

## CONVERTIBLE BRIDGE FINANCING AGREEMENT

THIS CONVERTIBLE BRIDGE FINANCING AGREEMENT (this "Agreement") made as of [REDACTED], 2017 ("Effective Date"), by and among Reporty Homeland Security Ltd., a company organized under the laws of the State of Israel (the "Company"), and [REDACTED] (the "Payer") (each of the Payer and the Company, a "Party" and together, the "Parties").

### WITNESSETH

WHEREAS, the Company is in the process of seeking to raise an equity financing, and, prior to the consummation of such equity financing, the Company requires an infusion of funds in order to continue to fund its on-going business activities

WHEREAS, the Payer agrees to provide the Company with bridge financing in the financing amount set forth herein at the Closing, subject to the terms and conditions of this Agreement;

WHEREAS, this Agreement is part of a series of bridge financing agreements (the "Financing Agreements"), with additional Payers (together with the Payer, the "Payers") containing substantially identical terms and conditions totaling an aggregate amount of up to US\$ 4,500,000, provided however that the board of directors of the Company (the "Board") may increase such amount from time to time, at the sole discretion of the Board up to US\$ [REDACTED]. [Amir: please advise what should be the cap of the increase of the financing amount; we will also need to get shareholder ratification for the revised draft if we are changing the terms]

NOW THEREFORE, in consideration of the mutual promises and covenants set forth herein, the Parties hereby agree as follows:

1. The Financing Amount. The Payer shall provide the Company, and the Company shall receive from the Payer, an aggregate bridge financing amount of [REDACTED] U.S. Dollars (the amount actually extended by the Payer, the "Financing Amount", and the aggregate outstanding Financing Amount extended by all Payers under all of the outstanding Financing Agreements, the "Aggregate Financing Amount"). The Financing Amount shall not bear interest. [PLEASE FILL IN THE INVESTMENT AMOUNT]
2. Closing. The closing of the payment and receipt of the Financing Amount shall occur by no later than [December 1<sup>st</sup>, 2017] or at such other time, date, and place as may be agreed by the Parties hereto (the "Closing") and shall consist of the following transactions, which shall be deemed to take place simultaneously: (i) the Company shall deliver to the Payers (a) resolutions of Board and the shareholders approving the transactions contemplated herein, and (b) copies of all applicable or necessary consents, approvals, and waivers required (including waivers of pre-emptive rights by the Company's shareholders), if any, in connection with the transactions contemplated herein; and (ii) the Payer shall transfer the Financing Amount to the Company by wire transfer or other agreed form to the bank account designated by the Company in writing.
3. Conversion of the Financing Amount; repayment.
  - 3.1. Automatic Conversion upon a Qualified Financing. Upon consummation by the Company of a transaction or series of related transactions in which the Company issues equity securities of the Company in consideration for an aggregate amount equal to or greater than US\$ 4,500,000 (excluding the outstanding Aggregate Financing Amount) (a "Qualified Financing"), then the entire outstanding Aggregate Financing Amount shall be automatically converted (contingent upon the closing of the Qualified Financing) into the most senior class of shares issued in such Qualified Financing at a price per share that is equal to (i) if the closing of such Qualified Financing occurred on or prior to [March 1, 2018], the price per share paid in cash for the most senior type of shares issued and sold in such Qualified Financing, [Amir: please advise if the cap will apply to round before March 1, 2018?] or (ii) if the closing of such Qualified Financing occurred at any time following [March 1, 2018], the price per share equal to the lower of: (A) 85% of the price per share paid in cash for the most senior type of shares issued and sold in such Qualified Financing, or (B) a price per share calculated based upon a pre-money valuation of the Company, on a fully diluted as converted basis immediately prior to the closing of such Qualified Financing (assuming the exercise and conversion of all outstanding options and warrants to purchase equity securities (excluding, for the avoidance of doubt, (a) the shares issued or issuable on the Qualified Financing, and (b) shares issued or issuable as a result of the conversion of the Aggregate Financing Amount under all

Financing Agreements or under any other or similar convertible note agreements issued by the Company following the date hereof) of [forty million U.S. Dollars (US \$40,000,000)]. [Amir please advise if the pre-money valuation will include Ehud's warrants] The shares to be issued pursuant to this Agreement shall have the rights, preferences and privileges of the class of shares issued in such Qualified Financing (but taking into account the actual Financing Amount of the Payer), except for the original issue price (which shall be price per share actually paid by the Payer for such shares).

