

SUMMARY OF PROPOSED TERMS

SERIES A PREFERRED SHARES

Reporty Homeland Security Ltd.

January , 2015

We are happy to confirm our interest, subject to all terms and conditions herein, to explore the possibility of an investment in Reporty Homeland Security Ltd. This letter summarizes the principal terms of a proposed investment for the purchase of Preferred A Shares of the Company. Except as specifically provided herein, this letter is not intended to be a legally binding agreement but is a statement of intent. It is presented solely for the purpose of discussion.

Company	Reporty Homeland Security Ltd., an Israeli company (the “ Company ”).
Founders	Amir Elichai, Alexander Dizengoff, Yoni Yitzon & Lital Leshem
Investor	An entity under the control of Mr. Ehud Barak (the “ Investor ”).
Structure of Financing	<p>The Investor shall invest in the Company up to an aggregate amount of US\$ 1,500,000 (the “Investment Amount”), against issuance by the Company of a total amount of _____42,184 Preferred Shares for the entire Investment Amount (assuming all Investment Amount is delivered) at a price per share of [pending an updated cap table US\$35.5583] (“PPS”) (representing a pre-money valuation of US\$ 4,500,000, on a Fully Diluted Basis (as defined below)) so that immediately following the Additional Closing, Investor will hold not less than 25% of the Company's share capital, on a Fully Diluted Basis.</p> <p>The Investment Amount shall be provided to Company in two installments as follows:</p> <p>(i) an amount of US\$ {1,000,000} out of the Investment Amount will be provided at the Closing upon which, an amount of _____28,123 Preferred Shares shall be allocated to the Investor; and</p> <p>(ii) Subject to the following, the remaining amount of US\$ {500,000} (“Second Installment Payment”) out of the Investment Amount will be provided within __ months as of the Closing, conditioned upon achievement by the Company at or prior to such time of the certain milestone(s) that shall be defined in the Definitive Agreement set forth under Annex 1 of this letter at or prior to such time (the “Additional Closing”) at a price per share of _____ (“Additional PPS”) upon which, an amount of _____14,061 Preferred Shares shall be allocated to the Investor.</p>
Fully Diluted Basis	In this letter, “ Fully Diluted Basis ” includes, without limitation, all issued and outstanding share capital of the Company, all securities issuable upon the conversion of any existing convertible securities, notes or loans, the exercise of all outstanding warrants, options, adjustments of numbers of shares triggered by this financing (if any), any shares or options to acquire shares issued to any person as a finder's fee or similar arrangement in connection with the Investment, shares reserved by the Company as of the Closing for issuance upon exercise of the Barak Options (as defined below) and an unallocated option pool for future

	<p>allotment to employees, consultants and directors of the Company, representing 41.2812% of the issued and outstanding share capital of the Company immediately following the Closing (<u>assuming the Additional Closing</u>) (“Option Pool”) (assuming the Warrant(s) (as defined below) were not exercised by the Investor).</p>
Capitalization Table	<p>The detailed pre-Closing and post-Closing capitalization of the Company is set forth in the Capitalization Table attached hereto as Exhibit A.</p>
Conditions to Close	<p>Closing of the transaction contemplated hereunder is subject to (i) satisfaction of the parties due diligence requirements, including financial and legal diligence, and (ii) the signing of mutually acceptable Definitive Agreements (as defined below).</p>
Estimated Closing Date	<p>[Closing Date] (the “Closing”).</p>
Type of Security	<p>Series A Convertible Preferred Shares (the “Preferred Shares”), initially convertible on a one to one basis into Ordinary Shares of the Company (the “Ordinary Shares”), subject to adjustment as provided below.</p>
Warrant(s)	<p>At the Closing, the Company will issue: (i) a first warrant to the Investor that will allow it (or any of its assignee or affiliated companies) to purchase additional Preferred A Shares of the same type as the Preferred Shares, by investing an additional amount of US\$ 1,000,000, in single payment, at an exercise price of 150% of the Additional PPS and (“1st Warrant PPS”) and (ii) a second warrant to the Investor that will allow it (or any of its assignees or affiliated companies) to purchase additional Preferred A Shares by investing an additional amount of US\$ 2,000,500,000, at an exercise price of <u>175%</u> of the Additional PPS <u>for the first year and shall increase to 250% for the remaining period</u> (“2nd Warrant PPS”) (all PPS hereunder shall be subject to anti-dilutive adjustment and standard recapitalization adjustment), (collectively the “Warrant(s)”). The Warrant(s) will be valid for a period of 48 months (36-?) after the Closing (“Warrants Period”). <u>Exercise of such Warrant(s) shall not be cashless.</u></p>
Use of Proceeds	<p>The Investment Amount shall be used by the Company to continue the development of the Company’s technology, know-how, sales and marketing programs and provide general working capital, pursuant to a budget prepared by the Company, agreed by the Investor and attached to the Definitive Agreements.</p>
Liquidation / Dividend Preference	<p>In the event of any Liquidation Event (as defined below and including deemed liquidation) and/or distribution of dividends, the holders of the Preferred Shares will be entitled to receive prior and in preference to any distribution of any of the Company’s assets or funds to all other equity securities of the Company (in cash, cash equivalents, or, if applicable, securities), for each Preferred Share, an amount equal to: (i) 100% of the PPS, plus (ii) 8% annual interest on that amount, compounded annually, from the date of its actual investment (together, the “Preference A Amount”).</p> <p>Any surplus of assets or funds remaining (if any) after the payment in full of the Preference A Amount less any amounts paid as preferential dividends prior to that date will then be distributed pro rata among all the shareholders of the Company, including the holders of Preferred Shares, on an as-converted basis.</p> <p>A “Liquidation Event” shall mean any of the following transactions: an acquisition of the Company or a merger between the Company and another non-affiliated entity in which the shareholders of the Company do not own a majority of the shares of the surviving entity, the sale of all or substantially all of the</p>

