of the Holder and its respective successors and assigns, any claim or right to payment Guarantor may now have or hereafter have or acquire against the Purchaser or Éclat, by subrogation or otherwise, such that at no time shall Guarantor be or become a "creditor" of the Purchaser or Éclat at such time that Holder is a creditor with respect to the Obligations.

(c) *Guarantor's Rights and Defenses*. Guarantor also waives any and all rights or defenses arising by reason of (i) any law that may prevent the Holder from bringing any action, including a claim for deficiency, against Guarantor, before or after the commencement or completion of any foreclosure action, either judicially or by exercise of a power of sale, (ii) any election of remedies by the Holder which destroys or otherwise adversely affects Guarantor's subrogation rights or Guarantor's rights to proceed against the Purchaser or Éclat for reimbursement, including without limitation, any loss of rights Guarantor may suffer by reason of any law limiting, qualifying, or discharging the Obligations, (iii) any disability or other defense of the Purchaser and Éclat, of any other guarantor, or of any other Person, or by reason of the cessation of the Purchaser's or Éclat's liability from any cause whatsoever, other than payment in full of the Obligations, (iv) any statute of limitations, if at the time any action or other suit brought by the Holder against Guarantor is commenced there is outstanding Obligations which are not barred by any applicable statute of limitations, (v) any defenses given to guarantors at law or in equity other than actual payment and performance of the Obligations, or (vi) any act, omission, election or waiver by the Holder of the type set forth in this Guaranty.

(d) *No Set-off, Counterclaim, Etc*. Guarantor further waives and shall not assert or claim at any time any deductions to the amount guaranteed under this Guaranty for any claim of set-off, counterclaim, counter demand, recoupment or similar right.

5.2 Guarantor's Understanding With Respect to Waivers. Each of the waivers set forth herein is made with Guarantor's full knowledge of its significance and consequences and that, under the circumstances, the waivers are reasonable and not contrary to public policy or law. If any such waiver is determined to be contrary to any applicable law or public policy, such waiver shall be effective only to the extent permitted by law or public policy.

5.3 Subordination of Debts to Guarantor. The Obligations shall be prior to any claim that Guarantor may now have or hereafter acquire against the Purchaser or Éclat, whether or not the Purchaser or Éclat becomes insolvent. Guarantor hereby expressly subordinates to the Obligations any claim Guarantor may have against the Purchaser or Éclat, upon any account whatsoever (including without limitation all intercompany obligations owing to Guarantor from the Purchaser or Éclat), to any claim that the Holder may now or hereafter have against the Purchaser or Éclat; *provided, however*, that the Purchaser and Éclat may make payments on, and Guarantor may receive payments with respect to, such claims that represent bona fide claims for money lent to, property transferred to, or services performed for, the Purchaser or Éclat in the ordinary course of the business of Guarantor, the Purchaser and Éclat or in respect of any other obligation of the Purchaser and Éclat permitted under the Note Agreement, and Guarantor may receive dividends and other distributions from the Purchaser, in each case unless and until an Event of Default shall have occurred and be continuing. In the event of any dissolution, winding up, liquidation, readjustment, reorganization or similar proceedings, through bankruptcy, by an assignment for the benefit of creditors, by voluntary liquidation, or otherwise, the assets of the Purchaser and Éclat applicable to the payment of the claims of both the Holder and Guarantor shall be paid to the Holder.

SECTION 6. MISCELLANEOUS

6.1 Amendments In Writing. None of the terms or provisions of this Guaranty may be amended, supplemented or otherwise modified except by an instrument in writing signed by Guarantor and the Holder, and no provision hereof may be waived other than by an instrument in writing signed by the party against whom enforcement is sought.

6.2 Notices. All notices, requests and demands to or upon the Guarantor and the Holder shall be effected in the manner provided for in the Note Agreement.

6.3 No Waiver By Course Of Conduct; Cumulative Remedies. The Holder shall not by any act (except by a written instrument pursuant to Section 6.1), be deemed to have waived any right, power or privilege hereunder or to have acquiesced in any Event of Default. No failure to exercise, nor any delay in exercising, on the part of the Holder, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Holder of any right, power or privilege hereunder on any one occasion shall not be construed as a bar to any right, power or privilege that the Holder would otherwise have on any future occasion. The rights, powers and privileges hereunder provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights and remedies provided by law.

6.4 Enforcement Expenses; Indemnification

(a) If any amount owing to the Holder under this Guaranty shall be collected through enforcement thereof, any refinancing or restructuring in the nature of a work-out, settlement, negotiation, or any process of law, or shall be placed in the hands of third Persons for collection, Guarantor shall pay (in addition to all monies then due or otherwise payable under this Guaranty all reasonable and documented out-of-pocket attorneys' and other fees and expenses incurred in respect of such collection**.**

(b) Guarantor shall pay, and save the Holder harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all stamp, excise, sales or other taxes (other than any taxes based upon the Holder's net income) that may be payable or determined to be payable in connection with any of the transactions contemplated by this Guaranty.

(c) Guarantor shall pay, and save the Holder harmless from, any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Guaranty.

(d) The agreements in this Section shall survive repayment of the Obligations.

6.5 Successors And Assigns. This Guaranty shall be binding upon the successors of Guarantor and shall inure to the benefit of the Holder; *provided* that Guarantor may not assign, transfer or delegate any of its rights or obligations under this Guaranty without the written consent of the Holder..

6.6 Set-Off. Guarantor hereby irrevocably authorizes the Holder at any time and from time to time while an Event of Default shall have occurred and be continuing, without notice to Guarantor or any other guarantor of the Obligations, any such notice being expressly waived by Guarantor, to set-off and appropriate and apply any and all amounts, credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by the Holder to or for the credit or the account of Guarantor, or any part thereof, in such amounts as the Holder may elect, against and on account of the Obligations, whether or not the Holder has made any demand for payment and although the Obligations may be contingent or unmatured. The Holder shall notify Guarantor promptly of any such set-off and the application made by the Holder of the proceeds thereof, *provided* that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Holder under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Holder may have.

6.7 Facsimile. This Guaranty may be executed by facsimile.

6.8 Severability. Any provision of this Guaranty which is unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such unenforceability without invalidating the remaining provisions hereof, and any such unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

6.9 Section Headings. The Section headings used in this Guaranty are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

6.10 Integration. This Guaranty represent the agreement of Guarantor and the Holder with respect to the subject matter hereof, and there are no promises, undertakings, representations or warranties by the Holder relative to subject matter hereof not expressly set forth or referred to herein.

6.11 Acknowledgements. Guarantor hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Guaranty;

(b) the Holder has no fiduciary relationship with or duty to Guarantor arising out of or in connection with this Guaranty or otherwise, and the relationship between Guarantor, on the one hand, and the Holder, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or otherwise exists by virtue of the transactions contemplated hereby among Guarantor and the Holder.

6.12 Applicable Law and Consent to Non-Exclusive New York Jurisdiction.

(a) This Guaranty shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to the conflicts of laws principles thereof other than Sections 5-1401 and 5-1402 of the General Obligations Law of such State.

(b) Guarantor hereby irrevocably agrees that any legal action, suit or other proceeding arising out of this Guaranty may be brought in the courts of the State of New York or of the United States of America for the Southern District of New York. Guarantor irrevocably consents to the service of any process in any such legal action, suit or other proceeding by the mailing of copies of such process to such Party at its address specified in Section 6.2 by registered mail, return receipt requested. By the execution and delivery of this Agreement, Guarantor hereby irrevocably consents and submits to the jurisdiction of any such court in any such action, suit or other proceeding. Final judgment against Guarantor in any such action, suit or other proceeding shall be conclusive and may be enforced in any other jurisdiction by suit on the judgment. Nothing contained in this Guaranty shall affect the right of the Holder to commence legal proceedings in any court having jurisdiction, or concurrently in more than one jurisdiction, or to serve process, pleadings and other legal papers upon Guarantor in any manner authorized by the laws of any such jurisdiction.

(c) Guarantor irrevocably waives, to the fullest extent permitted by applicable law, any objection which it may now or hereafter have to the laying of venue of any action, suit or other proceeding arising out of or relating to this Guaranty, brought in the courts of the State of New York or in the United States District Court for the Southern District of New York, and any claim that any such action, suit or other proceeding brought in any such court has been brought in an inconvenient forum.

(d) Guarantor hereby waives any and all rights to demand a trial by jury in any action, suit or other proceeding arising out of this Guaranty or the transactions contemplated hereby.

(e) To the extent that Guarantor, in any suit, action or other proceeding brought in any court arising out of or in connection with this Guaranty, be entitled to the benefit of any provision of law requiring the Holder in such suit, action or other proceeding to post security for the costs of Guarantor, or to post a bond or to take similar action, Guarantor hereby irrevocably waive such benefit, in each case to the fullest extent now or hereafter permitted under any applicable law.

(f) The Guarantor waives its rights (a) under Article 14 and Article 15 of the French Civil Code and (b) to object to an action for summary judgment in lieu of a complaint pursuant to NY CPLR Section 3213

6.13 Currency. All amounts owing under this Guaranty shall be paid in United States Dollars.

6.14 Judgment Currency.

(a) If, for the purpose of obtaining or enforcing judgment against Flamel or the Purchaser in any court in any jurisdiction with respect to this Agreement, the Note and/or the Security Agreement, it becomes necessary to convert into any other currency (such other currency being hereinafter in this Section 6.14(a) referred to as the "Judgment Currency") an amount due in United States dollars, the conversion shall be made at the last exchange rate published in the Wall Street Journal on the business day immediately preceding (the "Exchange Rate"):

(i) the date actual payment of the amount is due, in the case of any proceeding in the courts of New York or in the courts of any other jurisdiction that will give effect to payment being due on such date; or

(ii) the date on which the French or any other non U.S. court determines, in the case of any proceeding in the courts of any other jurisdiction (the date as of which such payment is made pursuant to this Section 6.14 being hereinafter referred to as the "Judgment Payment Date").

(b) If in the case of any proceeding in the court of any jurisdiction referred to above, there is a change in the Exchange Rate on the date of calculation prevailing between the Judgment Payment Date and the date of actual payment of the amount due, Guarantor shall pay such adjusted amount as may be necessary to ensure that the amount paid in the Judgment Currency, when converted at the Exchange Rate prevailing on the date of payment, will produce the amount of United States dollars which could have been purchased with the amount of Judgment Currency stipulated in the judgment or judicial order at the Exchange Rate prevailing on the Judgment Payment Date.

(c) Any amount due from Guarantor under this Section 6.14 shall be due as a separate debt and shall not be affected by judgment being obtained for any other amount due under or in respect of the Note.

6.15 Indirect Taxes. If and whenever the Holder shall be subject to any VAT, goods and services tax, sales tax or any other indirect tax (together, the "Indirect Taxes") imposed, levied or assessed by any Governmental Authority measured, in whole or in part, by reference to any payments due hereunder to the Holder, then the amount of such sums due to the Holder hereunder shall be increased by the amount of such Indirect Taxes assessed so that after the withholding of such Indirect Taxes, the Holder shall receive the sum it would have received had no such Indirect Taxes been assessed. If any Indirect Taxes are later refunded or credited by the applicable Government Authority directly to the Holder, the Holder will refund such amounts to the Purchaser.

6.16 Direct Taxes. (a) Guarantor shall be responsible for any French income, profits or withholding taxes that may apply to any payments by Guarantor due under this Guaranty.

(b) If and whenever the Holder shall be subject to any French income, profits or withholding taxes imposed on any payments due hereunder to the Holder, then the amount of any such sums due to the Holder hereunder shall be increased by the amount of such income, profits or withholding tax or taxes assessed so that after the withholding of such income, profits or withholding tax or taxes, the Holder shall receive the sum it would have received had no such income, profits or withholding tax or taxes been assessed.

(c) Guarantor and the Holder shall reasonably cooperate to eliminate or reduce any taxes payable with regard to any payments due hereunder by way of any double tax treaty exemption or reduction application.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned has caused this Guaranty to be duly executed and delivered as of the date first above written.

GUARANTOR:

FLAMEL TECHNOLOGIES, S.A.

By: /s/ Stephen H. Willard
Name: Stephen H. Willard
Title: Chief Executive Officer

ACCEPTED:

ÉCLAT HOLDINGS, LLC

By: /s/ Alex Karnal
Name: Alex Karnal
Title: Secretary

THIS CERTIFICATE CAN UNDER NO CIRCUMSTANCES CIRCULATE IN FRANCE.

****

LE PRESENT CERTIFICAT NE PEUT EN AUCUN CAS CIRCULER EN FRANCE.

THIS WARRANT AND THE SECURITIES ISSUABLE UPON EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAW, AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF OR EXERCISED UNLESS (I) A REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS SHALL HAVE BECOME EFFECTIVE WITH REGARD THERETO, OR (II) AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS IS AVAILABLE IN CONNECTION WITH SUCH OFFER, SALE OR TRANSFER.

AN INVESTMENT IN THESE SECURITIES INVOLVES A HIGH DEGREE OF RISK. HOLDERS MUST RELY ON THEIR OWN ANALYSIS OF THE INVESTMENT AND ASSESSMENT OF THE RISKS INVOLVED.

Warrant to Purchase
2,200,000 shares

Warrant Number No. **2**

Warrant to Purchase American Depositary Shares
of
Flamel Technologies S.A.

THIS CERTIFIES that Eclat Holdings, LLC or any subsequent holder hereof ("Holder") has the right to purchase from Flamel Technologies, S.A., a corporation organized under the laws of the Republic of France, two million, two hundred thousand (2,200,000) American Depositary Shares ("ADSs") or Restricted ADSs (as defined below), as the case may be, each representing one Ordinary Share, nominal value 0.122 Euros per share ("Ordinary Shares"), which ADSs or Restricted ADSs, as the case may be, will be evidenced by American Depositary Receipts ("ADRs") or Restricted ADRs (as defined below), as the case may be, and will be issued pursuant to the Deposit Agreement, dated June 6, 1996, as amended and restated as of August 10, 2001 (as amended to date, the "Deposit Agreement"), with the Bank of New York, as Depositary, subject to adjustment as provided herein, at a price equal to the Exercise Price as defined in Section 3 below, at any time during the Term (as defined below). To the extent the Warrant Shares (as defined below) issuable upon exercise of this Warrant shall contain the restrictive legend substantially in the form set forth in Section 2(e)(i) in accordance with the terms hereof, such Warrant Shares shall be in the form of "Restricted ADSs" (as defined below) evidenced by Restricted ADRs (as defined below).

Each ADS and Restricted ADS shall represent one Ordinary Share, and such ratio shall be deemed to be maintained for all purposes hereunder, and to the extent such ratio is not maintained, the adjustments pursuant to Section 5 hereof shall be adjusted to take into account any such change to such ratio.

Attached hereto as Annex A-1 is an Officer's Certificate attesting that the Warrant is properly registered in the books of the Company in the name of the initial Holder, as defined in Section 4(c) (the "Warrant Register").

Attached hereto as Annex A-2 is a certificate ("*certificat d'inscription en compte*") evidencing ownership of the BSAs duly executed by the Transfer Agent and the Company and registered in the name of the Holder, together with a certified copy of the BSAs Register (as defined in Section 4(d) below) ("*compte d'actionnaire*") which certificate shall be executed and delivered to the Holder promptly following the Shareholder Approval Date (as defined below).

Holder agrees with the Company that this Warrant to Purchase ADSs or Restricted ADSs of the Company (this "Warrant" or this "Agreement") is issued and all rights hereunder shall be held subject to all of the conditions, limitations and provisions set forth herein.

1. Date of Issuance and Term.

(a) This Warrant shall be deemed to be issued on March 13, 2012 ("Date of Issuance"). The term of this Warrant begins on the Date of Issuance and ends at 5:00 p.m., New York City time, on the date that is six (6) years after the Date of Issuance, provided, however, that if the Shareholder Approval Date (as defined below) has not occurred prior to the second anniversary of the Date of Issuance, the term shall end at 5:00 p.m., New York City time, on the date that is seven (7) years after the Date of Issuance (the "Term"). This Warrant was issued in conjunction with that certain Membership Interest Purchase Agreement by and among the Company, Flamel US Holdings, Inc., Eclat Holdings, LLC and Eclat Pharmaceuticals, LLC dated March 13, 2012 (the "Purchase Agreement"), the Registration Rights Agreement by and between the Company and Eclat Holdings, LLC dated March 13, 2012 ("Registration Rights Agreement") and the Note Agreement (the "Note Agreement") by and among the Company, Flamel US Holdings, Inc. and Eclat Holdings, LLC, dated March 13, 2012, entered into in conjunction herewith.

(b) Notwithstanding anything herein to the contrary, during any period that the Company does not qualify as a "foreign private issuer" as defined under Rule 3b-4 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company shall not issue to the Holder, and the Holder may not acquire, a number of ADSs or Restricted ADSs upon exercise of this Warrant to the extent that, upon such exercise, the number of Ordinary Shares (including the ownership of ADSs or Restricted ADSs) then beneficially owned by the Holder and its Affiliates and any other persons or entities whose beneficial ownership of Ordinary Shares (including the ownership of ADSs or Restricted ADSs) would be aggregated with the Holder's for purposes of Section 13(d) of the Exchange Act (including shares held by any "group" of which the Holder is a member, but excluding shares beneficially owned by virtue of the ownership of securities or rights to acquire securities that have limitations on the right to convert, exercise or purchase similar to the limitation set forth herein) would exceed 9.985% of the total number of Ordinary Shares then issued and outstanding (the "9.985% Cap"), provided, however, that the 9.985% Cap shall not apply with respect to the issuance of ADSs or Restricted ADSs pursuant to a Cashless Major Exercise (as defined below) in connection with a Major Transaction (as defined below) covered by the provisions of Section 5(c)(i)(A) below in which the Company is not the surviving entity (a "Qualified Change of Control Transaction") to the extent that the number of shares beneficially owned by the Holder and its affiliates in the successor entity immediately following consummation of such Qualified Change of Control Transaction does not exceed 9.985% of the outstanding common stock of such successor entity (or if the successor entity is a foreign private issuer) and provided, further, that the 9.985% Cap shall only apply to the extent that the Ordinary Shares (and ADSs or Restricted ADSs in respect of Ordinary Shares) are deemed to constitute "equity securities" pursuant to Rule 13d-1(i) promulgated under the Exchange Act. For purposes hereof, "group" has the meaning set forth in Section 13(d) of the Exchange Act and applicable regulations of the Securities and Exchange Commission (the "SEC"), and the percentage held by the Holder shall be determined in a manner consistent with the provisions of Section 13(d) of the Exchange Act. Upon the written request of the Holder, the Company shall, within two (2) Trading Days, confirm orally and in writing to the Holder the number of Ordinary Shares then outstanding. In the event that the Company is not permitted to issue Warrant Shares to the Holder pursuant to this Warrant because of the provisions of this Section 1(b), the Company shall not be required to net cash settle or otherwise make any cash payment to the Holder in lieu of such issuance; provided that this sentence shall not affect any separate obligation hereunder that the Company may have at such time to the Holder.

(c) Notwithstanding anything herein to the contrary, the Company shall not issue to the Holder, and the Holder may not acquire, a number of ADSs or Restricted ADSs upon exercise of this Warrant to the extent that, upon such exercise, the number of Ordinary Shares (including the ownership of ADSs and Restricted ADSs) then beneficially owned by the Holder and its Affiliates and any other persons or entities whose beneficial ownership of Ordinary Shares (including the ownership of ADSs and Restricted ADSs) would be aggregated with the Holder's for purposes of Section 13(d) of the Exchange Act (including shares held by any "group" of which the Holder is a member, but excluding shares beneficially owned by virtue of the ownership of securities or rights to acquire securities that have limitations on the right to convert, exercise or purchase similar to the limitation set forth herein) would exceed 19.985% of the total number of Ordinary Shares then issued and outstanding (the "Beneficial Ownership Cap"), provided, however, that the Beneficial Ownership Cap shall not apply with respect to the issuance of ADSs or Restricted ADSs pursuant to a Cashless Major Exercise (as defined below) or a Cashless Default Exercise (as defined below). Upon the written request of the Company, the Company shall, within two (2) Trading Days, confirm orally and in writing to the Holder the number of Ordinary Shares then outstanding. In the event that the Company is not permitted to issue Warrant Shares to the Holder pursuant to this Warrant because of the provisions of this Section 1(c), the Company shall not be required to net cash settle or otherwise make any cash payment to the Holder in lieu of such issuance; provided that this sentence shall not affect any separate obligation hereunder that the Company may have at such time to the Holder.

(d) Definitions.

“Affiliate” means any person or entity that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a person or entity, as such terms are used in and construed under Rule 144 under the Securities Act of 1933, as amended (the “Securities Act”). With respect to a Holder of Warrants, any investment fund or managed account that is managed on a discretionary basis by the same investment manager as such Holder will be deemed to be an Affiliate of such Holder.

“Holder” means Eclat Holdings, LLC and any transferee or assignee pursuant to the terms of this Warrant.

“Restricted ADR” means a certificated American Depositary Receipt that includes the restrictive legend substantially in the form set forth in Section 2(e)(i), evidencing one or more restricted American Depositary Shares (“Restricted ADSs”), with each Restricted ADS representing one Ordinary Share.

“Restricted ADR Depositary” means The Bank of New York acting as depositary for the Restricted ADRs pursuant to an instruction letter between the Bank of New York and the Company, and for the Shares acting as *intermédiaire inscrit* or any successor depositary for the Restricted ADRs.

“Shareholder Approval Date” shall mean the date, if any, on or prior to the second anniversary of the Date of Issuance on which all approvals of the holders of Ordinary Shares of the Company are obtained that are necessary (i) to approve for purposes of applicable French law, the authorization and issuance in favor of the Holder of the total number of “bons de souscription d'actions” (“BSAs”) giving, upon exercise, the right to subscribe to Ordinary Shares underlying the Warrant Shares that are issuable following the Shareholder Approval Date upon the exercise of the BSA by the Holder and (ii) to approve under applicable French law the waiver of all preferential subscription rights of holders of Ordinary Shares (and ADSs) with respect to the Warrant and the Warrant Shares. For the avoidance of doubt, the foregoing approvals must be obtained on or prior to the second anniversary of the Date of Issuance, and any approval subsequently obtained shall not be effective for the purpose of determining any rights or obligations under this Warrant, including, without limitation, whether the Shareholder Approval Date has occurred.

“Transfer Agent” means the Company or any Person the Company may, from time to time, appoint to serve as the Transfer Agent.

2. Exercise; Redemption.

(a) Manner of Exercise. During the Term at any time following the Shareholder Approval Date, this Warrant may be Exercised as to all or any lesser number of ADSs or Restricted ADSs covered hereby (the “Warrant Shares” or the “Shares”) upon surrender of this Warrant, with the Exercise Form attached hereto as Exhibit A-1 (the “Exercise Form”) duly completed and executed, together with the full Exercise Price (as defined below, which may be satisfied by a Cash Exercise or a Cashless Exercise, as each is defined below) for each ADS or Restricted ADS as to which this Warrant is Exercised, at the office of the Company, 33, avenue du Dr. Georges Levy – Parc Club du Moulin à Vent, 69693 Vénissieux Cedex – France; Phone: +33 (0) 472-783-434, Fax: +33 (0) 472-783-435, or at such other office or agency as the Company may designate in writing, by express mail or, so long as the original Exercise Form is sent by the Holder no later than the date of such facsimile, via facsimile (such surrender and payment of the Exercise Price hereinafter called the “Exercise” of this Warrant).

(b) Date of Exercise. The "Date of Exercise" of the Warrant shall be defined as the date that the Exercise Form attached hereto as Exhibit A-1, completed and executed, is sent by facsimile to the Company and the Transfer Agent and the payment of the Exercise Price to the Company is satisfied (if the Exercise is a Cash Exercise), provided that the original Warrant and Exercise Form are received by the Company as soon as practicable thereafter. Alternatively, the Date of Exercise shall be defined as the date the original Exercise Form is received by the Company, and the Exercise Price is satisfied (if the Exercise is a Cash Exercise), if Holder has not sent advance notice by facsimile. Upon delivery of the Exercise Form to the Company by facsimile or otherwise and receipt of the Exercise Price is satisfied (if the Exercise is a Cash Exercise), the Holder shall be deemed for all corporate purposes to have become the holder of record of the Warrant Shares with respect to which this Warrant has been Exercised, irrespective of the date such Warrant Shares are credited to the Holder's Depository Trust Company ("DTC") account or the date of delivery of the certificates evidencing such Warrant Shares, as the case may be; provided, however, that in the event of a Cashless Major Exercise in respect of a Qualified Change of Control Transaction, the Holder shall be deemed to have become the holder of record of the shares issuable upon such exercise immediately prior to the consummation of such Qualified Change of Control Transaction.

(c) Delivery of ADSs or Restricted ADSs Upon Exercise. (i) Within five (5) business days after any Date of Exercise, or in the case of a Cashless Major Exercise or a Cashless Default Exercise (each as defined in Section 5(c) below), within the period provided in Section 5(c)(iv) or Section 3(c), as applicable (the "Delivery Period"), the Company shall (i) cause Ordinary Shares representing the number of Exercise Shares to be issued and deposited with the Depositary or the Restricted ADR Depositary, as applicable and (ii) use commercially reasonable best efforts to cause ADSs or Restricted ADSs , as the case may be, representing the number of shares purchased hereunder upon exercise (collectively, "Exercise Shares") to be transmitted and delivered to the Holder in accordance with the terms hereof. Upon the Exercise of this Warrant or any part hereof, the Company shall, at its own cost and expense, use its commercially reasonable hest efforts, including obtaining and delivering an opinion of counsel, to assure that the requisite certificates shall be issued in the name of Holder (or its nominee) or such other persons as designated by Holder and in such denominations to be specified at such Exercise representing the number of ADSs issuable upon such Exercise. Without limiting the foregoing, during the Delivery Period, the Company shall deposit the corresponding number of Ordinary Shares underlying the ADSs or Restricted ADSs pursuant to the Deposit Agreement and pay by wire transfer to the Depositary's account, or, if applicable the Restricted ADR Depositary's account, all ADS and Restricted ADS issuance fees provided for under the Deposit Agreement, together with all applicable taxes and expenses otherwise payable under the terms of the Deposit Agreement for the deposit of Ordinary Shares and issuance of ADSs or Restricted ADSs (including, without limitation, confirmation that any French stock transfer taxes in respect of such deposit (if any) have been paid by the Company), and the Company shall otherwise comply with and use commercially reasonable best efforts to cause any other necessary party to comply with all the terms of the Deposit Agreement. The Company shall pay any and all taxes, fees and charges (excluding any taxes on the income of the Holder) which may be payable with respect to the issuance and delivery of Warrant Shares upon exercise of this Warrant; provided, that the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such certificate upon exercise in a name other than that of the Holder of this Warrant or any holder of equity interests in the Holder and the Company shall not be required to issue or deliver such certificates unless or until the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid. Appropriate and equitable adjustment to the terms and provisions of this Warrant shall be made in the event of any change to the ratio of ADSs and Restricted ADSs to Ordinary Shares represented thereby. The Company warrants that no instructions contrary to these instructions have been or will be given to the Depositary or the Transfer Agent and that, unless waived by the Holder, this Warrant and the Exercise Shares will be free-trading, and freely transferable, and will not contain a legend restricting the resale or transferability of the Exercise Shares if the Unrestricted Conditions (as defined below) are met.

(ii) In the event that the Company's Board of Directors should determine that the Company shall transform itself (whether by re-incorporation in the United States or otherwise) from a "foreign private issuer" to a domestic U.S. issuer, or that the Company otherwise determines to cease causing Ordinary Shares to be represented by ADSs, then all references to ADRs and Restricted ADRs, or ADSs or Restricted ADSs, shall be deemed references to whatever shares are then issued by the re-domiciled Company and all other provisions of this Agreement shall be equitably adjusted by the parties hereto to the extent necessary or appropriate to reflect such new country of incorporation.

(d) Delivery Failure. In addition to any other remedies which may be available to the Holder, in the event that the Company fails for any reason to effect delivery of the Exercise Shares to the Holder or to effect the issuance and deposit of the corresponding Ordinary Shares to the Depositary or the Restricted ADR Depositary, as applicable, by the end of the Delivery Period or to deliver the Redemption Exercise Price to the Holder in accordance with subsection 2(j) below (a "Delivery Failure"), the Holder will be entitled to revoke all or part of the relevant Exercise Form or Redemption Form, as applicable, by delivery of a notice to such effect to the Company and the Transfer Agent whereupon the Company and the Holder shall each be restored to their respective positions immediately prior to the delivery of such notice, except that the liquidated damages described herein shall be payable through the date notice of revocation or rescission is given to the Company.

(e) Legends.

(i) Restrictive Legend. The Holder understands that until such time as the sale of this Warrant, the Exercise Shares and the Failure Payment Shares have been registered under the Securities Act (including to the extent contemplated by the Registration Rights Agreement) or this Warrant, the Exercise Shares and the Failure Payment Shares, as applicable, otherwise may be sold pursuant to Rule 144 under the Securities Act or an exemption from registration under the Securities Act without any restriction as to the number of securities as of a particular date that can then be immediately sold, this Warrant, the Exercise Shares and the Failure Payment Shares, as applicable, may bear a restrictive legend in substantially the following form (and a stop-transfer order may be placed against transfer of the certificates for such securities):

> "THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER SAID ACT, OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SAID ACT INCLUDING, WITHOUT LIMITATION, PURSUANT TO RULES 144 OR 144A UNDER SAID ACT OR PURSUANT TO A PRIVATE SALE EFFECTED UNDER APPLICABLE FORMAL OR INFORMAL SEC INTERPRETATION OR GUIDANCE, SUCH AS A SO-CALLED "4(1) AND A HALF" SALE, SUBJECT TO DELIVERY OF AN OPINION, AS PROVIDED IN THE WARRANT DATED AS OF MARCH 13, 2012 AND ISSUED BY THE COMPANY."
>
> "THE SALE, TRANSFER, ASSIGNMENT, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS AND CONDITIONS OF A CERTAIN REGISTRATION RIGHTS AGREEMENT DATED AS OF MARCH 13, 2012, AS AMENDED FROM TIME TO TIME, AMONG THE COMPANY AND CERTAIN HOLDERS OF ITS OUTSTANDING SECURITIES. COPIES OF SUCH AGREEMENT MAY BE OBTAINED AT NO COST BY WRITTEN REQUEST MADE BY THE HOLDER OF RECORD OF THIS CERTIFICATE TO THE SECRETARY OF THE COMPANY."