- 3.2. Automatic Conversion upon [REDACTED] Events. Unless previously converted or repaid in accordance with the terms of this Agreement, in the event of the consummation of a Deemed Liquidation Event (as defined in Company's articles of association as amended from time to time), then immediately prior to the closing of such Deemed Liquidation Event (and contingent upon the closing of such Deemed Liquidation Event), the entire outstanding Aggregate Financing Amount shall be automatically converted into the most senior class of shares of the Company then outstanding as of date of the Deemed Liquidation Event, at a price per share that is equal to: (i) in the event the Company's valuation in such Deemed Liquidation Event (taking into account all proceeds to be received by the company or its shareholders), as determined by the ~~Company's board~~ Board of directors in good faith, is equal to up to US \$100,000,000, eighty five percent (85%) of the price per share paid in consideration for the most senior class of shares of the Company outstanding as of date of such Deemed Liquidation Event, or (ii) in the event the Company's valuation in such Deemed Liquidation Event (taking into account all proceeds to be received by the company or its shareholders), as determined by the ~~Company's board~~ Board of directors in good faith, is more than one hundred million U.S. Dollars (US \$100,000,000), seventy five percent (75%) of the price per share paid in consideration for the most senior class of shares of the Company outstanding as of date of such Deemed Liquidation Event. The shares issued pursuant to this section shall have the same rights, preferences and privileges as such class of most senior class of shares of the Company into which such shares are being converted into as of such date (but taking into account the actual Financing Amount of the Payer), except for the original issue price thereof (which shall be price per share actually paid by the payer for such shares).
- 3.3. Automatic Conversion upon an IPO. Unless previously converted or repaid in accordance with the terms of this Agreement, in the event of the consummation an initial public offering of the securities of the Company ("IPO"), then immediately prior to the closing or effectiveness of such IPO (and contingent upon the closing of the IPO), the entire outstanding Aggregate Financing Amount shall be automatically converted into the class of shares of the Company offered in the IPO, at a price per share that is equal to eighty five percent (85%) of the public price per share in the IPO (before deduction of any discounts, commissions or expenses). The shares issued pursuant to this section shall have the same rights, preferences and privileges as such class of most senior class of shares of the Company into which such shares are being converted into as of such date (but taking into account the actual Financing Amount of the Payer), except for the original issue price (which shall be price per share actually paid by the Payer for such shares).
- 3.4. Automatic Conversion on the Maturity Date. Unless previously converted or repaid in accordance with the terms of this Agreement at any time prior to January 1, 2019 (the "Maturity Date"), then the entire outstanding Aggregate Financing Amount shall be automatically converted at the Maturity Date into the most senior class of shares of the Company then outstanding, based on a price per share calculated on a pre-money valuation of the Company, on a FD Basis as of immediately prior to the Maturity Date to be based on a fair market valuation of the Company conducted by an independent third party appraiser and approved in good faith by the ~~Company's board~~ Board of directors. The shares issued pursuant to this section shall have the same rights, preferences and privileges as such class of most senior class of shares of the Company as of the Maturity Date (but taking into account the actual Financing Amount of the Payer), except for the original issue price thereof (which shall be price per share actually paid by the Payer for such shares). The term "FD Basis" shall mean on a fully diluted as converted basis assuming the exercise and conversion of all outstanding options and warrants to purchase equity securities (excluding, for the avoidance of doubt, shares issued or issuable as a result of the conversion of the Aggregate Financing Amount under the Financing

Agreements or under any other convertible note agreements issued by the Company following the date hereof)).

