REPORTY

MONTHLY REPORT

12/2016

Note: This Report is classified and isn't transferable.

TABLE OF CONTENTS

In December Reporty team was mainly focused on the following:

HR:

Hired:

Maayan Azulay - UI Designer

Open Positions:
1. Integration & Delivery Engineer
2. VP Engineering
3. Data Scientist
4. Android developer
5. Senior Backend Engineer
6. QA Engineer
7. Senior iOS Developer

Interviews:

Position	Applications	Interviews	Status
Integration Engineer	73	5	-2 candidate in process - 1 candidate refused our job proposal
VP Engineering	0	1	0
Data Scientist	39	5	-2 candidate in process (1 in advanced process)
Android dev	0	3	-1 candidate refused our job proposal
Senior Backend	56	4	-3 candidate in process
QA	96	9	-3 candidate in process (1 in advanced process) -1 Candidate passed all the interviews and was about to get a contract' but then we changed the profile to someone more Senior.
iOS Developer	30	7	1 candidate in process
UI Designer	50	12	Hired :)

RT	15	1	1 candidate in process

LOGISTICS:

1. Transfer pricing – Done.

2. Company fair market value study – Done (For Options for U.S Citizens).

3. Term sheet was sent for the U.S office at 48th and 2nd Ave.

4. Research about the right place to establish 'Graphen' – Undisclosed Agency – A company that will sale and hold Reporty IP under a different names and brand. Will be good for Countries like Dubai etc. We will have 2 Apps at the store – Reporty & Graphen – Which will serve countries where Reporty IL can't sale.

   Parameters for decision:

   a. Level of discretion required regarding the Israeli ownership and control

   b. Whether a bank account is required

   c. Any commercial / regulatory issues

   d. Ensuring that the foreign company will not be required to pay tax in the foreign jurisdiction

   e. Ensuring the undisclosed agent arrangement will be respected by the Israeli tax authorities

   f. Timing and cost

U.S OFFICE – UPDATE

LOGISTICS:

1. Law Firm: Signed an agreement with a US law firm **'Covington'**.

HR:

1. Looking to hire a sales executive In February - Interviews has started.

BUSINESS DEVELOPMENT:

AT&T:

We've met:

1. Jim Bugel VP Public safety solutions.

2. Marx Joseph VP of regulatory affairs

3. Tan Jamie Director of regulatory affairs

We Introduced our technology and ecosystem – The feedback was good. We proposed a deep integration into AT&T's Devices and Network:

- o Devices – To partner with AT&T will enable access to privileged modules, thereby exposing powerful low-level capabilities that can maximize the performance of the routing and location algorithms.
- o Network – Integrating our ecosystem within the AT&T Network will allow prioritization of 911 data, voice & video calls over a lower priority traffic.

The result – whenever a caller initiate a 911 call, the device will use our capabilities (VoIP, Video, and Chat) as if it was a native experience of the device's OS. The Information sent from the device (location, VoIP, video) will be traveling over the AT&T network with high priority due to the nature of the call 911.

Next Step:

- o To go through a technical evaluation of AT&T's product team.
- o Define the best value proposition for AT&T

*This is a huge business opportunity!!

Washington DC

Reconnected with the technical leader and shared API, Technical documentation and set to follow-up after the holiday

Next Step: Setup a meeting and discuss the project plan

Chicago

We've received the procurement requirement form and we've submitted a pilot SOW which due Q 2017.

Next Step: A follow-up call after the holidays to discuss the execution of the project in more detail

Atlanta

SOW was sent, meetings with the commissioner of the city and the commissioner of the state were good.

Next Step: Follow up for discussing the pilot was scheduled to Jan 25th.

Boston (Urban Mechanics)

A City agency that was formed in 2010, we pilot experiments that offer the potential to significantly improve the quality of City services.

Meet with:

1.   Nigel Jacob Co-Chair, Mayor's Office of New Urban Mechanics and his team.

Next steps: They would like us to work with the different authorities, a follow-up meeting with the relevant people from the different agencies.

APCO

APCO International is the world's oldest and largest organization of public safety communications professionals and supports the largest U.S. membership base of any public safety association.

Meet with:

1.   Jeffrey S. Cohen Chief Counsel and Director of Government Relations

- o We've discussed our location technology and products. We also discussed a potential mutual effort to define the new 911 standards.
- o NDA was sent.

