As filed with the United States Securities and Exchange Commission on April 15, 2022.

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Actelis Networks, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	3669	52-2160309
(State or Other Jurisdiction of Incorporation or Organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

Actelis Networks, Inc.
47800 Westinghouse Drive
Fremont, CA 94539
(510) 545-1045

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Tuvia Barlev
Chief Executive Officer and Chairman of the Board of Directors
Actelis Networks, Inc.
47800 Westinghouse Drive
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(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box. ☒

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. ☐

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS **SUBJECT TO COMPLETION DATED APRIL 15, 2022**

Actelis Networks, Inc.

Shares of Common Stock

This is a firm commitment initial public offering of shares of common stock of Actelis Networks, Inc. We are offering shares of our common stock. We anticipate that the initial public offering price of our shares will be between $ and $ per share.

Prior to this offering, there has been no public market for our common stock. We have applied to list our shares of common stock on the Nasdaq Capital Market under the symbol "ASNS." No assurance can be given that our application will be approved and if our application is not approved, this offering cannot be completed. The obligation of the underwriter to purchase the shares of common stock is conditioned upon our receiving approval to list the shares of common stock on Nasdaq.

We are an "emerging growth company" and a "smaller reporting company," each as defined under the federal securities laws and, as such, have elected to comply with certain reduced reporting requirements for this prospectus and may elect to do so in future filings. See the section titled "Implications of Being an Emerging Growth Company and a Smaller Reporting Company."

Investing in our common stock involves a high degree of risk. Please read "Risk Factors" beginning on page 12 of this prospectus for a discussion of factors you should consider before buying shares of our common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total[(4)]
Initial public offering price[(1)]	$	$
Underwriting discounts and commissions[(2)]	$	$
Proceeds, before expenses, to us[(3)]	$	$

(1) Initial public offering price per share is assumed as $ per share, which is the midpoint of the range set forth on the cover page of this prospectus.
(2) We have agreed to pay Boustead Securities, LLC, the u nderwriter named in this prospectus, or the Underwriter, a discount equal to (i) 7% of the gross proceeds of the offering. We have agreed to sell to the Underwriter, on the applicable closing date of this offering, warrants in an amount equal to 7% of the aggregate number of shares of common stock sold by us in this offering, or the Underwriter's Warrants. For a description of other terms of the Underwriter's Warrants and a description of the other compensation to be received by the Underwriter, see "Underwriting" beginning on page 95.
(3) Excludes fees and expenses payable to the Underwriter. The total amount of Underwriter's expenses related to this offering is set forth in the section entitled "Underwriting."
(4) Assumes that the Underwriter does not exercise any portion of their over-allotment option.

We expect our total cash expenses for this offering (including cash expenses payable to the Underwriter for its out-of-pocket expenses) to be approximately $, exclusive of the above discounts. In addition, we will pay additional items of value in connection with this offering that are viewed by the Financial Industry Regulatory Authority, or FINRA, as underwriting compensation. These payments will further reduce proceeds available to us before expenses. See "Underwriting" beginning on page 95.

This offering is being conducted on a firm commitment basis. The Underwriter is obligated to take and pay for all of the shares of common stock if any such shares of common stock are taken. We have granted the Underwriter an option for a period of 45 days after the closing of this offering to purchase up to 15% of the total number of our shares of common stock to be offered by us pursuant to this offering, solely for the purpose of covering over-allotments, at the initial public offering price less the underwriting discounts and commissions. If the Underwriter exercises its option in full, the total underwriting discounts and commissions payable will be $ based on an assumed offering price of $ per share, and the total gross proceeds to us, before underwriting discounts and commissions expenses, will be $. If we complete this offering, net proceeds will be delivered to us on the applicable closing date.

The Underwriter expects to deliver the shares of our common stock against payment therefor on or about , 2022, subject to customary closing conditions.

Boustead Securities, LLC

The date of this prospectus is , 2022

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This prospectus constitutes a part of a registration statement on Form S-1 (or, together with all amendments and exhibits thereto, the Registration Statement) filed by us with the Securities and Exchange Commission, or the SEC, under the Securities Act of 1933, as amended, or the Securities Act. As permitted by the rules and regulations of the SEC, this prospectus omits certain information contained in the Registration Statement, and reference is made to the Registration Statement and related exhibits for further information with respect to Actelis Networks Inc. and the securities offered hereby. With regard to any statements contained herein concerning the provisions of any document filed as an exhibit to the Registration Statement or otherwise filed with the SEC, in each instance reference is made to the copy of such document so filed. Each such statement is qualified in its entirety by such reference.

