

**Non Binding Confidential Term Sheet  
For Proposed Investment in [●].**

**Date:** \_\_\_\_, [2014]

The terms and conditions described in this Non Binding Term Sheet (the “**Term Sheet**”), including its existence, shall be confidential information and shall not be disclosed to any third party. This Term Sheet summarizes the principal terms of the Series A Preferred Share Agreement of [●], an [●] Company (the “**Company**”). Except for the provisions described under “Exclusivity”, “Governing Law; Jurisdiction” and “No-Shop” below, this Term Sheet is not binding on the parties and no legally binding obligations will be created until definitive agreements are executed and delivered by all parties. This Term Sheet is not a commitment to invest, and is conditioned on the completion of due diligence, legal review and documentation that is satisfactory to the Investor.

Company [●]

Founders: [●] and [●].

Investment [●] (the “**Investment Amount**”).

Investor: [●].

Target Closing Date: [●] (the “**Closing**”).

Securities Offered: Series A Convertible Preferred Shares, par value NIS [●] each, of the Company (the “Preferred A Shares”). The Preferred A Shares will, with respect to dividend rights and rights on liquidation, rank senior to any other shares of the Company existing as of the date of the Closing.

Price / Pre-Post Cap Table: A price per share (the “Price Per Share” or “Original Purchase Price”) representing a fully diluted and as converted basis pre-money valuation of \$[●] based on a capitalization that includes conversion of all outstanding warrants, options, convertible loans, other convertible securities or rights, anti dilution adjustments of numbers of shares triggered by this financing (if any) [other than the Bridge Loan (as defined below)] and an option pool of [●]% post-round unallocated and non promised option pool for issuances to directors, officers, employees and consultants (the “Option Pool”). The capitalization table of the Company immediately prior and post to the Closing shall be as set forth in Exhibit A hereto.

[Loan Conversion: In connection with the Closing, a convertible loan in the principal amount of \$[●], which has been extended to the Company under certain Convertible Promissory Notes issued by the Company to certain lenders, together with the accrued interest (the “**Bridge Loan**”) will be converted into [Preferred A Shares/Preferred A-1 Shares] at the Price Per Share and a discount of %[●].]

Use of Proceeds: The proceeds of the Investment shall be used by the Company in accordance with the Company’s budget approved by the Board of Directors of the Company[, including one of the Preferred A Directors].

- Share Option Plan:** Unless otherwise approved by the Board [(with the consent of at least one of the Preferred A Directors)], all options shall vest as follows: 25% after one year, and the remaining 75% thereof vesting and becoming exercisable in 12 equal portions at the end of each successive 3-month period thereafter.
- Conversion:** The Preferred A Shares will be convertible into Ordinary Shares of the Company (the "**Ordinary Shares**"), at the option of the holder of such Preferred A Shares. The Preferred Shares will automatically convert at the then applicable conversion ratio into Ordinary Shares in the event of (i) an initial public offering ("**IPO**") yielding at least \$[●] million U.S. dollars net to the Company at a pre-money valuation of the Company of at least \$[●] million (a "**Qualified IPO**") or (ii) the consent in writing of holders of the [majority] of the Preferred A Shares.
- The number of shares of Ordinary Shares into which each share of Preferred A Shares may be converted will be determined by dividing the Original Purchase Price by the Conversion Price. The initial "Conversion Price" equals the Original Purchase Price. The Conversion Price will be subject to adjustment as set forth under the heading "Anti-dilution Protections".
- Anti-dilution Protections:** The conversion ratio of each Preferred A Share into Ordinary Shares will be adjusted by broad-based weighted average anti-dilution in the event that equity securities, securities convertible into equity or options to purchase equity securities of the Company are subsequently issued at a price per share less than the Original Purchase Price then in effect (except for (i) issuances under existing employee equity based plans or any new employee equity based plan approved by the Board; (ii) issuances upon stock splits, stock dividend, combinations, recapitalizations and similar reclassifications events; (iii) issuances of Ordinary Shares upon conversion of Preferred Shares; (iv) issuances regarding which the holders of a majority of the issued Preferred Shares determine shall not give rise to such anti-dilution protection; and (v) other customary issuances to be mutually agreed in the definitive documents (the "**Exempted Issuances**").<sup>1</sup>
- Distribution Preference<sup>2</sup> :** Upon any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary (a "**Liquidation Event**"), the holders of Preferred A Shares shall be entitled to receive, on a preferred basis prior and in preference to any distribution to the holders of any shares of the Company, an amount of cash per share equal to the Original Purchase Price, as may be adjusted to reflect stock split, stock combination, stock dividend, recapitalization, anti-dilution or like events, [plus an amount equal to [●]% of the Original

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<sup>1</sup> Other possible anti-dilution adjustment mechanisms are full ratchet and narrow based weighted average.