Next Step: Follow-up after the holiday and setup a half-day session with Alex and Apco's tech team.

NEW AGENTS

Howard Glaser: Signed an agent agreement. He will help us to penetrate the NY Market. In his last role Howard Glaser was a Cuomo senior policy advisor and director of state operations.

Global Business:

1. Singapore: as conveyed in previous report, SCDF and Police will cooperate under a single pilot, expected launch in early February. Project Quote – **462,822 US Dollars** for 6 Month Pilot. Expecting all documents to be finalized in first two weeks of January.

2. Colombia (city of Medi'in first phase): Commercial discussions are converging to 1.2M US$ per annum, progress on look AND feel for the integrative solution with existing local APP. Invited to meeting on Jan 18th.

3. Romania (city of Bucharest): local agent is strongly positive of business with Bucharest in Q1'17.

4. United States: several follow up meetings since Amir's relocation. We hired a first employee (Eyal) and incepted local Company *Carbybe*. **Positive** follow up meetings with NYPD 911, Chicago (planning pilot in Q2'17), WA 911 (planning pilot in Q2'17), as well as very initial meetings in Atlanta, Boston, San Francisco. Tagging along tender of NGA911 in California.

In addition, we held a meeting with **AT&T**, Mr. Jim Bugel VP Public Safety Solutions - decision maker all the new solutions (technologies), and a process will be initiated soon to assess Reporty's technologies.

5. France: met with head of security for city of Marseille (follow up early next year), initiated negotiations with syndicate of Federal Police in France (blue team solution for police after work hours). Additional meetings are set to January.

6. Spain: initiated discussion with Telefonica on cooperation (local as well as LATAM). No progress in December.

7. ML: waiting for green light on pilot with ML telecom as partner (responsible for 999 operations)

8. Indonesia: very good meetings with PT Telkom/Telkomsel (incumbent telecom operator in Indonesia), now in internal processes

9. Philippines: roadshow in January/February in cooperation with PLDT.

Initial interest from **Dubai** Police, AD police - additional documents were requested and sent. No progress in December.

10. Morocco: initial meetings in Israel in September, follow up meetings in Q1'17

11. MX – switching channel, expecting meetings in Feb.

12. ISRAEL – abundance of new projects/pilots with cities and fire firefighters. See attached file. Kol Koreh released by Police.

Initiated activities in **Canada / Scandinavian countries** (meeting in Sweden with all relevant authorities in set in first week of Feb)

Low burner: exploring opportunities in **Ghana, Eq. Guinea, South Thailand, and Monte Carlo.**

For the full list please see attached **'Global Business Table'** Attached to this email.

ISRAEL MARKET:

Many process in the Israeli market – Please see attached – Israel Table Activity.

BUSINESS DEVELOPMENT:

1. Continuing the research process on the relevant market trends:

First step - mapping of the leading sectors - after researching the different sectors in the public safety / smart city market we decided to examine the potential in four main sectors that we found very interesting and has high potential interfacing with Reporty's products:

- IOT

- Wearable Devices

- Smart home

- Bots

We have started a research on every one of those fields and will prepare a detailed report and recommendations on each one.

2. Meetings that should be noted:

AFCON: There were in touch with us in the past. In light of a contract with one of the university's in the US they renewed the connections and we are considering a possible cooperation.

3. Conferences table: We made a table of all the Exhibitions / Conferences / Competitions that are relevant to any sectors we want to engage (public safety/ IOT / Security/ Smart city/ HLS etc.) and prioritized them.

██

██████████

3. **Future plans:**

Building a full Master plan including:

- Future market summary - Document + Presentation

- 4 major potential sectors and why + Business potential.

List of at least 100 Companies with contact people.

Product:

On December 2016 there were **6,520** users on the mobile apps. These users opened the app nearly **14,000** times and performed more than **1,700** reports.

MOBILE APP STATUS:

The iPhone and Android apps are going through a full redesign and re-structure to meet the users' expectations and to bring a unique experience with high value.

The upcoming version will be delivered to the markets on the beginning of Q1 2017. On December 2016 we have developed the parts of the app that will be launched in a full makeover. These includes a new way for adding the home and work address, in order to make the address collection more user friendly. The addresses collected from the mobile apps are a key of making the indoor positioning more accurate (a major and valuable part of our system).