Company's assets, or of the shares of the Company, an exclusive, irrevocable license of all or substantially all of the Company's intellectual property to a third party, or any other transaction in which control of the Company (at least 50%) is transferred (other than a IPO or other bona fide financing transaction).

Conversion

Each holder of Preferred Shares shall have the right to convert its shares at any time into Ordinary Shares at an initial conversion rate of 1:1, subject to proportional adjustment for share splits, dividends or recapitalizations or a similar event and any anti-dilution adjustments. The Preferred Shares shall automatically convert into Ordinary Shares if (a) the Investor consents to such conversion or (b) upon the closing of a firmly underwritten public offering of shares of the Company ("**IPO**") which was pre-approved in writing by the Investor, at its sole discretion (a "**QIPO**").

Anti-Dilution Provisions

Until a QIPO, if the Company issues new securities at a price per share lower than the then applicable conversion price of the Preferred Shares (initially, the conversion price shall be the Price Per Share), then in each such event occurred within a period of 36 months as of the Closing, the conversion price of the Preferred Shares shall be adjusted on a "full ratchet" anti-dilution adjustment and in each such event occurred at any time following a period of 36 months as of the Closing, the conversion price of the Preferred Shares shall be adjusted on a "narrow-based weighted-average" anti-dilution adjustment, subject to customary carve outs.

Protective Provisions

Until the QIPO and for as long as the Investor collectively hold at least 10% of the Company's issued and outstanding share capital (on an as converted basis) Following the Closing, Certain important actions of the Company shall require the consent of the Investor or the consent of at least one of the Preferred Directors (as defined below), to include, without limitation, actions to: (i) alter the rights, preferences or privileges of the Preferred Shares; (ii) issue any new securities beyond those anticipated by this investment; (iii) create any new class or series of shares; (iv) take any action which (a) results in a Liquidation Event, except if such Deemed Liquidation event has occurred within 36 months as of the Closing at a Company valuation that yields to the Investor more than 400% of the aggregate amount provided by it to the Company prior to such an event or (b) otherwise dissolving, liquidating or winding up the Company (v) increase the number of shares reserved for issuance to employees and consultants, whether under the Option Pool or otherwise; (vi) grant of options to employees and consultants, whether under the Option Pool or otherwise, on vesting terms different than the vesting terms that shall be defined in the Definitive Agreement (as defined below) (vii) redeem or sale of any shares of the Company, including Ordinary Shares, Preferred Shares or any new class or series of shares; (viii) declaring or paying any dividend or other distribution of cash, shares or other assets, other than a bonus shares issuance paid to all of the shareholders of the Company on a pro rata basis; (ix) change the number of Board members or otherwise changing its composition; (x) amend the incorporation documents including Articles of Association ; (xi) effect any material change to the nature of the business of the Company; (xii) subscribe or otherwise acquire, or dispose of any shares in the capital of any other company not under the Company's Budget; (xiii) affect any interested party transactions with the Company; (xiv) amend the signatory rights determined under this transaction; (xv) approve the Company's annual operating plan and budget and any monthly deviations from it of more than ~~20~~10%; (xvi) entering into a transaction with any related party (xvii) the appointment of the CEO, CFO or CTO; or (xviii) create, incur, assume, or be liable for any indebtedness

exceeding an amount of US\$100,000 (not in cumulative).