<sup>2</sup> This Term Sheet assumes that dividends are treated the same as distribution in a liquidation event. Alternatively, there could be separate provisions providing for dividend preference. For example: "The Preferred A Shares will have [non] cumulative dividend preference equal to 8% of the Original Purchase Price per annum payable when and as declared by the Board of Directors. After distribution of the dividend preference, the Preferred A Shares shall participate with the Ordinary Shares on an as converted basis."

Purchase Price per such Preferred A Share per annum accrued from the actual date of the issuance of such Preferred A Shares] less the amount of distributions actually received in any prior Liquidation Event plus declared and unpaid dividends on each Preferred A Shares (the “**Preferred A Preference**”).

After the payment of the Preferred A Preference in full, the remaining assets (if any) shall be distributed among the holders of [the Preferred A Shares]<sup>3</sup> and the Ordinary Shares, on a pro rata basis (on an as-converted basis) [until the holders of Preferred A Shares receive an aggregate of [●] times the Original Purchase Price (including the amount paid pursuant to the preceding paragraph)].<sup>4</sup>

A merger or consolidation of the Company, in which the Company's shareholders prior to such transaction(s) shall not retain a majority of the voting rights of the surviving entity, the sale, lease or worldwide, perpetual and exclusive license or other disposition of all or substantially all of the Company's assets or intellectual property, the sale of all or substantially all of shares in the Company, or any distribution to the shareholders of the Company (excluding repurchases of shares from employees and service providers in connection with the termination of their service), will be deemed a Liquidation Event.<sup>5</sup>

#### Voting:

Except as provided below or as otherwise required under applicable law, the holders of Ordinary Shares and Preferred Shares shall not be entitled to any class vote, except with respect to direct changes of the rights attached to such shares under the Company's Articles of Association [that is not affected similarly to other classes or series]. All other changes shall, unless otherwise set forth in this Term Sheet, only require the consent of the holders of a majority of all shares of the Company, voting together as one class.

The holder of each Preferred Share shall have a number of votes equal to the number of shares of Ordinary Shares then issuable upon conversion of such Preferred Shares.

#### Restrictive Provisions:

Until an IPO, so long as shares of [Preferred A Shares are outstanding], [represent at least [●]% of the issues and outstanding share capital of the Company on as converted basis] in addition to any other vote or approval required under the Company's Articles of Association, the Company will not, without the written consent of the holders of at least a majority of the Company's Preferred A Shares, either directly or by amendment, merger, consolidation, or otherwise: (i) liquidate, dissolve or wind-up the affairs of the Company, or effect any merger or consolidation or any other Liquidation Event [in which the return to the holders of the Preferred A Shares is less than [●] times the Original Purchase Price]; (ii) amend, alter, or repeal any provision of the Articles of Association, that adversely affect the rights, preferences or privileges of the Preferred A Shares; (iii) create or authorize the creation of or issue

<sup>3</sup> Remove the brackets if the Preferred A Shares are non-participating.

<sup>4</sup> Include this language if there is a cap on the participation of the Preferred A Shares.

<sup>5</sup> Investors may request that any change of control will also be deemed as Liquidation Event. Inclusion of that may raise practical questions regarding payment of liquidation preference when there is no sale of shares.

any security convertible into or exercisable for any equity security (other than options to employees or service providers pursuant to Option Plan approved by the Board of Directors[, including one Series A Director]) or increase the authorized number of shares of the Company], except in connection with an equity financing round in which the price per share is at least [●] times the Original Purchase Price (a “**Qualified Financing**”)<sup>6</sup>]; (iv) purchase or redeem any shares of the Company or pay and declare any dividend; (v) create or authorize the creation of any debt security [in an amount exceeding \$[●] in the aggregate]; (vi) create or hold share capital in any subsidiary that is not a wholly-owned subsidiary or dispose of any subsidiary shares or all or substantially all of any subsidiary assets; (vii) increase or decrease the size of the Board of Directors or change the composition of the Board of Directors, except for adding additional directors in connection with a Qualified Financing, (viii) change the principal business of the Company, enter new lines of business, or exit the current line of business; (ix) effect an acquisition of or investment (whether by merger, consolidation or otherwise) in any other person or entity [in an amount exceeding \$[●]; or (x) apply for any grants, funding, incentives or subsidies, or applications therefor (collectively, “**Grants**”) from any governmental entity.