In addition, we have updated the activation flow that will meet the new design, a new app icon has been added and we are working to serve a holistic product, with a clear, strong high-end look and feel.
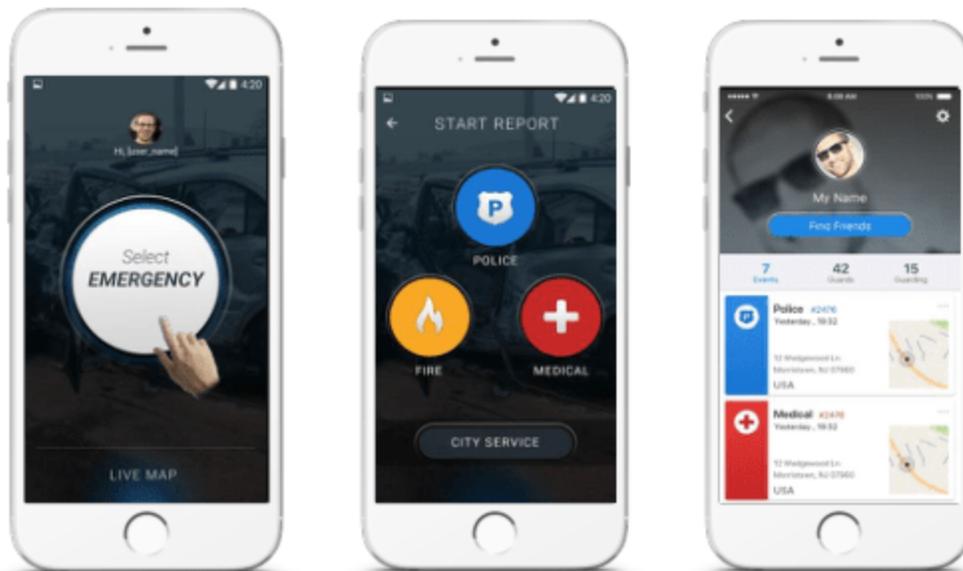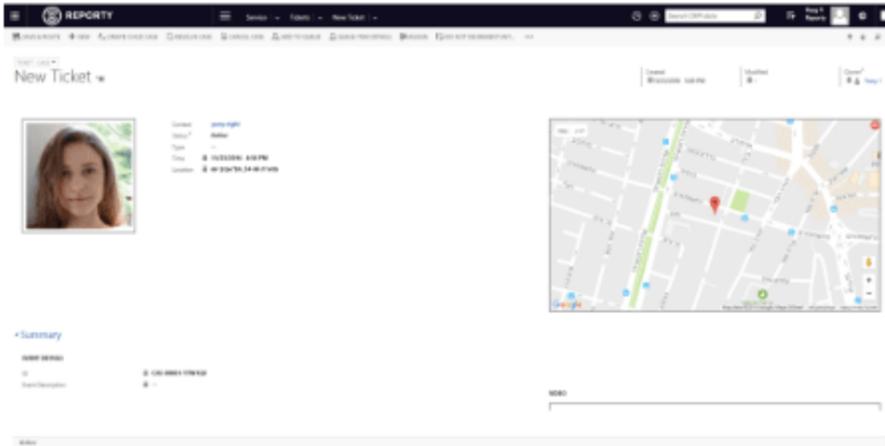

In addition to that we have released two fix versions in Android and one fix version in iOS.

V2.1.6 in Android handled a few bug fixes and a major improvement to the video quality.

V2.1.7 in both iOS and Android added an encryption to our VoIP calls, in order to assure that our calls will never be blocked by any carrier.

CRM

Our CRM is almost ready for shipment to our clients.

From a ticket screen (image above) the call taker and PSAP managers will be able to see a full transcript of the call. They can view the location in which the call arrived from, view the video, read the chat and see the caller's details.
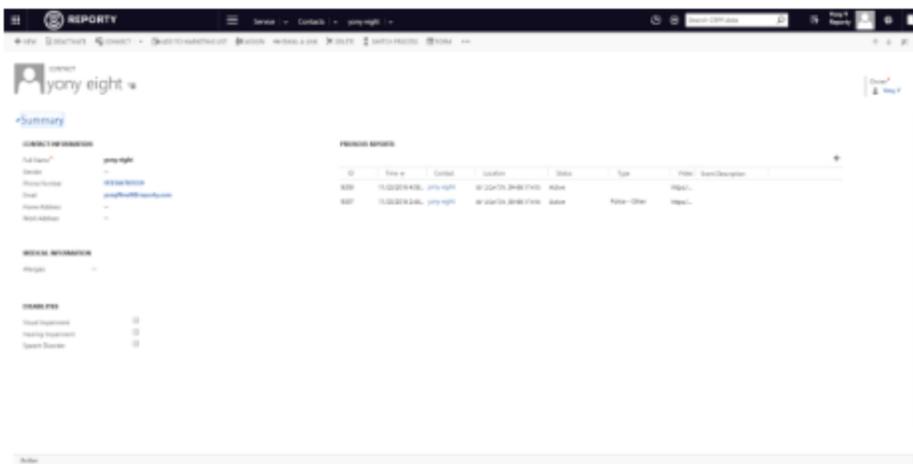
From the profile screen (image above), they can view past calls from this caller, his disabilities allergies, and any given contact detail.