(ii) Removal of Restrictive Legends. The Company shall use commercially reasonable best efforts to cause the Depositary to remove any legend restricting the transfer (including the legend set forth above in subsection 2(e)(i)) of this Warrant and the certificates evidencing the Exercise Shares and the Failure Payment Shares, as applicable: (A) while a registration statement (including a Registration Statement, as defined in the Registration Rights Agreement) covering the sale or resale of such security is effective under the Securities Act, or (B) following any sale of such Warrant, Exercise Shares and/or Failure Payment Shares pursuant to Rule 144 of the Securities Act, or (C) if such Warrant, Exercise Shares and/or Failure Payment Shares are eligible for sale under Rule 144(b)(1) of the Securities Act, or (D) if such legend is not required under applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the staff of the SEC) (collectively, the "Unrestricted Conditions"). If the Unrestricted Conditions are met at the time of issuance of the Exercise Shares or the Failure Payment Shares, then the Company shall use commercially reasonable best efforts to cause the Depositary to issue such Exercise Shares or Failure Payment Shares, as applicable, free of all legends. The Company agrees that following such time as the Unrestricted Conditions are met or such legend is otherwise no longer required under this Section 2(e), it will, no later than three (3) Trading Days following the delivery by the Holder to the Company or the Transfer Agent of a certificate representing Exercise Shares and/or Failure Payment Shares, as applicable, issued with a restrictive legend, use its commercially reasonable best efforts to cause the Depositary to deliver to such Holder a certificate (or electronic transfer) representing such shares that is free from all restrictive and other legends. The Company shall cause its counsel to issue a legal opinion to the Transfer Agent promptly after the Effective Date if required by the Transfer Agent to effect the issuance of the Exercise Shares or the Failure Payment Shares, as applicable, without a restrictive legend or removal of the legend hereunder. For purposes hereof, "Effective Date" shall mean the date that the Registration Statement that the Company is required to file pursuant to the Registration Rights Agreement has been declared effective by the SEC.

(iii) Removal of Legends from Restricted ADRs. A Restricted ADS may be surrendered by the holder thereof to the Restricted ADR Depositary for cancellation, and the Depositary shall issue and deliver an unrestricted ADR with respect to the Restricted ADS formerly represented by such Restricted ADR, provided that such Restricted ADR is surrendered in connection with a transfer of the related ADS and provided further that (a) one of the Unrestricted Conditions is met and (b) the deposit of such Ordinary Shares in an unrestricted depositary facility and the sale of any related ADSs by that person are not otherwise restricted under the Securities Act. If the removal of the legend, as described in the preceding sentence, is effected in connection with the transfer of the Restricted ADS pursuant to Rule 144 of the Securities Act, the Holder shall, if requested by the Company or the Restricted ADR Depositary, deliver an opinion of counsel addressed and reasonably satisfactory to the requesting party. Any reasonable fees (with respect to the Restricted ADR Depositary, the Depositary or otherwise) associated with the issuance of such opinion or the removal of the legend shall be borne by the Holder. In the event that only a portion of the Restricted ADSs represented by a Restricted ADR have been transferred by the holder thereof, the Restricted ADR Depositary shall issue a Restricted ADR that includes the legend in Section 2(e)(i) above with respect to the Restricted ADSs that continue to be held by such holder. While a Registration Statement is effective or at such earlier time as a legend is no longer required for the Restricted ADRs, the Company will cooperate with the Restricted ADR Depositary, and shall use its commercially reasonable efforts, to facilitate the issuance of unrestricted ADRs as described above no later than three (3) Trading Days following the delivery by such Holder to the Restricted ADR Depositary (with notice to the Company) of a Restricted ADR (endorsed or with applicable powers attached, signatures guaranteed, and otherwise in form necessary to effect the reissuance and/or transfer and an opinion of counsel to the extent required by Section 8(b)) .

(iv) Sale of Unlegended Shares. Holder agrees that the removal of the restrictive legend from any certificates representing securities as set forth in Section 2(e) above is predicated upon the Company's reliance that the Holder will sell, transfer, assign, pledge, hypothecate or otherwise dispose of the Exercise Shares and/or any Failure Payment Shares, as applicable, pursuant to either the registration requirements of the Securities Act, including any applicable prospectus delivery requirements, or an exemption therefrom, and that if such securities are sold pursuant to a Registration Statement, they will be sold in compliance with the plan of distribution set forth therein.

(f) Cancellation of Warrant. This Warrant shall be canceled upon the full Exercise or redemption of this Warrant, and, as soon as practical after the Date of Exercise or the Redemption Exercise Date, Holder shall be entitled to receive ADSs or Restricted ADSs for the number of shares purchased upon such Exercise of this Warrant or cash for the portion of this Warrant subject to redemption, and if this Warrant is not Exercised or redeemed in full, Holder shall be entitled to receive a new Warrant (containing terms identical to this Warrant) representing any unexercised portion of this Warrant in addition to such ADSs or Restricted ADSs or cash payment, as the case may be. In the event of a Major Transaction (as defined below) in which all shares of Common Stock are canceled and/or converted or exchanged into the right to receive cash and/or securities of Another Entity (as defined below), then, any portion of this Warrant that the Holder has not elected to exercise or be redeemed pursuant to the terms of this Warrant prior to the consummation of such Major Transaction (a "Share Conversion Major Transaction"), shall automatically and immediately be deemed to have been exercised pursuant to a Cashless Exercise, immediately prior to the consummation of such Share Conversion Major Transaction, and this Warrant shall be deemed cancelled upon consummation of any Share Conversion Major Transaction.

(g) Holder of Record. Each person in whose name any Warrant for Warrant Shares is issued shall, for all purposes, be deemed to be the Holder of record of such shares on the Date of Exercise of this Warrant, irrespective of the date of delivery of the Warrant Shares purchased upon the Exercise of this Warrant.

(h) Delivery of Electronic Shares. In lieu of delivering physical certificates representing the ADSs or Restricted ADSs, as applicable, issuable upon Exercise or legend removal, or representing Failure Payment Shares, provided the DTC Fast Automated Securities Transfer ("FAST") program is available with respect to the ADSs or Restricted ADSs, upon written request of the Holder, the Company shall use its commercially reasonable best efforts to cause the ADSs or Restricted ADSs issuable upon Exercise to be electronically transmitted to the Holder by crediting the account of the Holder's prime broker with DTC through its Deposit Withdrawal Agent Commission (DWAC) system. The time periods for delivery and penalties described herein shall apply to the electronic transmittals described herein. Any delivery not effected by electronic transmission shall be effected by delivery of physical certificates.

(i) Buy-In. In addition to any other rights available to the Holder, if the Company fails to transmit to the Holder a certificate or certificates, or electronic shares through DWAC, representing the Exercise Shares pursuant to an Exercise on or before the Delivery Period (other than a failure caused by any incorrect or incomplete information provided by the Holder to the Company hereunder), and if after such date the Holder is required by its broker to purchase (in an open market transaction or otherwise) or the Holder's brokerage firm otherwise purchases ADSs or Ordinary Shares to deliver in satisfaction of a sale by the Holder of Exercise Shares which the Company was required to deliver to Holder upon such Exercise (a "Buy-In"), then the Company shall (1) pay in cash to the Holder the amount by which (x) the Holder's total purchase price (including brokerage commissions, if any) for the ADSs or Ordinary Shares so purchased exceeds (y) the amount obtained by multiplying (A) the number of Exercise Shares that the Company was required to deliver to the Holder in connection with the Exercise at issue times and (B) the price at which the sell order giving rise to such purchase obligation was executed, and (2) at the option of the Holder, either reinstate the portion of the Warrant and equivalent number of Exercise Shares for which such Exercise was not honored or deliver to the Holder the number of ADSs or Restricted ADSs that would have been issued had the Company timely complied with its Exercise and delivery obligations hereunder. For example, if the Holder purchases ADSs having a total purchase price of $11,000 to cover a Buy-In with respect to an attempted Exercise to cover the sale of ADSs with an aggregate sale price giving rise to such purchase obligation of $10,000, under clause (1) of the immediately preceding sentence the Company shall be required to pay the Holder $1,000. The Holder shall provide the Company written notice, which notice will be within two Trading Days of the occurrence of the Buy-In, indicating the amounts payable to the Holder in respect of the Buy-In, together with applicable confirmations and other evidence reasonably requested by the Company. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver certificates representing ADSs upon Exercise of the Warrant as required pursuant to the terms hereof.

(j) Redemption. In the event the Shareholder Approval Date has not occurred on or prior to the second anniversary of the Date of Issuance, then at any time during the Term that is on or after the second anniversary of the Date of Issuance, the Holder may cause the Company to redeem all or any portion of this Warrant. The "Redemption Exercise Date" shall be defined as the date the Redemption Form, attached hereto as Exhibit A-2 (the "Redemption Form"), duly completed and executed, is sent by facsimile to the Company and the Transfer Agent, provided that the original Warrant and Redemption Form are received by the Company, each as soon as practicable thereafter. Alternatively, the Redemption Exercise Date shall be defined as the date the original Redemption Form is received by the Company, if Holder has not sent advance notice by facsimile. The Company shall redeem the portion of this Warrant subject to redemption pursuant to the Redemption Form at a price (the "Redemption Exercise Price") equal to the amount determined using the following formula, with the terms included in the formula being defined as provided in Section 3(a)(ii) below: X = Y(A–B). The Redemption Exercise Price shall be satisfied by the delivery to the Holder within 10 days following the Redemption Exercise Date of a cash payment and/or a promissory note, dated the Redemption Exercise Date, substantially in the form attached as Exhibit D hereto in the principal amount of the Redemption Exercise Price (or portion thereof in the case of a mixed cash/note payment).

3. Payment of Warrant Exercise Price for Cash Exercise or Cashless Exercise; Cashless Major Exercise and Cashless Default Exercise.

(a) Exercise Price. The Exercise Price ("Exercise Price") shall initially equal $7.44 per share, subject to adjustment pursuant to the terms hereof, including but not limited to Section 5 below.

Payment of the Exercise Price may be made by either of the following, or a combination thereof, at the election of Holder:

(i) Cash Exercise: The Holder may exercise this Warrant in cash, bank or cashier's check, wire transfer or, from and after the occurrence of a Threshold (as defined in the Note Agreement), through a reduction of an amount of principal outstanding under the Note (as defined in the Note Agreement) or any replacement note issued to a transferee of any portion of the Note, which is then held by the Holder (a "Cash Exercise"); or

(ii) Cashless Exercise: The Holder, at its option, may exercise this Warrant in a cashless exercise transaction, provided, however, that, except as provided in Section 2(f) above, in the event that the Company has an effective registration statement under the Securities Act covering the resale by the Holder of all Warrant Shares issuable upon such Cashless Exercise of this Warrant that the Holder is then exercising, then the Holder shall not be permitted to exercise this Warrant as a Cashless Exercise under this Section 3(a)(ii) with respect to the Warrant Shares issuable upon such exercise. In order to effect a Cashless Exercise, the Holder shall surrender this Warrant at the principal office of the Company together with notice of cashless election, in which event the Company shall issue to the Holder a number of ADSs or, if at the time of such exercise none of conditions listed in Sections 2(e)(ii)(B), (C) or (D) have been met, Restricted ADSs, in each case, computed using the following formula (a "Cashless Exercise"):

$$X = Y (A–B)/A$$

where: X = the number of ADSs and Restricted ADSs to be issued to Holder or the amount of cash to be paid as the Redemption Exercise Price.

Y = the number of ADSs and Restricted ADSs for which this Warrant is being Exercised or the number of ADSs and Restricted ADSs underlying the portion of this Warrant subject to redemption.

A = the Market Price of one (1) ADS, where "Market Price," as of any date, means the Volume Weighted Average Price (as defined herein) of the Company's ADS during the ten (10) consecutive Trading Day period immediately preceding the Date of Exercise or Redemption Exercise Date, as the case may be.

B = the Exercise Price.

As used herein, the "Volume Weighted Average Price" for any security as of any date means the volume weighted average sale price on The NASDAQ Global Market ("NASDAQ") as reported by, or based upon data reported by, Bloomberg Financial Markets or an equivalent, reliable reporting service mutually acceptable to and hereafter designated by holders of a majority in interest of the Warrants and the Company ("Bloomberg") or, if NASDAQ is not the principal trading market for such security, the volume weighted average sale price of such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg, or, if no volume weighted average sale price is reported for such security, then the last closing trade price of such security as reported by Bloomberg, or, if no last closing trade price is reported for such security by Bloomberg, the average of the bid prices of any market makers for such security that are listed in the over the counter market by the Financial Industry Regulatory Authority, Inc. or in the "pink sheets" by the OTC Markets Group, Inc. If the Volume Weighted Average Price cannot be calculated for such security on such date in the manner provided above, the volume weighted average price shall be the fair market value as mutually determined by the Company and the Holders of a majority in interest of the Warrants being Exercised for which the calculation of the volume weighted average price is required in order to determine the Exercise Price of such Warrants.-"Trading Day" shall mean any day on which the ADSs are traded for any period on NASDAQ, or on the principal securities exchange or other securities market on which the ADSs are then being traded.

(b) Cashless Major Exercise. If the Holder, at its option, exercises this Warrant or any permissible portion thereof in a Cashless Major Exercise pursuant to Section 5(c)(i) below, the Holder shall surrender this Warrant at the principal office of the Company together with the Exercise Form indicating that the Holder is exercising this Warrant (or such permissible portion thereof) pursuant to a Cashless Major Exercise, in which event the Company shall issue to the Holder a number of ADSs or Restricted ADSs, as applicable, equal to (i) in the event the Major Transaction is consummated prior to the two-year anniversary of the Date of Issuance, the "Intrinsic Value" (as determined in accordance with the definition below) of the Warrant (or such applicable portion being exercised) divided by the closing price of the ADSs on the principal securities exchange or other securities market on which the ADSs are then traded on the Trading Date immediately preceding the date on which the applicable Major Transaction is consummated, and (ii) in the event the Major Transaction is consummated from or after the two-year anniversary of the Date of Issuance, the Black Scholes Value (as defined in Section 5(c)(iii) below) of the Warrant (or such applicable portion being exercised) divided by the closing price of the ADSs on the principal securities exchange or other securities market on which the ADSs are then traded on the Trading Day immediately preceding the date on which the applicable Major Transaction is consummated.

For purposes herein, “Intrinsic Value” shall be determined using the formula Y(SP–EP) where Y is as defined in Section 3(a)(ii) above, SP equals the Stock Price (as defined below) and EP equals the prevailing Exercise Price at the time of calculation.

“Stock Price” shall mean the greater of (1) the closing price of the ADSs on NASDAQ, or, if that is not the principal trading market for the ADSs, such principal market on which the ADSs are traded or listed (the “Closing Market Price”) on the trading day immediately preceding the date on which a Major Transaction is consummated, or (2) the first Closing Market Price following the date of the definitive agreement with respect to a Major Transaction.

(c) Cashless Default Exercise. To the extent the Holder exercises this Warrant as a Cashless Default Exercise pursuant to Section 11(b)(i) below, the Holder shall surrender this Warrant to the principal office of the Company together with the Exercise Form indicating that the Holder is exercising this Warrant pursuant to a Cashless Default Exercise, in which event the Company shall issue to the Holder, within five (5) Trading Days of the applicable Default Notice, a number of ADSs or Restricted ADSs, as applicable (which shares shall be valued at the Volume Weighted Average Price for the five (5) Trading Days prior to the applicable Default Notice) equal to the greater of (A) the Black-Scholes value (determined by use of the Black-Scholes Option Pricing Model using the criteria set forth on Schedule I hereto) of the remaining unexercised portion of this Warrant on the date of such Default Notice and (B) the Black-Scholes value (determined by use of the Black-Scholes Option Pricing Model using the criteria set forth on Schedule I hereto) of the remaining unexercised portion of this Warrant on the Trading Day immediately preceding the date that the Exercise Shares in respect of such Cashless Default Exercise are issued to the Holder.

(d) Dispute Resolution. In the case of a dispute as to the determination of the closing price or the Volume Weighted Average Price of the Company’s ADSs or the arithmetic calculation of the Exercise Price, Market Price or any Major Transaction Warrant Early Termination Price, the Company shall submit the disputed determinations or arithmetic calculations via facsimile within two (2) business days of receipt, or deemed receipt, of the Exercise Notice or Major Transaction Early Termination Notice, or other event giving rise to such dispute, as the case may be, to the Holder. If the Holder and the Company are unable to agree upon such determination or calculation within two (2) business days of such disputed determination or arithmetic calculation being submitted to the Holder, then the Company shall, within two (2) business days submit via facsimile (i) the disputed determination of the closing price or the Volume Weighted Average Price of the Company’s ADSs to an independent, reputable investment bank selected by the Company and approved by the Holder, which approval shall not be unreasonably withheld or delayed or (ii) the disputed arithmetic calculation of the Exercise Price, Market Price or any Major Transaction Warrant Early Termination Price to the Company’s independent, outside accountant or another accounting firm of United States national standing selected by the Company. The Company shall cause the investment bank or the accountant, as the case may be, to perform the determinations or calculations and notify the Company and the Holder of the results no later than five (5) business days from the time it receives the disputed determinations or calculations. Such investment bank’s or accountant’s determination or calculation, as the case may be, shall be binding upon all parties absent demonstrable error.

(e) Mandatory Exercise. Subject to the provisions of this Section 3(e), at any time and from time to time after the Shareholder Approval Date, the Company may give written notice (a "Mandatory Exercise Notice") to the Holder of its intent to require a mandatory exercise of this Warrant. The Mandatory Exercise Notice may only be given by the Company if (i) the closing price of the ADSs on NASDAQ, or if that is not the principal trading market for the ADSs, such principal market on which the ADSs are traded or listed (the "Closing Market Price"), for each of the 20 consecutive Trading Days immediately prior to the Mandatory Exercise Notice Date (as hereinafter defined) has equaled or exceeded 400% of the Exercise Price, (ii) an effective registration statement is on file with the Securities and Exchange Commission ("SEC") covering the resale of the Warrant Shares issuable upon exercise of the Warrant, (iii) the Company certifies in the Mandatory Exercise Notice that the Company (A) is not engaged in any negotiations, and (B) has not entered into any agreement or arrangement, in each case, with respect to any transaction that would constitute a Major Transaction and (iv) the Company certifies in the Mandatory Exercise Notice that an Event of Default (as defined in Section 11) has not occurred, and that the issuance of Shares upon the exercise of this Warrant will not violate, or be prohibited by, any applicable laws, the requirements of NASDAQ or any other trading market on which the ADSs are traded, or any other provisions of this Warrant. Following receipt of a Mandatory Exercise Notice, the Holder shall be required to exercise the Warrant in full pursuant to the provisions of Section 3(a)(i) or 3(a)(ii) on or prior to the 30th Trading Day (the "Mandatory Exercise Date") following the Mandatory Exercise Notice Date; provided, however, that the Holder shall not be required to exercise the Warrant, and the Mandatory Exercise Notice shall be of no further force and effect, if following delivery of the Mandatory Exercise Notice and prior to the Holder's exercise of this Warrant (i) the Closing Market Price on any two Trading Dates (including the Mandatory Exercise Notice Date) falls below 400% of the Exercise Price, (ii) the Company is required to deliver to the Holder a Major Transaction Notice, (iii) the Warrant Shares are no longer registered for resale pursuant to an effective registration statement or (iv) an Event of Default has occurred. In order to be effective, a Mandatory Exercise Notice must be sent to the Holder by overnight mail, with an advance copy sent by facsimile and e-mail (the date of facsimile and e-mail transmission is referred to as "Mandatory Exercise Notice Date").

4. Transfer and Registration.

(a) Transfer Rights. Subject to the provisions of Section 8 of this Warrant, this Warrant may be transferred on the books of the Company, in whole or in part, in person or by attorney, upon surrender of this Warrant properly completed and endorsed together with any funds sufficient to pay any transfer tax in connection with such transfer. This Warrant shall be canceled upon such surrender and, as soon as practicable thereafter, the person to whom such transfer is made shall be entitled to receive a new Warrant or Warrants as to the portion of this Warrant transferred, and Holder shall be entitled to receive a new Warrant as to the portion hereof retained.

(b) Registrable Securities. The ADSs and Restricted ADSs issuable upon the Exercise of this Warrant have registration rights pursuant to the Registration Rights Agreement.

(c) Warrant Register. The Transfer Agent shall register this Warrant, upon records to be maintained by the Transfer Agent for that purpose (the "Warrant Register"), in the name of the record Holder hereof from time to time. Prior to due presentment for transfer to the Company of this Warrant, the Company and any agent of the Company may treat the Person in whose name this Warrant is duly registered on the Warrant Register as the owner hereof for the purpose of any exercise hereof or any distribution, and for all other purposes, and neither the Company nor any such agent shall be affected by notice to the contrary. A Warrant may be assigned or sold in whole or in part only by registration of such assignment or sale on the Warrant Register. Upon its receipt of a request in the form attached as Exhibit B to assign or sell all or part of a Warrant by the Holder, the Transfer Agent shall record the information contained therein in the Warrant Register and the Company shall issue or cause to be issued one or more new Warrants in compliance with Section 4(a) above.

(d) BSAs Register. The Transfer Agent shall register the BSAs, upon records to be maintained by the Transfer Agent for that purpose (the "BSAs Register" "*Compte d'Actionnaire*"), in the name of the record Holder hereof from time to time. Prior to due presentment for transfer to the Company of the BSAs, the Company and any agent of the Company may treat the Person in whose name the BSAs are duly registered on the BSAs Register as the owner hereof for the purpose of any exercise hereof or any distribution, and for all other purposes, and neither the Company nor any such agent shall be affected by notice to the contrary. A BSA may be assigned or sold in whole or in part only by registration of such assignment or sale on the BSAs Register. Upon its receipt of a request in the form attached as Exhibit B to assign or sell all or part of a BSA by the Holder, the Transfer Agent shall record the information contained therein in the BSAs Register and the Company shall issue or cause to be issued one or more new BSAs in compliance with Section 4(a) above.

5. Adjustments Upon Certain Events.

(a) Participation. The Holder, as the holder of this Warrant, shall be entitled to receive an amount payable in cash that is equivalent to all dividends paid and distributions of any kind made to the holders of Ordinary Shares of the Company or ADSs to the same extent as if the Holder had Exercised this Warrant into ADSs or Restricted ADSs (without regard to any limitations on exercise herein or elsewhere, without regard to whether the Shareholder Approval Date has occurred and without regard to whether or not a sufficient number of shares are authorized and reserved to effect any such exercise and issuance) and had held such ADSs or Restricted ADSs on the record date for such dividends and distributions. Payments under the preceding sentence shall be made concurrently with the dividend or distribution to the holders of ADSs. The provisions of this Section 5(a) shall not apply to stock dividends covered by the provisions of Section 5(b) below. This provision is included as one of the agreed upon contractual terms of the Purchase Agreement.

(b) Recapitalization or Reclassification. If the Company shall at any time effect a stock split, payment of stock dividend, recapitalization, reclassification or other similar transaction of such character that the Ordinary Shares shall be changed into or become exchangeable for a larger or smaller number of shares, then upon the effective date thereof, the number of Ordinary Shares underlying the Warrant Shares which Holder shall be entitled to purchase upon Exercise of this Warrant or receive value with respect to in a redemption shall be increased or decreased, as the case may be, in direct proportion to the increase or decrease in the number of Ordinary Shares by reason of such stock split, payment of stock dividend, recapitalization, reclassification or similar transaction, and the Exercise Price shall be, in the case of an increase in the number of shares, proportionally decreased and, in the case of decrease in the number of shares, proportionally increased. The Company shall give Holder the same notice it provides to holders of Ordinary Shares of any transaction described in this Section 5(b).

(c) Rights Upon Major Transaction.

(i) Major Transaction. In the event that a Major Transaction (as defined below) occurs on or prior to the Shareholder Approval Date, then the Holder, at its option, may require the Company to redeem in cash the Holder's outstanding Warrants in accordance with Section 5(c)(iii) below. In the event that a Major Transaction (as defined below) occurs following the Shareholder Approval Date, then (1) in the case of a Cash-Out Major Transaction and in the case of a Mixed Major Transaction to the extent of the percentage of the cash consideration in the Mixed Major Transaction (determined in accordance with the definition of a Mixed Major Transaction below), the Holder, at its option, may require the Company to redeem the Holder's outstanding Warrants in accordance with Section 5(c)(iii) below and (2) in the case of all other Major Transactions and in the case of a Mixed Major Transaction to the extent of the percentage of the consideration represented by securities of a Successor Entity in the Mixed Major Transaction, the Holder shall have the right to exercise this Warrant as a Cashless Major Exercise in accordance with Section 3(b). The Holder may waive its rights under this Section 5(c) with respect to such Major Transaction. Consummation of each of the following events shall constitute a "Major Transaction":

(A) a consolidation, merger, exchange of shares, recapitalization, reorganization, business combination or other similar event, following which the holders of Ordinary Shares (including holders of ADSs attributable to underlying Ordinary Shares) immediately preceding such consolidation, merger, exchange, recapitalization, reorganization, combination or event either (a) no longer hold a majority of the Ordinary Shares (including ADSs attributable to such Ordinary Shares) or the shares of the Successor Entity (or the Parent Entity of a Successor Entity) or (b) no longer have the ability to elect a majority of the board of directors of the Company or the Successor Entity (collectively, a "Change of Control Transaction");

(B) a sale or transfer of all or substantially all of the Company's assets;

(C) a purchase, tender or exchange offer, made to the holders of outstanding Ordinary Shares or ADSs, such that following the consummation of such purchase, tender or exchange offer a Change of Control Transaction shall have occurred;

(D) **[Intentionally Omitted]**

(E) the liquidation, bankruptcy, insolvency, dissolution or winding-up (or the occurrence of any analogous proceeding) affecting the Company; or

(F) **[Intentionally Omitted]**

(G) **[Intentionally Omitted]**

(ii) **[Intentionally Omitted]**

(iii) Notice; Major Transaction Early Termination Right; Notice of Cashless Major Exercise. At least twenty (20) days prior to the consummation of any Major Transaction, but, in any event, within five (5) business days following the first to occur of (x) the date of the public announcement of such Major Transaction if such announcement is made before 4:00 p.m., New York City time, or (y) the day following the public announcement of such Major Transaction if such announcement is made on and after 4:00 p.m., New York City time, the Company shall deliver written notice thereof via facsimile and overnight courier to the Holder (a "Major Transaction Notice"). Other than in respect of all or a portion of the Warrant that is eligible for a Cashless Major Exercise (without taking into consideration the 9.985% Cap or the Beneficial Ownership Cap), the Holder may, by delivery of written notice ("Major Transaction Early Termination Notice") to the Company and the Transfer Agent at any time during the period beginning after the Holder's receipt of a Major Transaction Notice and ending five (5) Trading Days prior to the consummation of such Major Transaction (the "Early Termination Period"), require the Company to redeem (an "Early Termination Upon Major Transaction"), effective immediately prior to the consummation of such Major Transaction, all or any portion of this Warrant not eligible to be exercised as a Cashless Major Exercise (without taking into consideration the 9.985% Cap or the Beneficial Ownership Cap). The Major Transaction Early Termination Notice shall indicate the portion of the Warrant that the Holder is electing to have redeemed in accordance with the terms hereof. Such portion of this Warrant (the "Redeemable Portion") shall be redeemed by the Company at a price (the "Major Transaction Warrant Early Termination Price") payable in cash equal to (i) in the event of a Major Transaction occurring prior to the two-year anniversary of the Date of Issuance, the Intrinsic Value of the Redeemable Portion, and (ii) in the event of a Major Transaction occurring from and after the two-year anniversary of the Date of Issuance, the "Black Scholes Value" of the Redeemable Portion determined by use of the Black Scholes Option Pricing Model using the criteria set forth in Schedule 1 hereto (the "Black Scholes Value"), provided, however, that in the event of a Major Transaction specified in Section 5(c)(i)(A), (B) or (C) occurring from and after the two-year anniversary of the Date of Issuance that is with Holder, the original Holder or any of their respective Affiliates, the formula in the preceding clause (i) shall apply.

To the extent the Holder shall elect to effect a Cashless Major Exercise in respect of a Major Transaction, the Holder shall deliver its exercise notice in accordance with Section 3(b), within the Early Termination Period. In the event of a Major Transaction, Holders of Restricted ADSs shall be deemed to be holders of ADSs with respect to such Major Transaction.

(iv) Escrow; Payment of Major Transaction Warrant Early Termination Price. Following the receipt of a Major Transaction Early Termination Notice or a notice of a Cashless Major Exercise from the Holder, the Company shall not effect a Major Transaction that is being treated as an Early Termination Upon Major Transaction or in connection with which this Warrant is eligible to be exercised as a Cashless Major Exercise unless it either (a) obtains the written agreement of the Successor Entity that payment of the Major Transaction Warrant Early Termination Price and/or issuance of the applicable Cashless Major Shares shall be made to the Holder prior to consummation of such Major Transaction and such issuance or payment shall be a condition precedent to consummation of such Major Transaction or (b) it shall first place into an escrow account with an independent escrow agent, at least three (3) business days prior to the closing date of such Major Transaction (the "Major Transaction Escrow Deadline"), an amount in ADSs or cash, as applicable, equal to the Major Transaction Warrant Early Termination Price and/or applicable Exercise Shares. If an escrow account is required to be established pursuant to the preceding sentence, concurrently upon closing of such Major Transaction, the Company shall pay or shall instruct the escrow agent to pay the Major Transaction Warrant Early Termination Price and/or to deliver the applicable Cashless Major Shares to the Holder. For purposes of determining the amount, if any, required to be placed in escrow pursuant to the provisions of this subsection (iv) and without affecting the amount of the actual Major Transaction Warrant Early Termination Price and/or the number of applicable Cashless Major Shares, the calculation of the "Stock Price" referred to in Schedule 1 hereto shall be determined based on the Closing Market Price (as defined on Schedule I) of the ADSs on the Trading Day immediately preceding the date that the funds and/or applicable Exercise Shares, as applicable, are deposited with the escrow agent.