You should rely only on the information contained in this prospectus or in any relatedfree-writing prospectus. We and the underwriter have not authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectus prepared by us or on our behalf or to which we have referred you. We take no responsibility for, and can provide no assurance as to the reliability of, any information that others may give you.

This prospectus is an offer to sell only the common stock offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. We are not making an offer to sell these shares of common stock in any jurisdiction where the offer or sale is not permitted or where the person making the offer or sale is not qualified to do so or to any person to whom it is not permitted to make such offer or sale. The information contained in this prospectus is current only as of the date of the front cover of the prospectus. Our business, financial condition, operating results and prospects may have changed since that date.

Persons who come into possession of this prospectus and any applicable free writing prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus and any such free writing prospectus applicable to that jurisdiction. See “Underwriting” for additional information on these restrictions.

Until and including , 2022 (the 25th day after the date of this prospectus), all dealers effecting transactions in our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

For investors outside of the United States: Neither we nor the underwriter have taken any action to permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourselves about and to observe any restrictions relating to this offering and the distribution of this prospectus.

For purposes of this Registration Statement, "Company", "we" or "our" refers to Actelis Networks, Inc. and its subsidiary, Actelis Networks Israel, Ltd., or Actelis Israel, unless otherwise required by the context.

INDUSTRY AND MARKET DATA

This prospectus includes statistical, market and industry data and forecasts which we obtained from publicly available information and independent industry publications and reports that we believe to be reliable sources. These publicly available industry publications and reports generally state that they obtain their information from sources that they believe to be reliable, but they do not guarantee the accuracy or completeness of the information. Although we are responsible for all of the disclosures contained in this prospectus, including such statistical, market and industry data, we have not independently verified any of the data from third-party sources, nor have we ascertained the underlying economic assumptions relied upon therein. In addition, while we believe the market opportunity information included in this prospectus is generally reliable and is based on reasonable assumptions, such data involves risks and uncertainties, including those discussed under the heading "Risk Factors."

PRESENTATION OF FINANCIAL INFORMATION

Our financial statements were prepared in accordance with generally accepted accounting principles in the United States, or U.S. GAAP. We present our consolidated financial statements in U.S. dollars.

Our fiscal year ends on December 31 of each year. Our most recent fiscal year ended on December 31, 2021.

Certain figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

TRADEMARKS AND TRADENAMES

We own or have rights to trademarks, service marks and trade names that we use in connection with the operation of our business, including our corporate name, logos and website names. Other trademarks, service marks and trade names appearing in this prospectus are the property of their respective owners. Solely for convenience, some of the trademarks, service marks and trade names referred to in this prospectus are listed without the® and ™ symbols, but we will assert, to the fullest extent under applicable law, our rights to our trademarks, service marks and trade names.

This prospectus includes trademarks, service marks and trade names owned by us or other companies. All trademarks, service marks and trade names included in this prospectus are the property of their respective owners.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. Because this is only a summary, it does not contain all of the information that may be important to you. You should read this entire prospectus and should consider, among other things, the matters set forth under "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes thereto appearing elsewhere in this prospectus before making your investment decision. This prospectus contains forward-looking statements and information relating to Actelis Networks. See "Cautionary Note Regarding Forward-Looking Statements" on page 34.

Company Overview

Actelis is a networking solutions company with a mission to enable fast, secure, cost-effective and easily implemented communication for Internet of Things, or IoT, projects, deployed over wide areas such as cities, campuses, airports, military bases, roads and rail.

Our networking solutions use a combination of newly deployed fiber infrastructure and existing copper and coaxial lines to create a highly cost-effective, secure and quick-to-deploy network.

Our patent protected hybrid fiber-copper solutions deliver excellent communication over fiber to locations that may be easy to reach with new fiber. However, for locations that are difficult to reach with fiber, we can upgrade existing copper lines, to deliver cyber-hardened, high-speed connectivity without needing to replace the existing copper infrastructure with new fiber. We believe that such hybrid fiber-copper networking solution has distinct advantages in most real-life installations, providing significant budget savings and accelerating deployment of modern IoT networks. We believe that our solutions can provide connectivity over fiber or copper up to multi-Gigabit communication, while supporting Gigabit-Grade reliability and quality.