In addition, the Company will not, without the Board approval, which approval must include the affirmative vote of at least one Series A Director: (i) make any loan or advance to, or own any stock or other securities of, any subsidiary or other corporation, partnership, or other entity unless it is wholly owned by the Company; (ii) make any loan or advance to any person, including, any employee or director; (iii) guarantee any indebtedness; (iv) make any investment inconsistent with any investment policy approved by the Board; (v) incur any aggregate indebtedness or enter into a commitment in excess of \$[●] that is not already included in a Board-approved budget; (vi) enter into or be a party to any transaction with any director, or officer or any “affiliate” of any such person; (vii) hire, fire, or change the compensation of the CEO [and the senior management, including approving any option grants]; (viii) effect an acquisition of or investment (whether by merger, consolidation or otherwise) in any other person or entity [in an amount exceeding \$[●]; (ix) enter into any corporate strategic relationship involving the payment contribution or assignment by the Company or to the Company of assets greater than \$50,000, (x) adopt the Company’s signature rights, or (xi) approve the Company’s annual budget. The aforesaid Restrictive Provisions shall also apply to actions by any subsidiary of the Company.

To the extent the existing shareholders have any veto rights / protection provisions in the current articles, such rights shall terminate upon the closing.

#### Pre-emptive Rights:

Until an IPO, each of the holders of Preferred A Shares and the Founders, as long as each holds at least [1-5]% of the issued and outstanding share capital of the Company (on a fully diluted and as-converted basis) (each a (“Major Shareholder”)), will have the right

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<sup>6</sup> Other possible parameters for a Qualified Financing may be that the Company has cash that is sufficient for operations for less than a certain period.

to purchase a pro rata portion (based on their pro rata portion out of all of the Company's issued shares on an as-converted basis) of any further issuance of share capital, or other rights or securities convertible into or exchangeable for share capital, by the Company (other than the Exempted Issuances. [Unless waived by the holders of a majority of the issued Preferred A Shares, each Major Shareholder shall also be entitled to purchase the pro rata portion of any other shareholder that does not exercise such right].

**Right of First Refusal:**

Until an IPO, each Major Shareholder will have a pro rata (on an as-converted basis) right of first refusal to purchase any share capital, or other rights or securities convertible into or exchangeable for share capital, of the Company offered for sale by [any shareholder / any holder of Ordinary Shares] to any person or entity, and shall be entitled to purchase the pro rata portion of any other shareholder that does not exercise such right, subject to standard exceptions for transfers to affiliates. The Company's equity based plans and all other issuances of Company's securities will include provisions that subject all shares issuable under such plans or other issuance to the Entitled Holder's right of first refusal. With respect to any shareholder which is a venture capital fund, the following transfers shall not be subject to the right of first refusal: (i) transfer which is part of a transfer of a significant portion of portfolio investments; (ii) a transfer in connection with the dissolution of the fund; or (iii) a transfer resulting from a regulatory or tax constraint applicable to the fund or any of the partners in the fund. .

**Bring Along:**

Subject to the Restrictive Provisions, in the event that, prior to the Qualified IPO, the holders of at least [the majority] of the Company's issued shares on as converted basis (voting as a single class) [(including at least [●]% of the Preferred A Shares) agree to an offer to sell all their shares to a third party, and such offer is conditional upon the sale of a number of shares of the Company exceeding the number of shares held by such shareholders in a way which shall be treated as a Liquidation Event, all shareholders shall be required to participate in such sale on the same terms and conditions. Proceeds shall be distributed in accordance with liquidation preferences. Any such bring-along agreements and other voting agreements (both in the share option plan and in any financing-related voting agreements) shall contain an appropriate grant of a proxy to the Board of Directors of the Company (or someone designated by the Board of Directors) to vote the shares in the event of non-compliance with the voting agreement as well as an effective power of attorney granting the board of directors the right to follow through on the execution of any related document(s).

**Co-Sale:**

Until an IPO, each Major Shareholder will have a right of co-sale to sell a proportionate number of its shares along with any sale by any Founder to any person or entity, subject to standard exceptions for transfers to affiliates.