(v) Injunction. Following the receipt of a Major Transaction Early Termination Notice or notice of a Cashless Major Exercise from the Holder, in the event that the Company attempts to consummate a Major Transaction without either (1) placing the Major Transaction Warrant Early Termination Price, or applicable Exercise Shares, as applicable, in escrow in accordance with subsection (iv) above, (2) payment of the Major Transaction Warrant Early Termination Price or issuance of the applicable Exercise Shares, as applicable, to the Holder prior to consummation of such Major Transaction or (3) obtaining the written agreement of the Successor Entity described in subsection (iv) above, the Holder shall have the right to apply for an injunction in any state or federal courts sitting in the City of New York, borough of Manhattan to prevent the closing of such Major Transaction until the Major Transaction Warrant Early Termination Price is paid to the Holder, in full or the applicable Exercise Shares are delivered, as applicable.

An early termination required by this Section 5(c) shall be made in accordance with the provisions of Section 12 and shall have priority to payments to holders of Ordinary Shares and ADSs in connection with a Major Transaction to the extent an early termination required by this Section 5(c)(iii) are deemed or determined by a court of competent jurisdiction in the United States to be prepayments of the Warrant by the Company, such early termination shall be deemed to be voluntary prepayments. Notwithstanding anything to the contrary in this Section 5, until the Major Transaction Warrant Early Termination Price is paid in full, this Warrant may be exercised, in whole or in part, by the Holder into ADSs or Restricted ADSs, as applicable, or in the event the Exercise Date is after the consummation of the Major Transaction, shares of publicly traded common stock or American Depositary Shares (or their equivalent) of the Successor Entity pursuant to Section 5(c). The parties hereto agree that in the event of the Company's early termination of any portion of the Warrant under this Section 5(c), the Holder's damages would be uncertain and difficult to estimate because of the parties' inability to predict future interest rates and the uncertainty of the availability of a suitable substitute investment opportunity for the Holder. Accordingly, any premium due under this Section 5(c) is intended by the parties to be, and shall be deemed, a reasonable estimate of the Holder's actual loss of its investment opportunity and not as a penalty.

For purposes hereof:

"Another Entity" shall mean an entity in which the holders of a majority of the Ordinary Shares of the Company immediately prior to the consummation of a Major Transaction do not hold a majority of the equity securities in such entity.

"Cash-Out Major Transaction" means a Major Transaction in which the consideration payable to holders of Ordinary Shares in connection with the Major Transaction consists solely of cash.

"Cashless Default Exercise" shall mean an exercise of this Warrant as a "Cashless Default Exercise" in accordance with Section 3(c) and 11(b) hereof.

"Cashless Major Exercise" shall mean an exercise of this Warrant or portion thereof as a "Cashless Major Exercise" in accordance with Section 3(b) and 5(c)(i) hereof.

"Cashless Major Shares" means ADSs or Restricted ADSs issued or issuable pursuant to a Cashless Major Exercise.

"Eligible Market" means the over the counter Bulletin Board, the New York Stock Exchange, Inc., the NYSE Arca, the NASDAQ Capital Market, the NASDAQ Global Market, the NASDAQ Global Select Market or the NYSE Alternext U.S.

“Mixed Major Transaction” means a Major Transaction in which the consideration payable to the shareholders of the Company consists partially of cash and partially of securities of a Successor Entity. If the Successor Entity is a Publicly Traded Successor Entity, the percentage of consideration represented by securities of such Successor Entity shall be equal to the percentage that the value of the aggregate anticipated number of shares of the Publicly Traded Successor Entity to be issued to holders of Ordinary Shares of the Company represents in comparison to the aggregate value of all consideration, including cash consideration, in such Mixed Major Transaction, as such values are set forth in any definitive agreement for the Mixed Major Transaction that has been executed at the time of the first public announcement of the Major Transaction or, if no such value is determinable from such definitive agreement, based on the average of the closing market prices for shares of the Publicly Traded Successor Entity on its principal securities exchange for the five (5) Trading Day period commencing on the second Trading Day preceding the first public announcement of the Mixed Major Transaction. If the Successor Entity is a Private Successor Entity, the percentage of consideration represented by securities of such Successor Entity shall be determined in good-faith by the Company's Board of Directors

“Parent Entity” of a Person means an entity that, directly or indirectly, controls the applicable Person and whose common stock or equivalent equity security is quoted or listed on an Eligible Market, or, if there is more than one such Person or Parent Entity, the Person or Parent Entity with the largest public market capitalization as of the date of consummation of a Major Transaction.

“Person” means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity and a government or any department or agency thereof.

“Private Successor Entity” means a Successor Entity that is not a Publicly Traded Successor Entity.

“Publicly Traded Successor Entity” means a Successor Entity that is a publicly traded corporation whose common stock is quoted on or listed for trading on an Eligible Market (as defined above).

“Successor Entity” means any Person purchasing the Company’s assets or Ordinary Shares, or any successor entity resulting from such Major Transaction, or if the Warrant is to be exercisable for shares of capital stock of its Parent Entity (as defined above), its Parent Entity.

(d) Exercise Price Adjusted. As used in this Warrant, the term “Exercise Price” shall mean the purchase price per share specified in Section 3(a) of this Warrant, until the occurrence of an event stated in this Section 5 or otherwise set forth in this Warrant, and thereafter shall mean said price as adjusted from time to time in accordance with the provisions of said subsection.

(e) Adjustments: Additional Shares, Securities or Assets. In the event that at any time, as a result of an adjustment made pursuant to this Section 5 or otherwise, Holder shall, upon Exercise of this Warrant, become entitled to receive shares and/or other securities or assets (other than ADSs or Restricted ADSs) then, wherever appropriate, all references herein to ADSs or Restricted ADSs shall be deemed to refer to and include such shares and/or other securities or assets; and thereafter the number of such shares and/or other securities or assets shall be subject to adjustment from time to time in a manner and upon terms as nearly equivalent as practicable to the provisions of this Section 5.

(f) Notice of Adjustments. Whenever the Exercise Price is adjusted pursuant to the terms of this Warrant, the Company shall promptly mail to the Holder a notice (an “Exercise Price Adjustment Notice”) setting forth the Exercise Price after such adjustment and setting forth a statement of the facts requiring such adjustment. The Company shall, upon the written request at any time of the Holder, furnish to such Holder a like Warrant setting forth (i) such adjustment or readjustment, (ii) the Exercise Price at the time in effect and (iii) the number of ADSs or Restricted ADSs and the amount, if any, of other securities or property which at the time would be received upon Exercise of the Warrant. For purposes of clarification, whether or not the Company provides an Exercise Price Adjustment Notice pursuant to this Section 5(f), upon the occurrence of any event that leads to an adjustment of the Exercise Price, the Holder would be entitled to receive a number of Exercise Shares based upon the new Exercise Price, as adjusted, for exercises occurring on or after the date of such adjustment, regardless of whether the Holder accurately refers to the adjusted Exercise Price in the Exercise Form.

6. Fractional Interests.

No fractional shares or scrip representing fractional shares shall be issuable upon the Exercise of this Warrant, but on Exercise of this Warrant, Holder may purchase only a whole number of ADSs or Restricted ADSs. If, on Exercise of this Warrant, Holder would be entitled to a fractional ADS or Restricted ADS or a right to acquire a fractional ADS or Restricted ADS, such fractional share shall be disregarded and the number of ADSs or Restricted ADSs issuable upon Exercise shall be the next higher whole number of shares.

7. Reservation of Shares.

The Company covenants and agrees that upon the Exercise of this Warrant, all ADSs and Restricted ADSs issuable upon such Exercise and all underlying Ordinary Shares shall be duly and validly issued, fully paid and nonassessable and not subject to preemptive rights, rights of first refusal or similar rights of any Person (the "Issuance Conditions"). The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of NASDAQ, or such other principal trading market upon which ADSs may be listed if no longer on NASDAQ. For so long as the Warrant is outstanding and the Company's Board of Directors has not taken an action consistent with Section 2(c)(ii), the Company shall use commercially reasonable best efforts to maintain the Deposit Agreement, and shall not terminate the Deposit Agreement nor allow it to lapse due to the Company's failure to appoint a successor Depositary upon the resignation of the Deposit in accordance with the provisions of the Deposit Agreement. Upon the termination of Bank of New York as Depositary or Restricted ADR Depositary, the Company shall promptly appoint a successor Depositary or Restricted ADR Depositary, as the case may be, and all references herein to Depositary or Restricted ADR Depositary, as the case may be, shall thereafter refer to such successor Depositary or Restricted ADR Depositary, as the case may be. Without the consent of the Holder, the Company shall not amend either the BSA Agreement or the Deposit Agreement in a manner that adversely affects the rights of the Holder in a materially disproportionate manner to the rights of other ADS holders.

8. Restrictions on Transfer.

(a) Registration or Exemption Required. This Warrant has been issued in a transaction exempt from the registration requirements of the Securities Act by virtue of Regulation D and exempt from state registration or qualification under applicable state laws. None of the Warrant, the Exercise Shares or Failure Payment Shares may be pledged, transferred, sold or assigned except pursuant to an effective registration statement or an exemption to the registration requirements of the Securities Act and applicable state laws including, without limitation, a so-called "4(1) and a half" transaction.

(b) Assignment. Subject to Section 8(a) and the requirement of compliance with applicable law, the Holder may sell, transfer, assign, pledge, or otherwise dispose of this Warrant, in whole or in part. Holder shall deliver a written notice to Company, substantially in the form of the Assignment attached hereto as Exhibit B, indicating the Person or Persons to whom the Warrant shall be assigned and the respective number of warrants to be assigned to each assignee. The Company shall effect the assignment within three (3) business days (the "Transfer Delivery Period"), and shall deliver to the assignee(s) designated by Holder a Warrant or Warrants of like tenor and terms for the appropriate number of shares. This Warrant and the rights evidenced hereby shall inure to the benefit of and be binding upon the successors and assigns of the Holder. The provisions of this Warrant are intended to be for the benefit of all Holders from time to time of this Warrant, and shall be enforceable by any such Holder. For avoidance of doubt, in the event Holder notifies the Company that such sale or transfer is a so called "4(1) and half" transaction, the parties hereto agree that a legal opinion from outside counsel for the Holder delivered to counsel for the Company substantially in the form attached hereto as Exhibit C shall be required and shall be the only requirement to satisfy an exemption from registration under the Securities Act to effectuate such "4(1) and half" transaction.

9. Noncircumvention.

The Company hereby covenants and agrees that the Company will not, by amendment of its memorandum and articles of association, bylaws or through any reorganization, transfer of assets, consolidation, merger, scheme of arrangement, dissolution, issue or sale of securities, or any other voluntary action, take any action for the purpose of avoiding or seeking to avoid the observance or performance of any of the terms of this Warrant, and will at all times in good faith carry out all the provisions of this Warrant. Without limiting the generality of the foregoing, the Company (i) shall not increase the nominal value of any Ordinary Shares underlying ADSs or Restricted ADSs receivable upon the exercise of this Warrant above the Exercise Price then in effect, and (ii) shall take all such actions as may be reasonably necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Ordinary Shares in respect of ADSs and Restricted ADSs issued upon the exercise of this Warrant.

10. Events of Failure; Definition of Black Scholes Value.

(a) Definition.

The occurrence of each of the following shall be considered to be an "Event of Failure."

(i) A Delivery Failure occurs, where a "Delivery Failure" shall be deemed to have occurred if the Company fails to deliver Ordinary Shares satisfying the Issuance Conditions to the Depositary or fails to cause the Exercise Shares satisfying the Issuance Conditions to be delivered to the Holder within any applicable Delivery Period or if the Company fails to deliver the cash and/or promissory note in respect of the Redemption Exercise Price within ten (10) business days following a Redemption Exercise Date or fails to satisfy any payment required under such promissory note in accordance with the terms thereof;

(ii) a Transfer Delivery Failure occurs, where a "Transfer Delivery Failure" shall be deemed to have occurred if the Company fails to use its commercially reasonable best efforts to deliver a Warrant within any applicable Transfer Delivery Period; and

(iii) a Registration Failure (as defined below).

For purpose hereof, "Registration Failure" means that (A) the Company fails to file with the SEC on or before the Filing Deadline (as defined in the Registration Rights Agreement) any Registration Statement required to be filed pursuant to the terms and conditions of the Registration Rights Agreement, (B) the Company fails to use its commercially reasonable efforts to obtain effectiveness with the SEC, prior to the Registration Deadline (as defined in the Registration Rights Agreement), and if such Registration Statement is not so filed prior to the Registration Deadline, as soon as possible thereafter, of any Registration Statement (as defined in the Registration Rights Agreement) that are required to be filed pursuant to the terms and conditions of the Registration Rights Agreement, or fails to use commercially reasonable efforts to keep such Registration Statement current and effective as required in the Registration Rights Agreement, (C) The Company fails to file any additional Registration Statements required to be filed pursuant to the terms and conditions of the Registration Rights Agreement on or before the Additional Filing Deadline (as defined in the Registration Rights Agreement) or fails to use its commercially reasonable efforts to cause such new Registration Statement to become effective on or before the Additional Registration Deadline, and if such effectiveness does not occur within such period, as soon as possible thereafter, (D) the Company fails to file any amendment to any Registration Statement, or any additional Registration Statement required to be filed pursuant to the terms and conditions of the Registration Rights Agreement within twenty (20) days of the applicable Registration Trigger Date (as defined in the Registration Rights Agreement), or fails to use its commercially reasonable efforts to cause such amendment and/or new Registration Statement to become effective within sixty (60) days of the applicable Registration Trigger Date, and, if such effectiveness does not occur within such period, as soon as possible thereafter, (E) any Registration Statement required to be filed under the Registration Rights Agreement, after its initial effectiveness and during the Registration Period (as defined in the Registration Rights Agreement), lapses in effect or sales of all of the Registrable Securities (as defined in the Registration Rights Agreement) cannot otherwise be made thereunder (whether by reason of the Company's failure to amend or supplement the prospectus included therein in accordance with the Registration Rights Agreement, or the Company's failure to file and, use commercially reasonable efforts to obtain effectiveness with the SEC of an additional Registration Statement or amended Registration Statement required, in each case, pursuant to terms and conditions of the Registration Rights Agreement), or (F) the Company fails to provide a written response to any comments to any Registration Statement submitted by the SEC within twenty (20) days of the date that such SEC comments are received by the Company. For the avoidance of doubt, with respect to any event set forth in the definition of Registration Failure, in no event shall a Registration Failure occur in respect of the Company's failure to cause such event to occur where the Company has used the requisite standards, if any, to cause such event to occur, in accordance with the definition of Registration Failure.

(b) Failure Payments; Black-Scholes Determination. The Company understands that any Event of Failure (as defined above) could result in economic loss to the Holder. In the event that any Event of Failure occurs, as compensation to the Holder for such loss, the Company agrees to pay (as liquidated damages and not as a penalty) to the Holder an amount ("Failure Payments"), payable, at the Company's option, either (i) in cash or (ii) in ADSs or Restricted ADSs, as applicable (the "Failure Payment Shares"), that are valued for these purposes at the Volume Weighted Average Price on the date of such calculation, in each case equal to 18% per annum (or the maximum rate permitted by applicable law, whichever is less) of the Black-Scholes value (as determined below) of the remaining unexercised portion of this Warrant on the date of such Event of Failure (as recalculated on the first business day of each month thereafter for as long as Failure Payments shall continue to accrue), which shall accrue daily from the date of such Event of Failure until the Event of Failure is cured, accruing daily and compounded monthly, provided, however, that during any period that the Company does not qualify as a "foreign private issuer" as defined under Rule 3b-4 promulgated under the Exchange Act, the Holder shall only receive up to such amount of ADSs or Restricted ADSs in respect of Failure Payments such that the Holder and any other persons or entities whose beneficial ownership (including the ownership of ADSs) would be aggregated with the Holder's for purposes of Section 13(d) of the Exchange Act (including shares held by any "group" of which the Holder is a member, but excluding shares beneficially owned by virtue of the ownership of securities or rights to acquire securities that have limitations on the right to convert, exercise or purchase similar to the limitation set forth herein) shall not collectively beneficially own greater than 9.985% of the total number of Ordinary Shares (including through ownership of ADSs) then issued and outstanding. Notwithstanding the above, Failure Payments made in respect of Events of Failure occurring on or prior to the Shareholder Approval Date shall be made only in cash (without regard to the 9.985% restriction described in the immediately preceding sentence). For purposes of clarification, it is agreed and understood that Failure Payments shall continue to accrue following any Event of Default until the applicable Default Amount is paid in full.

In the event that the Company (i) has, by the Filing Deadline (as defined the Registration Rights Agreement) filed a Registration Statement (as defined in the Registration Rights Agreement) covering the number of shares required by the Registration Rights Agreement, and (ii) has responded in writing to any comments to the Registration Statement that the Company has received from the SEC, within seven (7) Business Days of such receipt, and nevertheless the SEC has not declared effective a Registration Statement covering the full number of Warrant Shares issuable upon exercise of the Warrants by the Registration Deadline (as defined in the Registration Rights Agreement) then, the Failure Payments attributable to such late Registration Effectiveness shall be reduced from 18% to 15% (calculated as set forth above). For the avoidance of doubt, nothing in the immediately preceding sentence shall be construed to increase the obligations of the Company under the definition of "Registration Failure" above. The Company shall satisfy any Failure Payments under this Section pursuant to Section 10(c) below. Failure Payments are in addition to any shares that the Holder is entitled to receive upon Exercise of this Warrant.

For purposes hereof, the "Black-Scholes" value of a Warrant shall be determined by use of the Black Scholes Option Pricing Model using the criteria set forth on Schedule 1 hereto.

(c) Payment of Accrued Failure Payments. The Failure Payments for each Event of Failure shall be delivered (and, if applicable, issued) on or before the fifth (5th) business day of each month following a month in which Failure Payments accrued. Nothing herein shall limit the Holder's right to pursue actual damages (to the extent in excess of the Failure Payments) for the Company's Event of Failure, and the Holder shall have the right to pursue all remedies available at law or in equity (including a decree of specific performance and/or injunctive relief). Notwithstanding the above, if a particular Event of Failure results in an Event of Default pursuant to Section 11 hereof, then the Failure Payment, for that Event of Failure only, shall be considered to have been satisfied upon payment to the Holder of an amount equal to the greater of (i) the Failure Payment, or (ii) the Default Amount, payable in accordance with Section 11.

(d) Maximum Interest Rate. Nothing contained herein or in any document referred to herein or delivered in connection herewith shall be deemed to establish or require the payment of a rate of interest or other charges in excess of the maximum permitted by applicable law. In the event that the rate of interest or dividends required to be paid or other charges hereunder exceed the maximum permitted by such law, any payments in excess of such maximum shall be credited against amounts owed by the Company to the Holder and thus refunded to the Company.

11. Default.

(a) *Events Of Default*. Each of the following events shall be considered to be an "Event of Default," unless waived by the Holder:

(i) *Failure To Effect Registration.* With respect to all Registration Failures, a Registration Failure occurs and remains uncured for a period of more than thirty (30) days (or forty-five (45) days in the case where the Company (i) has, by the Filing Deadline (as defined the Registration Rights Agreement) filed a Registration Statement (as defined in the Registration Rights Agreement) covering this Warrant and the number of shares required by the Registration Rights Agreement, and (ii) has responded in writing to any comments to the Registration Statement that the Company has received from the SEC, within twenty (20) days of such receipt, and nevertheless the SEC has not declared effective a Registration Statement covering this Warrant and the Shares by the Registration Deadline (as defined in the Registration Rights Agreement)), and such Registration Failure relates solely to the Company's failure to have the Registration Statement declared effective by the Registration Deadline (as defined in the Registration Rights Agreement) and with respect to a Registration Failure provided in clause (E) of the definition of "Registration Failure", such Registration Failure occurs and remains uncured for a period of more than thirty (30) days. For the avoidance of doubt, nothing in the immediately preceding sentence shall be construed to increase the obligations of the Company under the definition of "Registration Failure" above.

(ii) Continuing Delivery Failure. A Delivery Failure (as defined above) occurs and remains uncured for a period of more than twenty (20) days; or at any time, the Company announces or states in writing that it will not honor its obligations to cause the issuance of Ordinary Shares to the Depositary or the Restricted ADR Depositary, as applicable and ADSs or Restricted ADS, as applicable, to the Holder upon Exercise by the Holder of the Exercise rights of the Holder or, if applicable, to deliver cash, in accordance with the terms of this Warrant.

(iii) Legend Removal Failure. A Legend Removal Failure (as defined below) occurs and remains uncured for a period of twenty (20) days; and

(iv) Corporate Existence; Major Transaction. The Company has failed to either (1) place the Major Transaction Warrant Early Termination Price or the Exercise Shares issuable upon exercise of a Cashless Major Exercise, as the case may be, into escrow or (2) obtain the written agreement of the Successor Entity as described in Section 5(c)(iv) or the Company has failed to instruct the escrow agent to release such amount or such shares, as the case may be, to the Holder pursuant to Section 5(c)(iv).

A "Legend Removal Failure" shall be deemed to have occurred if the Company fails to use its commercially reasonable best efforts to issue this Warrant and/or Exercise Shares without a restrictive legend, or fails to use its commercially reasonable best efforts to cause the Depositary to remove a restrictive legend, when and as required under Section 2(e) hereof;

(b) Mandatory Early Termination.

(i) Mandatory Early Termination Amount; Cashless Default Exercise. If any Events of Default shall occur then, unless waived by the Holder, upon the occurrence and during the continuation of any Event of Default, at the option of the Holder, such option exercisable through the delivery of written notice to the Company by such Holder (the "Default Notice"), the Company shall have the right to terminate the outstanding amount of this Warrant and pay to the Holder (a "Mandatory Early Termination"), in full satisfaction of its obligations hereunder by delivery of a notice to such effect to the Holder within two (2) Business Days following receipt of the Default Notice, an amount payable in cash (the "Mandatory Early Termination Amount" or the "Default Amount") equal to the greater of (i) the Black-Scholes value (as determined in accordance with Section 10(b)) of the remaining unexercised portion of this Warrant on the date of such Default Notice and (2) the Black-Scholes value (also as determined in accordance with Section 10(b)) of the remaining unexercised portion of this Warrant on the Trading Day immediately preceding the date that the Mandatory Early Termination Amount is paid to the Holder. In the event the Company does not exercise its right to consummate a Mandatory Early Termination, then the Holder shall have the right to exercise this Warrant pursuant to a Cashless Default Exercise in accordance with Section 3(c) above.

Notwithstanding anything in this subsection 11(b)(i) to the contrary, in the event the Default Notice is delivered by the Holder on or prior to the Shareholder Approval Date, the Company shall be required to pay to the Holder the Mandatory Early Termination Amount in cash and/or a promissory note, dated the date of the Default Notice, substantially in the form of Exhibit D hereto, and payment of such amount and in such manner shall not be at the option of the Company.

The Mandatory Early Termination Amount shall be payable within five (5) Business Days following the date of the applicable Default Notice.

(ii) Liquidated Damages. The parties hereto acknowledge and agree that the sums payable as Failure Payments or pursuant to a Mandatory Early Termination shall give rise to liquidated damages and not penalties. The parties further acknowledge that (i) the amount of loss or damages likely to be incurred by the Holder is incapable or is difficult to precisely estimate, (ii) the amounts specified bear a reasonable proportion and are not plainly or grossly disproportionate to the probable loss likely to be incurred by the Holder, and (iii) the parties are sophisticated business parties and have been represented by sophisticated and able legal and financial counsel and negotiated this Agreement at arm's length.

The Default Amount, together with all other amounts payable hereunder, shall immediately become due and payable, all without demand, presentment or notice, all of which hereby are expressly waived, together with all costs, including, without limitation, legal fees and expenses, of collection, and the Holder shall be entitled to exercise all other rights and remedies available at law or in equity.

(c) **Intentionally omitted.**

(d) Injunction. In the event that an Event of Default pertains to a Legend Removal Failure, the Company may not refuse such unlegended share delivery based on any claim that such Holder or any one associated or affiliated with such Holder has been engaged in any violation of law, unless, within sixty (60) days of the applicable Default Notice an injunction from a United States court, on prior notice to Holder, restraining and or enjoining Exercise of all or part of said Warrant shall have been sought and obtained by the Company.

(e) Remedies, Other Obligations, Breaches And Injunctive Relief. The remedies provided in this Warrant shall be cumulative and in addition to all other remedies available under this Warrant, the Purchase Agreement and the Registration Rights Agreement, at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit the right of the Holder to pursue actual damages for any failure by the Company to comply with the terms of this Warrant. The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder and that the remedy at law for any such breach may be inadequate. The Company therefore agrees that, in the event of any such breach or threatened breach, the holder of this Warrant shall be entitled, in addition to all other available remedies, to seek an injunction restraining any breach, without the necessity of showing economic loss and without any bond or other security being required.

12. Holder's Early Terminations.

Mechanics of Holder's Early Terminations. In the event that the Company does not deliver the applicable Redemption Exercise Price, Major Transaction Warrant Early Termination Price or Default Amount or the Exercise Shares in respect of a Cashless Major Exercise or a Cashless Default Exercise, as the case may be, to the Holder within the time period or as otherwise required pursuant to the terms hereof, at any time thereafter the Holder shall have the option, upon notice to the Company, in lieu of redemption, early termination, Cashless Major Exercise or Cashless Default Exercise, as the case may be, to require the Company to promptly return to the Holder all or any portion of this Warrant that was submitted for redemption, early termination or exercise. Upon the Company's receipt of such notice, (x) the redemption, applicable early termination or exercise, as the case may be, shall be null and void with respect to such applicable portion of this Warrant, (y) the Company shall immediately return this Warrant, or issue a new Warrant to the Holder representing the portion of this Warrant that was submitted for redemption, early termination or exercise and (z) the Exercise Price of this Warrant or such new Warrant shall be adjusted to the lesser of (A) the Exercise Price as in effect on the date on which the applicable redemption, early termination, default or exercise notice, as the case may be, is voided and (B) the lowest closing price for the ADSs on NASDAQ, or, if NASDAQ is not the principal trading market for the ADSs, the principal securities exchange or other securities market on which the ADSs are then being traded, during the period beginning on and including the date on which the applicable redemption, early termination, default or exercise notice, as the case may be, is delivered to the Company and ending on and including the date on which the applicable redemption, early termination or exercise is voided. The Holder's delivery of a notice voiding a redemption, early termination or exercise and exercise of its rights following such notice shall not affect the Company's obligations to make any payments of Failure Payments which have accrued prior to the date of such notice with respect to the Warrant subject to such notice.

13. Benefits of this Warrant.

Nothing in this Warrant shall be construed to confer upon any person other than the Company and Holder any legal or equitable right, remedy or claim under this Warrant and this Warrant shall be for the sole and exclusive benefit of the Company and Holder.

14. Governing Law.

Other than Section 17 and the relevant provisions of the definition of Shareholder Approval Date contained in Section 1 which shall be governed by French law, all questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Each party agrees that all legal proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the City of New York, borough of Manhattan for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper or is an inconvenient venue for such proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law. The parties hereby waive all rights to a trial by jury. If either party shall commence an action or proceeding to enforce any provisions of this Agreement, then the prevailing party in such action or proceeding shall be reimbursed by the other party for its reasonable attorneys' fees and other costs and expenses incurred with the investigation, preparation and prosecution of such action or proceeding. The Company irrevocably waives its rights under the provisions of Article 14 and Article 15 of the French Civil Code.

15. Loss of Warrant.

Upon receipt by the Company of evidence of the loss, theft, destruction or mutilation of this Warrant, and (in the case of loss, theft or destruction) of indemnity or security reasonably satisfactory to the Company, and upon surrender and cancellation of this Warrant, if mutilated, the Company shall execute and deliver a new Warrant of like tenor and date.

16. Notice or Demands.

Notices or demands pursuant to this Warrant to be given or made by Holder to or on the Company shall be sufficiently given or made if sent by certified or registered mail, return receipt requested, postage prepaid or via express delivery with a nationally recognized courier, and addressed, until another address is designated in writing by the Company, to the address set forth in Section 2(a) above. Notices or demands pursuant to this Warrant to be given or made by the Company to or on Holder shall be sufficiently given or made if sent by certified or registered mail, return receipt requested, postage prepaid or via express delivery with a nationally recognized courier, and addressed, to the address of Holder set forth in the Company's records, until another address is designated in writing by Holder.

17. Maintenance of the Rights of a Holder of a Warrant Under French Anti-Dilution Statutes. Effective upon the Shareholder Approval Date and to the extent not already covered by Section 5, the French anti-dilution provisions of paragraph 1 or 3 (excluding 2) of Article L.228-99 of the French Commercial Code shall apply.

18. Currency. All amounts owing under the Warrant that, in accordance with its terms, are paid in cash shall be paid in United States dollars. “Exchange Rate” means, in relation to any amount of currency to be converted from United States dollars pursuant to Section 20 of the Warrant, the United States dollar exchange rate as published in the Wall Street Journal on the relevant date of calculation (it being understood and agreed that where an amount is calculated with reference to, or over, a period of time, the date of calculation shall be the final date of such period of time).