When high-speed, long reach, high reliability and secure connectivity is required, network operators usually resort to using wireline communication over physical communication lines rather than wireless communication that is more limited in performance, reliability and security. However, wireline communication infrastructure is costly, and often accounts for more than 50% of total cost of ownership (ToC) and time to deploy wide-area IoT projects.

Typically, providing new fiber connectivity to hard-to-reach locations is costly and time-consuming, often requiring permits for boring, trenching, and right-of-way. Connecting such hard-to-reach locations, may cause significant delays and budget overruns in IoT projects. Our solutions aim to solve these challenges.

By alleviating difficult challenges in connectivity, we believe that Actelis' solutions are making a significant difference: effectively accelerating deployment of IoT projects, and making IoT projects more affordable and predictable to plan and budget.

Our solutions also offer end-to-end network security to protect critical IoT data, utilizing a powerful combination of coding and encryption technologies, applied as required on both new and existing infrastructure within the hybrid-fiber-copper network. Our solutions have been tested for performance and security by the U.S. Department of Defense, or the U.S. DoD, laboratories, and approved for deployment with U.S. Federal Government and U.S. defense forces.

Since our inception, our business was focused on serving telecommunication service providers, also known as Telcos, providing connectivity for enterprises and residential customers. Our products and solutions have been deployed with more than 100 telecommunication service providers worldwide, in enterprise, residential and mobile base station connectivity applications. In recent years, as we have further developed our technology and rolled out additional products, we turned our focus on serving the wide-area IoT markets. Our operations are focused on our fast-growing IoT business, while maintaining our commitment to our existing Telco customers.

We currently derive a significant portion of our revenue from our existing Telco customers. For the years ended December 31, 2021 and December 31, 2020, our Telco customers in the aggregate accounted for approximately 48% and 55% of our revenues, respectively.

We currently derive a significant portion of our revenue from a limited number of our customers. For the years ended December 31, 2021 and December 31, 2020, our top ten customers in the aggregate accounted for approximately 78% and 70% of our revenues.

Our auditors' opinion in each of our audited financial statements for the years ended December31, 2021, and December 31, 2020, contains an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern. As of December 31, 2021, and 2020, we had an accumulated deficit of $22.4 and $17.2 million, respectively. In recent years, we have suffered recurring losses from operations, have negative working capital and cash outflows from operating activities, and therefore we are dependent upon external sources for financing our operations.

We currently have one outstanding loan with Migdalor Business Investments Fund, or Migdalor, in the original principal amount of approximately $6 million which is secured by all our assets, which remains outstanding as of December 31, 2021. If we cannot generate sufficient cash flow from operations to service our debt, we may need to further refinance our debt, dispose of assets or issue equity to obtain necessary funds. We expect to continue repaying the principal and interest of the Migdalor Loan from our operating cash flow.

Our Technology

To address many of the most difficult wide-area IoT and Telecom connectivity challenges, we utilize the hidden potential in existing legacy copper/coax wires that already connect billions of locations and devices globally (often at low speed, suffering from interruptions and presenting poor information security) — delivering mostly voice, or low speed control signals). However, these lines are readily available at no additional deployment cost and can reach, as we believe, most locations. Using our patented signal-processing technology and system architecture, we can "upgrade" these lines, by deriving Gigabit Grade performance from them, and integrate them with new fiber installations, where available, to create a complete hybrid-fiber-copper network, enabling fast, reliable, and safe Gigabit-Grade connectivity.

Our technology is both powerful and compact, and is built as a relatively small set of feature-rich network elements, that serve as building block in many IoT verticals. These elements include switches, concentrators, reach extenders, data encryption elements, power sources and a smart networking software that allows for remote management and monitoring down to the single element and line performance, configuration management making complex network topologies easy to deploy, analyze, debug and remote SW download to help with remote handling of large and small networks.

Our solutions can also provide remote power over the same existing copper lines to power up network elements and IoT components connected to them (like cameras and meters). Connecting power lines to millions of IoT locations can be costly and very time consuming (similar to data connectivity). By offering the ability to combine power delivery over the same copper lines used for high-speed data, we believe our solutions are solving yet another important challenge in connecting hard-to-reach locations. We believe that combining communication and power over the same existing lines is particularly important to help connect many fifth generation, or 5G, small cells and Wifi base stations, as high cost of connectivity and power is often slowing their deployment.

