

## Press Release

31 March 2009

### **XG TECHNOLOGY, INC.**

#### **FINAL RESULTS FOR 2008**

xG Technology, Inc. ("xG" or the "Company"; LSE-AIM: XGT), which has developed a revolutionary, low-cost mobile communications system, is pleased to announce its audited results for the year ended 31 December 2008. All \$ amounts in this statement are United States dollars.

#### **Key Points:**

- Recorded sales of a total of 327 base stations, resulting in \$16.4 million in revenues, compared to \$0.3 million in 2007. Operating Profit before interest and share-based compensation was \$7.7 million (2007: \$6.2 million loss) and xG made a net profit of \$2.0 million (2007: \$12.0 million loss).
- The Company remains well-financed, with year-end net cash and cash equivalents of \$15.8 million (2007: \$32.7 million).
- The initial phase of deployment of the xMax BSN250 base stations in the Southern Florida market has begun, xG took delivery of the first fully commercial, production-ready TX60 handsets designed and developed by Cambridge Consultants Ltd. and completed testing the integration of the TX60 handset with our BSN250 base station, enabling xMax mobile VoIP calls between our TX60 handsets and base stations.
- xG signed an agreement with Treco International, S.A. to act as its exclusive infrastructure partner in the United States, allowing xMax carriers to finance, by equipment lease, a substantial part of the capital costs needed to deploy xMax networks.
- Continued patent filing activity, enhancing the Company's portfolio of intellectual property. The patent portfolio now comprises a total of 47 United States matters (10 patents issued, 18 pending utility applications and 19 pending provisional applications) and a total of 82 foreign matters (8 issued, 64 pending applications, and 10 applications).

#### **On outlook, Richard Mooers, Chairman and Chief Executive Officer stated:**

*"We recognise and share the anticipation and enthusiasm on the part of our partners and investors to see the proving of our superior technology in the market. At the same time, we continue to be committed to refining our mobile VoIP solution to the highest standards as well as to the delivery of the best user experience and quality of service when our carrier partners launch their full commercial xMax branded services. In parallel, we have created the xMax Authorized Carrier Partner Program and are actively talking to interested parties and building our pipeline of customers. We remain very pleased with the progress being made in all of xG's areas of activity and, with the groundwork now laid for full commercial expansion, we look forward to the future with confidence."*

## CONTACTS

### **xG Technology, Inc.**

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## ABOUT XG TECHNOLOGY

Based in Florida, United States, xG Technology, Inc. has developed innovative, patented wireless communications technologies which offer the potential to significantly reduce the required capital investment and operating costs of wireless voice and data communications services. Its mobile VoIP (Voice over Internet Protocol) base station and handset product line - branded as xMax - is intended for use by regional carrier partners which seek to deliver mobile Internet Protocol voice and data services directly to consumers without using the incumbent circuit switched or coaxial cable networks. The xMax system provides an extended range of operation and is expected to provide superior handset battery performance and double the call capacity of mobile WiMAX networks. Planned future releases of the xMax product line include integrated video and data applications.

## COPIES OF ANNOUNCEMENT

A copy of this announcement will be available from the Company's website at [www.xgtechnology.com](http://www.xgtechnology.com) and from the offices of its Nominated Adviser, ING Bank N.V., London Branch, 60 London Wall, London EC2M 5TQ. A copy of the Annual Report and Accounts will be posted to shareholders in due course.

## **CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S STATEMENT**

### **INTRODUCTION**

In 2008, xG Technology, Inc. ("xG" or the "Company") successfully began its transition from pure technology development to the profitable commercial exploitation of its intellectual property, through direct sales to new xMax carriers and by forging an infrastructure partnership in the United States with Treco International, S.A. ("Treco").

In the year ended 31 December 2008, xG recorded sales of a total of 327 base stations, resulting in \$16.4 million in revenues, compared to \$0.3 million in 2007. By virtue of the Company's low fixed cost, outsourced business model, I am very pleased to report that, for 2008, xG made a net profit of \$2.0 million (2007: \$12.0 million loss), after deducting \$6.3 million related to non-cash stock-based compensation costs (2007: \$7.1 million). As a result, the Company remains well financed, with net cash of \$15.8 million as at 31 December 2008 (31 December 2007: \$32.7 million).