19. Taxes. The purchase of ADSs or Restricted ADSs upon the exercise in whole or in part of the Warrant will not be subject to withholding tax in France.

20. Judgment Currency.

(a) If, for the purpose of obtaining or enforcing judgment against the Company in any court in any jurisdiction, it becomes necessary to convert into any other currency (such other currency being hereinafter in this Section 20(a) referred to as the “Judgment Currency”) an amount due in United States dollars under the Warrant, the exercise shall be made at the Exchange Rate prevailing on the business day immediately preceding:

(i) the date actual payment of the amount due, in the case of any proceeding in the courts of New York or in the courts of any other jurisdiction that will give effect to such exercise being made on such date; or

(ii) the date on which the French or any other non U.S. court determines, in the case of any proceeding in the courts of any other jurisdiction (the date as of which such exercise is made pursuant to this Section 20(a)(ii) being hereinafter referred to as the "Judgment Exercise Date").

(b) If in the case of any proceeding in the court of any jurisdiction referred to in Section 20(a)(ii) above, there is a change in the Exchange Rate prevailing between the Judgment Exercise Date and the date of actual payment of the amount due, the applicable party shall pay such adjusted amount as may be necessary to ensure that the amount paid in the Judgment Currency, when converted at the Exchange Rate prevailing on the date of payment, will produce the amount of United States dollars which could have been purchased with the amount of Judgment Currency stipulated in the judgment or judicial order at the Exchange Rate prevailing on the Judgment Exercise Date.

(c) Any amount due from the Company under this provision shall be due as a separate debt and shall not be affected by judgment being obtained for any other amounts due under or in respect of the Warrant.

21. No Third-Party Beneficiaries.

This Warrant is for the sole benefit of the Company and the Holder and their respective successors and, in the case of the Holder, permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever, under or by reason of this Warrant.

22. Headings.

The headings in this Warrant are for reference only and shall not affect the interpretation of this Warrant.

24. Amendment and Modification; Waiver.

Except as otherwise provided herein, this Warrant may only be amended, modified or supplemented by an agreement in writing signed by the Company and the Holder. No waiver by the Company or the Holder of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any rights, remedy, power or privilege arising from this Warrant shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

25. Severability.

If any term or provision of this Warrant is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Warrant or invalidate or render unenforceable such term or provision in any other jurisdiction.

26. Limitation on Issuance of Shares.

Notwithstanding anything herein to the contrary, the maximum number of Warrant Shares issued or issuable pursuant to the Warrant Agreements issuable under Section 1.2 of the Purchase Agreement, and any subsequent warrant certificates issued as a result of any Exercise, Redemption or transfer of this or any such warrants, may not exceed, 4,925,433 Shares in the aggregate (as appropriately adjusted to reflect any stock splits).

IN WITNESS WHEREOF, the undersigned has executed this Warrant as of the 13th day of March, 2012.

FLAMEL TECHNOLOGIES S.A.

By: /s/ Stephen H. Willard
Name: Stephen H. Willard
Title: Chief Executive Officer

ANNEX A-1

OFFICER'S CERTIFICATE

To : Eclat Holdings, LLC

On March 13, 2012

Dear Sir :

You will find attached a "certificat d'inscription du Warrant" issued by Flamel Technologies S.A. and a copy of the Warrant Register.

We hereby confirm that the securities being the subject of such certificate and being recorded in the Warrant Register is the Warrant to purchase ADSs, the terms and conditions of which are attached hereto.

Yours sincerely,

Flamel Technologies S.A.

/s/ Stephen H. Willard

Name: Stephen H. Willard
Title: Chief Executive Officer

ANNEX A-2

OFFICER'S CERTIFICATE

To : [Holder]

On [_____]][__], 20[__]

Dear Sir :

You will find attached a "certificat d'inscription en compte" issued by [ ], Flamel Technologies SA's Transfer Agent and a copy of the BSAs Register ("compte d' actionnaire").

We hereby confirm that the securities being the subject of such certificate and being recorded in the BSAs Register are the bons de souscription d'actions, the terms and conditions of which are attached hereto.

Yours sincerely,

In the name and for the account of Flamel Technologies SA
Name:
Title:

EXHIBIT A-1

EXERCISE FORM FOR WARRANT

TO: [ ]

CHECK THE APPLICABLE BOX:

☐ ***Cash Exercise or Cashless Exercise***

The undersigned hereby irrevocably exercises the attached warrant (the "Warrant") with respect to _____ American Depositary Shares ("ADSs") each representing one Ordinary Share, nominal value 0.122 Euros of Flamel Technologies, S.A., a corporation organized under the laws of the Republic of France (the "Company"), and, if pursuant to a Cashless Exercise, herewith makes payment of the Exercise Price with respect to such shares in full, all in accordance with the conditions and provisions of said Warrant.

[IF APPLICABLE: The undersigned hereby encloses $____ as payment of the Exercise Price.]

[IF APPLICABLE: The undersigned hereby agrees to cancel $____ of principal outstanding under Notes of the Company held by the Holder.]

☐ ***Cashless Major Exercise***

The undersigned hereby irrevocably exercises the Warrant with respect to ____% of the Warrant currently outstanding pursuant to a Cashless Major Exercise in accordance with the terms of the Warrant.

☐ ***Cashless Default Exercise***

The undersigned hereby irrevocably exercises the Warrant pursuant to a Cashless Default Exercise, in accordance with the terms of the Warrant.

1. The undersigned requests that any certificates for such shares be issued free of any restrictive legend, if appropriate, and a warrant representing any unexercised portion hereof be issued, pursuant to the Warrant in the name of the undersigned and delivered to the undersigned at the address set forth below.

2. Capitalized terms used but not otherwise defined in this Exercise Form shall have the meaning ascribed thereto in the Warrant.

Dated: _____

_____

Signature

_____

Print Name

_____

Address

NOTICE

The signature to the foregoing Exercise Form must correspond to the name as written upon the face of the attached Warrant in every particular, without alteration or enlargement or any change whatsoever.

EXHIBIT A-2

REDEMPTION FORM FOR WARRANT

TO: [ ]

The undersigned hereby irrevocably elects to require Flamel Technologies S.A., a corporation organized under the laws of the Republic of France (the "Company"), to redeem ___% (or a portion of the Warrant representing ___ out of ____ underlying ADSs and Restricted ADSs) of the attached warrant (the "Warrant") of the Company currently outstanding, in accordance with Section 2(j) and all other applicable terms of said Warrant.

The undersigned requests that a warrant representing any unredeemed portion hereof be issued, pursuant to the Warrant in the name of the undersigned and delivered to the undersigned at the address set forth below.

Capitalized terms used but not otherwise defined in this Exercise Form shall have the meaning ascribed thereto in the Warrant.

Dated: _____

Signature

Print Name

Address

NOTICE

The signature to the foregoing Redemption Form must correspond to the name as written upon the face of the attached Warrant in every particular, without alteration or enlargement or any change whatsoever.

EXHIBIT B

ASSIGNMENT

(To be executed by the registered holder
desiring to transfer the Warrant or the BSAs as the case may be)

FOR VALUE RECEIVED, the undersigned holder of the attached warrant or the BSAs as the case may be (the “Warrant” or the ”BSAs” as the case may be”) hereby sells, assigns and transfers unto the person or persons below named the right to purchase _____ American Depositary Shares (“ADSs”) each representing one Ordinary Share, nominal value 0.122 Euros of Flamel Technologies, S.A., a corporation organized under the laws of the Republic of France , evidenced by the attached Warrant or the BSAs as the case may be and does hereby irrevocably constitute and appoint _____ attorney to transfer the said Warrant or the BSAs as the case may be on the books of the Company, with full power of substitution in the premises.

Dated: _____

_____
Signature

Fill in for new registration of Warrant or the BSAs as the case may be:

_____
Name

_____
Address

_____
Please print name and address of assignee
(including zip code number)

NOTICE

The signature to the foregoing Assignment must correspond to the name as written upon the face of the attached Warrant in every particular, without alteration or enlargement or any change whatsoever.

EXHIBIT C

FORM OF OPINION

_____, 20__

[_____]

Re: [_____] (the "Company")

Dear Sir:

[_____] ("[_____]") intends to transfer _____ Warrants (the "Warrants") of the Company to _____ ("_____") without registration under the Securities Act of 1933, as amended (the "Securities Act"). In connection therewith, we have examined and relied upon the truth of representations contained in an Investor Representation Letter attached hereto and have examined such other documents and issues of law as we have deemed relevant.

Based on and subject to the foregoing, we are of the opinion that the transfer of the Warrants by _____ to _____ may be effected without registration under the Securities Act, provided, however, that the Warrants to be transferred to _____ contain a legend restricting its transferability pursuant to the Securities Act and that transfer of the Warrants is subject to a stop order.

The foregoing opinion is furnished only to _____ and may not be used, circulated, quoted or otherwise referred to or relied upon by you for any purposes other than the purpose for which furnished or by any other person for any purpose, without our prior written consent.

Very truly yours,

[FORM OF INVESTOR REPRESENTATION LETTER]

_____, 20__

[_____]

Gentlemen:

_____ ("___") has agreed to purchase _____ Warrants (the "Warrants") of [ ] (the "Company") from [_____] ("[_____]"). We understand that the Warrants are "restricted securities." We represent and warrant that _____ is a sophisticated institutional investor that would qualify as an "Accredited Investor" as defined in Rule 501 of Regulation D under the Securities Act of 1933, as amended (the "Securities Act").

_____ represents and warrants as of the date hereof as follows:

1. That it is acquiring the Warrants and the American Depositary Shares underlying such Warrants (the "Exercise Shares") solely for its account for investment and not with a view to or for sale or distribution of said Warrants or Exercise Shares or any part thereof. _____ also represents that the entire legal and beneficial interests of the Warrants and Exercise Shares _____ is acquiring is being acquired for, and will be held for, its account only;

2. That the Warrants and the Exercise Shares have not been registered under the Securities Act on the basis that no distribution or public offering of the stock of the Company is to be effected. _____ realizes that the basis for the exemption may not be present if, notwithstanding its representations, _____ has a present intention of acquiring the securities for a fixed or determinable period in the future, selling (in connection with a distribution or otherwise), granting any participation in, or otherwise distributing the securities. _____ has no such present intention;

3. That the Warrants and the Exercise Shares must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. _____ recognizes that the Company has no obligation to register the Warrants, or to comply with any exemption from such registration;

4. That neither the Warrants nor the Exercise Shares may be sold pursuant to Rule 144 adopted under the Securities Act unless certain conditions are met, including, among other things, the existence of a public market for the shares, the availability of certain current public information about Company, the resale following the required holding period under Rule 144 and the number of shares being sold during any three month period not exceeding specified limitations;

5. That it will not make any disposition of all or any part of the Warrants or Exercise Shares in any event unless and until:

(i) The Company shall have received a letter secured by _____ from the Securities and Exchange Commission stating that no action will be recommended to the Securities and Exchange Commission with respect to the proposed disposition;

(ii) There is then in effect a registration statement under the Securities Act covering such proposed disposition and such disposition is made in accordance with said registration statement; or

(iii) _____ shall have notified the Company of the proposed disposition and, in the case of a sale or transfer in a so called "4(1) and a half" transaction, shall have furnished counsel to the Company with an opinion of counsel, reasonably satisfactory to counsel to the Company.

We acknowledge that the Company will place stop orders with respect to the Warrants and the Exercise Shares, and if a registration statement is not effective, the Exercise Shares shall bear the following restrictive legend:

> "THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER SAID ACT, OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SAID ACT INCLUDING, WITHOUT LIMITATION, PURSUANT TO RULES 144 OR 144A UNDER SAID ACT OR PURSUANT TO A PRIVATE SALE EFFECTED UNDER APPLICABLE FORMAL OR INFORMAL SEC INTERPRETATION OR GUIDANCE, SUCH AS A SO-CALLED "4(1) AND A HALF" SALE, SUBJECT TO DELIVERY OF AN OPINION, AS PROVIDED IN THE WARRANT DATED AS OF [XX], 2012 AND ISSUED BY THE COMPANY."

> "THE SALE, TRANSFER, ASSIGNMENT, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS AND CONDITIONS OF A CERTAIN REGISTRATION RIGHTS AGREEMENT DATED AS OF MARCH 13, 2012, AS AMENDED FROM TIME TO TIME, AMONG THE COMPANY AND CERTAIN HOLDERS OF ITS OUTSTANDING SECURITIES. COPIES OF SUCH AGREEMENT MAY BE OBTAINED AT NO COST BY WRITTEN REQUEST MADE BY THE HOLDER OF RECORD OF THIS CERTIFICATE TO THE SECRETARY OF THE COMPANY."

At any time and from time to time after the date hereof, _____ shall, without further consideration, execute and deliver to [_____] or the Company such other instruments or documents and shall take such other actions as they may reasonably request to carry out the transactions contemplated hereby.

Very truly yours,

EXHIBIT D

PROMISSORY NOTE (Section 2(j) or Section 11(b))

[Date of Issuance]

FOR VALUE RECEIVED, Flamel Technologies, SA, a societe anonyme organized under the laws of the Republic of France (the "Maker"), by means of this Note (this "Note"), hereby unconditionally promises to pay to [ ] (the "Payee"), on [Insert 120 days after the Redemption Exercise Date] (the "Maturity Date"), $[insert applicable Redemption Exercise Price or portion thereof in case of a mixed cash/note payment] in lawful money of the United States of America and in immediately available funds.

This Note is the "note" referred to in [Section 2(j)] [Section 11(b)] of the Warrant to Purchase American Depositary Shares of the Maker issued on March 13, 2012 to Eclat Holdings, LLC (as modified and supplemented and in effect from time to time, the "Warrant").

The outstanding principal amount of this Note shall bear interest, payable on the Maturity Date, at the rate of three percent (3%) simple interest per annum. Without limiting the remedies available to the Payee under the Warrant or otherwise, to the maximum extent permitted by applicable law, if Maker fails to make any payment of principal or interest on the Maturity Date, Maker shall pay on demand interest on the outstanding principal amount and accrued and unpaid interest thereon at the Maturity Date, accruing at the rate of 20 percent (20%) simple interest per annum from and after the Maturity Date until such payment is made.

If a Major Transaction (as defined in the Warrant) has occurred, the outstanding principal amount of this Note and accrued interest thereon shall become immediately due and payable.

All payments due to the Payee from the Maker pursuant to this Note shall be made in the full face amount thereof. This Note may be prepaid in full or in part at any time without penalty or premium. The Maker shall pay all and any reasonable costs (administrative or otherwise) imposed by the Maker's banks, clearing houses, or any other financial institution, in connection with making any payments hereunder.

The Maker and every endorser of this Note, or the obligations represented hereby, expressly waives presentment, protest, demand, notice of dishonor or default, and notice of any kind with respect to this Note or the performance of the obligations under this Note. No renewal or extension of this Note, no release of any Person primarily or secondarily liable on this Note including the Maker and any endorser, no delay in the enforcement of payment of this Note and no delay or omission in exercising any right or power under this Note affect the liability of the Maker or any endorser of this Note (other than the payment in full of the amounts due under this Note).

The provisions of this Note may be waived only in a writing signed by the Payee.

[THE IMMEDIATELY FOLLOWING PARAGRAPH WILL ONLY BE INSERTED IF PROMISSORY NOTE ISSUED PRIOR TO SHAREHOLDER APPROVAL DATE]

This Note is secured by the Security Agreement (as such term is defined in the Note Agreement).

The provisions of Sections 5.1, 5.2, 5.3, 5.4, 5.6, 5.7, 5.10, 5.11, 5.12, 5.14 and 5.15 of the Note Agreement dated as of March 13, 2012 are incorporated by reference herein and made applicable to this Note, *mutatis mutandis*. Such incorporation shall survive any termination of the Note Agreement.

IN WITNESS WHEREOF, an authorized representative of the Maker has executed this Note as of the date first written above.

FLAMEL TECHNOLOGIES S.A.

By: _____

Name:
Title:

Schedule 1

Black-Scholes Value

	Calculation Under Section 5(c)(iii)	Calculation Under Section 10(b) or 11(b)
Remaining Term	Number of calendar days from date of public announcement of the Major Transaction until the last date on which the Warrant may be exercised.	Number of calendar days from date of the determination until the last date on which the Warrant may be exercised.
Interest Rate	A risk-free interest rate corresponding to the US$ LIBOR/Swap rate for a period equal to the Remaining Term.	A risk-free interest rate corresponding to the US$ LIBOR/Swap rate for a period equal to the Remaining Term.
Volatility	If the first public announcement of the Major Transaction is made at or prior to 4:00 p.m., New York City time, the arithmetic mean of the historical volatility for the 10, 30 and 50 Trading Day periods ending on the date of such first public announcement, obtained from the HVT or similar function on Bloomberg. If the first public announcement of the Major Transaction is made after 4:00 p.m., New York City time, the arithmetic mean of the historical volatility for the 10, 30 and 50 Trading Day periods ending on the next succeeding Trading Day following the date of such first public announcement, obtained from the HVT or similar function on Bloomberg.	The arithmetic mean of the historical volatility for the 10, 30 and 50 Trading Day periods ending on the date of such first public determination, obtained from the HVT or similar function on Bloomberg.
Stock Price	The greater of (1) the closing price of the ADSs on NASDAQ, or, if that is not the principal trading market for the ADSs, such principal market on which the ADSs are traded or listed (the "Closing Market Price") on the trading day immediately preceding the date on which a Major Transaction is consummated, or (2) the first Closing Market Price following the first public announcement of entry into definitive documents for a Major Transaction.	The volume Weighted Average Price on the date of such calculation.
Dividends	Zero.	Zero.
Strike Price	Exercise Price as defined in section 3(a).	Exercise Price as defined in section 3(a).

THIS CERTIFICATE CAN UNDER NO CIRCUMSTANCES CIRCULATE IN FRANCE.

****

LE PRESENT CERTIFICAT NE PEUT EN AUCUN CAS CIRCULER EN FRANCE.

THIS WARRANT AND THE SECURITIES ISSUABLE UPON EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAW, AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF OR EXERCISED UNLESS (I) A REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS SHALL HAVE BECOME EFFECTIVE WITH REGARD THERETO, OR (II) AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS IS AVAILABLE IN CONNECTION WITH SUCH OFFER, SALE OR TRANSFER.

AN INVESTMENT IN THESE SECURITIES INVOLVES A HIGH DEGREE OF RISK. HOLDERS MUST RELY ON THEIR OWN ANALYSIS OF THE INVESTMENT AND ASSESSMENT OF THE RISKS INVOLVED.

Warrant to Purchase
1,100,000 shares

Warrant Number No. **1**

Warrant to Purchase American Depositary Shares
of
Flamel Technologies S.A.

THIS CERTIFIES that Eclat Holdings, LLC or any subsequent holder hereof ("Holder") has the right to purchase from Flamel Technologies, S.A., a corporation organized under the laws of the Republic of France, one million, one hundred thousand (1,100,000) American Depositary Shares ("ADSs") or Restricted ADSs (as defined below), as the case may be, each representing one Ordinary Share, nominal value 0.122 Euros per share ("Ordinary Shares"), which ADSs or Restricted ADSs, as the case may be, will be evidenced by American Depositary Receipts ("ADRs") or Restricted ADRs (as defined below), as the case may be, and will be issued pursuant to the Deposit Agreement, dated June 6, 1996, as amended and restated as of August 10, 2001 (as amended to date, the "Deposit Agreement"), with the Bank of New York, as Depositary, subject to adjustment as provided herein, at a price equal to the Exercise Price as defined in Section 3 below, at any time during the Term (as defined below). To the extent the Warrant Shares (as defined below) issuable upon exercise of this Warrant shall contain the restrictive legend substantially in the form set forth in Section 2(e)(i) in accordance with the terms hereof, such Warrant Shares shall be in the form of "Restricted ADSs" (as defined below) evidenced by Restricted ADRs (as defined below).

Each ADS and Restricted ADS shall represent one Ordinary Share, and such ratio shall be deemed to be maintained for all purposes hereunder, and to the extent such ratio is not maintained, the adjustments pursuant to Section 5 hereof shall be adjusted to take into account any such change to such ratio.

Attached hereto as Annex A-1 is an Officer's Certificate attesting that the Warrant is properly registered in the books of the Company in the name of the initial Holder, as defined in Section 4(c) (the "Warrant Register").

Attached hereto as Annex A-2 is a certificate ("*certificat d'inscription en compte*") evidencing ownership of the BSAs duly executed by the Transfer Agent and the Company and registered in the name of the Holder, together with a certified copy of the BSAs Register (as defined in Section 4(d) below) ("*compte d'actionnaire*"), which certificate shall be executed and delivered to the Holder promptly following the Shareholder Approval Date (as defined below).

Holder agrees with the Company that this Warrant to Purchase ADSs or Restricted ADSs of the Company (this "Warrant" or this "Agreement") is issued and all rights hereunder shall be held subject to all of the conditions, limitations and provisions set forth herein.

1. Date of Issuance and Term.

(a) This Warrant shall be deemed to be issued on March 13, 2012 ("Date of Issuance"). The term of this Warrant begins on the Date of Issuance and ends at 5:00 p.m., New York City time, on the date that is six (6) years after the Date of Issuance, provided, however, that if the Shareholder Approval Date (as defined below) has not occurred prior to the second anniversary of the Date of Issuance, the term shall end at 5:00 p.m., New York City time, on the date that is seven (7) years after the Date of Issuance (the "Term"). This Warrant was issued in conjunction with that certain Membership Interest Purchase Agreement by and among the Company, Flamel US Holdings, Inc., Eclat Holdings, LLC and Eclat Pharmaceuticals, LLC dated March 13, 2012 (the "Purchase Agreement"), the Registration Rights Agreement by and between the Company and Eclat Holdings, LLC dated March 13, 2012 ("Registration Rights Agreement") and the Note Agreement (the "Note Agreement") by and among the Company, Flamel US Holdings, Inc. and Eclat Holdings, LLC, dated March 13, 2012, entered into in conjunction herewith.

(b) Notwithstanding anything herein to the contrary, during any period that the Company does not qualify as a "foreign private issuer" as defined under Rule 3b-4 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company shall not issue to the Holder, and the Holder may not acquire, a number of ADSs or Restricted ADSs upon exercise of this Warrant to the extent that, upon such exercise, the number of Ordinary Shares (including the ownership of ADSs or Restricted ADSs) then beneficially owned by the Holder and its Affiliates and any other persons or entities whose beneficial ownership of Ordinary Shares (including the ownership of ADSs or Restricted ADSs) would be aggregated with the Holder's for purposes of Section 13(d) of the Exchange Act (including shares held by any "group" of which the Holder is a member, but excluding shares beneficially owned by virtue of the ownership of securities or rights to acquire securities that have limitations on the right to convert, exercise or purchase similar to the limitation set forth herein) would exceed 9.985% of the total number of Ordinary Shares then issued and outstanding (the "9.985% Cap"), provided, however, that the 9.985% Cap shall not apply with respect to the issuance of ADSs or Restricted ADSs pursuant to a Cashless Major Exercise (as defined below) in connection with a Major Transaction (as defined below) covered by the provisions of Section 5(c)(i)(A) below in which the Company is not the surviving entity (a "Qualified Change of Control Transaction") to the extent that the number of shares beneficially owned by the Holder and its affiliates in the successor entity immediately following consummation of such Qualified Change of Control Transaction does not exceed 9.985% of the outstanding common stock of such successor entity (or if the successor entity is a foreign private issuer) and provided, further, that the 9.985% Cap shall only apply to the extent that the Ordinary Shares (and ADSs or Restricted ADSs in respect of Ordinary Shares) are deemed to constitute "equity securities" pursuant to Rule 13d-1(i) promulgated under the Exchange Act. For purposes hereof, "group" has the meaning set forth in Section 13(d) of the Exchange Act and applicable regulations of the Securities and Exchange Commission (the "SEC"), and the percentage held by the Holder shall be determined in a manner consistent with the provisions of Section 13(d) of the Exchange Act. Upon the written request of the Holder, the Company shall, within two (2) Trading Days, confirm orally and in writing to the Holder the number of Ordinary Shares then outstanding. In the event that the Company is not permitted to issue Warrant Shares to the Holder pursuant to this Warrant because of the provisions of this Section 1(b), the Company shall not be required to net cash settle or otherwise make any cash payment to the Holder in lieu of such issuance; provided that this sentence shall not affect any separate obligation hereunder that the Company may have at such time to the Holder.

(c) Notwithstanding anything herein to the contrary, the Company shall not issue to the Holder, and the Holder may not acquire, a number of ADSs or Restricted ADSs upon exercise of this Warrant to the extent that, upon such exercise, the number of Ordinary Shares (including the ownership of ADSs and Restricted ADSs) then beneficially owned by the Holder and its Affiliates and any other persons or entities whose beneficial ownership of Ordinary Shares (including the ownership of ADSs and Restricted ADSs) would be aggregated with the Holder's for purposes of Section 13(d) of the Exchange Act (including shares held by any "group" of which the Holder is a member, but excluding shares beneficially owned by virtue of the ownership of securities or rights to acquire securities that have limitations on the right to convert, exercise or purchase similar to the limitation set forth herein) would exceed 19.985% of the total number of Ordinary Shares then issued and outstanding (the "Beneficial Ownership Cap"), provided, however, that the Beneficial Ownership Cap shall not apply with respect to the issuance of ADSs or Restricted ADSs pursuant to a Cashless Major Exercise (as defined below) or a Cashless Default Exercise (as defined below). Upon the written request of the Company, the Company shall, within two (2) Trading Days, confirm orally and in writing to the Holder the number of Ordinary Shares then outstanding. In the event that the Company is not permitted to issue Warrant Shares to the Holder pursuant to this Warrant because of the provisions of this Section 1(c), the Company shall not be required to net cash settle or otherwise make any cash payment to the Holder in lieu of such issuance; provided that this sentence shall not affect any separate obligation hereunder that the Company may have at such time to the Holder.

(d) Definitions.

“Affiliate” means any person or entity that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a person or entity, as such terms are used in and construed under Rule 144 under the Securities Act of 1933, as amended (the “Securities Act”). With respect to a Holder of Warrants, any investment fund or managed account that is managed on a discretionary basis by the same investment manager as such Holder will be deemed to be an Affiliate of such Holder.

“Holder” means Eclat Holdings, LLC and any transferee or assignee pursuant to the terms of this Warrant.

“Restricted ADR” means a certificated American Depositary Receipt that includes the restrictive legend substantially in the form set forth in Section 2(e)(i), evidencing one or more restricted American Depositary Shares (“Restricted ADSs”), with each Restricted ADS representing one Ordinary Share.

“Restricted ADR Depositary” means The Bank of New York acting as depositary for the Restricted ADRs pursuant to an instruction letter between the Bank of New York and the Company, and for the Shares acting as *intermédiaire inscrit* or any successor depositary for the Restricted ADRs.

“Shareholder Approval Date” shall mean the date, if any, on or prior to the second anniversary of the Date of Issuance on which all approvals of the holders of Ordinary Shares of the Company are obtained that are necessary (i) to approve for purposes of applicable French law, the authorization and issuance in favor of the Holder of the total number of “bons de souscription d'actions” (“BSAs”) giving, upon exercise, the right to subscribe to Ordinary Shares underlying the Warrant Shares that are issuable following the Shareholder Approval Date upon the exercise of the BSA by the Holder and (ii) to approve under applicable French law the waiver of all preferential subscription rights of holders of Ordinary Shares (and ADSs) with respect to the Warrant and the Warrant Shares. For the avoidance of doubt, the foregoing approvals must be obtained on or prior to the second anniversary of the Date of Issuance, and any approval subsequently obtained shall not be effective for the purpose of determining any rights or obligations under this Warrant, including, without limitation, whether the Shareholder Approval Date has occurred.

“Transfer Agent” means the Company or any Person the Company may, from time to time, appoint to serve as the Transfer Agent.

2. Exercise; Redemption.

(a) Manner of Exercise. During the Term at any time following the Shareholder Approval Date, this Warrant may be Exercised as to all or any lesser number of ADSs or Restricted ADSs covered hereby (the “Warrant Shares” or the “Shares”) upon surrender of this Warrant, with the Exercise Form attached hereto as Exhibit A-1 (the “Exercise Form”) duly completed and executed, together with the full Exercise Price (as defined below, which may be satisfied by a Cash Exercise or a Cashless Exercise, as each is defined below) for each ADS or Restricted ADS as to which this Warrant is Exercised, at the office of the Company, 33, avenue du Dr. Georges Levy – Parc Club du Moulin à Vent, 69693 Vénissieux Cedex – France; Phone: +33 (0) 472-783-434, Fax: +33 (0) 472-783-435, or at such other office or agency as the Company may designate in writing, by express mail or, so long as the original Exercise Form is sent by the Holder no later than the date of such facsimile, via facsimile (such surrender and payment of the Exercise Price hereinafter called the “Exercise” of this Warrant).

(b) Date of Exercise. The "Date of Exercise" of the Warrant shall be defined as the date that the Exercise Form attached hereto as Exhibit A-1, completed and executed, is sent by facsimile to the Company and the Transfer Agent and the payment of the Exercise Price to the Company is satisfied (if the Exercise is a Cash Exercise), provided that the original Warrant and Exercise Form are received by the Company as soon as practicable thereafter. Alternatively, the Date of Exercise shall be defined as the date the original Exercise Form is received by the Company, and the Exercise Price is satisfied (if the Exercise is a Cash Exercise), if Holder has not sent advance notice by facsimile. Upon delivery of the Exercise Form to the Company by facsimile or otherwise and receipt of the Exercise Price is satisfied (if the Exercise is a Cash Exercise), the Holder shall be deemed for all corporate purposes to have become the holder of record of the Warrant Shares with respect to which this Warrant has been Exercised, irrespective of the date such Warrant Shares are credited to the Holder's Depository Trust Company ("DTC") account or the date of delivery of the certificates evidencing such Warrant Shares, as the case may be; provided, however, that in the event of a Cashless Major Exercise in respect of a Qualified Change of Control Transaction, the Holder shall be deemed to have become the holder of record of the shares issuable upon such exercise immediately prior to the consummation of such Qualified Change of Control Transaction.