Rapid Deployment and Lower Cost of Critical Connectivity for IoT

We aim to become the global leading provider of cyber-secure, cost-effective and quick-to-deploy hybrid networking for all wide-area IoT applications. Our products work over all types of wireline media on the global data network, whether owned or operated by telecom service providers or a private network operated by enterprises or government organizations. Our products are structured as building blocks for many IoT applications, and are feature-rich: This allows for one Actelis box to often replace multiple other platforms available in the market, allowing for space-saving installation, energy conservation (which we believe results in a greener network), and making network planning easier for our customers. We aim at having our products installed and help accelerate deployment of wire-area IoT projects and applications everywhere.

For example, in one of the projects where our solutions are deployed, we found that 70% of locations are easy-to-reach with new fiber optic installation. Connectivity for these locations may, as we believe, average $26,000 per mile for new fiber laid on poles, and can take between days to weeks to connect. However, the remaining 30% of locations may be hard-to-reach with new fiber optics, may require boring or trenching to reach IoT sensors or camera locations, possibly connecting over obstacles, roads, long distances, and may also require obtaining the right of way for extensive civil works. This part of the deployment, as we believe, may cost up to $400,000 per mile, may sometimes go distances of many miles, and may take many months to complete. Connecting such locations can dramatically increase project budget and cause major delays. Our hybrid networking technology includes fiber-based network elements connecting the easy-to-reach locations over new fiber, as well as copper or hybrid fiber-copper network elements that are capable of upgrading the existing copper infrastructure, such that Gigabit-Grade connectivity may be provided over this existing

copper infrastructure, immediately utilizing such readily available lines at no additional cost or time to deploy. Both parts of the network are then combined into a seamless fabric of a hybrid fiber-copper network, under one management software that provides smooth, largely automated operation and end-to-end security.

In another project, we provided hybrid networking connectivity with remote powering to 3G and 4G base stations. Looking forward, we believe that a dense grid of 5G small cells would be required to enable global 5G coverage, which, may be key to IoT deployment in many smart city projects and other dense areas. We believe that connecting these 5G small cells to the network cost effectively and rapidly, in both hard-to-reach and easy-to-reach locations, as well as powering them cost-effectively is key to successful and timely deployment for such network.

We expect to release in 2023 a high-speed, cyber-hardened, multi-Gigabit, hybrid fiber-copper solution with optional remote powering aimed to help with 5G small cell deployment, especially in smart city IoT applications, where 5G is most critical. We expect that such solution will add a large sub-vertical market to our growth.

Cyber Security

IoT networks are vulnerable to cyber-attacks. They often carry data related to critical processes and applications, such as provision of energy, water, gas and transportation services to large populations; we believe that this data requires enhanced security within the network.

Our products include cyber safety features that we are constantly developing and particularly include network traffic encryption and coding. Actelis has developed and implemented a multi-layered “Triple Shield” technology that includes (i) information coding for resilience and security (over copper); (ii) multi-line information scrambling for increased resilience and added security (over copper); and (iii) an additional 256-bit hardware-based real-time encryption of data running over fiber or copper — creating end-to-end protection for the entire hybrid network. Actelis’ network management software is also cyber-hardened and helps protect the system. Actelis systems have been selected for deployment in sensitive applications with U.S. DoD and other governments and military organizations, airports, utility companies, oil and gas companies, smart cities, rail and traffic applications globally.

Market Verticals We Address

We execute our vision through a multi-channel, global approach that combines our expertise, with the expertise of our trusted business partners, system integrators, distributors, and consultants.

We run a vertical based marketing plan where we dedicate efforts and resources to each vertical. The IoT verticals that we have focused on include: (1) intelligent transportation systems (ITS); (2) rail; (3) federal and military; (4) airports; (5) energy and water; (6) smart city; (7) education campuses; (8) industrial campuses; and (9) airports. Our products are utilized within networks that have been deployed, for example by The City of Los Angeles, Highways England, Federal Aviation Administration, the US military, including Air Force and Navy Stanford University, and many others. Our customers benefit from rapidly and cost-effectively enabling their critical IoT functions such as traffic cameras and smart signaling, security cameras, smart parking meters and ticketing, rail signaling and control, electrical substation management and protection, military operations, and many more.