[Until an IPO, each holder of Preferred A Shares will have a right of co-sale to sell a proportionate number of its shares along with any sale by any other holder of Preferred A Shares to any person or entity, subject to standard exceptions for transfers to affiliates; provided that permitted transfers with respect to a holder of Preferred A Shares shall be subject to the terms of the "Right of First Refusal"

provision set forth above. With respect to any shareholder which is a venture capital fund, the following transfers shall not be subject to the right of co sale: (i) transfer which is part of a transfer of a significant portion of portfolio investments; (ii) a transfer in connection with the dissolution of the fund; or (iii) a transfer resulting from a regulatory or tax constraint applicable to the fund or any of the partners in the fund.

No Sale:

Prior to a Qualified IPO or Liquidation Event and unless otherwise approved by the Board of Directors [with the consent of at least one Preferred A Director], each of the Founders shall be subject to a prohibition on transfers, pledges and other dispositions of their shares in the Company provided however, that as of the Closing, each Founder may transfer up to [10%] of his shares in the Company in any 12-month period (the “**Annual Quota**”), up to a total of [30%] of his shares in the Company and provided further that in the event a Founder did not dispose of his full Founder Annual Quota during any given twelve month period, any remaining portion of such Founder Annual Quota, may be disposed of by such Founder in the following twelve month period, in addition to the Founder Annual Quota applicable to such twelve month period (each, a “**Permitted Sale**”). Permitted Sales shall not be subject to any Co Sale right.

Founders Activities and Adjustment Mechanism:

Each of the Founders and executive officers shall devote 100% of his professional time to the Company. Any other professional activities will require the approval of the Board of Director[, which approval must include the affirmative vote of at a least one Series A Director].

In order to provide an adjustment to the valuation of the Company and other economic terms of the investment in the event that a Founder cease to be employed by the Company, [50]% of the shares owned by each of the Founders (the “**Restricted Shares**”), will be subject to adjustment by providing the Company the right to buyback at par value [(provided that this right shall not be exercisable in case of termination by the Company that is not for cause or in case of justifiable termination by a Founder or in case of death or disability (as shall be defined in the definitive agreements) and full acceleration upon Liquidation Event)]. This right may also be exercised by the other company shareholders, pro rata, if the Company fails or is unable to exercise such right. The buyback right with respect to each of the Founders shall lapse with respect to [25% of the Restricted Shares owned by such Founder on the first anniversary of the Closing, and thereafter this right will lapse in equal quarterly increments over the following [3] years, provided that the Founder continues to be employed or engaged by the Company, unless he is terminated not for cause or leaves due to justifiable reason.]

Board of Directors:

The Board of the Company and each subsidiary shall consist of up to a total of [●] members as follows: (a) [●] directors shall be appointed by the holders of a majority of the issued Ordinary Shares (voting as a separate class), of whom one shall be the Company's Chief Executive Officer, (b) [●] directors shall be appointed by the holders of a majority of the issued Preferred A Shares (voting as a separate class) (the “**Preferred A Directors**”) [so long as the Preferred A Shares constitute in the aggregate at least [fifteen]

percent (10%)] of the Company's issued and outstanding share capital], of which one director shall be designated by [●], and (c) [one] director shall be an independent industry expert appointed by [all/majority of] the other directors.

Each board committee shall include at least one of the Preferred A Directors. Meetings of the Board shall be held at least quarterly.

**Information and Inspection Rights:** Until the IPO, each Major Shareholder shall have the right to receive (1) annual audited financial statements within 90 days after the end of each fiscal year, (2) unaudited, quarterly financial statements within 45 days after the end of each quarter, (3) monthly management report in a form agreed by the board, (4) thirty days (30) prior to the end of each fiscal year, a comprehensive annual budget and business plan, and (5) promptly upon a request, an up-to-date capitalization table. The Company's auditors shall be one of the "Big 4" accounting firms. Each Major Shareholder shall be entitled to standard inspection rights and will be granted access to Company facilities and personnel during normal business hours and with reasonable advance notification all subject to standard confidentiality undertaking.

**Registration Rights:** Holders of a majority of the Registrable Shares (as defined below) shall have the right to two "demand" registrations of their shares in the Company, at the Company's expense. Holders of the Registrable Shares shall also be entitled to unlimited "piggyback" registration rights and unlimited F-3 registrations at the Company's expense. In the case of underwriter cut-backs with respect to any offering (except an offering for the account of the Company), the holders of Preferred Shares shall have priority (pro rata among them) to be included in that offering. All shareholders shall agree to a 180 day lock-up after an IPO and to a 90-day lock up period after any subsequent offerings.