(c) Delivery of ADSs or Restricted ADSs Upon Exercise. (i) Within five (5) business days after any Date of Exercise, or in the case of a Cashless Major Exercise or a Cashless Default Exercise (each as defined in Section 5(c) below), within the period provided in Section 5(c)(iv) or Section 3(c), as applicable (the "Delivery Period"), the Company shall (i) cause Ordinary Shares representing the number of Exercise Shares to be issued and deposited with the Depositary or the Restricted ADR Depositary, as applicable and (ii) use commercially reasonable best efforts to cause ADSs or Restricted ADSs , as the case may be, representing the number of shares purchased hereunder upon exercise (collectively, "Exercise Shares") to be transmitted and delivered to the Holder in accordance with the terms hereof. Upon the Exercise of this Warrant or any part hereof, the Company shall, at its own cost and expense, use its commercially reasonable hest efforts, including obtaining and delivering an opinion of counsel, to assure that the requisite certificates shall be issued in the name of Holder (or its nominee) or such other persons as designated by Holder and in such denominations to be specified at such Exercise representing the number of ADSs issuable upon such Exercise. Without limiting the foregoing, during the Delivery Period, the Company shall deposit the corresponding number of Ordinary Shares underlying the ADSs or Restricted ADSs pursuant to the Deposit Agreement and pay by wire transfer to the Depositary's account, or, if applicable the Restricted ADR Depositary's account, all ADS and Restricted ADS issuance fees provided for under the Deposit Agreement, together with all applicable taxes and expenses otherwise payable under the terms of the Deposit Agreement for the deposit of Ordinary Shares and issuance of ADSs or Restricted ADSs (including, without limitation, confirmation that any French stock transfer taxes in respect of such deposit (if any) have been paid by the Company), and the Company shall otherwise comply with and use commercially reasonable best efforts to cause any other necessary party to comply with all the terms of the Deposit Agreement. The Company shall pay any and all taxes, fees and charges (excluding any taxes on the income of the Holder) which may be payable with respect to the issuance and delivery of Warrant Shares upon exercise of this Warrant; provided, that the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such certificate upon exercise in a name other than that of the Holder of this Warrant or any holder of equity interests in the Holder and the Company shall not be required to issue or deliver such certificates unless or until the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid. Appropriate and equitable adjustment to the terms and provisions of this Warrant shall be made in the event of any change to the ratio of ADSs and Restricted ADSs to Ordinary Shares represented thereby. The Company warrants that no instructions contrary to these instructions have been or will be given to the Depositary or the Transfer Agent and that, unless waived by the Holder, this Warrant and the Exercise Shares will be free-trading, and freely transferable, and will not contain a legend restricting the resale or transferability of the Exercise Shares if the Unrestricted Conditions (as defined below) are met.

(ii) In the event that the Company's Board of Directors should determine that the Company shall transform itself (whether by re-incorporation in the United States or otherwise) from a "foreign private issuer" to a domestic U.S. issuer, or that the Company otherwise determines to cease causing Ordinary Shares to be represented by ADSs, then all references to ADRs and Restricted ADRs, or ADSs or Restricted ADSs, shall be deemed references to whatever shares are then issued by the re-domiciled Company and all other provisions of this Agreement shall be equitably adjusted by the parties hereto to the extent necessary or appropriate to reflect such new country of incorporation.

(d) Delivery Failure. In addition to any other remedies which may be available to the Holder, in the event that the Company fails for any reason to effect delivery of the Exercise Shares to the Holder or to effect the issuance and deposit of the corresponding Ordinary Shares to the Depositary or the Restricted ADR Depositary, as applicable, by the end of the Delivery Period or to deliver the Redemption Exercise Price to the Holder in accordance with subsection 2(j) below (a "Delivery Failure"), the Holder will be entitled to revoke all or part of the relevant Exercise Form or Redemption Form, as applicable, by delivery of a notice to such effect to the Company and the Transfer Agent whereupon the Company and the Holder shall each be restored to their respective positions immediately prior to the delivery of such notice, except that the liquidated damages described herein shall be payable through the date notice of revocation or rescission is given to the Company.

(e) Legends.

(i) Restrictive Legend. The Holder understands that until such time as the sale of this Warrant, the Exercise Shares and the Failure Payment Shares have been registered under the Securities Act (including to the extent contemplated by the Registration Rights Agreement) or this Warrant, the Exercise Shares and the Failure Payment Shares, as applicable, otherwise may be sold pursuant to Rule 144 under the Securities Act or an exemption from registration under the Securities Act without any restriction as to the number of securities as of a particular date that can then be immediately sold, this Warrant, the Exercise Shares and the Failure Payment Shares, as applicable, may bear a restrictive legend in substantially the following form (and a stop-transfer order may be placed against transfer of the certificates for such securities):

> "THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER SAID ACT, OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SAID ACT INCLUDING, WITHOUT LIMITATION, PURSUANT TO RULES 144 OR 144A UNDER SAID ACT OR PURSUANT TO A PRIVATE SALE EFFECTED UNDER APPLICABLE FORMAL OR INFORMAL SEC INTERPRETATION OR GUIDANCE, SUCH AS A SO-CALLED "4(1) AND A HALF" SALE, SUBJECT TO DELIVERY OF AN OPINION, AS PROVIDED IN THE WARRANT DATED AS OF MARCH 13, 2012 AND ISSUED BY THE COMPANY."
>
> "THE SALE, TRANSFER, ASSIGNMENT, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS AND CONDITIONS OF A CERTAIN REGISTRATION RIGHTS AGREEMENT DATED AS OF MARCH 13, 2012, AS AMENDED FROM TIME TO TIME, AMONG THE COMPANY AND CERTAIN HOLDERS OF ITS OUTSTANDING SECURITIES. COPIES OF SUCH AGREEMENT MAY BE OBTAINED AT NO COST BY WRITTEN REQUEST MADE BY THE HOLDER OF RECORD OF THIS CERTIFICATE TO THE SECRETARY OF THE COMPANY."

(ii) Removal of Restrictive Legends. The Company shall use commercially reasonable best efforts to cause the Depositary to remove any legend restricting the transfer (including the legend set forth above in subsection 2(e)(i)) of this Warrant and the certificates evidencing the Exercise Shares and the Failure Payment Shares, as applicable: (A) while a registration statement (including a Registration Statement, as defined in the Registration Rights Agreement) covering the sale or resale of such security is effective under the Securities Act, or (B) following any sale of such Warrant, Exercise Shares and/or Failure Payment Shares pursuant to Rule 144 of the Securities Act, or (C) if such Warrant, Exercise Shares and/or Failure Payment Shares are eligible for sale under Rule 144(b)(1) of the Securities Act, or (D) if such legend is not required under applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the staff of the SEC) (collectively, the "Unrestricted Conditions"). If the Unrestricted Conditions are met at the time of issuance of the Exercise Shares or the Failure Payment Shares, then the Company shall use commercially reasonable best efforts to cause the Depositary to issue such Exercise Shares or Failure Payment Shares, as applicable, free of all legends. The Company agrees that following such time as the Unrestricted Conditions are met or such legend is otherwise no longer required under this Section 2(e), it will, no later than three (3) Trading Days following the delivery by the Holder to the Company or the Transfer Agent of a certificate representing Exercise Shares and/or Failure Payment Shares, as applicable, issued with a restrictive legend, use its commercially reasonable best efforts to cause the Depositary to deliver to such Holder a certificate (or electronic transfer) representing such shares that is free from all restrictive and other legends. The Company shall cause its counsel to issue a legal opinion to the Transfer Agent promptly after the Effective Date if required by the Transfer Agent to effect the issuance of the Exercise Shares or the Failure Payment Shares, as applicable, without a restrictive legend or removal of the legend hereunder. For purposes hereof, "Effective Date" shall mean the date that the Registration Statement that the Company is required to file pursuant to the Registration Rights Agreement has been declared effective by the SEC.

(iii) Removal of Legends from Restricted ADRs. A Restricted ADS may be surrendered by the holder thereof to the Restricted ADR Depositary for cancellation, and the Depositary shall issue and deliver an unrestricted ADR with respect to the Restricted ADS formerly represented by such Restricted ADR, provided that such Restricted ADR is surrendered in connection with a transfer of the related ADS and provided further that (a) one of the Unrestricted Conditions is met and (b) the deposit of such Ordinary Shares in an unrestricted depositary facility and the sale of any related ADSs by that person are not otherwise restricted under the Securities Act. If the removal of the legend, as described in the preceding sentence, is effected in connection with the transfer of the Restricted ADS pursuant to Rule 144 of the Securities Act, the Holder shall, if requested by the Company or the Restricted ADR Depositary, deliver an opinion of counsel addressed and reasonably satisfactory to the requesting party. Any reasonable fees (with respect to the Restricted ADR Depositary, the Depositary or otherwise) associated with the issuance of such opinion or the removal of the legend shall be borne by the Holder. In the event that only a portion of the Restricted ADSs represented by a Restricted ADR have been transferred by the holder thereof, the Restricted ADR Depositary shall issue a Restricted ADR that includes the legend in Section 2(e)(i) above with respect to the Restricted ADSs that continue to be held by such holder. While a Registration Statement is effective or at such earlier time as a legend is no longer required for the Restricted ADRs, the Company will cooperate with the Restricted ADR Depositary, and shall use its commercially reasonable efforts, to facilitate the issuance of unrestricted ADRs as described above no later than three (3) Trading Days following the delivery by such Holder to the Restricted ADR Depositary (with notice to the Company) of a Restricted ADR (endorsed or with applicable powers attached, signatures guaranteed, and otherwise in form necessary to effect the reissuance and/or transfer and an opinion of counsel to the extent required by Section 8(b)) .

(iv) Sale of Unlegended Shares. Holder agrees that the removal of the restrictive legend from any certificates representing securities as set forth in Section 2(e) above is predicated upon the Company's reliance that the Holder will sell, transfer, assign, pledge, hypothecate or otherwise dispose of the Exercise Shares and/or any Failure Payment Shares, as applicable, pursuant to either the registration requirements of the Securities Act, including any applicable prospectus delivery requirements, or an exemption therefrom, and that if such securities are sold pursuant to a Registration Statement, they will be sold in compliance with the plan of distribution set forth therein.

(f) Cancellation of Warrant. This Warrant shall be canceled upon the full Exercise or redemption of this Warrant, and, as soon as practical after the Date of Exercise or the Redemption Exercise Date, Holder shall be entitled to receive ADSs or Restricted ADSs for the number of shares purchased upon such Exercise of this Warrant or cash for the portion of this Warrant subject to redemption, and if this Warrant is not Exercised or redeemed in full, Holder shall be entitled to receive a new Warrant (containing terms identical to this Warrant) representing any unexercised portion of this Warrant in addition to such ADSs or Restricted ADSs or cash payment, as the case may be. In the event of a Major Transaction (as defined below) in which all shares of Common Stock are canceled and/or converted or exchanged into the right to receive cash and/or securities of Another Entity (as defined below), then, any portion of this Warrant that the Holder has not elected to exercise or be redeemed pursuant to the terms of this Warrant prior to the consummation of such Major Transaction (a "Share Conversion Major Transaction"), shall automatically and immediately be deemed to have been exercised pursuant to a Cashless Exercise, immediately prior to the consummation of such Share Conversion Major Transaction, and this Warrant shall be deemed cancelled upon consummation of any Share Conversion Major Transaction.

(g) Holder of Record. Each person in whose name any Warrant for Warrant Shares is issued shall, for all purposes, be deemed to be the Holder of record of such shares on the Date of Exercise of this Warrant, irrespective of the date of delivery of the Warrant Shares purchased upon the Exercise of this Warrant.

(h) Delivery of Electronic Shares. In lieu of delivering physical certificates representing the ADSs or Restricted ADSs, as applicable, issuable upon Exercise or legend removal, or representing Failure Payment Shares, provided the DTC Fast Automated Securities Transfer ("FAST") program is available with respect to the ADSs or Restricted ADSs, upon written request of the Holder, the Company shall use its commercially reasonable best efforts to cause the ADSs or Restricted ADSs issuable upon Exercise to be electronically transmitted to the Holder by crediting the account of the Holder's prime broker with DTC through its Deposit Withdrawal Agent Commission (DWAC) system. The time periods for delivery and penalties described herein shall apply to the electronic transmittals described herein. Any delivery not effected by electronic transmission shall be effected by delivery of physical certificates.

(i) Buy-In. In addition to any other rights available to the Holder, if the Company fails to transmit to the Holder a certificate or certificates, or electronic shares through DWAC, representing the Exercise Shares pursuant to an Exercise on or before the Delivery Period (other than a failure caused by any incorrect or incomplete information provided by the Holder to the Company hereunder), and if after such date the Holder is required by its broker to purchase (in an open market transaction or otherwise) or the Holder's brokerage firm otherwise purchases ADSs or Ordinary Shares to deliver in satisfaction of a sale by the Holder of Exercise Shares which the Company was required to deliver to Holder upon such Exercise (a "Buy-In"), then the Company shall (1) pay in cash to the Holder the amount by which (x) the Holder's total purchase price (including brokerage commissions, if any) for the ADSs or Ordinary Shares so purchased exceeds (y) the amount obtained by multiplying (A) the number of Exercise Shares that the Company was required to deliver to the Holder in connection with the Exercise at issue times and (B) the price at which the sell order giving rise to such purchase obligation was executed, and (2) at the option of the Holder, either reinstate the portion of the Warrant and equivalent number of Exercise Shares for which such Exercise was not honored or deliver to the Holder the number of ADSs or Restricted ADSs that would have been issued had the Company timely complied with its Exercise and delivery obligations hereunder. For example, if the Holder purchases ADSs having a total purchase price of $11,000 to cover a Buy-In with respect to an attempted Exercise to cover the sale of ADSs with an aggregate sale price giving rise to such purchase obligation of $10,000, under clause (1) of the immediately preceding sentence the Company shall be required to pay the Holder $1,000. The Holder shall provide the Company written notice, which notice will be within two Trading Days of the occurrence of the Buy-In, indicating the amounts payable to the Holder in respect of the Buy-In, together with applicable confirmations and other evidence reasonably requested by the Company. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver certificates representing ADSs upon Exercise of the Warrant as required pursuant to the terms hereof.

(j) Redemption. In the event the Shareholder Approval Date has not occurred on or prior to the second anniversary of the Date of Issuance, then at any time during the Term that is on or after the second anniversary of the Date of Issuance, the Holder may cause the Company to redeem all or any portion of this Warrant. The "Redemption Exercise Date" shall be defined as the date the Redemption Form, attached hereto as Exhibit A-2 (the "Redemption Form"), duly completed and executed, is sent by facsimile to the Company and the Transfer Agent, provided that the original Warrant and Redemption Form are received by the Company, each as soon as practicable thereafter. Alternatively, the Redemption Exercise Date shall be defined as the date the original Redemption Form is received by the Company, if Holder has not sent advance notice by facsimile. The Company shall redeem the portion of this Warrant subject to redemption pursuant to the Redemption Form at a price (the "Redemption Exercise Price") equal to the amount determined using the following formula, with the terms included in the formula being defined as provided in Section 3(a)(ii) below: X = Y(A–B). The Redemption Exercise Price shall be satisfied by the delivery to the Holder within 10 days following the Redemption Exercise Date of a cash payment and/or a promissory note, dated the Redemption Exercise Date, substantially in the form attached as Exhibit D hereto in the principal amount of the Redemption Exercise Price (or portion thereof in the case of a mixed cash/note payment).

3. Payment of Warrant Exercise Price for Cash Exercise or Cashless Exercise; Cashless Major Exercise and Cashless Default Exercise.

(a) Exercise Price. The Exercise Price ("Exercise Price") shall initially equal $11.00 per share, subject to adjustment pursuant to the terms hereof, including but not limited to Section 5 below.

Payment of the Exercise Price may be made by either of the following, or a combination thereof, at the election of Holder:

(i) Cash Exercise: The Holder may exercise this Warrant in cash, bank or cashier's check, wire transfer or, from and after the occurrence of a Threshold (as defined in the Note Agreement), through a reduction of an amount of principal outstanding under the Note (as defined in the Note Agreement) or any replacement note issued to a transferee of any portion of the Note, which is then held by the Holder (a "Cash Exercise"); or

(ii) Cashless Exercise: The Holder, at its option, may exercise this Warrant in a cashless exercise transaction, provided, however, that, except as provided in Section 2(f) above, in the event that the Company has an effective registration statement under the Securities Act covering the resale by the Holder of all Warrant Shares issuable upon such Cashless Exercise of this Warrant that the Holder is then exercising, then the Holder shall not be permitted to exercise this Warrant as a Cashless Exercise under this Section 3(a)(ii) with respect to the Warrant Shares issuable upon such exercise. In order to effect a Cashless Exercise, the Holder shall surrender this Warrant at the principal office of the Company together with notice of cashless election, in which event the Company shall issue to the Holder a number of ADSs or, if at the time of such exercise none of conditions listed in Sections 2(e)(ii)(B), (C) or (D) have been met, Restricted ADSs, in each case, computed using the following formula (a "Cashless Exercise"):

$$X = Y\ (A–B)/A$$

where: X = the number of ADSs and Restricted ADSs to be issued to Holder or the amount of cash to be paid as the Redemption Exercise Price.

Y = the number of ADSs and Restricted ADSs for which this Warrant is being Exercised or the number of ADSs and Restricted ADSs underlying the portion of this Warrant subject to redemption.

A = the Market Price of one (1) ADS, where "Market Price," as of any date, means the Volume Weighted Average Price (as defined herein) of the Company's ADS during the ten (10) consecutive Trading Day period immediately preceding the Date of Exercise or Redemption Exercise Date, as the case may be.

B = the Exercise Price.

As used herein, the "Volume Weighted Average Price" for any security as of any date means the volume weighted average sale price on The NASDAQ Global Market ("NASDAQ") as reported by, or based upon data reported by, Bloomberg Financial Markets or an equivalent, reliable reporting service mutually acceptable to and hereafter designated by holders of a majority in interest of the Warrants and the Company ("Bloomberg") or, if NASDAQ is not the principal trading market for such security, the volume weighted average sale price of such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg, or, if no volume weighted average sale price is reported for such security, then the last closing trade price of such security as reported by Bloomberg, or, if no last closing trade price is reported for such security by Bloomberg, the average of the bid prices of any market makers for such security that are listed in the over the counter market by the Financial Industry Regulatory Authority, Inc. or in the "pink sheets" by the OTC Markets Group, Inc. If the Volume Weighted Average Price cannot be calculated for such security on such date in the manner provided above, the volume weighted average price shall be the fair market value as mutually determined by the Company and the Holders of a majority in interest of the Warrants being Exercised for which the calculation of the volume weighted average price is required in order to determine the Exercise Price of such Warrants.-"Trading Day" shall mean any day on which the ADSs are traded for any period on NASDAQ, or on the principal securities exchange or other securities market on which the ADSs are then being traded.

(b) Cashless Major Exercise. If the Holder, at its option, exercises this Warrant or any permissible portion thereof in a Cashless Major Exercise pursuant to Section 5(c)(i) below, the Holder shall surrender this Warrant at the principal office of the Company together with the Exercise Form indicating that the Holder is exercising this Warrant (or such permissible portion thereof) pursuant to a Cashless Major Exercise, in which event the Company shall issue to the Holder a number of ADSs or Restricted ADSs, as applicable, equal to (i) in the event the Major Transaction is consummated prior to the two-year anniversary of the Date of Issuance, the "Intrinsic Value" (as determined in accordance with the definition below) of the Warrant (or such applicable portion being exercised) divided by the closing price of the ADSs on the principal securities exchange or other securities market on which the ADSs are then traded on the Trading Date immediately preceding the date on which the applicable Major Transaction is consummated, and (ii) in the event the Major Transaction is consummated from or after the two-year anniversary of the Date of Issuance, the Black Scholes Value (as defined in Section 5(c)(iii) below) of the Warrant (or such applicable portion being exercised) divided by the closing price of the ADSs on the principal securities exchange or other securities market on which the ADSs are then traded on the Trading Day immediately preceding the date on which the applicable Major Transaction is consummated.

For purposes herein, “Intrinsic Value” shall be determined using the formula Y(SP–EP) where Y is as defined in Section 3(a)(ii) above, SP equals the Stock Price (as defined below) and EP equals the prevailing Exercise Price at the time of calculation.

“Stock Price” shall mean the greater of (1) the closing price of the ADSs on NASDAQ, or, if that is not the principal trading market for the ADSs, such principal market on which the ADSs are traded or listed (the “Closing Market Price”) on the trading day immediately preceding the date on which a Major Transaction is consummated, or (2) the first Closing Market Price following the date of the definitive agreement with respect to a Major Transaction.

(c) Cashless Default Exercise. To the extent the Holder exercises this Warrant as a Cashless Default Exercise pursuant to Section 11(b)(i) below, the Holder shall surrender this Warrant to the principal office of the Company together with the Exercise Form indicating that the Holder is exercising this Warrant pursuant to a Cashless Default Exercise, in which event the Company shall issue to the Holder, within five (5) Trading Days of the applicable Default Notice, a number of ADSs or Restricted ADSs, as applicable (which shares shall be valued at the Volume Weighted Average Price for the five (5) Trading Days prior to the applicable Default Notice) equal to the greater of (A) the Black-Scholes value (determined by use of the Black-Scholes Option Pricing Model using the criteria set forth on Schedule I hereto) of the remaining unexercised portion of this Warrant on the date of such Default Notice and (B) the Black-Scholes value (determined by use of the Black-Scholes Option Pricing Model using the criteria set forth on Schedule I hereto) of the remaining unexercised portion of this Warrant on the Trading Day immediately preceding the date that the Exercise Shares in respect of such Cashless Default Exercise are issued to the Holder.

(d) Dispute Resolution. In the case of a dispute as to the determination of the closing price or the Volume Weighted Average Price of the Company’s ADSs or the arithmetic calculation of the Exercise Price, Market Price or any Major Transaction Warrant Early Termination Price, the Company shall submit the disputed determinations or arithmetic calculations via facsimile within two (2) business days of receipt, or deemed receipt, of the Exercise Notice or Major Transaction Early Termination Notice, or other event giving rise to such dispute, as the case may be, to the Holder. If the Holder and the Company are unable to agree upon such determination or calculation within two (2) business days of such disputed determination or arithmetic calculation being submitted to the Holder, then the Company shall, within two (2) business days submit via facsimile (i) the disputed determination of the closing price or the Volume Weighted Average Price of the Company’s ADSs to an independent, reputable investment bank selected by the Company and approved by the Holder, which approval shall not be unreasonably withheld or delayed or (ii) the disputed arithmetic calculation of the Exercise Price, Market Price or any Major Transaction Warrant Early Termination Price to the Company’s independent, outside accountant or another accounting firm of United States national standing selected by the Company. The Company shall cause the investment bank or the accountant, as the case may be, to perform the determinations or calculations and notify the Company and the Holder of the results no later than five (5) business days from the time it receives the disputed determinations or calculations. Such investment bank’s or accountant’s determination or calculation, as the case may be, shall be binding upon all parties absent demonstrable error.

(e) Mandatory Exercise. Subject to the provisions of this Section 3(e), at any time and from time to time after the Shareholder Approval Date, the Company may give written notice (a "Mandatory Exercise Notice") to the Holder of its intent to require a mandatory exercise of this Warrant. The Mandatory Exercise Notice may only be given by the Company if (i) the closing price of the ADSs on NASDAQ, or if that is not the principal trading market for the ADSs, such principal market on which the ADSs are traded or listed (the "Closing Market Price"), for each of the 20 consecutive Trading Days immediately prior to the Mandatory Exercise Notice Date (as hereinafter defined) has equaled or exceeded 400% of the Exercise Price, (ii) an effective registration statement is on file with the Securities and Exchange Commission ("SEC") covering the resale of the Warrant Shares issuable upon exercise of the Warrant, (iii) the Company certifies in the Mandatory Exercise Notice that the Company (A) is not engaged in any negotiations, and (B) has not entered into any agreement or arrangement, in each case, with respect to any transaction that would constitute a Major Transaction and (iv) the Company certifies in the Mandatory Exercise Notice that an Event of Default (as defined in Section 11) has not occurred, and that the issuance of Shares upon the exercise of this Warrant will not violate, or be prohibited by, any applicable laws, the requirements of NASDAQ or any other trading market on which the ADSs are traded, or any other provisions of this Warrant. Following receipt of a Mandatory Exercise Notice, the Holder shall be required to exercise the Warrant in full pursuant to the provisions of Section 3(a)(i) or 3(a)(ii) on or prior to the 30th Trading Day (the "Mandatory Exercise Date") following the Mandatory Exercise Notice Date; provided, however, that the Holder shall not be required to exercise the Warrant, and the Mandatory Exercise Notice shall be of no further force and effect, if following delivery of the Mandatory Exercise Notice and prior to the Holder's exercise of this Warrant (i) the Closing Market Price on any two Trading Dates (including the Mandatory Exercise Notice Date) falls below 400% of the Exercise Price, (ii) the Company is required to deliver to the Holder a Major Transaction Notice, (iii) the Warrant Shares are no longer registered for resale pursuant to an effective registration statement or (iv) an Event of Default has occurred. In order to be effective, a Mandatory Exercise Notice must be sent to the Holder by overnight mail, with an advance copy sent by facsimile and e-mail (the date of facsimile and e-mail transmission is referred to as "Mandatory Exercise Notice Date").

4. Transfer and Registration.

(a) Transfer Rights. Subject to the provisions of Section 8 of this Warrant, this Warrant may be transferred on the books of the Company, in whole or in part, in person or by attorney, upon surrender of this Warrant properly completed and endorsed together with any funds sufficient to pay any transfer tax in connection with such transfer. This Warrant shall be canceled upon such surrender and, as soon as practicable thereafter, the person to whom such transfer is made shall be entitled to receive a new Warrant or Warrants as to the portion of this Warrant transferred, and Holder shall be entitled to receive a new Warrant as to the portion hereof retained.

(b) Registrable Securities. The ADSs and Restricted ADSs issuable upon the Exercise of this Warrant have registration rights pursuant to the Registration Rights Agreement.

(c) Warrant Register. The Transfer Agent shall register this Warrant, upon records to be maintained by the Transfer Agent for that purpose (the "Warrant Register"), in the name of the record Holder hereof from time to time. Prior to due presentment for transfer to the Company of this Warrant, the Company and any agent of the Company may treat the Person in whose name this Warrant is duly registered on the Warrant Register as the owner hereof for the purpose of any exercise hereof or any distribution, and for all other purposes, and neither the Company nor any such agent shall be affected by notice to the contrary. A Warrant may be assigned or sold in whole or in part only by registration of such assignment or sale on the Warrant Register. Upon its receipt of a request in the form attached as Exhibit B to assign or sell all or part of a Warrant by the Holder, the Transfer Agent shall record the information contained therein in the Warrant Register and the Company shall issue or cause to be issued one or more new Warrants in compliance with Section 4(a) above.

(d) BSAs Register. The Transfer Agent shall register the BSAs, upon records to be maintained by the Transfer Agent for that purpose (the "BSAs Register" "*Compte d'Actionnaire*"), in the name of the record Holder hereof from time to time. Prior to due presentment for transfer to the Company of the BSAs, the Company and any agent of the Company may treat the Person in whose name the BSAs are duly registered on the BSAs Register as the owner hereof for the purpose of any exercise hereof or any distribution, and for all other purposes, and neither the Company nor any such agent shall be affected by notice to the contrary. A BSA may be assigned or sold in whole or in part only by registration of such assignment or sale on the BSAs Register. Upon its receipt of a request in the form attached as Exhibit B to assign or sell all or part of a BSA by the Holder, the Transfer Agent shall record the information contained therein in the BSAs Register and the Company shall issue or cause to be issued one or more new BSAs in compliance with Section 4(a) above.

5. Adjustments Upon Certain Events.

(a) Participation. The Holder, as the holder of this Warrant, shall be entitled to receive an amount payable in cash that is equivalent to all dividends paid and distributions of any kind made to the holders of Ordinary Shares of the Company or ADSs to the same extent as if the Holder had Exercised this Warrant into ADSs or Restricted ADSs (without regard to any limitations on exercise herein or elsewhere, without regard to whether the Shareholder Approval Date has occurred and without regard to whether or not a sufficient number of shares are authorized and reserved to effect any such exercise and issuance) and had held such ADSs or Restricted ADSs on the record date for such dividends and distributions. Payments under the preceding sentence shall be made concurrently with the dividend or distribution to the holders of ADSs. The provisions of this Section 5(a) shall not apply to stock dividends covered by the provisions of Section 5(b) below. This provision is included as one of the agreed upon contractual terms of the Purchase Agreement.

(b) Recapitalization or Reclassification. If the Company shall at any time effect a stock split, payment of stock dividend, recapitalization, reclassification or other similar transaction of such character that the Ordinary Shares shall be changed into or become exchangeable for a larger or smaller number of shares, then upon the effective date thereof, the number of Ordinary Shares underlying the Warrant Shares which Holder shall be entitled to purchase upon Exercise of this Warrant or receive value with respect to in a redemption shall be increased or decreased, as the case may be, in direct proportion to the increase or decrease in the number of Ordinary Shares by reason of such stock split, payment of stock dividend, recapitalization, reclassification or similar transaction, and the Exercise Price shall be, in the case of an increase in the number of shares, proportionally decreased and, in the case of decrease in the number of shares, proportionally increased. The Company shall give Holder the same notice it provides to holders of Ordinary Shares of any transaction described in this Section 5(b).

(c) Rights Upon Major Transaction.