During the year, the Company made significant strides in augmenting its IP-centric technology base, while expanding its commercial activities in the following areas: production and delivery of the BSN250 base station and TX60 handset, supply chain ramp-up and development of carrier sales program. xG made significant enhancements to its end-to-end xMax family of products, which consists of BSN250 base stations, mobile switching centers and TX60 handsets. This product suite will allow carriers to deliver high quality, low-cost mobile and fixed VoIP, as well as broadband Internet services. These ongoing developments and optimisations will enable xMax carriers to offer compelling, value-based mobile VoIP solutions to the market, as well as advanced applications, services and innovative battery solutions in the future.

### **MARKET BACKGROUND AND XG'S MARKET OPPORTUNITY**

As general economic conditions worsened and credit markets tightened in 2008, a considerable impact was felt in the wireless industry. Wireless operators, already facing onerous spectrum and equipment costs and long deployment cycles, also had to contend with a contracted supply of credit available for funding their operations and their network and capacity expansions.

Viewed in this context, xMax networks are incrementally more compelling because they offer an affordable and efficient way for xMax carriers to build and deploy wireless networks. xMax is based on xG Flash Signal, a proprietary low-power, long-range system design which operates independently from legacy cellular networks. Together with the xG-developed and patent-pending xMAC (Media Access Control) data communication technology, this system allows carriers to own and deploy their own mobile VoIP, fixed VoIP and data broadband networks without the prohibitive cost of buying spectrum licences. xMax networks will be less expensive to build, quicker to deploy and easier and less costly to maintain than traditional alternatives. For xMax carriers, this means a lower total cost of ownership, faster return on investment and nearer-term positive cash flows.

xG has also taken into consideration the funding needs of its xMax carriers. In an effort to ease infrastructure financing requirements, help alleviate credit constraints and stimulate interest in xMax, xG has signed an agreement with Treco to act as xG's exclusive infrastructure partner in the United States. Under the agreement, Treco purchases base stations and mobile switching centers from xG and leases the equipment to xMax carriers, allowing them to finance a substantial part of the capital costs needed to deploy their networks. This relationship resulted in the sale of 177 base station units during the second half of 2008, an 18% increase over the 150 base stations sold in the first half of the year.

Another significant industry trend witnessed in 2008 was the considerable increase in the number of subscribers choosing flat-rate, unlimited minute wireless calling plans, particularly prepaid plans. The shift in preference for such plans is a direct result of the economic downturn and they are expected to gain

even more attraction in 2009 as consumers look to tighten their budgets while maintaining their cellular service. xG, through its commercial product offering xMax, is strategically positioned to take advantage of this trend by empowering its xMax carriers to package a wide range of end user service plans featuring competitively priced, flat-rate, unlimited mobile calling and text features. xMax carriers will have the ability to offer both all-you-can-talk national wireless plans and prepaid payment options as well as unlimited inbound and outbound international calling options. These features are expected to have considerable appeal in the sizeable foreign national markets found across the United States. Bundled service plans that package broadband Internet and home phone will also be offered in the future.

As United States Government initiatives, such as the opening of unlicensed “white space” spectrum and the broadband wireless stimulus plan (part of the recently-passed broader economic stimulus package), are put into effect, additional scenarios may arise for which xMax network deployments would be very well suited. xG continues to monitor these policy trends closely and evaluates potential opportunities on an ongoing basis.

## OPERATIONS

In 2008, xG continued to leverage its patent portfolio and enhance the Company’s substantial body of technology innovation, while intensifying its focus on commercial product development and engagement with its target market. During the course of the year, the Company achieved a number of milestones, including the following:

- completed the transition to the xMax BSN250 base station series. The BSN250 is a proprietary, high-capacity base station that has been optimised for use with the xMax TX60 handset and will be capable of supporting advanced services, including 4G applications;
- began the initial phase of deployment of the xMax BSN250 base stations in the Southern Florida market, took delivery of the first fully commercial, production-ready TX60 handsets designed and developed by Cambridge Consultants Ltd. (“CC”) and completed testing the integration of the TX60 handset with our BSN250 base station, enabling xMax mobile VoIP calls between our TX60 handsets and base stations;
- incorporated additional refinements to the xMax network architecture to allow deployment of a high-availability and modular regional system;
- made further technology enhancements in support of the mobile VoIP xMax application, including enhancements made to the xG-developed protocols (air-interface and MAC), as well as other network-related extensions that will enable increased performance and capacity;
- signed an agreement with Treco to act as xG’s exclusive infrastructure partner in the United States. This agreement allows xMax carriers to finance, by equipment lease, a substantial part of the capital costs needed to deploy xMax networks. We also received our first order from Treco under the agreement for 1,000 BSN250 base stations, with a total order value of \$75.0 million. The order also included an option for the delivery of a further 4,000 base stations, with an additional order value of \$300.0 million;
- released xDrive, a software and hardware toolkit which allows for fast and efficient mapping of xMax mobile VoIP cell coverage areas;
- created the xMax Authorized Carrier Partner Program, which provides a comprehensive template for enterprise firms doing business with xG;
- engaged CC to complete development and manufacturing integration of the TX60 handset. Building on their successful design and concept development phase, CC was contracted to provide turnkey development of the TX60, including industrial, electronic and mechanical design, and user interface software, as well as full integration with the Company’s contract manufacturer; and
- continued patent filing activity, enhancing the Company’s portfolio of intellectual property. The patent portfolio now comprises a total of 47 United States matters (10 patents issued, 18 pending utility applications and 19 pending provisional applications) and a total of 82 foreign matters (8 issued, 64 pending applications, and 10 applications).

## **FINANCIAL REVIEW**

Building on a successful first half of the year, xG recorded sales of 177 base stations in the second half. This gave xG total sales of 327 base stations during the year, resulting in \$16.4 million in revenues (2007: \$0.3 million) with a gross profit margin of 92.5%. As the Company increasingly transitioned toward commercial operations, operating expenses rose 1.5% to \$13.7 million (2007: \$13.5 million), of which \$6.3 million (2007: \$7.1 million) were related to non-cash stock-based compensation costs. Operating Profit before interest and share-based compensation was \$7.7 million (2007: \$6.2 million loss) and we achieved a net profit for the year of \$2.0 million (2007: \$12.0 million loss).

The Company continues to be in a strong cash position, with cash and cash equivalents of \$15.8 million at year end. During 2008, the Company received operating cash inflows of \$6.2 million from sales of base stations, as well as cash inflows of \$1.0 million from option exercises. The net cash used during the year was \$16.9 million. The primary use of cash during the year was product development (\$14.9 million).

## **OUTLOOK**

xG continued to reach important milestones as it transitioned its focus in the past year from technology development to commercially-driven initiatives targeting enterprise sales. This process is expected to result in the implementation of multi-stage network deployments and product rollouts through its infrastructure and xMax carrier partners in 2009, including fulfilling the Treco order.

Looking ahead, it is clear that the prospects for xG, its products and its technology have never been better. In our analysis, no alternative to the xMax mobile VoIP solution exists and our core technology attributes give our product offering a commercially available path to robust, mobile 4G performance. Beyond mobile VoIP, our strategy is to exploit a promising roadmap of advanced products, including a smartphone enabling mobile broadband and a modem enabling fixed VoIP and broadband, through to video and other content solutions. Our strategy of enabling the delivery of value-based services has been validated by the significant shift in demand for such services seen recently in the market. Furthermore, the ability for the Company's xMax carriers to lease network equipment through our partnership with Treco will be a key factor in securing future product revenues, despite the challenging economic environment.

We recognise and share the anticipation and enthusiasm on the part of our partners and investors to see the proving of our superior technology in the market. At the same time, we continue to be committed to refining our mobile VoIP solution to the highest standards as well as to the delivery of the best user experience and quality of service when our carrier partners launch their full commercial xMax branded services. To this end, we are continually improving product optimisation and performing advanced interoperability, performance and quality testing. In parallel, we have created the xMax Authorized Carrier Partner Program and are actively talking to interested parties and building our pipeline of customers.

We remain very pleased with the progress being made in all of xG's areas of activity and, with the groundwork now laid for full commercial expansion, we look forward to the future with confidence.