The CRM functions as a major part of the event management flow and enables to investigate and manage the event upon finishing the call. This is a key part of our pilot solution and is a big differentiation from our competitors.

Marketing:

App Activity

	December
Total Downloads	+80,000
Total Reports Made to MDA	6,594
Total Reports Through the System	14,707
Email Subscribers	32,962

Total Monthly Installs

	December
Android	3,275
iOS	863
Total	4,138

City Marketing Campaigns

Preparing to execute city campaigns in February 2017 in the following cities:

City	Total population
Rechovot	160,000
Ramat Gan	160,000
Gedera	27,000
Rishon Letzion	250,000
Ramat Hasharon	50,000
Total reach	**647,000***

* App. 50% of them potential users. The rest are children and elderly people

Preperation for Relaunch with new design (Feb 2017)

1. "Coming Soon "campaign- starting Jan2017 in all media channels

2. Company website- live in Feb 2017 --- Pictures for example ---

3. Company videos (English & Hebrew) – updated with new logo and look

4. Videos in production for the launch- "How to use the app" (English & Hebrew) + 30 second tutorials on social features -Profile settings + Friends (English & Hebrew)

5. Preparing local PR plan with Shalom Tel Aviv PR firm

6. Preparing digital media plan with Pialkov Media buying agency

7. Examining work with Reuveni-Prodan ad agency, for creating the messaging behind the national and local campaigns

Global

Updating full content for carbine website by the end of Jan 2017.

Technological:

1. <u>HR</u>

    a. We are currently in advanced process with Moshe Toker as a data scientists, he has passed the tech interview and the computer exam and he will be in HR interviews and offered a contract this week. Shmuel Blitz – a backend developer has passed the first Tech interview and will be invited for a computer exam. We are also currently actively hiring and interviewing for the following positions: iOS Developer, Back-End Engineer, Integration Engineer, QA, Data Scientist, Real-Time Communication Engineer and a VP of Engineering.

2. <u>Development:</u>

    a. <u>APIServer</u> – We have added API's to support to new C2I and mobile applications

    b. <u>Command and Control Systems</u> – We have done major development on the C2I UI and logic for the planned version release – The new Video panels, report info and call log is finished. The final development for the upcoming release will be done in the current (S41) and the upcoming Sprint (S42). The release of the new C2I is planned for the 01.02.17. The operator new UI and logic development will begin in Sprint 43. In the next Sprint we will implement the Pilot stations solution which are suitcases with laptops with all of Reporty's solutions installed on them – This will give the ability to provide a quick pilot environment for new authorities without the need of purchasing new hardware from their side.

    c. <u>Mobile</u> – The development of the first version of the restructured app (2.2.0) will finish at 05.01.17 which will be followed with intensive QA in S42: 05.01-19.01 and a planned release in the 01.02.17 in the stores alongside the new C2I system. The 2.2.0 will include the new activation, the new Report, Settings, Profile, User's reports history and user's addresses. The following version 2.3.0 which will be developed in S42 will include the major feature of friends which will provide the

ability to add friends and watch their reports. The QA for the version is planned for the Sprint 43 and release will be in 15.02 alongside the demo stations.

    d. <u>Real-Time</u> – We have added encryption in the VoIP protocol in order to traverse some Telco providers in Israel like Pelephone Company, this will help us also abroad in areas where the Telco companies block VoIP communication.

    e. <u>CRM</u> – The CRM is scheduled for starting of QA for Sprint 42 and a release in 15.02

3. <u>Research</u>

    a. <u>Indoor Positioning</u> – We are currently progressing with research of the indoor positioning algorithm. There were more than 80,000 indoor samples that were collected during the last month and we continue to map more indoor places.