(i) Major Transaction. In the event that a Major Transaction (as defined below) occurs on or prior to the Shareholder Approval Date, then the Holder, at its option, may require the Company to redeem in cash the Holder's outstanding Warrants in accordance with Section 5(c)(iii) below. In the event that a Major Transaction (as defined below) occurs following the Shareholder Approval Date, then (1) in the case of a Cash-Out Major Transaction and in the case of a Mixed Major Transaction to the extent of the percentage of the cash consideration in the Mixed Major Transaction (determined in accordance with the definition of a Mixed Major Transaction below), the Holder, at its option, may require the Company to redeem the Holder's outstanding Warrants in accordance with Section 5(c)(iii) below and (2) in the case of all other Major Transactions and in the case of a Mixed Major Transaction to the extent of the percentage of the consideration represented by securities of a Successor Entity in the Mixed Major Transaction, the Holder shall have the right to exercise this Warrant as a Cashless Major Exercise in accordance with Section 3(b). The Holder may waive its rights under this Section 5(c) with respect to such Major Transaction. Consummation of each of the following events shall constitute a "Major Transaction":

(A) a consolidation, merger, exchange of shares, recapitalization, reorganization, business combination or other similar event, following which the holders of Ordinary Shares (including holders of ADSs attributable to underlying Ordinary Shares) immediately preceding such consolidation, merger, exchange, recapitalization, reorganization, combination or event either (a) no longer hold a majority of the Ordinary Shares (including ADSs attributable to such Ordinary Shares) or the shares of the Successor Entity (or the Parent Entity of a Successor Entity) or (b) no longer have the ability to elect a majority of the board of directors of the Company or the Successor Entity (collectively, a "Change of Control Transaction");

(B) a sale or transfer of all or substantially all of the Company's assets;

(C) a purchase, tender or exchange offer, made to the holders of outstanding Ordinary Shares or ADSs, such that following the consummation of such purchase, tender or exchange offer a Change of Control Transaction shall have occurred;

(D) **[Intentionally Omitted]**

(E) the liquidation, bankruptcy, insolvency, dissolution or winding-up (or the occurrence of any analogous proceeding) affecting the Company; or

(F) **[Intentionally Omitted]**

(G) **[Intentionally Omitted]**

(ii) **[Intentionally Omitted]**

(iii) Notice; Major Transaction Early Termination Right; Notice of Cashless Major Exercise. At least twenty (20) days prior to the consummation of any Major Transaction, but, in any event, within five (5) business days following the first to occur of (x) the date of the public announcement of such Major Transaction if such announcement is made before 4:00 p.m., New York City time, or (y) the day following the public announcement of such Major Transaction if such announcement is made on and after 4:00 p.m., New York City time, the Company shall deliver written notice thereof via facsimile and overnight courier to the Holder (a "Major Transaction Notice"). Other than in respect of all or a portion of the Warrant that is eligible for a Cashless Major Exercise (without taking into consideration the 9.985% Cap or the Beneficial Ownership Cap), the Holder may, by delivery of written notice ("Major Transaction Early Termination Notice") to the Company and the Transfer Agent at any time during the period beginning after the Holder's receipt of a Major Transaction Notice and ending five (5) Trading Days prior to the consummation of such Major Transaction (the "Early Termination Period"), require the Company to redeem (an "Early Termination Upon Major Transaction"), effective immediately prior to the consummation of such Major Transaction, all or any portion of this Warrant not eligible to be exercised as a Cashless Major Exercise (without taking into consideration the 9.985% Cap or the Beneficial Ownership Cap). The Major Transaction Early Termination Notice shall indicate the portion of the Warrant that the Holder is electing to have redeemed in accordance with the terms hereof. Such portion of this Warrant (the "Redeemable Portion") shall be redeemed by the Company at a price (the "Major Transaction Warrant Early Termination Price") payable in cash equal to (i) in the event of a Major Transaction occurring prior to the two-year anniversary of the Date of Issuance, the Intrinsic Value of the Redeemable Portion, and (ii) in the event of a Major Transaction occurring from and after the two-year anniversary of the Date of Issuance, the "Black Scholes Value" of the Redeemable Portion determined by use of the Black Scholes Option Pricing Model using the criteria set forth in Schedule 1 hereto (the "Black Scholes Value"), provided, however, that in the event of a Major Transaction specified in Section 5(c)(i)(A), (B) or (C) occurring from and after the two-year anniversary of the Date of Issuance that is with Holder, the original Holder or any of their respective Affiliates, the formula in the preceding clause (i) shall apply.

To the extent the Holder shall elect to effect a Cashless Major Exercise in respect of a Major Transaction, the Holder shall deliver its exercise notice in accordance with Section 3(b), within the Early Termination Period. In the event of a Major Transaction, Holders of Restricted ADSs shall be deemed to be holders of ADSs with respect to such Major Transaction.

(iv) Escrow; Payment of Major Transaction Warrant Early Termination Price. Following the receipt of a Major Transaction Early Termination Notice or a notice of a Cashless Major Exercise from the Holder, the Company shall not effect a Major Transaction that is being treated as an Early Termination Upon Major Transaction or in connection with which this Warrant is eligible to be exercised as a Cashless Major Exercise unless it either (a) obtains the written agreement of the Successor Entity that payment of the Major Transaction Warrant Early Termination Price and/or issuance of the applicable Cashless Major Shares shall be made to the Holder prior to consummation of such Major Transaction and such issuance or payment shall be a condition precedent to consummation of such Major Transaction or (b) it shall first place into an escrow account with an independent escrow agent, at least three (3) business days prior to the closing date of such Major Transaction (the "Major Transaction Escrow Deadline"), an amount in ADSs or cash, as applicable, equal to the Major Transaction Warrant Early Termination Price and/or applicable Exercise Shares. If an escrow account is required to be established pursuant to the preceding sentence, concurrently upon closing of such Major Transaction, the Company shall pay or shall instruct the escrow agent to pay the Major Transaction Warrant Early Termination Price and/or to deliver the applicable Cashless Major Shares to the Holder. For purposes of determining the amount, if any, required to be placed in escrow pursuant to the provisions of this subsection (iv) and without affecting the amount of the actual Major Transaction Warrant Early Termination Price and/or the number of applicable Cashless Major Shares, the calculation of the "Stock Price" referred to in Schedule 1 hereto shall be determined based on the Closing Market Price (as defined on Schedule I) of the ADSs on the Trading Day immediately preceding the date that the funds and/or applicable Exercise Shares, as applicable, are deposited with the escrow agent.

(v) Injunction. Following the receipt of a Major Transaction Early Termination Notice or notice of a Cashless Major Exercise from the Holder, in the event that the Company attempts to consummate a Major Transaction without either (1) placing the Major Transaction Warrant Early Termination Price, or applicable Exercise Shares, as applicable, in escrow in accordance with subsection (iv) above, (2) payment of the Major Transaction Warrant Early Termination Price or issuance of the applicable Exercise Shares, as applicable, to the Holder prior to consummation of such Major Transaction or (3) obtaining the written agreement of the Successor Entity described in subsection (iv) above, the Holder shall have the right to apply for an injunction in any state or federal courts sitting in the City of New York, borough of Manhattan to prevent the closing of such Major Transaction until the Major Transaction Warrant Early Termination Price is paid to the Holder, in full or the applicable Exercise Shares are delivered, as applicable.

An early termination required by this Section 5(c) shall be made in accordance with the provisions of Section 12 and shall have priority to payments to holders of Ordinary Shares and ADSs in connection with a Major Transaction to the extent an early termination required by this Section 5(c)(iii) are deemed or determined by a court of competent jurisdiction in the United States to be prepayments of the Warrant by the Company, such early termination shall be deemed to be voluntary prepayments. Notwithstanding anything to the contrary in this Section 5, until the Major Transaction Warrant Early Termination Price is paid in full, this Warrant may be exercised, in whole or in part, by the Holder into ADSs or Restricted ADSs, as applicable, or in the event the Exercise Date is after the consummation of the Major Transaction, shares of publicly traded common stock or American Depositary Shares (or their equivalent) of the Successor Entity pursuant to Section 5(c). The parties hereto agree that in the event of the Company's early termination of any portion of the Warrant under this Section 5(c), the Holder's damages would be uncertain and difficult to estimate because of the parties' inability to predict future interest rates and the uncertainty of the availability of a suitable substitute investment opportunity for the Holder. Accordingly, any premium due under this Section 5(c) is intended by the parties to be, and shall be deemed, a reasonable estimate of the Holder's actual loss of its investment opportunity and not as a penalty.

For purposes hereof:

"Another Entity" shall mean an entity in which the holders of a majority of the Ordinary Shares of the Company immediately prior to the consummation of a Major Transaction do not hold a majority of the equity securities in such entity.

"Cash-Out Major Transaction" means a Major Transaction in which the consideration payable to holders of Ordinary Shares in connection with the Major Transaction consists solely of cash.

"Cashless Default Exercise" shall mean an exercise of this Warrant as a "Cashless Default Exercise" in accordance with Section 3(c) and 11(b) hereof.

"Cashless Major Exercise" shall mean an exercise of this Warrant or portion thereof as a "Cashless Major Exercise" in accordance with Section 3(b) and 5(c)(i) hereof.

"Cashless Major Shares" means ADSs or Restricted ADSs issued or issuable pursuant to a Cashless Major Exercise.

"Eligible Market" means the over the counter Bulletin Board, the New York Stock Exchange, Inc., the NYSE Arca, the NASDAQ Capital Market, the NASDAQ Global Market, the NASDAQ Global Select Market or the NYSE Alternext U.S.

“Mixed Major Transaction” means a Major Transaction in which the consideration payable to the shareholders of the Company consists partially of cash and partially of securities of a Successor Entity. If the Successor Entity is a Publicly Traded Successor Entity, the percentage of consideration represented by securities of such Successor Entity shall be equal to the percentage that the value of the aggregate anticipated number of shares of the Publicly Traded Successor Entity to be issued to holders of Ordinary Shares of the Company represents in comparison to the aggregate value of all consideration, including cash consideration, in such Mixed Major Transaction, as such values are set forth in any definitive agreement for the Mixed Major Transaction that has been executed at the time of the first public announcement of the Major Transaction or, if no such value is determinable from such definitive agreement, based on the average of the closing market prices for shares of the Publicly Traded Successor Entity on its principal securities exchange for the five (5) Trading Day period commencing on the second Trading Day preceding the first public announcement of the Mixed Major Transaction. If the Successor Entity is a Private Successor Entity, the percentage of consideration represented by securities of such Successor Entity shall be determined in good-faith by the Company's Board of Directors

“Parent Entity” of a Person means an entity that, directly or indirectly, controls the applicable Person and whose common stock or equivalent equity security is quoted or listed on an Eligible Market, or, if there is more than one such Person or Parent Entity, the Person or Parent Entity with the largest public market capitalization as of the date of consummation of a Major Transaction.

“Person” means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity and a government or any department or agency thereof.

“Private Successor Entity” means a Successor Entity that is not a Publicly Traded Successor Entity.

“Publicly Traded Successor Entity” means a Successor Entity that is a publicly traded corporation whose common stock is quoted on or listed for trading on an Eligible Market (as defined above).

“Successor Entity” means any Person purchasing the Company’s assets or Ordinary Shares, or any successor entity resulting from such Major Transaction, or if the Warrant is to be exercisable for shares of capital stock of its Parent Entity (as defined above), its Parent Entity.

(d) Exercise Price Adjusted. As used in this Warrant, the term “Exercise Price” shall mean the purchase price per share specified in Section 3(a) of this Warrant, until the occurrence of an event stated in this Section 5 or otherwise set forth in this Warrant, and thereafter shall mean said price as adjusted from time to time in accordance with the provisions of said subsection.

(e) Adjustments: Additional Shares, Securities or Assets. In the event that at any time, as a result of an adjustment made pursuant to this Section 5 or otherwise, Holder shall, upon Exercise of this Warrant, become entitled to receive shares and/or other securities or assets (other than ADSs or Restricted ADSs) then, wherever appropriate, all references herein to ADSs or Restricted ADSs shall be deemed to refer to and include such shares and/or other securities or assets; and thereafter the number of such shares and/or other securities or assets shall be subject to adjustment from time to time in a manner and upon terms as nearly equivalent as practicable to the provisions of this Section 5.

(f) Notice of Adjustments. Whenever the Exercise Price is adjusted pursuant to the terms of this Warrant, the Company shall promptly mail to the Holder a notice (an “Exercise Price Adjustment Notice”) setting forth the Exercise Price after such adjustment and setting forth a statement of the facts requiring such adjustment. The Company shall, upon the written request at any time of the Holder, furnish to such Holder a like Warrant setting forth (i) such adjustment or readjustment, (ii) the Exercise Price at the time in effect and (iii) the number of ADSs or Restricted ADSs and the amount, if any, of other securities or property which at the time would be received upon Exercise of the Warrant. For purposes of clarification, whether or not the Company provides an Exercise Price Adjustment Notice pursuant to this Section 5(f), upon the occurrence of any event that leads to an adjustment of the Exercise Price, the Holder would be entitled to receive a number of Exercise Shares based upon the new Exercise Price, as adjusted, for exercises occurring on or after the date of such adjustment, regardless of whether the Holder accurately refers to the adjusted Exercise Price in the Exercise Form.

6. Fractional Interests.

No fractional shares or scrip representing fractional shares shall be issuable upon the Exercise of this Warrant, but on Exercise of this Warrant, Holder may purchase only a whole number of ADSs or Restricted ADSs. If, on Exercise of this Warrant, Holder would be entitled to a fractional ADS or Restricted ADS or a right to acquire a fractional ADS or Restricted ADS, such fractional share shall be disregarded and the number of ADSs or Restricted ADSs issuable upon Exercise shall be the next higher whole number of shares.

7. Reservation of Shares.

The Company covenants and agrees that upon the Exercise of this Warrant, all ADSs and Restricted ADSs issuable upon such Exercise and all underlying Ordinary Shares shall be duly and validly issued, fully paid and nonassessable and not subject to preemptive rights, rights of first refusal or similar rights of any Person (the "Issuance Conditions"). The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of NASDAQ, or such other principal trading market upon which ADSs may be listed if no longer on NASDAQ. For so long as the Warrant is outstanding and the Company's Board of Directors has not taken an action consistent with Section 2(c)(ii), the Company shall use commercially reasonable best efforts to maintain the Deposit Agreement, and shall not terminate the Deposit Agreement nor allow it to lapse due to the Company's failure to appoint a successor Depositary upon the resignation of the Deposit in accordance with the provisions of the Deposit Agreement. Upon the termination of Bank of New York as Depositary or Restricted ADR Depositary, the Company shall promptly appoint a successor Depositary or Restricted ADR Depositary, as the case may be, and all references herein to Depositary or Restricted ADR Depositary, as the case may be, shall thereafter refer to such successor Depositary or Restricted ADR Depositary, as the case may be. Without the consent of the Holder, the Company shall not amend either the BSA Agreement or the Deposit Agreement in a manner that adversely affects the rights of the Holder in a materially disproportionate manner to the rights of other ADS holders.

8. Restrictions on Transfer.

(a) Registration or Exemption Required. This Warrant has been issued in a transaction exempt from the registration requirements of the Securities Act by virtue of Regulation D and exempt from state registration or qualification under applicable state laws. None of the Warrant, the Exercise Shares or Failure Payment Shares may be pledged, transferred, sold or assigned except pursuant to an effective registration statement or an exemption to the registration requirements of the Securities Act and applicable state laws including, without limitation, a so-called "4(1) and a half" transaction.

(b) Assignment. Subject to Section 8(a) and the requirement of compliance with applicable law, the Holder may sell, transfer, assign, pledge, or otherwise dispose of this Warrant, in whole or in part. Holder shall deliver a written notice to Company, substantially in the form of the Assignment attached hereto as Exhibit B, indicating the Person or Persons to whom the Warrant shall be assigned and the respective number of warrants to be assigned to each assignee. The Company shall effect the assignment within three (3) business days (the "Transfer Delivery Period"), and shall deliver to the assignee(s) designated by Holder a Warrant or Warrants of like tenor and terms for the appropriate number of shares. This Warrant and the rights evidenced hereby shall inure to the benefit of and be binding upon the successors and assigns of the Holder. The provisions of this Warrant are intended to be for the benefit of all Holders from time to time of this Warrant, and shall be enforceable by any such Holder. For avoidance of doubt, in the event Holder notifies the Company that such sale or transfer is a so called "4(1) and half" transaction, the parties hereto agree that a legal opinion from outside counsel for the Holder delivered to counsel for the Company substantially in the form attached hereto as Exhibit C shall be required and shall be the only requirement to satisfy an exemption from registration under the Securities Act to effectuate such "4(1) and half" transaction.

9. Noncircumvention.

The Company hereby covenants and agrees that the Company will not, by amendment of its memorandum and articles of association, bylaws or through any reorganization, transfer of assets, consolidation, merger, scheme of arrangement, dissolution, issue or sale of securities, or any other voluntary action, take any action for the purpose of avoiding or seeking to avoid the observance or performance of any of the terms of this Warrant, and will at all times in good faith carry out all the provisions of this Warrant. Without limiting the generality of the foregoing, the Company (i) shall not increase the nominal value of any Ordinary Shares underlying ADSs or Restricted ADSs receivable upon the exercise of this Warrant above the Exercise Price then in effect, and (ii) shall take all such actions as may be reasonably necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Ordinary Shares in respect of ADSs and Restricted ADSs issued upon the exercise of this Warrant.

10. Events of Failure; Definition of Black Scholes Value.

(a) Definition.

The occurrence of each of the following shall be considered to be an "Event of Failure."

(i) A Delivery Failure occurs, where a "Delivery Failure" shall be deemed to have occurred if the Company fails to deliver Ordinary Shares satisfying the Issuance Conditions to the Depositary or fails to cause the Exercise Shares satisfying the Issuance Conditions to be delivered to the Holder within any applicable Delivery Period or if the Company fails to deliver the cash and/or promissory note in respect of the Redemption Exercise Price within ten (10) business days following a Redemption Exercise Date or fails to satisfy any payment required under such promissory note in accordance with the terms thereof;

(ii) a Transfer Delivery Failure occurs, where a "Transfer Delivery Failure" shall be deemed to have occurred if the Company fails to use its commercially reasonable best efforts to deliver a Warrant within any applicable Transfer Delivery Period; and

(iii) a Registration Failure (as defined below).

For purpose hereof, "Registration Failure" means that (A) the Company fails to file with the SEC on or before the Filing Deadline (as defined in the Registration Rights Agreement) any Registration Statement required to be filed pursuant to the terms and conditions of the Registration Rights Agreement, (B) the Company fails to use its commercially reasonable efforts to obtain effectiveness with the SEC, prior to the Registration Deadline (as defined in the Registration Rights Agreement), and if such Registration Statement is not so filed prior to the Registration Deadline, as soon as possible thereafter, of any Registration Statement (as defined in the Registration Rights Agreement) that are required to be filed pursuant to the terms and conditions of the Registration Rights Agreement, or fails to use commercially reasonable efforts to keep such Registration Statement current and effective as required in the Registration Rights Agreement, (C) The Company fails to file any additional Registration Statements required to be filed pursuant to the terms and conditions of the Registration Rights Agreement on or before the Additional Filing Deadline (as defined in the Registration Rights Agreement) or fails to use its commercially reasonable efforts to cause such new Registration Statement to become effective on or before the Additional Registration Deadline, and if such effectiveness does not occur within such period, as soon as possible thereafter, (D) the Company fails to file any amendment to any Registration Statement, or any additional Registration Statement required to be filed pursuant to the terms and conditions of the Registration Rights Agreement within twenty (20) days of the applicable Registration Trigger Date (as defined in the Registration Rights Agreement), or fails to use its commercially reasonable efforts to cause such amendment and/or new Registration Statement to become effective within sixty (60) days of the applicable Registration Trigger Date, and, if such effectiveness does not occur within such period, as soon as possible thereafter, (E) any Registration Statement required to be filed under the Registration Rights Agreement, after its initial effectiveness and during the Registration Period (as defined in the Registration Rights Agreement), lapses in effect or sales of all of the Registrable Securities (as defined in the Registration Rights Agreement) cannot otherwise be made thereunder (whether by reason of the Company's failure to amend or supplement the prospectus included therein in accordance with the Registration Rights Agreement, or the Company's failure to file and, use commercially reasonable efforts to obtain effectiveness with the SEC of an additional Registration Statement or amended Registration Statement required, in each case, pursuant to terms and conditions of the Registration Rights Agreement), or (F) the Company fails to provide a written response to any comments to any Registration Statement submitted by the SEC within twenty (20) days of the date that such SEC comments are received by the Company. For the avoidance of doubt, with respect to any event set forth in the definition of Registration Failure, in no event shall a Registration Failure occur in respect of the Company's failure to cause such event to occur where the Company has used the requisite standards, if any, to cause such event to occur, in accordance with the definition of Registration Failure.

(b) Failure Payments; Black-Scholes Determination. The Company understands that any Event of Failure (as defined above) could result in economic loss to the Holder. In the event that any Event of Failure occurs, as compensation to the Holder for such loss, the Company agrees to pay (as liquidated damages and not as a penalty) to the Holder an amount ("Failure Payments"), payable, at the Company's option, either (i) in cash or (ii) in ADSs or Restricted ADSs, as applicable (the "Failure Payment Shares"), that are valued for these purposes at the Volume Weighted Average Price on the date of such calculation, in each case equal to 18% per annum (or the maximum rate permitted by applicable law, whichever is less) of the Black-Scholes value (as determined below) of the remaining unexercised portion of this Warrant on the date of such Event of Failure (as recalculated on the first business day of each month thereafter for as long as Failure Payments shall continue to accrue), which shall accrue daily from the date of such Event of Failure until the Event of Failure is cured, accruing daily and compounded monthly, provided, however, that during any period that the Company does not qualify as a "foreign private issuer" as defined under Rule 3b-4 promulgated under the Exchange Act, the Holder shall only receive up to such amount of ADSs or Restricted ADSs in respect of Failure Payments such that the Holder and any other persons or entities whose beneficial ownership (including the ownership of ADSs) would be aggregated with the Holder's for purposes of Section 13(d) of the Exchange Act (including shares held by any "group" of which the Holder is a member, but excluding shares beneficially owned by virtue of the ownership of securities or rights to acquire securities that have limitations on the right to convert, exercise or purchase similar to the limitation set forth herein) shall not collectively beneficially own greater than 9.985% of the total number of Ordinary Shares (including through ownership of ADSs) then issued and outstanding. Notwithstanding the above, Failure Payments made in respect of Events of Failure occurring on or prior to the Shareholder Approval Date shall be made only in cash (without regard to the 9.985% restriction described in the immediately preceding sentence). For purposes of clarification, it is agreed and understood that Failure Payments shall continue to accrue following any Event of Default until the applicable Default Amount is paid in full.

In the event that the Company (i) has, by the Filing Deadline (as defined the Registration Rights Agreement) filed a Registration Statement (as defined in the Registration Rights Agreement) covering the number of shares required by the Registration Rights Agreement, and (ii) has responded in writing to any comments to the Registration Statement that the Company has received from the SEC, within seven (7) Business Days of such receipt, and nevertheless the SEC has not declared effective a Registration Statement covering the full number of Warrant Shares issuable upon exercise of the Warrants by the Registration Deadline (as defined in the Registration Rights Agreement) then, the Failure Payments attributable to such late Registration Effectiveness shall be reduced from 18% to 15% (calculated as set forth above). For the avoidance of doubt, nothing in the immediately preceding sentence shall be construed to increase the obligations of the Company under the definition of "Registration Failure" above. The Company shall satisfy any Failure Payments under this Section pursuant to Section 10(c) below. Failure Payments are in addition to any shares that the Holder is entitled to receive upon Exercise of this Warrant.

For purposes hereof, the "Black-Scholes" value of a Warrant shall be determined by use of the Black Scholes Option Pricing Model using the criteria set forth on Schedule 1 hereto.

(c) Payment of Accrued Failure Payments. The Failure Payments for each Event of Failure shall be delivered (and, if applicable, issued) on or before the fifth (5th) business day of each month following a month in which Failure Payments accrued. Nothing herein shall limit the Holder's right to pursue actual damages (to the extent in excess of the Failure Payments) for the Company's Event of Failure, and the Holder shall have the right to pursue all remedies available at law or in equity (including a decree of specific performance and/or injunctive relief). Notwithstanding the above, if a particular Event of Failure results in an Event of Default pursuant to Section 11 hereof, then the Failure Payment, for that Event of Failure only, shall be considered to have been satisfied upon payment to the Holder of an amount equal to the greater of (i) the Failure Payment, or (ii) the Default Amount, payable in accordance with Section 11.

(d) Maximum Interest Rate. Nothing contained herein or in any document referred to herein or delivered in connection herewith shall be deemed to establish or require the payment of a rate of interest or other charges in excess of the maximum permitted by applicable law. In the event that the rate of interest or dividends required to be paid or other charges hereunder exceed the maximum permitted by such law, any payments in excess of such maximum shall be credited against amounts owed by the Company to the Holder and thus refunded to the Company.

11. Default.

(a) *Events Of Default*. Each of the following events shall be considered to be an "Event of Default," unless waived by the Holder:

(i) *Failure To Effect Registration.* With respect to all Registration Failures, a Registration Failure occurs and remains uncured for a period of more than thirty (30) days (or forty-five (45) days in the case where the Company (i) has, by the Filing Deadline (as defined the Registration Rights Agreement) filed a Registration Statement (as defined in the Registration Rights Agreement) covering this Warrant and the number of shares required by the Registration Rights Agreement, and (ii) has responded in writing to any comments to the Registration Statement that the Company has received from the SEC, within twenty (20) days of such receipt, and nevertheless the SEC has not declared effective a Registration Statement covering this Warrant and the Shares by the Registration Deadline (as defined in the Registration Rights Agreement)), and such Registration Failure relates solely to the Company's failure to have the Registration Statement declared effective by the Registration Deadline (as defined in the Registration Rights Agreement) and with respect to a Registration Failure provided in clause (E) of the definition of "Registration Failure", such Registration Failure occurs and remains uncured for a period of more than thirty (30) days. For the avoidance of doubt, nothing in the immediately preceding sentence shall be construed to increase the obligations of the Company under the definition of "Registration Failure" above.

(ii) Continuing Delivery Failure. A Delivery Failure (as defined above) occurs and remains uncured for a period of more than twenty (20) days; or at any time, the Company announces or states in writing that it will not honor its obligations to cause the issuance of Ordinary Shares to the Depositary or the Restricted ADR Depositary, as applicable and ADSs or Restricted ADS, as applicable, to the Holder upon Exercise by the Holder of the Exercise rights of the Holder or, if applicable, to deliver cash, in accordance with the terms of this Warrant.

(iii) Legend Removal Failure. A Legend Removal Failure (as defined below) occurs and remains uncured for a period of twenty (20) days; and

(iv) Corporate Existence; Major Transaction. The Company has failed to either (1) place the Major Transaction Warrant Early Termination Price or the Exercise Shares issuable upon exercise of a Cashless Major Exercise, as the case may be, into escrow or (2) obtain the written agreement of the Successor Entity as described in Section 5(c)(iv) or the Company has failed to instruct the escrow agent to release such amount or such shares, as the case may be, to the Holder pursuant to Section 5(c)(iv).

A "Legend Removal Failure" shall be deemed to have occurred if the Company fails to use its commercially reasonable best efforts to issue this Warrant and/or Exercise Shares without a restrictive legend, or fails to use its commercially reasonable best efforts to cause the Depositary to remove a restrictive legend, when and as required under Section 2(e) hereof;

(b) Mandatory Early Termination.

(i) Mandatory Early Termination Amount; Cashless Default Exercise. If any Events of Default shall occur then, unless waived by the Holder, upon the occurrence and during the continuation of any Event of Default, at the option of the Holder, such option exercisable through the delivery of written notice to the Company by such Holder (the "Default Notice"), the Company shall have the right to terminate the outstanding amount of this Warrant and pay to the Holder (a "Mandatory Early Termination"), in full satisfaction of its obligations hereunder by delivery of a notice to such effect to the Holder within two (2) Business Days following receipt of the Default Notice, an amount payable in cash (the "Mandatory Early Termination Amount" or the "Default Amount") equal to the greater of (i) the Black-Scholes value (as determined in accordance with Section 10(b)) of the remaining unexercised portion of this Warrant on the date of such Default Notice and (2) the Black-Scholes value (also as determined in accordance with Section 10(b)) of the remaining unexercised portion of this Warrant on the Trading Day immediately preceding the date that the Mandatory Early Termination Amount is paid to the Holder. In the event the Company does not exercise its right to consummate a Mandatory Early Termination, then the Holder shall have the right to exercise this Warrant pursuant to a Cashless Default Exercise in accordance with Section 3(c) above.

Notwithstanding anything in this subsection 11(b)(i) to the contrary, in the event the Default Notice is delivered by the Holder on or prior to the Shareholder Approval Date, the Company shall be required to pay to the Holder the Mandatory Early Termination Amount in cash and/or a promissory note, dated the date of the Default Notice, substantially in the form of Exhibit D hereto, and payment of such amount and in such manner shall not be at the option of the Company.

The Mandatory Early Termination Amount shall be payable within five (5) Business Days following the date of the applicable Default Notice.

(ii) Liquidated Damages. The parties hereto acknowledge and agree that the sums payable as Failure Payments or pursuant to a Mandatory Early Termination shall give rise to liquidated damages and not penalties. The parties further acknowledge that (i) the amount of loss or damages likely to be incurred by the Holder is incapable or is difficult to precisely estimate, (ii) the amounts specified bear a reasonable proportion and are not plainly or grossly disproportionate to the probable loss likely to be incurred by the Holder, and (iii) the parties are sophisticated business parties and have been represented by sophisticated and able legal and financial counsel and negotiated this Agreement at arm's length.

The Default Amount, together with all other amounts payable hereunder, shall immediately become due and payable, all without demand, presentment or notice, all of which hereby are expressly waived, together with all costs, including, without limitation, legal fees and expenses, of collection, and the Holder shall be entitled to exercise all other rights and remedies available at law or in equity.