Voting Rights

The holders of the Preferred Shares shall vote together with the holders of all other shares of the Company, and not as a separate class, in all shareholders meetings, except as to matters that by law or pursuant to this Term Sheet are subject to a class vote. Each Preferred Share shall entitle the holder thereof to such number of votes as if such shares had been converted into Ordinary Shares.

Board of Directors

Immediately following the Closing, the board of directors of the Company (the "**Board**") shall consist of a maximum of five (5) members: for so long the holders of Ordinary Shares hold together the majority of the Company share capital may appoint three (3) directors and the holders of Preferred Shares may appoint two (2) directors of which one them shall initially be Mr. Barak ("**Preferred Directors**") and, as of the time the holders of Ordinary Shares, collectively, no longer hold the majority of the Company share capital, they may appoint two (2) directors and the holders of Preferred Shares may appoint three (3) Preferred Directors. This provision will also apply to any subsidiary of the Company.~~[TBD]~~

In consideration for Mr. Barak's serving as Director in the Company, Mr. Barak (or a certain entity through which he shall provide the Director services) shall be entitled to be allocated with a total amount of 8,250 Ordinary Shares of the Company constituting up to the applicable share percentage ~~[to be adjusted according to the present options granted to Pinchas]~~ of the ~~issued and Outstanding share capital of the Company on a Fully Diluted Basis at Closing, specified in the Capitalization Table (Exhibit A)~~ subject to a vesting mechanism in which an amount of 1/8 of such consideration shares shall be vested upon each calendar quarter in which Mr. Barak has served as director in the Company ("**Barak Options**").

Insurance

The Company will sign an indemnity agreement with each of the directors and will maintain Directors & Officers liability insurance, reasonably satisfactory to the Investor.

Signatory Rights

At or prior to the Initial Closing, the Company shall adopt a resolution effecting the signatory rights which is satisfactory to the Investor.

Information and Management rights

Until a QIPO, Investor shall have the right to receive: (i) financial statements within 90 days after the end of each fiscal year, which have been audited by one of the "Big Four" accounting firms; (ii) unaudited, but reviewed, quarterly financial statements within 60 days after the end of the first, second and third quarters of each fiscal year; (iii) a monthly report in a form agreed by the Board including the Preferred Directors, within 30 days after the end of each month, which report shall include a business update and overview, profit and loss and cash-flow statement and budget variance report and explanatory notes thereto; (iv) an annual operating plan and budget at least 30 days prior to the first day of the year covered by such plan and (v) such other information as may be reasonably required by Investor.

Investor shall also be entitled to customary inspection and visitation rights.

Pre-emptive Right

Until a QIPO, each Eligible Shareholder will have the right, but not an obligation, to participate in any future sales of securities by the Company, upon the terms of such round of financing, and to purchase in such round up to 100% of the Company's securities offered in such sale.

The holders of Preferred Shares may assign this right to their Permitted Transferees (as shall be defined in the Company's Articles of Association).

Right of First Refusal

Until a QIPO, each shareholder of the Company holding at least 3% of the issued and outstanding shares of the Company (calculated on an as converted basis) ("**Eligible Shareholder**") shall have a pro-rata right of first refusal with respect to any sale, transfer or disposition of share capital of the Company by any other shareholder of the Company, other than a transfer to Permitted Transferees ("**Transfer**").

Notwithstanding the foregoing any sale, transfer or disposition of share capital of the Company by the Investor, shall not be subject to such right of first refusal of the other shareholders.

Tag Along Right

Until a QIPO, the Investor shall have the right, with respect to any Transfer, to sell, up to all of its shareholdings in the Company, prior and in preference to any other shareholder in the Company; on the same general terms and conditions proposed under such Transfer ("**Preferred Tag Along Right**"). This Preferred Tag Along right shall not apply to, and shall terminate upon QIPO. Without derogating from the above, no Tag Along rights will apply with respect to Founder's Permitted Transfer (as defined below).

Thereafter, any shares remaining under a Transfer following the exercising of the Preferred Tag Along Right, if any, shall be subject to a pro rata right of each Eligible Shareholder, to participate in such Transfer on the same general terms and conditions proposed thereunder.

No Tag Along and/or right of first refusal will apply on the transfer of shares as part of a repurchase mechanism.

