

**From:** ehbarak <[REDACTED]>  
**To:** "jeffrey E." <jeevacation@gmail.com>  
**Subject:** Re:  
**Date:** Thu, 11 Aug 2016 14:46:54 +0000

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I'll call in an hour.

Best  
EB

Sent from my iPhone

On 11 Aug 2016, at 17:08, jeffrey E. <jeevacation@gmail.com> wrote:

[REDACTED]

On Thursday, August 11, 2016, ehbarak <[REDACTED]> wrote:

Hi Jeff  
Can we talk over the phone? What #?  
Best  
EB

Sent from my iPhone

On 11 Aug 2016, at 03:58, jeffrey E. <jeevacation@gmail.com> wrote:

Re: Levitection.

As I indicated previously, the terms that were initially presented to us in a draft term sheet are summarized in my June 22 email to you below. There are changes from the term sheet described in my previous email to you below that I found in the current draft Share Purchase Agreement, the Share Rights Agreement and the Amended and Stated Bylaws that include the following:

1. Instead of \$2.19 per share, now the purchase price is \$21.86 per share, though the Purchase Agreement provides for the same aggregate of \$1,020,000 and \$680,000 of funding tranches and same post closing shareholding percentages — That is, 27.30% of outstanding after first \$1,020,000 investment tranche and then 38.5% of outstanding after \$680,000 investment tranche.
2. The automatic conversion of the preferred share that was initially stated in the term sheet to occur upon a qualified IPO of no less than \$50 MM in gross proceeds that nets \$10MM of proceeds, now will not occur unless there is a qualified IPO of \$80MM gross proceeds that nets \$20MM of proceeds.
3. The 6% liquidation preference per share that was initially stated in the term sheet to terminate once the preferred holders received distributions of 2 times the purchase price for their shares, now will not terminate until the preferred holders receive 3.5 times the purchase price for their shares.
4. The bring along rights that in the term sheet were initially effective only upon 60% shareholder approval of a transaction with a pre-money valuation of not less than \$50MM, now may be imposed even if the pre-money valuation is less than \$50MM as long as there is 75% shareholder approval. That is to say, bring along rights are imposed if there is 60% shareholder approval of a transaction with a pre-money

valuation of not less than \$50MM or if there is 75% shareholder approval of a transaction with a pre-money valuation of less than \$50MM.

Because there is missing information, I cannot give you a full summary of the deal as currently drafted. For example:

I understand from the email we previously received that transmitted the signed term sheet to us that there were certain changes to be made to the warrants. Specifically, the 25% increase in the exercise price of the warrants was not to take effect unless either the first warrant for \$1,500,000 was exercised by us or there was a subsequent round of equity financing of at least \$1MM where the purchase price per share in that round was at least 25% higher than the purchase price in our round. However, the documents provided to me include only a reference to the warrants to be issued in the transaction as being on schedules to the Share Purchase Agreement and does not include the schedules or the full terms of the warrants. So, I have no idea of what the terms are for warrants. There is a vague reference in the purchase agreement to a First Warrant for \$1,500,000, but nothing else about the terms of that warrant and nothing about the other warrant (which the term sheet says is supposed to be for another \$2MM, but I cannot not verify).

The other big problem is that, in addition to the omission of the schedules containing the forms and terms of the warrants, no other schedules have been provided to us, including:

**The schedule of milestones that trigger obligation to fund second tranche of \$680K in no more than 9 month.**

Board Resolutions

Shareholder Resolutions

CEO Compliance Certificate

Legal Opinion

Director Indemnification Agreements

Services Agreement of Gideon Levita

Employment Agreement of Raviv Levita

Consulting Agreement of Ehud Barak

Founders Repurchase Agreements

**Cap Table**

**Reviewed but not audited Financial Statements**

**Business Plan and Budget**

Form of Non-Comp, Non-Solicitation and Confidentiality Agreements

Form of Employment Agreements

**Disclosure Schedule, which includes the lists of exceptions to the representations and warranties of the Company.** The disclosure schedule that is missing includes:

- list of options granted

- contracts, agreements and commitments list

- list of related party transactions

- list of officers and directors prior to closing

- schedule of real property and tangible assets

- IP Schedule

- Product Schedule

- Royalty Payment Obligations

- Open Source Materials used

- Schedule of liabilities

- Exceptions to Absence of Changes from Delivered Financial Statements

- Employee list

- List of Employment, contractor and consultant agreements

- List of employment, contractor and consultant agreements not terminable at will upon 30 days notice without liability

List of government funding, government or university resources, or other person funding used to develop IP

List of employees, contractors, consultants that were affiliated with Govt or universities, etc.

List of Brokers entitled to be paid for this transaction

List of Insurance Policies

**List of laws not complied with**

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please note

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