**"Registrable Shares"** shall mean Preferred A Shares, any Ordinary Shares issued upon conversion of the Preferred A Shares and any securities issued with respect to the foregoing [and for "piggyback" and Form F-3 registrations, also the Ordinary Shares held by the Founders]. Any future registration rights granted by the Company shall be subject to the approval of the holders of a majority of the Registrable Shares.

**Insurance:** The Company will maintain D&O and Key Man insurance with a carrier in an amount satisfactory to the Investor. In the event the Company merges with another entity and is not the surviving corporation, or transfers all of its assets, proper provisions shall be made to ensure that directors are covered by a run-off insurance policy for a period of seven (7) years following such transaction.

**Closing Conditions:** This Term Sheet is not a commitment to invest, and is conditioned on the completion of due diligence, legal review and documentation review that is satisfactory to the Investors. In addition, the completion and execution of mutually acceptable definitive agreements, that will contain customary representations, warranties and covenants by the Company, [the Founders] and the Investors (subject to standard limitation of liability of the Company [and the Founders and provided that in any event the liability of each Founder

shall be limited to the shares in the Company held by such Founder]) and indemnification by the Company [and Founders] upon a breach of the representations, warranties and covenants and additional provisions that are derived from the specific nature of this transaction, including without limitations non-compete and non solicitation undertaking by the Founders for the benefit of the Company, all in accordance with this Term Sheet.

- Employment Agreements:** Prior to the Closing, and as a condition thereof, the Founders, and all the Company's employees shall enter into employment agreements with the Company (including non-competition, intellectual property assignment and confidentiality provisions) in a form satisfactory to the Investor.
- Investor Expenses:** The Company shall pay at the Closing all legal fees incurred by the Investor in connection with the Investment, in an amount not to exceed \$[●] plus VAT.
- No Shop:** The Company agrees to work in good faith expeditiously towards a closing. For a period of [●] days after the date of this Term Sheet, which period may be extended by an additional period of [●] days upon delivery by the Investor of a written notice to the Company, unless written notification is given by the Investor that it does not intend to proceed with the financing, with the exception of the transactions described by this Term Sheet, the Company and the Founders shall not, directly or indirectly: (a) issue any new share capital, or rights or other securities convertible into or exchangeable for share capital, of the Company, cause or permit any sale, assignment, transfer or conveyance of any of the outstanding share capital, or rights or other securities convertible into or exchangeable for share capital, of the Company, or sell, assign, transfer or convey any of the assets of the Company; (b) solicit any offers for, respond to any unsolicited offers for, or enter into or conduct any negotiations in respect of any of the foregoing; or (c) in any way assist or encourage any person in connection with any proposed acquisition of any of the securities or assets of the Company. Additionally, the Company will provide prompt notice to the Investor of any written or oral communications received by the Company regarding any debt or equity investment in the Company, financing of or acquisition, sale and/or exchange of all or any portion of the Company or any of its assets (including, without limitation, by way of merger, stock sale, asset sale or otherwise). During the No Shop period, neither the Company nor any person or entity working on the Company's behalf will take any action that could frustrate the no shop or confidentiality provisions set forth above.
- Governing Law; Jurisdiction:** This Term Sheet (as well as the definitive agreements) shall be governed by the laws of the State of Israel and any dispute arising in connection therewith shall be submitted to the sole and exclusive jurisdiction of the courts in [Tel Aviv].
- Confidentiality:** The terms and conditions described in this Term Sheet, including its existence and including the fact that the parties are conducting negotiations towards definitive agreements, shall be confidential information and shall not be disclosed to any third party.



Expiration: This Term Sheet expires on [●] if not accepted by the Company by that date.

**In consideration of the time and expense devoted and to be devoted by the Investor with respect to this investment, the “Confidentiality”, “Governing Law; Jurisdiction” and “No Shop” provisions of this Term Sheet shall be binding obligations of the Company and the Founders whether or not the financing is consummated. Other than as set forth in the sections entitled “Confidentiality”, “Governing Law; Jurisdiction” and “No Shop”, which sections constitute binding obligations of the Company and the Founders, the terms contained in this Term Sheet do not constitute a binding obligation on the part of either the Company, the Founders or the Investor.**

[Signature page follows]

IN WITNESS WHEREOF, the undersigned have hereunto set their hands this \_\_ day of \_\_\_\_\_, \_\_\_\_\_.

[●]By: \_\_\_\_\_

Name: \_\_\_\_\_

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

[●]By: \_\_\_\_\_

Name: \_\_\_\_\_

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

**FOUNDERS:** [Please fill in the names]

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

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**EXHIBIT A - CAP TABLE**