- 3.5. Events of Default; Dissolution Event. Notwithstanding anything contrary in this Agreement, unless previously converted or repaid in accordance with the terms of this Agreement, the Financing Amount will immediately become due and repayable by the Company upon the occurrence of any of the following events: (a) cessation of the Company's business operations for any reason for thirty (30) consecutive business days or more; (b) the Company fails to pay when due any material debt or any interest or premium thereon for a period of more than (30) days after the date of which the holder of such material debt provides a written notice thereof to the Company with respect to such material debt (whether by scheduled maturity, acceleration, demand or otherwise) and such failure continues after the (30) days cure or such longer grace period, if any, specified in notice; (c) the Company commences any case, proceeding or other action (i) under any existing or future law relating to bankruptcy, insolvency, reorganization, or other relief from debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to its debts or (ii) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or the Company makes a general assignment for the benefit of its creditors; (d) there is commenced against the Company any case, proceeding or other action of a nature referred to in the preceding Section 3.5(c) which (i) results in the entry of an order for relief or any such adjudication or appointment or (ii) remains undismissed, undischarged or unbonded for a period of thirty (30) days; (e) there is commenced against the Company any case, proceeding or other action seeking issuance of a warrant of execution or similar process against all or substantially all or any substantial part of its assets which results in the entry of an order for any such relief which has not been discharged, or stayed or bonded pending appeal within thirty (30) days from the entry thereof; (f) the Company takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in preceding Sections 3.5(c), (d) or (e); (each clause under this Section 3.5 an "Event of Default"). In the case of Event of Default, the outstanding Aggregate Financing Amount will be paid prior and in preference to any distribution of any of the assets of the Company to holders of outstanding share capital of the Company by reason of their ownership thereof, provided however that if immediately prior to the Event of Default, the assets of the Company legally available for distribution to the Payer and all other Payer (under all Financing Agreements), as determined in good faith by the Board, are insufficient to permit the payment to the Payers of their respective Financing Amount, then the entire assets of the Company legally available for distribution will be distributed with equal priority and pro rata among the Payers in proportion to outstanding Aggregate Financing Amount they would otherwise be entitled to receive pursuant to this section 3.4.
- 3.6. Remedies upon an Event of Default. Upon the occurrence of any Event of Default set forth in Section 3.4 and at any time thereafter during the continuance of such Event of Default, the Payer may at its option exercise any or all of its rights powers or remedies under applicable law.
- 3.7. Rights as Shareholder. From the date of occurrence of a conversion, such Payer shall be deemed to be the holder of such conversion shares, and shall be deemed to have all rights, privileges, restrictions, and limitations required to be granted in connection with the issued shares. No fractions of shares shall be issued upon conversion of the Financing Amount, and the number of shares issued shall be rounded to the nearest whole number. Upon conversion of the Financing Amount in accordance with the terms of this Agreement, this Agreement shall automatically terminate and expire and be of no force and effect. Notwithstanding anything herein to the contrary, the original issue per each conversion share (as such term is defined in the Company's articles of association), as converted according to this Agreement shall be equal to the actual price per share paid by the Payer for such shares.
4. Representations & Warranties of the Company. The Company hereby represents and warrants to the Payer that the following representations and warranties are true and correct as of the Effective Date:
- 4.1. Organization; Authorization; Compliance with Other Instruments. The Company is a corporation duly organized and validly existing under the laws of the State of Israel and has all requisite

corporate power and authority to carry on its business. All corporate action has been taken on the part of the Company, its officers, directors and shareholders necessary for the authorization, execution and delivery of this Agreement, and the performance of all obligations hereunder and thereunder. The execution and delivery of this Agreement will not constitute or result in a material default or violation of any law applicable to the Company or any provision of the Company's articles of association effective as of the Effective Date, or any material agreement by which it is bound or to which its assets are subject, or to Company's knowledge, any judgment, order, injunction, decree, or ruling of any court or governmental authority, domestic or foreign with respect to the Company.