To date, we have been most successful in selling to customers in the intelligent transportation systems, rail, federal and military, and airports markets, primarily in the US, Canada, Europe, and Japan. While we have not yet sold to industrial campuses, we have sold to energy and water, smart city and education campuses. We intend to grow our IoT sales by growing all verticals and our pipeline of sales opportunities includes customers in each of the eight verticals listed above.

State of IoT Connectivity Market

IoT infrastructure connectivity demand is growing rapidly. We believe there is an urgent need to connect tens of millions of locations, with a fast and secure connection. A huge challenge for IoT projects is that implementing connectivity between different IoT points in a network can consume the majority of a project’s cost and time to implement, and that unpredictable challenges in deploying connectivity may compromise IoT project plans.

According to a report by Grand View Research (May 2021), the smart city market alone is expected to grow to $696 billion by 2028 at a Compounded Average Growth Rate (CAGR) of 29.3%. We believe that the number of IoT applications requiring our fast, smart, and secure connectivity is immense and provides us with a great market

opportunity to grow our business. From smart transportation systems (smart cameras, smart lights and signals, V2V — Vehicle to Vehicle communication) and smart security (cameras and radars), to smart parking, smart rail, power station monitoring, and industrial and warehouse automation, we believe that we are uniquely positioned to address all of these applications in a versatile and flexible manner.

We believe that 5G mobile technology will play a major role in the implementation and scaling of IoT networks. According to research published by ABI Research in January 2021, 5G technology is expected to grow at a CAGR of 41.2% between 2021 and 2027 with a major part of that growth coming from servicing IoT networks.

According to Key Market Insights, the global small cell 5G network market size was valued at $740.8million in 2020. The market is expected to grow from $859.4 million in 2021 to approximately $1.8 billion in 2028, reflecting a CAGR of 54.4% between 2021-2028.

5G base stations and small cells need to be deployed in a dense grid of millions of locations and need to be connected to gigabit speed communication and power. We are addressing these needs for the rapid connectivity and power, aiming at enabling faster and more cost-effective deployment of 5G in IoT applications.

Our Solutions

Actelis has invested nearly $100 million over the years to develop its patented, multi-layered "Triple Shield" technology, which can serve all connectivity markets. Our technology includes the optimization of multi-line signal coordination; the elimination of interference to boost connectivity performance; the optimization of coding for resilience and security; multi-line data scrambling for low latency, increased resilience, and added security; and implementation of 256-bit encryption of transmission for data running over fiber or copper for network-wide protection of data. Our technology is packaged into a small set of compact, hardened, feature-rich network elements, that are used as building blocks addressing the needs of most wide-area IoT verticals and applications, in a space-and energy-saving fashion. The ability to drive remote powering and synchronization signals to network ends over the same (copper) transmission lines provides additional significant cost-and-time benefits to network operators.

Our network management software includes built-in automation to help configure, manage, monitor, safeguard, install and maintain complex, hybrid networks of thousands of elements remotely.

We aim to continue developing our technology to include more system-wide security and further hybridity across all types of infrastructure and further include edge computing capabilities to serve all connectivity needs for our IoT customers, in an effective and easily deployable way, while maintaining our commitment to serve our existing Telco customers.

We believe that our strong reputation as a provider of high-quality solutions, and the trust we gain from being recognized as a solid solution provider by prominent customers (such as the U.S. Department of Defense) help us execute our strategy.

Competitive Advantage

We believe our solutions are advantageous in enabling IoT and telecom hybrid networks that optimize the usage of infrastructure across new fiber as well as existing copper lines, both at Gigabit-Grade connectivity. Our security portfolio is growing, and our plan is to make our solution the leading cyber-secure hybrid networking system. We believe that the following are some specific competitive advantages that jointly make our solutions very competitive:

- High performance hybrid-fiber-copper communication system
  - Speeds from 10Mbps to 10Gbps
  - Reach up to 100Km
- Cyber-protection capabilities at data level, physical medium level, and system level
- Robust design for gigabit-grade, resilient communication over fiber or copper
- Dense, feature-rich design to replace multiple alternative elements in the market, and allow for installation that is compact, cost-effective, and energy efficient

- Ability to drive power to remote locations over same infrastructure (copper only)
- Automated software tools for installation and remote management to reduce cost of installation and ongoing operations of complex networks

We believe that the combination of these advantages provide our customers with a highly cost-effective solution to quickly obtain IoT connectivity anywhere in their network.