## **RICHARD MOOERS**

*CHAIRMAN AND CHIEF EXECUTIVE OFFICER*

30 MARCH 2009

**INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008**

	Notes	2008 \$'000	2007 \$'000
Revenue		16,350	250
Cost of sales		(1,221)	(14)
<b>Gross profit</b>		<b>15,129</b>	236
Administration expenses		(7,416)	(6,446)
Operating profit/(loss) before interest and shared-based payments		7,713	(6,210)
Interest receivable and similar income		536	1,256
Profit/(loss) before share-based payments		8,249	(4,954)
Share-based payments	4	(6,257)	(7,061)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>1,992</b>	(12,015)
Taxation		—	—
<b>Profit/(loss) for the financial year</b>		<b>1,992</b>	(12,015)
<b>Profit/(loss) per share</b>	2		
Basic		<b>\$ 0.015</b>	\$(0.10)
Diluted		<b>\$ 0.014</b>	\$(0.10)

**BALANCE SHEET AS AT 31 DECEMBER 2008**

	Notes	2008 \$'000	2007 \$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible fixed assets		35,714	21,692
Fixtures and equipment		1,457	546
		37,171	22,238
<b>Current assets</b>			
Trade receivables and other current assets		205	374
Trade receivables due after more than one year		10,192	—
Inventory		5,129	2,132
Cash and cash equivalents		15,830	32,718
		31,356	35,224
<b>Total assets</b>		<b>68,527</b>	<b>57,462</b>
<b>Current liabilities</b>			
Trade payables and other current liabilities		(3,457)	(1,662)
<b>Net assets</b>		<b>65,070</b>	<b>55,800</b>
<b>Shareholders' equity</b>			
Share capital	3	1,318	1,290
Share premium account		66,589	65,462
Preferred equity		2,000	2,000
Other reserve		21,170	16,385
Accumulated losses		(26,007)	(29,337)
<b>Total equity</b>		<b>65,070</b>	<b>55,800</b>

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008**

	Share capital \$'000	Share premium \$'000	Preferred equity \$'000	Other Reserves* \$'000	Retained profit/ (losses) \$'000	Total \$'000
Balance at 31 December 2006	1,224	29,363	—	9,526	(17,475)	22,638
<b>Changes in equity for 2007</b>						
Loss for the period	—	—	—	—	(12,015)	(12,015)
Issue of preferred equity (net of issue costs)	—	(1,975)	40,000	—	—	38,025
Conversion of preferred equity	66	37,934	(38,000)	—	—	—
Exercise of options	—	128	—	(49)	—	79
Issue of shares for services	—	12	—	—	—	12
Share-based transactions	—	—	—	6,908	153	7,061
Balance at 31 December 2007	1,290	65,462	2,000	16,385	(29,337)	55,800
<b>Changes in equity for 2008</b>						
Profit for the period	—	—	—	—	1,992	1,992
Exercise of options	28	1,127	—	(615)	481	1,021
Share-based transactions	—	—	—	5,400	857	6,257
<b>Balance at 31 December 2008</b>	<b>1,318</b>	<b>66,589</b>	<b>2,000</b>	<b>21,170</b>	<b>(26,007)</b>	<b>65,070</b>

\*Other reserves consist of the cumulative amount attributable to share-based transactions.

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008**

	2008		2007	
	\$'000	\$'000	\$'000	\$'000
<b>Cash flows from operating activities</b>				
Profit/(loss) for the period	1,992		(12,015)	
Interest received	(536)		(1,256)	
Depreciation	180		66	
Amortisation	842		45	
Issue of shares for services	—		12	
Share-based payments:				
Employees	5,896		6,581	
Non-employees	361		480	
<b>Operating cash flows before movement in working capital</b>	<b>8,735</b>		<b>(6,087)</b>	
(Increase) in trade receivables and other current assets	(10,023)		(295)	
(Increase) in inventory	(2,997)		(2,132)	
Increase in trade payables and other current liabilities	1,795		890	
<b>Net cash used from operating activities</b>		<b>(2,490)</b>		<b>(7,624)</b>
<b>Investing activities</b>				
Interest received	536		1,256	
Purchase of fixtures and equipment	(1,091)		(537)	
Purchase of intangible assets	(14,864)		(6,497)	
<b>Net cash used by investment activities</b>		<b>(15,419)</b>		<b>(5,778)</b>
<b>Financing activities</b>				
Issue of capital (net of issue costs)	1,021		79	
Issue of preferred equity (net of issue costs)	—		38,025	
<b>Net cash inflow from financing activities</b>		<b>1,021</b>		<b>38,104</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(16,888)</b>		<b>24,702</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>32,718</b>		<b>8,016</b>
<b>Cash and cash equivalents at end of year</b>		<b>15,830</b>		<b>32,718</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008****1. BASIS OF PRESENTATION**