- 4.2. Consents; Approvals. No consent or approval is required from any local or foreign governmental authority is required on the part of the Company in connection with the execution, delivery, and performance of this Agreement.
- 4.3. Capitalization; Valid Issuance of Shares. The capitalization table attached hereto as Exhibit 4.3 is a true and correct capitalization table of the Company as of the Effective Date, and sets forth all issued share capital, outstanding options, warrants and convertible securities of the Company as of the date hereof, including any shares reserved for issuance under any equity incentive or similar plan of the Company (either at capitalization table or that the footnotes of the capitalization table). To the Company's knowledge all of the issued share capital is free and clear of any liens, charges, restrictions, options to purchase, proxies, voting trust and other agreements, calls or commitments of any kind, except pursuant to the Company's articles of association. The shares to be issued upon conversion of the Financing Amount will be duly and validly issued, fully paid and will be issued free of any liens. The Company shall take all such corporate action as may be required to assure that a sufficient number of shares are reserved to provide for the conversion of the Aggregate Financing Amount.
- 4.4. Subsidiaries. The Company does not own or control, directly or indirectly, any equity interest in any other corporation, partnership, limited liability company, association or any other business entity, except for Carbyne, Inc. a wholly owned subsidiary of the Company.
- 4.5. Tax. To the Company's knowledge, the Company has paid all taxes and other assessments when due. Since the date of its incorporation, the Company has not incurred any taxes, assessments or governmental charges other than in the ordinary course of business, and the Company has made adequate provisions in its books of account for all taxes, assessments and governmental charges with respect to its business, properties and operations for such period.
- 4.6. Intellectual Property. To the Company's knowledge, the Company owns full title and ownership or has obtained the good and valid right or license to use, free and clear of all liens, claims and restrictions, all patents, trademarks, service marks, trade names and copyrights (whether or not registered), internet domain names, and applications, and rights with respect to the foregoing, and all trade secrets, including without limitation, know-how, inventions, designs, proprietary rights, and technical data, and other intangible assets, all of the foregoing— as applicable, used in the conduct of the Company's business as now conducted, without, to the Company's best knowledge, any violation or infringement of, or other conflict with, the rights of others. Notwithstanding the foregoing, it is hereby clarified that the Company had received grant from the Israel Innovation Authority (previously known as the Office of the Chief Scientist of Israel) according to the Israel's Encouragement of Research and Development Law, 1984 and the applicable rules (the "Law"), and is subject to the terms and conditions of the Law.
- 4.7. Litigation. To the Company's knowledge, no action, proceeding or governmental inquiry or investigation is pending or to the Company's knowledge threatened against the Company or any of its officers, directors, or employees (in their capacity as such), or against any of the Company's properties, before any court, arbitration board or tribunal or administrative or other governmental agency, nor, to the Company's knowledge, is there any basis for the foregoing. The Company is not a party to or subject to the provisions of any publicly known order, writ, injunction, judgment or decree of any court or governmental agency or instrumentality. There is no action, suit, proceeding or investigation by the Company currently pending or that the Company intends to initiate.
- 4.8. Brokers. No agent, broker, investment banker, person or firm acting in a similar capacity on behalf of or under the authority of the Company is or will be entitled to any broker's or finder's fee or any

other commission or similar fee, directly or indirectly, on account of any action taken by the Company in connection with any of the transactions contemplated under this Agreement.