4. <u>Integrations & Deployment</u>

    a. We have deployed our Media Servers in AWS Farm in Singapore in order to support the planned installation in 01.02.17

    b. We have deployed our systems in Ra'anana.

NEXT MONTH

1. Finish the 2.2.0 release of the mobile application and command and control systems and make a release at 01.02.17
2. Finish the development of 2.3.0 version with Pilot stations and make a release at 15.02.17
3. Installation in Israeli cities: Gedera and Ramat-Gan.

DESIGN

During December the design studio supported requirements from the dev team during their work on the product. But the main focus was on marketing requirement in preparations for launching the new product and announcing our service in additional cities.

Mobile

- For the past month our main focus was on adjusting screens according change in v2.2. We started from delivering the activation & permission flow. The changes need to be done on the following screens:
- activation & permission flow
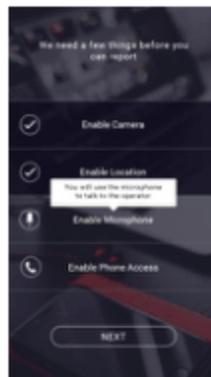
Marketing

- Looking forward - we have two main marketing efforts - rebrand and cities announcements. We arranged a document with all creative needs for this two campaigns and started working on it to be ready by time.
- We changed the company's movies to the new brand. Both are done.
- We delivered Carbyne brand assets, prints and presentations.
- Build our concept for Rechovot campaign.
- Company movie been taken by us, and we started editing it. It will be presented on the career page header. As you can see a short example in this link
http://www.awesometlv.co.il/projects/reporty/careers/
- We delivered facebook & instagram posts along, and started working on our new brand visual language.
- Initiate Carbyne's website process which its content now being written and the website will get into design process in about three weeks.

- Changed the store look and feel.

Financial Highlights

Reporty Homeland Security:

Bank balance (1.1.17): 1,394,624 NIS + $ 3,970,395.13 (Before VAT returns) –

A. Yaron Eitan delivered the $1M.

B. 2nd transfer of $200,000 Delivered from Reporty HLS to Carbyne.

Burn Rate: $205,858

Expected burn rate for next month: $220,000

Carbyne Inc.:

Bank balance (1.1.17): $ 358,527.82

Burn Rate: $ 18,060

Expected burn rate for next month: $123,437 (Just if we will pay for the office – 1Yr in advanced – $6200 Per Month).

CL ROUND:

Current investor status:

Name	Signed For	Delivered	End of Jan
Eric (Colibri)	$1.35M	$0.85M	Add $0.65M
Far East	$1M	$1M	
Cathy	$0.5M	$0.5M	
Ran Steinman	$0.15M	$0.15M	
Vincent	$0.5M	$0.5M	
Yaron Eitan	$1M	$1M	
Robert Kraft	$1M	$1M	

Total Delivered: **$5.5M**

Remain: **$0.65M**

Summary:

The following month was mainly focused on the preparation and the logistic part for our global execution. The Tech Team is at the final stage of preparing all the new platforms that are about to be ready for sale and implementation within our current and new clients worldwide. Our marketing department did an amazing progress with our new clients (Israel) and we are going to start a few campaigns (Funded by the cities) at Feb 1st which will be our reference for the global market.

Our U.S progress was mainly focused at the operation and we published few job descriptions (VP Sales, Client Success etc). We got some great candidates and we hope to hire soon. In addition, we sent SOW's for Chicago, Boston, Washington and Atlanta and we are expecting to start at least 2 pilots at the first Q of 2017.

AT&T: The game Changer. The FirstNet initiative is spouse to connect all the public safety institute in U.S to an IP communication. It's a $100B Project and it seems that AT&T will be the one that will win this tender. The meeting with AT&T (Please see attached the presentation) was in order to convince them to implement our core technology at the device infrastructure and to highlight the benefits that they will gain from that Cooperation (Tech wise & Business wise). The meeting was very successful and we've been moved to the next step.

In January, we will be focused on closing the pilot's in the U.S market. We will visit Paris & Thailand Singapore & Canada and we hope to finally set the dates for the project in Singapore.

For more business info please see attached: Global & Local Business tables.

Here for any question.

A.E

Reporty Homeland Security Ltd

Carbyne Inc.