The financial statements have been prepared in accordance with International Financial Reporting and Accounting Standards adopted by the European Union ("IFRS") and therefore comply with Article 4 of the European Union IAS Regulation.

The financial statements are presented in United States dollars since this is the currency in which the majority of the Company's transactions are denominated.

At the date of authorisation of the financial information, there were Standards and Interpretations, which have not been applied in the financial information, that were in issue but were not yet effective. The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the accounts of the Company, except for additional disclosures when the relevant Standards and Interpretations come into effect.

**2. EARNINGS PER SHARE**

The calculations of the basic and diluted profit/(loss) per share are based on the following data:

	2008	2007
	\$'000	\$'000
Profit/(loss) for the purpose of basic and diluted profit/(loss) per share	<b>1,992</b>	(12,015)

	No. of shares	No. of shares
Weighted average number in issue during the year - basic	<b>130,872,144</b>	126,224,240
Weighted average number in issue during the year - diluted	<b>143,331,565</b>	n/a

**3. SHARE CAPITAL**

	\$'000	No. of shares
<b>2008</b>		
<b>Authorised:</b>		
Common shares of \$0.01 each	<b>2,500</b>	<b>250,000,000</b>
<b>Called up, allotted and fully paid:</b>		
Common shares of \$0.01 each	<b>1,318</b>	<b>131,835,271</b>
<b>2007</b>		
<b>Authorised:</b>		
Common shares of \$0.01 each	5,000	500,000,000
<b>Called up, allotted and fully paid:</b>		
Common shares of \$0.01 each	1,290	129,033,000

**COMMON SHARES ISSUED**

Common shares issued during the year were entirely due to the exercise of options; see note 4 for details.

**CONVERTIBLE PREFERRED EQUITY SHARES**

There was no activity during the year in relation to the Convertible Preferred Equity Shares.

#### 4. SHARE-BASED PAYMENTS

The movement in the number of share options over the year are as follows:

	2008	2007
	No. of options	No. of options
At 1 January	22,269,574	21,728,648
Granted	270,000	915,000
Forfeited	(746,858)	(270,000)
Exercised	(2,827,678)	(104,074)
Unexercised as at 31 December	18,965,038	22,269,574

The weighted average exercise prices at 31 December 2008 and 31 December 2007 were \$1.97 and \$1.40, respectively.

2008 activity:

Plan	Strike Price	Exercised	Shares Issued upon Exercise	Forfeited	Granted	Fair Value Expensed \$'000
2004 <sup>(a)</sup>	\$0.27	2,152,037	2,152,037	50,000	—	—
2005 <sup>(b)</sup>	\$0.55	350,000	350,000	100,000	—	90
2006 <sup>(c)</sup>	\$2.00	121,724	121,724	533,344	—	4,941
2006 <sup>(d)</sup>	\$3.50	692	692	28,514	—	339
2006 <sup>(e)</sup>	\$7.28*	—	—	—	—	312
2006 <sup>(f)</sup>	\$4.13	—	—	35,000	120,000	90
2007 <sup>(g)</sup>	\$5.50	—	—	—	—	255
2007 <sup>(h)</sup>	\$5.00	—	—	—	150,000	96
Various <sup>(i)</sup>	Various	203,225	177,818	—	—	134
<b>Total</b>		<b>2,827,678</b>	<b>2,802,271</b>	<b>746,858</b>	<b>270,000</b>	<b>6,257</b>

2007 activity:

Plan	Strike Price	Exercised	Shares Issued upon Exercise	Forfeited	Granted	Fair Value Expensed \$'000
2004 <sup>(a)</sup>	\$0.27	74,074	74,074	—	—	6
2005 <sup>(b)</sup>	\$0.55	—	—	100,000	—	1,093
2006 <sup>(c)</sup>	\$2.00	30,000	30,000	50,000	—	5,169
2006 <sup>(d)</sup>	\$3.50	—	—	115,000	—	407
2006 <sup>(e)</sup>	\$7.28*	—	—	5,000	165,000	79
2007 <sup>(g)</sup>	\$5.50	—	—	—	750,000	307
<b>Total</b>		<b>104,074</b>	<b>104,074</b>	<b>270,000</b>	<b>915,000</b>	<b>7,061</b>

(a) On 1 March 2004, 5,000,000 member unit options\*\* were granted to officers, key employees and consultants under the xG Technology 2004 incentive plan ("2004 plan"). Each option has an exercise price of \$0.27 and vests on a straight-line basis over three years from the grant date.

(b) On 2 January 2005, 5,000,000 member unit options\*\* were granted to officers, employees and consultants under the xG Technology 2005 incentive plan ("2005 plan"). Each option has an exercise price of \$0.55 and vests on a straight-line basis over three years from the grant date.

(c) On 19 January 2006, 10,000,000 member unit options\*\* were granted to officers, employees and consultants under the xG Technology 2006 incentive plan ("2006 plan"). Each option has an exercise price of \$2.00 and vests on a straight-line basis over three years from the grant date.

(d) On 6 September 2006, 570,000 member unit options\*\* were granted to employees and consultants under the 2006 plan. Each option has an exercise price of \$3.50 and vests on a straight-line basis over three years from the grant date.

(e) At various times during 2007, a total of 165,000 share options were granted to employees under the 2006 plan. Each option has an exercise price between \$7.13 and \$8.25 and vests on a straight-line basis over three years from the grant date.

(f) On 3 March 2008, 120,000 share options were granted to employees under the 2006 plan. Each option has an exercise price of \$4.13 and vests on a straight-line basis over three years from the grant date. Management estimated the fair value of these options, once vested, to be \$3.32 per option, totalling \$398,000 at the date of grant. The value of these options was determined using the Black-Scholes option-pricing model with assumptions of the risk-free rate of 2.75%, the average term of four years, share price at time of granting of \$4.13 and volatility of 126%.

(g) On 10 January 2007, 750,000 share options were granted to Directors under the xG Technology 2007 incentive plan ("2007 plan"). Each option has an exercise price of \$5.50 and vests on a straight-line basis over three years from the grant date.

(h) On 16 July 2008, 150,000 share options were granted to employees under the 2007 plan. Each option has an exercise price of \$5.00 and vests on a straight-line basis over three years from the grant date. Management estimated the fair value of these options, once vested, to be \$4.14 per option, totalling \$621,000 at the date of grant. The value of these options was determined using the Black-Scholes option-pricing model with assumptions of the risk-free rate of 3.375%, the average term of four years, share price at time of granting of \$5.00 and volatility of 133%.

(i) On 12 February 2008, the Company issued 177,818 common shares upon the exercise of 203,225 options for no cash consideration. The options consisted of 135,000 under the 2004 Plan (strike: \$0.27), 64,931 under the 2006 Plan (strike: \$2.00) and 3,294 under the 2006 Plan (strike: \$3.50). As part of this cashless exercise of options, the Company expensed \$133,566.

\* *Weighted average strike price*

\*\* *Each member unit option converted to one common share option at the point the Company converted to xG Technology, Inc.*

*The assumptions in respect of all options granted are based on:*

Volatility – in 2008, historical volatility was calculated using weekly prices over the period from date of placement on AIM to the date of grant (prior to placement, calculation based on latest prices achieved);

Expected life – the average of the vesting period and management's expectation of optionee's holding period; and

Risk-free rate of return – the yield on five-year United States Treasury shares at issue date.

#### *OTHER RIGHTS TO OPTIONS:*

In 2006, an option to subscribe 1% of the Company's then issued share capital was granted to Hichens, Harrison & Co. PLC, vesting in four equal 0.25% tranches. There was no exercise of the option during the year.