- 4.9. No Other Representations. Except for the representations and warranties of the Company contained in this Agreement, the Company is not making and has not made, and no other person is making or has made on behalf of the Company, any express or implied representation or warranty in connection with this Agreement or the transactions contemplated hereby, and no third party is authorized to make any such representations and warranties on behalf of the Company.
5. Representations and Warranties of the Payer. The Payer hereby represents and warrants to the Company as follows:
  - 5.1. Enforceability; Authorization; Consents. This Agreement, when executed and delivered by such Payer, will constitute the valid, binding and enforceable obligations of the Payer. The execution, delivery and performance of the obligations of such Payer hereunder have been duly authorized by all necessary corporate action. No approval or consent from any person, entity or authority, is required by such Payer for the execution of this Agreement.
  - 5.2. Experience; Accredited Investor; Purchase Entirely for Own Account. Such Payer confirms that it is an experienced and knowledgeable investor in the securities of companies in the early development stage and is capable of evaluating the risks of its investment in the Company. The payer acknowledges that it had the opportunity to ask questions and receive information from the Company upon its request before the execution of the Agreement. Such Payer is an "accredited investor" as defined in Rule 501(a) of the Securities Act of 1933, as amended (the "Act"). This Agreement, is made with such Payer in reliance upon the Payer's representation to the Company, which by Payer's execution of this Agreement, such Payer hereby confirms, that the shares issuable upon conversion of the Financing Amount will be acquired for investment for such Payer's own account, not as a nominee or agent. The Payer understands that this Agreement may be characterized as a "restricted security" under the U.S. federal securities laws inasmuch as they are being acquired from the Company in a transaction not involving a public offering and that under such laws and applicable regulations securities may be resold without registration under the Act, only in certain limited circumstances. In this connection, the Investor represents that it is familiar with Rule 144 as promulgated by the U.S. Securities and Exchange Commission under the Act, as presently in effect, and understands the resale limitations imposed thereby and by the Act.
6. General.
  - 6.1. Each Party shall be responsible and shall bear its own respective taxes, costs and expenses related to this Agreement and the performance of its obligations hereunder, including all of its respective tax consequences. Notwithstanding anything to the contrary in this Agreement, the Company shall be entitled to deduct and withhold from any payment made to the Payer under this Agreement such amounts, if any, as are required to be deducted and withheld pursuant to any applicable laws (including without limitation, any applicable taxes of the Payer associated or in connection with the repayment of the Financing Amount or the conversion of the Financing Amount into Company's shares). To the extent that amounts are so withheld, such amounts will be timely remitted by the Company to the applicable governmental agency. All withheld amounts shall be treated for all purposes of this Agreement as having been paid to the Company
  - 6.2. The Parties shall perform such further acts and execute such further documents as may be necessary to carry out and give full effect to the provisions of this Agreement.
  - 6.3. The Payer may assign all of its rights and obligations (but not less than all of its rights and obligations) under this Agreement to (i) the Payer's spouse, parent, siblings, descendants (including adoptive relationships and stepchildren) and the spouses of each such natural persons (collectively, "Family Members"), (ii) a trust under which the distribution of any securities of the Company may be made only to the Payer or any Family Member of the Payer, (iii) a corporation, partnership or limited liability company, the stockholders, partners or members of which are only the Payer and/or Family Members of the Payer, or (iv) by will or by the laws of intestate succession, to the Payer's executors, administrators, testamentary trustees, legatees or beneficiaries. Except as set forth in this Section 6.3, a Party may not assign its rights or obligations under this Agreement, without the prior written consent of the other Party.

- 6.4. This Agreement shall be governed by and construed according to the laws of the State of Israel, without regard to the conflict of laws provisions thereof. Any dispute arising under or in relation to this Agreement shall be resolved exclusively in the competent courts in the Tel-Aviv – Jaffa District and each of the Parties hereby irrevocably submits to the exclusive jurisdiction of such court.
- 6.5. All notices and communications required or permitted hereunder to be given to a Party shall be in writing and delivered to the addresses set forth in the signature page to this Agreement.
- 6.6. This Agreement constitutes the entire understanding of the Parties with respect to the subject matter hereof. The written consent of the (i) Company and (ii) the Payers holding the majority in interest of the outstanding Aggregate Financing Amount (the “Majority Payers”) shall be required for the amendment of any of the terms of the Financing Agreements. Notwithstanding anything to the contrary, any amendment confirmed by the consent of the Majority Payers shall apply with respect to all Payers under all Financing Agreements (including this Agreement), provided however that (i) the Payer shall not be required to increase its respective Financing Amount without its prior written consent, and (ii) any amendment that would adversely and directly effect the Payer hereunder in a disproportionate manner relative to other Payers shall not be effective against the Payer without the prior written consent of the Payer (it is agreed that the mere fact that that each Payer has provided the Company with a different Financing Amount, shall not be deemed by itself to adversely affecting the rights of the Payer in the context of amendment). No delay or omission to exercise any right, or remedy accruing to any Party upon any breach or default under this Agreement, shall be deemed a waiver of any other breach or default therefore or thereafter occurring. Any waiver or consent, or on the part of any Party of any breach or default or any provisions or conditions under this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing.
- 6.7. If any provision of this Agreement is held by a court of competent jurisdiction to be unenforceable under applicable law, then such provision shall be excluded from this Agreement and the remainder of this Agreement shall be enforced in accordance with its terms; provided, however, that this Agreement shall be interpreted so as to give effect, to the greatest extent possible, to the meaning and intention of the excluded provision.
- 6.8. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but shall together constitute one and the same instrument.

*[Signature pages to follow]*

IN WITNESS WHEREOF, the Parties hereto have duly executed this Convertible Bridge Financing Agreement as of the date first above written.

THE PAYER

THE COMPANY:

\_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Address :

\_\_\_\_\_

\_\_\_\_\_

**Reporty Homeland Security Ltd.**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Address :

\_\_\_\_\_

*[Signature Page of 2017 Convertible Bridge Financing Agreement]*