Registration Rights

Holders of a majority of the Registrable Shares (as defined below) shall have the right, to two "demand(s)" registration of their shares in the Company, at the Company's expense (excluding underwriters commissions and discounts), provided however that the Company shall not be obligated to effect more than two (2) registrations under these demand right provisions, and shall not be obligated to effect a registration (i) during the one hundred eighty (180) day period commencing with the date of the Company's initial public offering, or (ii) if it delivers notice to the holders of the Registrable Shares within thirty (30) days of any registration request of its intent to file a registration statement for such initial public offering within 90 days. All Shareholders of the Company shall be entitled to unlimited "piggyback" registration rights and one F-3 registration per a calendar year, to be initiated by Holders of a majority of the Registrable Shares (provided the aggregate offering price in such F-3 registration is at least US\$ 1,000,000) at the Company's expense (excluding underwriters commissions and discounts). In the case of underwriter cut-backs, the shares of the Investor shall have priority over all other shares in the Company to be included in any offering in a ratio of 3:1 (1 ordinary share for every 3 Registrable Shares). All shareholders agree to a 180-day lock-up after the IPO and 90 day lock up after subsequent offerings of the Company. Registration rights will be freely assignable in connection with any transfer of Registrable Shares. For the purposes of this section, "Registrable Shares" shall mean the Preferred Shares of the Company and any Ordinary Shares issued upon conversion of the Preferred Shares. Any future registration rights granted by the Company which are superior to those granted to the holders of Preferred Shares will be subject to the approval of the majority of the holders of the

	Preferred Shares.
Restrictions on Sale:	Until the earlier of a QIPO, a Liquidation Event or the lapse of four (4) years as of the Closing, the Founders shall not be entitled to sell, directly or indirectly, any of their shares in the Company, subject to standard exceptions for transfers to Permitted Transferees provided however that as of the second anniversary of the Closing each Founder shall be entitled to transfer, subject to the aforesaid right of first refusal, shares of such Founder until such Founder has received from such transfer an aggregate gross sale proceeds equal to US\$ 300,000 per year but in no event more than ten percent (10%) of each such Founder's holding (" Founder's Permitted Transfer ").
Founders Undertakings	Each Founder will enter into a non-competition and non-solicitation agreement, and an employment agreement in a form reasonably acceptable to the Investor, and shall agree to devote his entire business time and attention to the Company and to not undertake additional activities without the consent of the Investor. A breach of any of the foregoing restrictive covenants or undertakings by a Founder shall result in immediate dismissal for cause of such Founder.
Employee Vesting	65% of the shares of the Founders (" Restricted Shares ") will be subject to "reverse vesting" mechanism over a period of 24-30 months [same as Barak] , on that Founder's continued employment with the Company. Any unvested shares will immediately vest upon an event of QIPO and/or Change of Control and in case that the engagement of such Founder with the Company is terminated by the Company not for cause and/or by such Founder for 'good reason'
Documentation and Warranties	Detailed definitive agreements among the Investor, the Founders and the Company shall be drafted by counsel to the Investor and shall include customary covenants, negative covenants, representations and warranties of the Company and the Founders reflecting the provisions set forth herein, other provisions customary in venture capital transactions and any other provisions agreed to by the Investor, Founders and the Company (" Definitive Agreements ").
Expenses	The Company shall bear its own fees and expenses and shall pay at the Closing all legal fees and expenses of the Investor, incurred with respect to the transaction contemplated hereby up to the amount of 1230 ,000 USD plus VAT.
Exclusivity	For a period of 30 business days following the execution of this letter, neither the Company or the Founders nor any agent, directly or indirectly, will solicit, consider, negotiate or otherwise discuss a possible merger, sale or other disposition of all or any part of the shares or assets of the Company or an investment in its share capital with any other party. Also, during said 30 business day period the Company will not issue any securities of the Company nor will it permit a transfer of any securities of the Company. Said period will automatically be extended by an additional 15 days if the parties are still negotiating the definitive agreements at the conclusion of said 30 business day period and may be further extended upon the agreement of the Company, the Founders and the Investor.
Confidentiality	The Company and Founders agree to treat this letter confidentially and will not distribute or disclose its existence or contents outside the Company without the consent of the Investor, except as required to its relevant shareholders, if any and professional advisors.

Ordinary Course

Until the Closing, the Company will conduct its business solely in the ordinary course of business and, among other things, will not declare or make any distribution to shareholders, enter into any related party transaction or sell its assets (other than the Company's products sold in the ordinary course of business).

Non-binding Effect

This letter is not intended to be legally binding, and prepared for discussion purposes only, as a statement of the Investor's present intent, with the exception of this paragraph and the paragraphs entitled 'Exclusivity' and 'Confidentiality', which are binding upon the parties hereto and shall be governed and construed in accordance with the laws of the State of Israel.

Acknowledged and agreed:

[INVESTOR]

By: _____

Print Name: _____

Title: _____

Date: _____

Mr. Amir Elichai

Date: _____

Alexander Dizengoff

Date: _____

Reporty Homeland Security Ltd.

By: _____

Print Name: _____

Title: _____

Date: _____

Yoni Yitzon

Date: _____

Lital Lshaem

Date: _____