(c) **Intentionally omitted.**

(d) Injunction. In the event that an Event of Default pertains to a Legend Removal Failure, the Company may not refuse such unlegended share delivery based on any claim that such Holder or any one associated or affiliated with such Holder has been engaged in any violation of law, unless, within sixty (60) days of the applicable Default Notice an injunction from a United States court, on prior notice to Holder, restraining and or enjoining Exercise of all or part of said Warrant shall have been sought and obtained by the Company.

(e) Remedies, Other Obligations, Breaches And Injunctive Relief. The remedies provided in this Warrant shall be cumulative and in addition to all other remedies available under this Warrant, the Purchase Agreement and the Registration Rights Agreement, at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit the right of the Holder to pursue actual damages for any failure by the Company to comply with the terms of this Warrant. The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder and that the remedy at law for any such breach may be inadequate. The Company therefore agrees that, in the event of any such breach or threatened breach, the holder of this Warrant shall be entitled, in addition to all other available remedies, to seek an injunction restraining any breach, without the necessity of showing economic loss and without any bond or other security being required.

12. Holder's Early Terminations.

Mechanics of Holder's Early Terminations. In the event that the Company does not deliver the applicable Redemption Exercise Price, Major Transaction Warrant Early Termination Price or Default Amount or the Exercise Shares in respect of a Cashless Major Exercise or a Cashless Default Exercise, as the case may be, to the Holder within the time period or as otherwise required pursuant to the terms hereof, at any time thereafter the Holder shall have the option, upon notice to the Company, in lieu of redemption, early termination, Cashless Major Exercise or Cashless Default Exercise, as the case may be, to require the Company to promptly return to the Holder all or any portion of this Warrant that was submitted for redemption, early termination or exercise. Upon the Company's receipt of such notice, (x) the redemption, applicable early termination or exercise, as the case may be, shall be null and void with respect to such applicable portion of this Warrant, (y) the Company shall immediately return this Warrant, or issue a new Warrant to the Holder representing the portion of this Warrant that was submitted for redemption, early termination or exercise and (z) the Exercise Price of this Warrant or such new Warrant shall be adjusted to the lesser of (A) the Exercise Price as in effect on the date on which the applicable redemption, early termination, default or exercise notice, as the case may be, is voided and (B) the lowest closing price for the ADSs on NASDAQ, or, if NASDAQ is not the principal trading market for the ADSs, the principal securities exchange or other securities market on which the ADSs are then being traded, during the period beginning on and including the date on which the applicable redemption, early termination, default or exercise notice, as the case may be, is delivered to the Company and ending on and including the date on which the applicable redemption, early termination or exercise is voided. The Holder's delivery of a notice voiding a redemption, early termination or exercise and exercise of its rights following such notice shall not affect the Company's obligations to make any payments of Failure Payments which have accrued prior to the date of such notice with respect to the Warrant subject to such notice.

13. Benefits of this Warrant.

Nothing in this Warrant shall be construed to confer upon any person other than the Company and Holder any legal or equitable right, remedy or claim under this Warrant and this Warrant shall be for the sole and exclusive benefit of the Company and Holder.

14. Governing Law.

Other than Section 17 and the relevant provisions of the definition of Shareholder Approval Date contained in Section 1 which shall be governed by French law, all questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Each party agrees that all legal proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the City of New York, borough of Manhattan for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper or is an inconvenient venue for such proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law. The parties hereby waive all rights to a trial by jury. If either party shall commence an action or proceeding to enforce any provisions of this Agreement, then the prevailing party in such action or proceeding shall be reimbursed by the other party for its reasonable attorneys' fees and other costs and expenses incurred with the investigation, preparation and prosecution of such action or proceeding. The Company irrevocably waives its rights under the provisions of Article 14 and Article 15 of the French Civil Code.

15. Loss of Warrant.

Upon receipt by the Company of evidence of the loss, theft, destruction or mutilation of this Warrant, and (in the case of loss, theft or destruction) of indemnity or security reasonably satisfactory to the Company, and upon surrender and cancellation of this Warrant, if mutilated, the Company shall execute and deliver a new Warrant of like tenor and date.

16. Notice or Demands.

Notices or demands pursuant to this Warrant to be given or made by Holder to or on the Company shall be sufficiently given or made if sent by certified or registered mail, return receipt requested, postage prepaid or via express delivery with a nationally recognized courier, and addressed, until another address is designated in writing by the Company, to the address set forth in Section 2(a) above. Notices or demands pursuant to this Warrant to be given or made by the Company to or on Holder shall be sufficiently given or made if sent by certified or registered mail, return receipt requested, postage prepaid or via express delivery with a nationally recognized courier, and addressed, to the address of Holder set forth in the Company's records, until another address is designated in writing by Holder.

17. Maintenance of the Rights of a Holder of a Warrant Under French Anti-Dilution Statutes. Effective upon the Shareholder Approval Date and to the extent not already covered by Section 5, the French anti-dilution provisions of paragraph 1 or 3 (excluding 2) of Article L.228-99 of the French Commercial Code shall apply.

18. Currency. All amounts owing under the Warrant that, in accordance with its terms, are paid in cash shall be paid in United States dollars. “Exchange Rate” means, in relation to any amount of currency to be converted from United States dollars pursuant to Section 20 of the Warrant, the United States dollar exchange rate as published in the Wall Street Journal on the relevant date of calculation (it being understood and agreed that where an amount is calculated with reference to, or over, a period of time, the date of calculation shall be the final date of such period of time).

19. Taxes. The purchase of ADSs or Restricted ADSs upon the exercise in whole or in part of the Warrant will not be subject to withholding tax in France.

20. Judgment Currency.

(a) If, for the purpose of obtaining or enforcing judgment against the Company in any court in any jurisdiction, it becomes necessary to convert into any other currency (such other currency being hereinafter in this Section 20(a) referred to as the “Judgment Currency”) an amount due in United States dollars under the Warrant, the exercise shall be made at the Exchange Rate prevailing on the business day immediately preceding:

(i) the date actual payment of the amount due, in the case of any proceeding in the courts of New York or in the courts of any other jurisdiction that will give effect to such exercise being made on such date; or

(ii) the date on which the French or any other non U.S. court determines, in the case of any proceeding in the courts of any other jurisdiction (the date as of which such exercise is made pursuant to this Section 20(a)(ii) being hereinafter referred to as the "Judgment Exercise Date").

(b) If in the case of any proceeding in the court of any jurisdiction referred to in Section 20(a)(ii) above, there is a change in the Exchange Rate prevailing between the Judgment Exercise Date and the date of actual payment of the amount due, the applicable party shall pay such adjusted amount as may be necessary to ensure that the amount paid in the Judgment Currency, when converted at the Exchange Rate prevailing on the date of payment, will produce the amount of United States dollars which could have been purchased with the amount of Judgment Currency stipulated in the judgment or judicial order at the Exchange Rate prevailing on the Judgment Exercise Date.

(c) Any amount due from the Company under this provision shall be due as a separate debt and shall not be affected by judgment being obtained for any other amounts due under or in respect of the Warrant.

21. No Third-Party Beneficiaries.

This Warrant is for the sole benefit of the Company and the Holder and their respective successors and, in the case of the Holder, permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever, under or by reason of this Warrant.

22. Headings.

The headings in this Warrant are for reference only and shall not affect the interpretation of this Warrant.

24. Amendment and Modification; Waiver.

Except as otherwise provided herein, this Warrant may only be amended, modified or supplemented by an agreement in writing signed by the Company and the Holder. No waiver by the Company or the Holder of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any rights, remedy, power or privilege arising from this Warrant shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

25. Severability.

If any term or provision of this Warrant is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Warrant or invalidate or render unenforceable such term or provision in any other jurisdiction.

26. Limitation on Issuance of Shares.

Notwithstanding anything herein to the contrary, the maximum number of Warrant Shares issued or issuable pursuant to the Warrant Agreements issuable under Section 1.2 of the Purchase Agreement, and any subsequent warrant certificates issued as a result of any Exercise, Redemption or transfer of this or any such warrants, may not exceed, 4,925,433 Shares in the aggregate (as appropriately adjusted to reflect any stock splits).

IN WITNESS WHEREOF, the undersigned has executed this Warrant as of the 13th day of March, 2012.

FLAMEL TECHNOLOGIES S.A.

By: /s/ Stephen H. Willard
Name: Stephen H. Willard
Title: Chief Executive Officer

ANNEX A-1

OFFICER'S CERTIFICATE

To : Eclat Holdings, LLC

On March 13, 2012

Dear Sir :

You will find attached a "certificat d'inscription du Warrant" issued by Flamel Technologies S.A. and a copy of the Warrant Register.

We hereby confirm that the securities being the subject of such certificate and being recorded in the Warrant Register is the Warrant to purchase ADSs, the terms and conditions of which are attached hereto.

Yours sincerely,

Flamel Technologies S.A.

/s/ Stephen H. Willard

Name: Stephen H. Willard
Title: Chief Executive Officer

ANNEX A-2

OFFICER'S CERTIFICATE

To : [Holder]

On [_____]][__], 20[__]

Dear Sir :

You will find attached a "certificat d'inscription en compte" issued by [ ], Flamel Technologies SA's Transfer Agent and a copy of the BSAs Register ("compte d' actionnaire").

We hereby confirm that the securities being the subject of such certificate and being recorded in the BSAs Register are the bons de souscription d'actions, the terms and conditions of which are attached hereto.

Yours sincerely,

In the name and for the account of Flamel Technologies SA
Name:
Title:

EXHIBIT A-1

EXERCISE FORM FOR WARRANT

TO: [ ]

CHECK THE APPLICABLE BOX:

☐ ***Cash Exercise or Cashless Exercise***

The undersigned hereby irrevocably exercises the attached warrant (the "Warrant") with respect to _____ American Depositary Shares ("ADSs") each representing one Ordinary Share, nominal value 0.122 Euros of Flamel Technologies, S.A., a corporation organized under the laws of the Republic of France (the "Company"), and, if pursuant to a Cashless Exercise, herewith makes payment of the Exercise Price with respect to such shares in full, all in accordance with the conditions and provisions of said Warrant.

[IF APPLICABLE: The undersigned hereby encloses $____ as payment of the Exercise Price.]

[IF APPLICABLE: The undersigned hereby agrees to cancel $____ of principal outstanding under Notes of the Company held by the Holder.]

☐ ***Cashless Major Exercise***

The undersigned hereby irrevocably exercises the Warrant with respect to ____% of the Warrant currently outstanding pursuant to a Cashless Major Exercise in accordance with the terms of the Warrant.

☐ ***Cashless Default Exercise***

The undersigned hereby irrevocably exercises the Warrant pursuant to a Cashless Default Exercise, in accordance with the terms of the Warrant.

1. The undersigned requests that any certificates for such shares be issued free of any restrictive legend, if appropriate, and a warrant representing any unexercised portion hereof be issued, pursuant to the Warrant in the name of the undersigned and delivered to the undersigned at the address set forth below.

2. Capitalized terms used but not otherwise defined in this Exercise Form shall have the meaning ascribed thereto in the Warrant.

Dated: _____

_____

Signature

_____

Print Name

_____

Address

NOTICE

The signature to the foregoing Exercise Form must correspond to the name as written upon the face of the attached Warrant in every particular, without alteration or enlargement or any change whatsoever.

EXHIBIT A-2

REDEMPTION FORM FOR WARRANT

TO: [ ]

The undersigned hereby irrevocably elects to require Flamel Technologies S.A., a corporation organized under the laws of the Republic of France (the "Company"), to redeem ___% (or a portion of the Warrant representing ___ out of ____ underlying ADSs and Restricted ADSs) of the attached warrant (the "Warrant") of the Company currently outstanding, in accordance with Section 2(j) and all other applicable terms of said Warrant.

The undersigned requests that a warrant representing any unredeemed portion hereof be issued, pursuant to the Warrant in the name of the undersigned and delivered to the undersigned at the address set forth below.

Capitalized terms used but not otherwise defined in this Exercise Form shall have the meaning ascribed thereto in the Warrant.

Dated: _____

Signature

Print Name

Address

NOTICE

The signature to the foregoing Redemption Form must correspond to the name as written upon the face of the attached Warrant in every particular, without alteration or enlargement or any change whatsoever.

EXHIBIT B

ASSIGNMENT

(To be executed by the registered holder
desiring to transfer the Warrant or the BSAs as the case may be)

FOR VALUE RECEIVED, the undersigned holder of the attached warrant or the BSAs as the case may be (the “Warrant” or the ”BSAs” as the case may be”) hereby sells, assigns and transfers unto the person or persons below named the right to purchase _____ American Depositary Shares (“ADSs”) each representing one Ordinary Share, nominal value 0.122 Euros of Flamel Technologies, S.A., a corporation organized under the laws of the Republic of France , evidenced by the attached Warrant or the BSAs as the case may be and does hereby irrevocably constitute and appoint _____ attorney to transfer the said Warrant or the BSAs as the case may be on the books of the Company, with full power of substitution in the premises.

Dated: _____

_____
Signature

Fill in for new registration of Warrant or the BSAs as the case may be:

_____
Name

_____
Address

_____
Please print name and address of assignee
(including zip code number)

NOTICE

The signature to the foregoing Assignment must correspond to the name as written upon the face of the attached Warrant in every particular, without alteration or enlargement or any change whatsoever.

EXHIBIT C

FORM OF OPINION

_____, 20__

[_____]

Re: [_____] (the "Company")

Dear Sir:

[_____] ("[_____]") intends to transfer _____ Warrants (the "Warrants") of the Company to _____ ("_____") without registration under the Securities Act of 1933, as amended (the "Securities Act"). In connection therewith, we have examined and relied upon the truth of representations contained in an Investor Representation Letter attached hereto and have examined such other documents and issues of law as we have deemed relevant.

Based on and subject to the foregoing, we are of the opinion that the transfer of the Warrants by _____ to _____ may be effected without registration under the Securities Act, provided, however, that the Warrants to be transferred to _____ contain a legend restricting its transferability pursuant to the Securities Act and that transfer of the Warrants is subject to a stop order.

The foregoing opinion is furnished only to _____ and may not be used, circulated, quoted or otherwise referred to or relied upon by you for any purposes other than the purpose for which furnished or by any other person for any purpose, without our prior written consent.

Very truly yours,

[FORM OF INVESTOR REPRESENTATION LETTER]

_____, 20__

[_____]

Gentlemen:

_____ ("___") has agreed to purchase _____ Warrants (the "Warrants") of [ ] (the "Company") from [_____] ("[_____]"). We understand that the Warrants are "restricted securities." We represent and warrant that _____ is a sophisticated institutional investor that would qualify as an "Accredited Investor" as defined in Rule 501 of Regulation D under the Securities Act of 1933, as amended (the "Securities Act").

_____ represents and warrants as of the date hereof as follows:

1. That it is acquiring the Warrants and the American Depositary Shares underlying such Warrants (the "Exercise Shares") solely for its account for investment and not with a view to or for sale or distribution of said Warrants or Exercise Shares or any part thereof. _____ also represents that the entire legal and beneficial interests of the Warrants and Exercise Shares _____ is acquiring is being acquired for, and will be held for, its account only;

2. That the Warrants and the Exercise Shares have not been registered under the Securities Act on the basis that no distribution or public offering of the stock of the Company is to be effected. _____ realizes that the basis for the exemption may not be present if, notwithstanding its representations, _____ has a present intention of acquiring the securities for a fixed or determinable period in the future, selling (in connection with a distribution or otherwise), granting any participation in, or otherwise distributing the securities. _____ has no such present intention;

3. That the Warrants and the Exercise Shares must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. _____ recognizes that the Company has no obligation to register the Warrants, or to comply with any exemption from such registration;

4. That neither the Warrants nor the Exercise Shares may be sold pursuant to Rule 144 adopted under the Securities Act unless certain conditions are met, including, among other things, the existence of a public market for the shares, the availability of certain current public information about Company, the resale following the required holding period under Rule 144 and the number of shares being sold during any three month period not exceeding specified limitations;

5. That it will not make any disposition of all or any part of the Warrants or Exercise Shares in any event unless and until:

(i) The Company shall have received a letter secured by _____ from the Securities and Exchange Commission stating that no action will be recommended to the Securities and Exchange Commission with respect to the proposed disposition;

(ii) There is then in effect a registration statement under the Securities Act covering such proposed disposition and such disposition is made in accordance with said registration statement; or

(iii) _____ shall have notified the Company of the proposed disposition and, in the case of a sale or transfer in a so called "4(1) and a half" transaction, shall have furnished counsel to the Company with an opinion of counsel, reasonably satisfactory to counsel to the Company.

We acknowledge that the Company will place stop orders with respect to the Warrants and the Exercise Shares, and if a registration statement is not effective, the Exercise Shares shall bear the following restrictive legend:

> "THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER SAID ACT, OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SAID ACT INCLUDING, WITHOUT LIMITATION, PURSUANT TO RULES 144 OR 144A UNDER SAID ACT OR PURSUANT TO A PRIVATE SALE EFFECTED UNDER APPLICABLE FORMAL OR INFORMAL SEC INTERPRETATION OR GUIDANCE, SUCH AS A SO-CALLED "4(1) AND A HALF" SALE, SUBJECT TO DELIVERY OF AN OPINION, AS PROVIDED IN THE WARRANT DATED AS OF [XX], 2012 AND ISSUED BY THE COMPANY."

> "THE SALE, TRANSFER, ASSIGNMENT, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS AND CONDITIONS OF A CERTAIN REGISTRATION RIGHTS AGREEMENT DATED AS OF MARCH 13, 2012, AS AMENDED FROM TIME TO TIME, AMONG THE COMPANY AND CERTAIN HOLDERS OF ITS OUTSTANDING SECURITIES. COPIES OF SUCH AGREEMENT MAY BE OBTAINED AT NO COST BY WRITTEN REQUEST MADE BY THE HOLDER OF RECORD OF THIS CERTIFICATE TO THE SECRETARY OF THE COMPANY."

At any time and from time to time after the date hereof, _____ shall, without further consideration, execute and deliver to [_____] or the Company such other instruments or documents and shall take such other actions as they may reasonably request to carry out the transactions contemplated hereby.

Very truly yours,

EXHIBIT D

PROMISSORY NOTE (Section 2(j) or Section 11(b))

[Date of Issuance]

FOR VALUE RECEIVED, Flamel Technologies, SA, a societe anonyme organized under the laws of the Republic of France (the "Maker"), by means of this Note (this "Note"), hereby unconditionally promises to pay to [ ] (the "Payee"), on [Insert 120 days after the Redemption Exercise Date] (the "Maturity Date"), $[insert applicable Redemption Exercise Price or portion thereof in case of a mixed cash/note payment] in lawful money of the United States of America and in immediately available funds.

This Note is the "note" referred to in [Section 2(j)] [Section 11(b)] of the Warrant to Purchase American Depositary Shares of the Maker issued on March 13, 2012 to Eclat Holdings, LLC (as modified and supplemented and in effect from time to time, the "Warrant").

The outstanding principal amount of this Note shall bear interest, payable on the Maturity Date, at the rate of three percent (3%) simple interest per annum. Without limiting the remedies available to the Payee under the Warrant or otherwise, to the maximum extent permitted by applicable law, if Maker fails to make any payment of principal or interest on the Maturity Date, Maker shall pay on demand interest on the outstanding principal amount and accrued and unpaid interest thereon at the Maturity Date, accruing at the rate of 20 percent (20%) simple interest per annum from and after the Maturity Date until such payment is made.

If a Major Transaction (as defined in the Warrant) has occurred, the outstanding principal amount of this Note and accrued interest thereon shall become immediately due and payable.

All payments due to the Payee from the Maker pursuant to this Note shall be made in the full face amount thereof. This Note may be prepaid in full or in part at any time without penalty or premium. The Maker shall pay all and any reasonable costs (administrative or otherwise) imposed by the Maker's banks, clearing houses, or any other financial institution, in connection with making any payments hereunder.

The Maker and every endorser of this Note, or the obligations represented hereby, expressly waives presentment, protest, demand, notice of dishonor or default, and notice of any kind with respect to this Note or the performance of the obligations under this Note. No renewal or extension of this Note, no release of any Person primarily or secondarily liable on this Note including the Maker and any endorser, no delay in the enforcement of payment of this Note and no delay or omission in exercising any right or power under this Note affect the liability of the Maker or any endorser of this Note (other than the payment in full of the amounts due under this Note).

The provisions of this Note may be waived only in a writing signed by the Payee.

[THE IMMEDIATELY FOLLOWING PARAGRAPH WILL ONLY BE INSERTED IF PROMISSORY NOTE ISSUED PRIOR TO SHAREHOLDER APPROVAL DATE]

This Note is secured by the Security Agreement (as such term is defined in the Note Agreement).

The provisions of Sections 5.1, 5.2, 5.3, 5.4, 5.6, 5.7, 5.10, 5.11, 5.12, 5.14 and 5.15 of the Note Agreement dated as of March 13, 2012 are incorporated by reference herein and made applicable to this Note, *mutatis mutandis*. Such incorporation shall survive any termination of the Note Agreement.

IN WITNESS WHEREOF, an authorized representative of the Maker has executed this Note as of the date first written above.

FLAMEL TECHNOLOGIES S.A.

By: _____

Name:
Title:

Schedule 1

Black-Scholes Value

	Calculation Under Section 5(c)(iii)	Calculation Under Section 10(b) or 11(b)
Remaining Term	Number of calendar days from date of public announcement of the Major Transaction until the last date on which the Warrant may be exercised.	Number of calendar days from date of the determination until the last date on which the Warrant may be exercised.
Interest Rate	A risk-free interest rate corresponding to the US$ LIBOR/Swap rate for a period equal to the Remaining Term.	A risk-free interest rate corresponding to the US$ LIBOR/Swap rate for a period equal to the Remaining Term.
Volatility	If the first public announcement of the Major Transaction is made at or prior to 4:00 p.m., New York City time, the arithmetic mean of the historical volatility for the 10, 30 and 50 Trading Day periods ending on the date of such first public announcement, obtained from the HVT or similar function on Bloomberg. If the first public announcement of the Major Transaction is made after 4:00 p.m., New York City time, the arithmetic mean of the historical volatility for the 10, 30 and 50 Trading Day periods ending on the next succeeding Trading Day following the date of such first public announcement, obtained from the HVT or similar function on Bloomberg.	The arithmetic mean of the historical volatility for the 10, 30 and 50 Trading Day periods ending on the date of such first public determination, obtained from the HVT or similar function on Bloomberg.
Stock Price	The greater of (1) the closing price of the ADSs on NASDAQ, or, if that is not the principal trading market for the ADSs, such principal market on which the ADSs are traded or listed (the "Closing Market Price") on the trading day immediately preceding the date on which a Major Transaction is consummated, or (2) the first Closing Market Price following the first public announcement of entry into definitive documents for a Major Transaction.	The volume Weighted Average Price on the date of such calculation.
Dividends	Zero.	Zero.
Strike Price	Exercise Price as defined in section 3(a).	Exercise Price as defined in section 3(a).

REGISTRATION RIGHTS AGREEMENT

REGISTRATION RIGHTS AGREEMENT (this "Agreement"), dated as of March 13, 2012 by and among Flamel Technologies, S.A., a société anonyme under the laws of the Republic of France (the "Company"), and Éclat Holdings, LLC (the "Buyer").

WHEREAS:

A. The Company has established with the Bank of New York Mellon, as depositary (the "Depositary"), an American depositary receipt program (the "ADR Program") pursuant to the Amended and Restated Deposit Agreement dated August 10, 2001, among the Company, the Depositary and the owners and holders of American depositary receipts (the "Deposit Agreement");

B. In connection with the Membership Interest Purchase Agreement by and among the parties hereto of even date herewith (the "Purchase Agreement"), the Company has agreed, upon the terms and subject to the conditions contained therein, to issue to the Purchaser Warrants (as defined below) exercisable into a total of 3,300,000 ADSs (as defined below), with each ADS representing one ordinary share of the Company, nominal value 0.122 Euros per share (the "Ordinary Shares"), upon the terms and conditions and subject to the limitations and conditions set forth in the Warrants, all subject to the terms and conditions of the Purchase Agreement; and

C. To induce the Purchaser to execute and deliver the Purchase Agreement, the Company, among other things, has agreed to provide certain registration rights under the Securities Act of 1933, as amended, and the rules and regulations thereunder, or any similar successor statute (collectively, the "Securities Act"), and applicable state securities laws.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Purchaser hereby agree as follows:

1. DEFINITIONS.

a. As used in this Agreement, the following terms shall have the following meanings:

(i) "Additional Filing Deadline" means, with respect to any Registration Statements that may be required pursuant to Section 2(a)(ii), (a) the first date or time that such Registrable Securities may then be included in a Registration Statement if such Registration Statement is required because the SEC shall have notified the Company in writing that certain Registrable Securities were not eligible for inclusion on a previously filed Registration Statement, or (b) if such additional Registration Statement is required for a reason other than as described in (a) above, the twentieth (20^{th}) Business Day following the date on which the Company first knows, that such additional Registration Statement is required.

(ii) "Additional Registration Deadline" means, with respect to any additional Registration Statement(s) that may be required to be filed pursuant to Section 2(a)(ii), the thirtieth (30^{th}) day following (a) the first date or time that such Registrable Securities may then be included in a Registration Statement if such Registration Statement is required because the SEC shall have notified the Company in writing that certain Registrable Securities were not eligible for inclusion on a previously filed Registration Statement, or (b) if such additional Registration Statement is required for a reason other than as described in (a) above, the fortieth (40^{th}) day following the date on which the Company first knows, or reasonably should have known, that such additional Registration Statement(s) is required.

(iii) "ADSs" means American Depositary Shares, each representing one Ordinary Share of the Company.

(iv) "Business Day" means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York and Paris, France, are authorized or required by law to remain closed.

(v) “Buyer” means the Purchaser and any transferee or assignee who agrees to become bound by the provisions of this Agreement in accordance with Section 10 hereof.

(vi) “Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, and any successor statute.

(vii) “Filing Deadline,” for the Registration Statement required to be filed under Section 2(a)(i), shall mean a date that is thirty (30) calendar days following the Shareholder Approval Date and, in the case of Section 2(a)(ii) shall mean the Additional Filing Deadline.

(viii) “Indemnified Person” means, as applicable, a Buyer Indemnified Party or a Company Indemnified Party.

(ix) “Person” means and includes any natural person, partnership, joint venture, corporation, trust, limited liability company, limited company, joint stock company, unincorporated organization, government entity or any political subdivision or agency thereof, or any other entity.

(x) “Registration Deadline” shall mean, with respect to the Registration Statement required under Section 2(a)(i), the earlier of (i) the date that is ninety (90) calendar days after the date that the Registration Statement is actually filed or (ii) the date that is ninety (90) calendar days after the Filing Deadline and, with respect to any Registration Statement required to be filed under Section 2(a)(ii), the Additional Registration Deadline.

(xi) “Warrants” means the warrants issued by the Company pursuant to the Purchase Agreement.

(xii) “Register,” “Registered,” and “Registration” refer to a registration effected by preparing and filing a Registration Statement or Statements in compliance with the Securities Act and pursuant to Rule 415 under the Securities Act or any successor rule providing for offering securities on a continuous basis, and the declaration or ordering of effectiveness of such Registration Statement by the United States Securities and Exchange Commission (the “SEC”).

(xiii) “Registrable Securities” means (a) any Ordinary Shares represented by ADSs (the “Warrant Shares”) issued or issuable upon exercise of or otherwise pursuant to the Warrants (without giving effect to any limitations on exercise set forth in the Warrants), (b) any shares of capital stock issued or issuable as a dividend on or in exchange for or otherwise with respect to any of the foregoing, (c) any additional ADSs or Ordinary Shares issuable in connection with any anti-dilution provisions in the Warrants, and (d) any securities issued or issuable upon any stock split, dividend or other distribution, recapitalization or similar event with respect to the foregoing. As to any particular Registrable Security, such security shall cease to be a Registrable Security when (A) a Registration Statement covering such security has been declared effective by the SEC and such securities have been disposed of pursuant to such effective Registration Statement or (B) they are transferred pursuant to Rule 144 of the Securities Act.

(xiv) “Registration Statement(s)” means a registration statement(s) of the Company under the Securities Act required to be filed hereunder.

(xv) “Shareholder Approval Date” shall have the meaning set forth in the Warrants.

2. REGISTRATION.

a. MANDATORY REGISTRATION. (i) Following the Shareholder Approval Date, the Company shall prepare, and, on or prior to the Filing Deadline (as defined above), file with the SEC a Registration Statement (the “Mandatory Registration Statement”) on Form F-3 (or, if Form F-3 is not then available, on such form of Registration Statement as is then available to effect a registration of the Registrable Securities, subject to the consent of the Buyer, which consent will not be unreasonably withheld or delayed) covering the resale of the Registrable Securities, which Registration Statement, to the extent allowable under the Securities Act and the rules and regulations promulgated thereunder (including Rule 416), shall state that such Registration Statement also covers such indeterminate number of additional Ordinary Shares represented by ADSs as may become issuable upon exercise of or otherwise pursuant to the Warrants to prevent dilution resulting from stock splits, stock dividends, stock issuances or similar transactions. The number of Ordinary Shares represented by ADSs initially included in such Registration Statement shall be no less than the aggregate number of Warrant Shares that are then issuable upon exercise of or otherwise pursuant to the Warrants without regard to any limitation on the Buyer’s ability to exercise the Warrants. Such Registration Statement (and each amendment or supplement thereto, and each request for acceleration of effectiveness thereof) shall be provided to (and subject to the reasonable approval of) the Buyer and its counsel prior to its filing or submission.

(ii) If for any reason the SEC does not permit all of the Registrable Securities to be included in the Registration Statement filed pursuant to Section 2(a)(i) above, or for any other reason any Registrable Securities are not then included in a Registration Statement filed under this Agreement, then the Company shall prepare, and, as soon as practicable but in no event later than the Additional Filing Deadline, file with the SEC an additional Registration Statement covering the resale of all Registrable Securities not already covered by an existing and effective Registration Statement for an offering to be made on a continuous basis pursuant to Rule 415.

b. PIGGY-BACK REGISTRATIONS. If at any time prior to the expiration of the Registration Period (as hereinafter defined), the Company shall determine to file with the SEC a registration statement relating to an offering for its own account or the account of others under the Securities Act of any of its securities (other than debt securities or securities being registered on Form F-4, Form S-8 or another form not available for registering the Registrable Securities to the public or their then equivalents relating to equity securities to be issued solely in connection with any acquisition of any entity or business, or equity securities issuable in connection with stock option or other employee benefit plans), the Company shall send to each Buyer written notice of such determination and, if within fifteen (15) calendar days after the delivery of such notice, the Buyer shall so request in writing, the Company shall include in such Registration Statement all or any part of such Buyer's Registrable Securities requested to be registered, except that if, in connection with any underwritten public offering for the account of the Company, the managing underwriter(s) thereof shall impose a limitation on the number of Registrable Securities which may be included in the Registration Statement because, in such underwriter(s)' judgment, marketing or other factors dictate such limitation is necessary to facilitate public distribution of the aggregate number of securities (including the Registrable Securities) to be issued pursuant to such Registration Statement, then the Company shall only be obligated to include in such Registration Statement only such limited portion of the Registrable Securities with respect to which the Buyer has requested inclusion hereunder as the underwriter shall permit;

PROVIDED, HOWEVER, that the Company shall include in such registration (i) first, the number of Ordinary Shares presented by ADSs that the Company proposes to sell; (ii) second, the number of shares of Registrable Securities requested to be included therein by the Buyers, allocated pro rata among all Buyers on the basis of the number of Registrable Securities owned by each such Buyer or in such manner as they may otherwise agree; and (iii) third, the number Ordinary Shares represented by ADSs requested to be included therein by holders of the Ordinary Shares (other than the Buyers), allocated among such holders in such manner as they may agree; and

PROVIDED, FURTHER, HOWEVER, that, after giving effect to the immediately preceding proviso, any exclusion of Registrable Securities shall be made pro rata with holders of other securities having the contractual right to include such securities in the Registration Statement other than holders of securities entitled to inclusion of their securities in such Registration Statement by reason of demand registration rights. No right to registration of Registrable Securities under this Section 2(b) shall be construed to limit any registration required under Section 2(a) hereof. If an offering in connection with which a Buyer is entitled to registration under this Section 2(b) is an underwritten offering, then such Buyer shall, unless otherwise agreed by the Company, offer and sell such Registrable Securities in an underwritten offering using the same underwriter or underwriters and, subject to the provisions of this Agreement, on the same terms and conditions as other Ordinary Shares (including ADSs) included in such underwritten offering. Notwithstanding anything to the contrary set forth herein, the registration rights of a Buyer pursuant to this Section 2(b) shall only be available in the event the Company fails to timely file, obtain effectiveness or maintain effectiveness of any Registration Statement to be filed pursuant to Section 2(a) in accordance with the terms of this Agreement.

3. OBLIGATIONS OF THE COMPANY. Following the Shareholder Approval Date, in connection with the registration of the Registrable Securities, the Company shall have the following obligations:

a. The Company shall prepare promptly, and file with the SEC no later than the Filing Deadline, a Registration Statement with respect to the number of Registrable Securities provided in Section 2(a), and thereafter use its commercially reasonable efforts to cause each such Registration Statement relating to Registrable Securities to become effective as soon as reasonably practicable after such filing, but in any event shall cause each such Registration Statement relating to Registrable Securities to become effective no later than the Registration Deadline, and shall use commercially reasonable efforts to keep the Registration Statement current and effective pursuant to Rule 415 at all times until such date as is the earlier, of (i) the date on which all of the Registrable Securities for such Registration Statement have been sold and (ii) the date on which all of the Registrable Securities for such Registration Statement (in the opinion of counsel to the Buyer) may be immediately sold to the public without registration or restriction (including without limitation as to volume by each holder thereof) under the Securities Act (the "Registration Period"), which Registration Statement (including any amendments or supplements thereto and prospectuses contained therein), except for information provided by a Buyer or any transferee of a Buyer pursuant to Section 4(a), shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein, or necessary to make the statements therein not misleading.

b. The Company shall prepare and file with the SEC such amendments (including post-effective amendments) and supplements to each Registration Statement and the prospectus used in connection with each Registration Statement as may be necessary to keep each Registration Statement current and effective at all times during the Registration Period, and, during such period, comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities of the Company covered by each Registration Statement until such time as all of such Registrable Securities have been disposed of in accordance with the intended methods of disposition by the seller or sellers thereof as set forth in each Registration Statement. In the event that on any Trading Day (as defined below) (the "Registration Trigger Date") the number of shares available under any Registration Statement filed pursuant to this Agreement is insufficient to cover all of the Registrable Securities issued or issuable upon exercise of or otherwise pursuant to the Warrants, including, any additional Ordinary Shares represented by ADSs issued in connection with any anti-dilution provisions contained in the Warrants, without giving effect to any limitations on the Buyers' ability to exercise the Warrants, the Company shall amend the Registration Statement, or file a new Registration Statement (on the short form available therefore, if applicable), or both, so as to cover the total number of Registrable Securities so issued or issuable (without giving effect to any limitations on exercise contained in the Warrants or limitations on conversion or exercise) as of the Registration Trigger Date as soon as practicable, but in any event within twenty (20) calendar days after the Registration Trigger Date (based on the Exercise Price (as defined in the Warrants) of the Warrants, and other relevant factors on which the Company reasonably elects to rely). The Company shall use its commercially reasonable efforts to cause such amendment and/or new Registration Statement to become effective as soon as practicable following the filing thereof, but in any event the Company shall use its commercially reasonable efforts to cause such amendment and/or new Registration Statement to become effective within sixty (60) calendar days of the Registration Trigger Date or as promptly as practicable in the event the Company is required to increase its authorized shares. "Trading Day" shall mean any day on which ADSs are traded for any period on The NASDAQ Global Market, or on the principal securities exchange or other securities market on which ADSs are then being traded.

c. The Company shall furnish to each Buyer and its legal counsel (i) promptly after the same is prepared and publicly distributed, filed with the SEC, or received by the Company, one copy of each Registration Statement and any amendment thereto, each preliminary prospectus and prospectus and each amendment or supplement thereto, and, in the case of a Registration Statement referred to in Section 2(a), each letter written by or on behalf of the Company to the SEC or the staff of the SEC, and each item of correspondence from the SEC or the staff of the SEC, in each case relating to such Registration Statement (other than any portion of any thereof which contains information for which the Company has sought confidential treatment), and (ii) such number of copies of a prospectus, including a preliminary prospectus, and all amendments and supplements thereto and such other documents as a Buyer may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such Buyer. The Company will immediately notify the Buyers by facsimile of the effectiveness of each Registration Statement or any post-effective amendment. The Company will promptly respond to any and all comments received from the SEC, with a view towards causing each Registration Statement or any amendment thereto to be declared effective by the SEC as soon as practicable and shall file an acceleration request as soon as practicable, but no later than three (3) Business Days, following the resolution or clearance of all SEC comments or, if applicable, following notification by the SEC that any such Registration Statement or any amendment thereto will not be subject to review.

d. The Company shall use its reasonable best efforts to (i) register and qualify, in any jurisdiction where registration and/or qualification is required, the Registrable Securities covered by the Registration Statement under such other securities or "blue sky" laws of such jurisdictions in the United States as the Buyers shall reasonably request, (ii) prepare and file in those jurisdictions such amendments (including post-effective amendments) and supplements to such registrations and qualifications as may be necessary to maintain the effectiveness thereof during the Registration Period, (iii) take such other actions as may be necessary to maintain such registrations and qualifications in effect at all times during the Registration Period, and (iv) take all other actions reasonably necessary or advisable to qualify the Registrable Securities for sale in such jurisdictions; provided, however, that the Company shall not be required in connection therewith or as a condition thereto to (x) qualify to do business in any jurisdiction where it would not otherwise be required to qualify but for this Section 3(d), (y) subject itself to general taxation in any such jurisdiction, or (z) file a general consent to service of process in any such jurisdiction.

e. As promptly as practicable after becoming aware of such event, the Company shall notify each Buyer of the happening of any event, of which the Company has knowledge, as a result of which the prospectus included in any Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and use its reasonable best efforts promptly to prepare a supplement or amendment to any Registration Statement to correct such untrue statement or omission, and deliver such number of copies of such supplement or amendment to each Buyer as such Buyer may reasonably request.

f. The Company shall use its reasonable best efforts to prevent the issuance of any stop order or other suspension of effectiveness of any Registration Statement, and, if such an order is issued, to obtain the withdrawal of such order at the earliest possible moment and to notify each Buyer who holds Registrable Securities being sold (or, in the event of an underwritten offering, the managing underwriters) of the issuance of such order and the resolution thereof.

g. The Company shall permit a single firm of counsel designated by the Buyers to review such Registration Statement and all amendments and supplements thereto (as well as all requests for acceleration or effectiveness thereof), at Buyers' own cost, a reasonable period of time prior to their filing with the SEC (not less than five (5) Business Days but not more than eight (8) Business Days) and not file any documents in a form to which such counsel reasonably objects in writing and will not request acceleration of such Registration Statement without prior notice to such counsel.

h. [Intentionally omitted.]

i. The Company shall use its reasonable best efforts to (i) cause all the Registrable Securities covered by the Registration Statement to be listed on each securities exchange on which securities of the same class or series issued by the Company are then listed, if any, if the listing of such Registrable Securities is then permitted under the rules of such exchange, and, (ii) if the Registrable Securities are listed on a national exchange, to arrange for at least two market makers to register with the Financial Industry Regulatory Authority, Inc. ("FINRA") as such with respect to such Registrable Securities.

j. [Intentionally omitted.]

k. To the extent that Registrable Securities are resold pursuant to an effective Registration Statement or are sold or transferred pursuant to Rule 144 under the Securities Act, the Company shall cooperate with each Buyer who holds Registrable Securities to facilitate the timely preparation and delivery of certificates (not bearing any restrictive legends) representing Registrable Securities and enable such certificates to be in such denominations or amounts, as the Buyer may reasonably request and registered in such names as the Buyer may reasonably request. Within three (3) Business Days following the delivery by a Buyer to the Company of a written request for legend removal from certificates representing Registrable Securities that were resold pursuant to an effective Registration Statement or sold or transferred pursuant to Rule 144 and any supporting documentation reasonably requested by the Company or its counsel, the Company shall deliver, and shall cause legal counsel selected by the Company to deliver, to the transfer agent for the Registrable Securities (with copies to each Buyer) an appropriate instruction and an opinion of such counsel in the form required by the transfer agent in order to issue the Registrable Securities free of restrictive legends.

l. At the reasonable request of a Buyer, the Company shall prepare and file with the SEC such amendments (including post-effective amendments) and supplements to a Registration Statement and any prospectus used in connection with the Registration Statement as may be necessary in order to change the plan of distribution set forth in such Registration Statement.

m. The Company shall not, and shall not agree to, allow the holders of any securities of the Company to include any of their securities in any Registration Statement under Section 2(a) hereof or any amendment or supplement thereto under Section 3(b) hereof without the consent of the Buyers. In addition, the Company shall not offer any securities for its own account or the account of others in any Registration Statement under hereof or any amendment or supplement thereto under Section 3(b) hereof without the consent of the Buyers.

n. The Company shall take all other commercially reasonable actions necessary to expedite and facilitate disposition by the Buyers of Registrable Securities pursuant to a Registration Statement.

o. The Company shall use commercially reasonable efforts to comply with all applicable laws related to a Registration Statement and offering and sale of securities and all applicable rules and regulations of governmental authorities in connection therewith (including, without limitation, the Securities Act and the Exchange Act and the rules and regulations promulgated by the SEC).

p. If required by the Financial Industry Regulatory Authority, Inc. Corporate Financing Department, the Company shall promptly effect a filing with FINRA pursuant to FINRA Rule 5110 with respect to the public offering contemplated by resales of securities under the Registration Statement (an "Issuer Filing"), and pay the filing fee required by such Issuer Filing. The Company shall use commercially reasonable efforts to pursue the Issuer Filing until FINRA issues a letter confirming that it does not object to the terms of the offering contemplated by the Registration Statement.

q. Notwithstanding anything to the contrary herein, at any time after the Registration Statement has been declared effective by the SEC, the Company may delay or suspend the effectiveness of any Registration Statement or the use of any prospectus forming a part of the Registration Statement due to the non-disclosure of material, non-public information concerning Company the disclosure of which at the time is not in its best interest, in the good faith opinion of the Company (a "Grace Period"); provided, that the Company shall promptly notify the Buyers in writing of the existence of a Grace Period in conformity with the provisions of this Section 3(q) and the date on which the Grace Period will begin (such notice, a "Commencement Notice"); and, provided further, that no Grace Period shall exceed thirty (30) calendar days, and such Grace Periods shall not exceed an aggregate total of sixty (60) calendar during any three hundred and sixty (360) calendar day period. For purposes of determining the length of a Grace Period above, the Grace Period shall begin on and include the date specified by the Company in the Commencement Notice and shall end on and include the date the Buyer receives written notice of the termination of the Grace Period by the Company (which notice may be contained in the Commencement Notice). The provisions of Section 3(e) hereof shall not be applicable during any Grace Period. Upon expiration of the Grace Period, the Company shall again be bound by Section 3(e) with respect to the information giving rise thereto unless such material, non-public information is no longer applicable.

r. Notwithstanding anything to the contrary herein, a delay in the effectiveness of a Registration Statement caused solely by the filing of a request for confidential treatment shall not be deemed a breach of the Company's obligations set forth herein and in such event the Registration Deadline shall be deemed extended to the date that is ten (10) Business Days after the date the SEC agrees to allow confidential treatment pursuant to such request or the date such request is withdrawn by the Company, as applicable, provided, however, that the Company has used its commercially reasonable efforts to have such request granted and has only requested confidential treatment for such items as outside legal counsel has advised it are consistent with the requirements of the SEC for confidential treatment requests (including as set forth in Staff Legal Bulletin No. 1 (with addendum).

4. OBLIGATIONS OF THE BUYER. Following the Shareholder Approval Date, in connection with the registration of the Registrable Securities, each Buyer shall have the following obligations:

a. It shall be a condition precedent to the obligations of the Company to complete the registration pursuant to this Agreement with respect to the Registrable Securities of a Buyer that such Buyer shall furnish to the Company such information regarding itself, the Registrable Securities held by it and the intended method of disposition of the Registrable Securities held by it as shall be reasonably required to effect the registration of such Registrable Securities and shall execute such documents in connection with such registration as the Company may reasonably request. At least five (5) Business Days prior to the first anticipated filing date of a Registration Statement, the Company shall notify each Buyer of the information the Company requires from such Buyer, and such Buyer shall deliver such information to the Company as soon as reasonably possible, but in no event later than four (4) calendar days after the Company's initial request for such information. Any information delivered by any Buyer shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein, or necessary to make the statements therein not misleading.

b. Each Buyer, by such Buyer's acceptance of the Registrable Securities, agrees to cooperate with the Company as reasonably requested by the Company in connection with the preparation and filing of a Registration Statement hereunder, unless such Buyer has notified the Company in writing of the Buyer's election to exclude all of the Buyer's Registrable Securities from such Registration Statement.

c. In the event of an underwritten offering pursuant to Section 2(b) in which any Registrable Securities are to be included, each Buyer agrees to enter into and perform the Buyer's obligations under an underwriting agreement, in usual and customary form, including, without limitation, customary indemnification and contribution obligations, with the managing underwriter of such offering and take such other actions as are reasonably required in order to expedite or facilitate the disposition of the Registrable Securities, unless such Buyer has notified the Company in writing of such Buyer's election to exclude all of the Buyer's Registrable Securities from such Registration Statement.

d. Each Buyer agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 3(e), 3(f) or 3(q), the Buyer will immediately discontinue disposition of Registrable Securities pursuant to the Registration Statement covering such Registrable Securities until the Buyer's receipt of (i) the copies of the supplemented or amended prospectus contemplated by Section 3(e) or 3(f) or (ii) the written notice of the termination of the Grace Period as contemplated by Section 3(q). If so directed by the Company, the Buyer shall deliver to the Company (at the expense of the Company) or destroy (and deliver to the Company a certificate of destruction) all copies in the Buyer's possession, of the prospectus covering such Registrable Securities current at the time of receipt of such notice.

e. Each Buyer acknowledges and agrees that the Company shall not provide any drafts of the Registration Statement and any amendment thereto, each preliminary prospectus and prospectus and each amendment or supplement thereto, and, in the case of a Registration Statement referred to in Section 2(a), each letter written by or on behalf of the Company to the SEC or the staff of the SEC, and each item of correspondence from the SEC or the staff of the SEC, in each case relating to such Registration Statement (other than any portion of any thereof which contains information for which the Company has sought confidential treatment) pursuant to Section 3(c) hereof, unless at or prior to such time Buyer has entered into a confidentiality agreement, in a form reasonably acceptable to Buyer and the Company.

5. REGISTRATION FAILURE. In the event of a Registration Failure (as defined in the Warrants), the Buyers shall be entitled to Failure Payments (as defined in the Warrants) and such other rights as set forth in the Warrants.

6. EXPENSES OF REGISTRATION. All reasonable expenses, other than the underwriting fees, discounts and commissions, incurred in connection with registrations, filings or qualifications pursuant to Sections 2 and 3, including, without limitation, all registration, listing and qualification fees, printers and accounting fees, and the fees and disbursements of counsel for the Company shall be borne by the Company.

7. INDEMNIFICATION. In the event any Registrable Securities are included in a Registration Statement under this Agreement:

a. The Company will indemnify, hold harmless and defend (i) each Buyer, (ii) the directors, officers, partners, managers, members, employees, agents and each Person who controls any Buyer within the meaning of the Securities Act or the Exchange Act, if any, (iii) any underwriter (as defined in the Securities Act) for each Buyer in connection with an underwritten offering pursuant to Section 2(b) hereof, and (iv) the directors, officers, partners, employees and each Person who controls any such underwriter within the meaning of the Securities Act or the Exchange Act, if any (each, a "Buyer Indemnified Person"), against any joint or several losses, claims, damages, liabilities or expenses (collectively, together with actions, proceedings or inquiries by any regulatory or self-regulatory organization, whether commenced or threatened, in respect thereof, "Claims") to which any of them may become subject insofar as such Claims arise out of or are based upon: (i) any untrue statement or alleged untrue statement of a material fact in a Registration Statement or the omission or alleged omission to state therein a material fact required to be stated or necessary to make the statements therein not misleading; (ii) any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus if used prior to the effective date of such Registration Statement, or contained in the final prospectus (as amended or supplemented, if the Company files any amendment thereof or supplement thereto with the SEC) or the omission or alleged omission to state therein any material fact necessary to make the statements made therein, in light of the circumstances under which the statements therein were made, not misleading; or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any state securities law, or any rule or regulation thereunder relating to the offer or sale of the Registrable Securities (the matters in the foregoing clauses (i) through (iii) being, collectively, "Violations"). The Company shall reimburse the Buyer Indemnified Person, promptly as such expenses are incurred and are due and payable, for any reasonable legal fees or other reasonable expenses incurred by them in connection with investigating or defending any such Claim. Notwithstanding anything to the contrary contained herein, the indemnification agreement contained in this Section 7(a) and the agreement with respect to contribution contained in Section 8 shall not apply (x) to a Claim arising out of or based upon a Violation to the extent that such Violation occurs in reliance upon and in conformity with information furnished in writing to the Company by any Buyer Indemnified Person for use in connection with the preparation of such Registration Statement or any such amendment thereof or supplement thereto, (y) to the extent due to any Buyer's failure to timely deliver any information requested by the Company in accordance with Section 4(a) or (z) to any amounts paid in settlement of any Claim effected without the prior written consent of the Company, which consent shall not be unreasonably withheld. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Buyer Indemnified Person and shall survive the transfer of the Registrable Securities by the Buyer pursuant to Section 10.

b. Each Buyer will indemnify, hold harmless and defend (i) the Company, and (ii) the directors, officers, partners, managers, members, employees, or agents of the Company, if any (each, a "Company Indemnified Person"), against any Claims to which any of them may become subject insofar as such Claims arise out of or are based upon any Violations, that occur due to the inclusion by the Company in a Registration Statement of false or misleading information about a Buyer, where such information was furnished in writing to the Company by such Buyer for the purpose of inclusion in such Registration Statement. Each Buyer shall reimburse the Indemnified Person, promptly as such expenses are incurred and are due and payable, for any reasonable legal fees or other reasonable expenses incurred by them in connection with investigating or defending any such Claim. Notwithstanding anything herein to the contrary, the indemnity agreement contained in this Section 7(b) and the agreement with respect to contribution contained in Section 8 shall not apply to amounts paid in settlement of any Indemnity Claim if such settlement is effected without the prior written consent of the Buyers which consent shall not be unreasonably withheld or delayed; and provided, further, however, that a Buyer shall be liable under this Section 7(b) for only that amount of an Indemnity Claim as does not exceed the net amount of proceeds received by such Buyer as a result of the sale of Registrable Securities pursuant to such Registration Statement. The indemnity described in this Section 7(b) shall remain in full force and effect regardless of any investigation made by or on behalf of any Company Indemnified Person.

c. Promptly after receipt by an Indemnified Person under this Section 7 of notice of the commencement of any action (including any governmental action), such Indemnified Person shall, if a Claim in respect thereof is to be made against the Company or the Buyer (each an "Indemnifying Person") under this Section 7, deliver to such Indemnifying Person a written notice of the commencement thereof enclosing a copy of all relevant documents, including all papers served and claims made, but the failure to deliver written notice to the Indemnifying Person within a reasonable time of the commencement of any such action shall not relieve the Indemnifying Person of any liability to the Indemnified Person under this Section 7, except to the extent that the Indemnifying Person is actually prejudiced in its ability to defend such action. The Indemnifying Party shall have the right to participate in, and, to the extent such Indemnifying Party so desires, to assume control of the defense thereof with counsel mutually satisfactory to such Indemnifying Person and the Indemnified Person. The indemnification required by this Section 7 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as such expense, loss, damage or liability is incurred and is due and payable.

d. Each Indemnified Person shall have the right to retain its own counsel with the reasonable fees and expenses to be paid by the Indemnifying Person, if, in the reasonable opinion of counsel for the Indemnified Person, the representation by such counsel of the Indemnified Person and the Indemnified Person would be inappropriate due to actual or potential differing interests between such Indemnified Person and any other party represented by such counsel in such proceeding. The Indemnifying Person shall pay for only one separate legal counsel for the Indemnified Persons, and such legal counsel shall be selected by Indemnified Persons. course of the investigation or defense, as such expense, loss, damage or liability is incurred and is due and payable.

8. CONTRIBUTION. To the extent any indemnification by an Indemnifying Party is prohibited or limited by law, such Indemnifying Party shall contribute the maximum contribution with respect to any amounts for which it would otherwise be liable under Section 7 to the fullest extent permitted by law, based upon a comparative fault standard. Notwithstanding the foregoing, no Person that is guilty of fraudulent misrepresentation (within the meaning Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of fraudulent misrepresentation.

9. REPORTS UNDER THE 1934 ACT. With a view to making available to the Buyers the benefits of Rule 144 promulgated under the Securities Act or any other similar rule or regulation of the SEC that may at any time permit the Buyers to sell securities of the Company to the public without registration the Company agrees to:

a. make and keep public information available, as those terms are understood and defined in Rule 144;

b. file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act so long as the Company remains subject to such requirements and the filing of such reports and other documents is required for the applicable provisions of Rule 144; and

c. so long as the Buyers own Registrable Securities, promptly upon request, furnish to the Buyers (i) a written statement by the Company that it has complied with the reporting requirements of the Securities Act and the Exchange Act as required for applicable provisions of Rule 144, (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company and (iii) such other information as may be reasonably requested to permit the Buyers to sell such securities pursuant to Rule 144 without registration.

10. ASSIGNMENT OF REGISTRATION RIGHTS. a. The rights under this Agreement shall be automatically assignable by each Buyer to any transferee of all or any portion of the Registrable Securities if: (i) the Buyer agrees in writing with the transferee or assignee to assign such rights, and a copy of such agreement is furnished to the Company within a reasonable time after such assignment, (ii) the Company is, within a reasonable time after such transfer or assignment, furnished with written notice of (a) the name and address of such transferee or assignee, and (b) the securities with respect to which such registration rights are being transferred or assigned, and (iii) at or before the time the Company receives the written notice contemplated by clause (ii) of this sentence, the transferee or assignee agrees in writing with the Company to be bound by all of the provisions contained herein. In the event that a Buyer transfers all or any portion of its Registrable Securities pursuant to this Section, the Company shall have at least ten (10) Business Days to file any amendments or supplements necessary to keep a Registration Statement current and effective pursuant to Rule 415, and the commencement date of any Event of Failure (as defined in the Warrants) or Event of Default (as defined in the Warrants) under the Warrants caused thereby will be extended by ten (10) Business Days.

b. Any purported assignment in violation of the requirements of this Section 10 shall be null and void.

11. AMENDMENT OF REGISTRATION RIGHTS. Provisions of this Agreement may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), only with written consent of the Company and the holders of a majority in interest of then-outstanding Registrable Securities. Any amendment or waiver effected in accordance with this Section 10 shall be binding upon each of the Buyers and the Company.

12. MISCELLANEOUS.

a. A Person is deemed to be a holder of Registrable Securities whenever such Person owns of record or beneficially through a "street name" holder such Registrable Securities. If the Company receives conflicting instructions, notices or elections from two or more Persons with respect to the same Registrable Securities, the Company shall act upon the basis of instructions, notice or election received from the registered owner of such Registrable Securities.

b. Any notices required or permitted to be given under the terms hereof shall be sent by certified or registered mail (return receipt requested) or delivered personally or by courier (including a recognized overnight delivery service) or by facsimile and shall be effective five (5) days after being placed in the mail, if mailed by regular United States mail, or upon receipt, if delivered personally or by courier (including a recognized overnight delivery service) or by facsimile, in each case addressed to a party. The addresses for such communications shall be:

If to the Company:

Flamel Technologies S.A.
Parc Club du Moulin à Vent
33 avenue du Dr. Georges Levy
69693 Vénissieux Cedex France
Fax: +33 (0) 472-783-435

With copy (which shall not constitute notice) to:

Hogan Lovells US LLP
200 International Drive
Baltimore, MD 21202
Facsimile: (410) 659-2701
Attention: Asher M. Rubin
William I. Intner
and

Hogan Lovells US LLP
555 Thirteenth St., NW
Washington, DC 20004
Facsimile: (202) 637-5910
Attention: G. Allen Hicks

If to a Buyer:

c/o Deerfield Capital, L.P.
780 Third Avenue, 37th Floor
New York, New York 10017
Fax: (212) 599-1248
Attn: James E. Flynn

With a copy to (which shall not constitute notice to):

Katten Muchin Rosenman LLP
575 Madison Avenue
New York, New York 10022
Fax: (212) 940-8776

Attn: Mark I. Fisher, Esq.
Elliot Press, Esq.

Each party shall provide notice to the other party of any change in address.

c. Failure of any party to exercise any right or remedy under this Agreement or otherwise, or delay by a party in exercising such right or remedy, shall not operate as a waiver thereof.

d. Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Each party agrees that all legal proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the City of New York, borough of Manhattan for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper or is an inconvenient venue for such proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law. The parties hereby waive all rights to a trial by jury. If either party shall commence an action or proceeding to enforce any provision of this Agreement, then the prevailing party in such action or proceeding shall be reimbursed by the other party for its reasonable attorneys' fees and other costs and expenses incurred with the investigation, preparation and prosecution of such action or proceeding.

e. This Agreement, the Warrants and the Purchase Agreement (including all schedules and exhibits thereto) constitute the entire agreement among the parties hereto with respect to the subject matter hereof and thereof. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein and therein. This Agreement, the Warrants and the Purchase Agreement supersede all prior agreements and understandings among the parties hereto with respect to the subject matter hereof and thereof.

f. Subject to the requirements of Section 9 hereof, this Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties hereto.

g. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

h. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same agreement. This Agreement, once executed by a party, may be delivered to the other party hereto by facsimile transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

i. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

j. The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Buyer by vitiating the intent and purpose of the transactions contemplated hereby. Accordingly, the Company acknowledges that the remedy at law for breach of its obligations hereunder will be inadequate and agrees, in the event of a breach or threatened breach by the Company of any of the provisions hereunder, that the Buyer shall be entitled, in addition to all other available remedies in law or in equity, to an injunction or injunctions to prevent or cure breaches of the provisions of this Agreement and to enforce specifically the terms and provisions hereof, without the necessity of showing economic loss and without any bond or other security being required.

k. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party.

l. In the event that any provision of this Agreement is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any provision hereof which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision hereof.

m. In the event a Buyer shall sell or otherwise transfer any of such holder's Registrable Securities, each transferee shall be allocated a pro rata portion of the number of Registrable Securities included in a Registration Statement for such transferor.

n. There shall be no oral modifications or amendments to this Agreement. This Agreement may be modified or amended only in writing.

[Remainder of page left intentionally blank]

[Signature page follows]

IN WITNESS WHEREOF, the undersigned Buyer and the Company have caused this Registration Rights Agreement to be duly executed as of the date first written above.

COMPANY:		**BUYER:**	
FLAMEL TECHNOLOGIES S.A.		**ÉCLAT HOLDINGS, LLC**	
By:	/s/ Stephen H. Willard	By:	/s/ Alex Karnal
Name:	Stephen H. Willard	Name:	Alex Karnal
Title:	Chief Executive Officer	Title:	Secretary

[Signature Page to Registration Rights Agreement]