Growth Strategy

The key elements of our growth strategy include:

- Utilizing our existing customers and partners globally, as well as our brand name and product differentiation to expand deployment into virtually all IoT verticals globally.
- Growing our network of partners in three continents, aiming to become the vendor of choice for cyber-protected building blocks, enabling IoT connectivity globally.
- Introducing broader cyber-protection capabilities at IoT network level, offering protection software and services for IoT devices and users.
- Introducing hybrid fiber-copper-power solutions for effective connectivity and power aiming at enabling 5G small cell growth in IoT.
- Partnering with small cell providers.
- Adding wireless MMwave technology to fiber-copper connectivity, to be able to offer all three options of IoT connectivity.
- Introducing edge computing capabilities into the IoT networking building blocks, enabling smart applications and recurring SW business models for our customers.

JOBS Act and the Implications of Being an Emerging Growth Company and a Smaller Reporting Company

We qualify as an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012, as amended, or the JOBS Act. As an “emerging growth company,” we may take advantage of specified reduced disclosure and other requirements that are otherwise applicable generally to public companies. These provisions include, but are not limited to:

- requiring only two years of audited financial statements in addition to any required unaudited interim financial statements with correspondingly reduced “Management’s discussion and analysis of financial condition and results of operations” in our Securities Act of 1933, as amended, or the Securities Act, filings;
- reduced disclosure about our executive compensation arrangements;
- no non-binding advisory votes on executive compensation or golden parachute arrangements; and
- exemption from compliance with the auditor attestation requirement in the assessment of our internal control over financial reporting pursuant to Section 404(b) of the Sarbanes Oxley Act of 2002, or SOX.

We may take advantage of these exemptions for up to five years or such earlier time that we are no longer an “emerging growth company.” We will continue to remain an “emerging growth company” until the earliest of the following: (i) the last day of the fiscal year following the fifth anniversary of the date of the completion of this offering; (ii) the last day of the fiscal year in which our total annual gross revenue is equal to or more than $1.07 billion; (iii) the date on which we have issued more than $1 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the Securities and Exchange Commission, or the SEC.

We are also a “smaller reporting company” as defined in the Securities Exchange Act of 1934, as amended, or the Exchange Act, and have elected to take advantage of certain of the scaled disclosures available to smaller reporting companies. To the extent that we continue to qualify as a “smaller reporting company” as such term is defined in Rule 12b-2 under the Exchange Act, after we cease to qualify as an emerging growth company, certain of the exemptions available to us

as an "emerging growth company" may continue to be available to us as a "smaller reporting company," including exemption from compliance with the auditor attestation requirements pursuant to SOX and reduced disclosure about our executive compensation arrangements. We will continue to be a "smaller reporting company" until we have $250 million or more in public float (based on our common stock) measured as of the last business day of our most recently completed second fiscal quarter or, in the event we have no public float (based on our common stock) or a public float (based on our common stock) that is less than $700 million, annual revenues of $100 million or more during the most recently completed fiscal year.

We may choose to take advantage of some, but not all, of these exemptions. We have taken advantage of reduced reporting requirements in this prospectus. Accordingly, the information contained herein may be different from the information you receive from other public companies in which you hold stock. In addition, the JOBS Act provides that an emerging growth company may take advantage of an extended transition period for complying with new or revised accounting standards, delaying the adoption of these accounting standards until they would apply to private companies. We have elected to avail ourselves of the extended transition period for complying with new or revised financial accounting standards. As a result of this accounting standards election, we will not be subject to the same implementation timing for new or revised accounting standards as other public companies that are not emerging growth companies which may make comparison of our financials to those of other public companies more difficult.

Summary Risk Factors

Our business is subject to numerous risks and uncertainties that you should consider before investing in our company. You should carefully consider all of the risks described more fully in the section titled "Risk Factors" in this prospectus beginning on page 12, before deciding to invest in our common stock. If any of these risks actually occurs, our business, financial condition and results of operations would likely be materially adversely affected. These key risks, include, but are not limited to, the following:

Risks Related to Our Business

- We have a history of net losses, may incur substantial net losses in the future, and may not achieve or sustain profitability or growth in future periods. If we cannot achieve and sustain profitability, our business, financial condition, and operating results will be adversely affected.
- We have had negative cash flow and, given our projected funding needs, our ability to generate positive cash flow is uncertain.
- Our financial statements contain an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern, which could prevent us from obtaining new financing on reasonable terms or at all.
- Even after consummation of the offering as contemplated, we may need to raise additional capital to meet our business requirements in the future, and such capital raising may be costly or difficult to obtain and could dilute our stockholders' ownership interests.
- Our indebtedness could adversely affect our ability to raise additional capital to fund operations, limit our ability to react to changes in the economy or our industry and prevent us from meeting our financial obligations.
- To support our business growth, in the past years we increased our focus on serving certain IoT verticals, while continuing to serve our existing Telco customers. This change in our strategy may make it more difficult to evaluate our business growth and future prospects, and may increase the risk that we will not be successful in our plans.
- We may have ineffective sales and marketing efforts.
- We are dependent on the supply of electronic and mechanical components and our business would be harmed if we do not receive sufficient supply of such components in number and performance to meet our production requirements and product specifications in a timely and cost-effective manner.

- We are dependent on key suppliers.
- Demand for our products and solutions may not grow or may decline.
- Our gross margins may not increase or may deteriorate.
- Changes in the price and availability of our raw materials and shipping could be detrimental to our profitability.
- Expanding our operations and marketing efforts to meet expected growth may impact profitability if actual growth is less than expected.
- If our internal Company cyber-security measures are breached or fail and unauthorized access is obtained to our IT environment, we may incur significant losses of data, which we may not be able to recover and may experience a delay in our ability to conduct our day-to-day business.
- We provide cyber security features as part of our products that may not completely prevent information security breaches, and our products are installed in live customer environments and may be compromised by cyber-attacks and damage customer assets.
- We depend on key information systems and third-party service providers.
- We depend on our management team and other key employees, and the loss of one or more of these employees or an inability to attract and retain highly skilled employees could adversely affect our business.
- We may face the effects of increased competition and rapid technological changes.
- Our results of operations are likely to fluctuate from quarter to quarter and year to year, which could adversely affect the trading price of our common stock.
- The loss of one or more of our significant customers, or any other reduction in the amount of revenue we derive from any such customer, would adversely affect our business, financial condition, results of operations and growth prospects.
- The effects of health pandemics, such as the ongoing global COVID-19 pandemic, have had, and could in the future have, an adverse impact on our business, financial condition and results of operations.

Risks Related to Protecting Our Technology and Intellectual Property

- Claims by others that we infringe their intellectual property could force us to incur significant costs or revise the way we conduct our business.
- Our patents and proprietary technology may be challenged or disputed.
- Any failure to protect our intellectual property rights could impair our ability to protect our proprietary technology and our brand.

Risks Related to Managing Our Business Operations in Israel

- We may be adversely affected by fluctuations in the currency exchange rate of the Israeli Shekel.
- Unanticipated changes in our effective tax rate and additional tax liabilities, including those resulting from our international operations or the implementation of new tax rules, could harm our future results.

Risks Related to this Offering and Ownership of our Common Stock

- The requirements of being a public company may strain our resources, divert management's attention, and affect our ability to attract and retain executive management and qualified board members.
- We have identified a material weakness in our internal control over financial reporting. If we experience material weaknesses in the future or otherwise fail to implement and maintain an effective system of internal controls in the future, we may not be able to accurately report our financial condition or results of operations which may adversely affect investor confidence in us, and as a result, the value of our common stock.

- If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, stockholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of our common stock.

Corporate Information

We were incorporated in Delaware on November 12, 1998. Actelis Israel, our wholly-owned subsidiary, was incorporated in Israel in 1998.

We maintain our principal executive offices at 47800 Westinghouse Drive, Fremont, CA 94539. We also maintain an office in Tel Aviv, Israel where our research and development facilities are located. Our telephone number is (510) 545-1045. Our website address is *www.actelis.com*. The information contained on our website and available through our website is not incorporated by reference into and should not be considered a part of this prospectus, and the reference to our website in this prospectus is an inactive textual reference only.

The Offering

Common stock offered by us	shares of common stock (or shares of common stock if the Underwriter exercises its over-allotment option in full)
Public Offering Price	We expect the initial public offering price to be between $ and $ per share. For purposes of this prospectus, the assumed initial public offering price per share is $, the mid-point of the anticipated price range. The actual offering price per share will be as determined between the Underwriter and us based on market conditions at the time of pricing. Therefore, the assumed public offering price used throughout this prospectus may not be indicative of the final offering price.
Common stock outstanding immediately before this offering	shares of common stock
Common stock outstanding immediately after this offering	shares of common stock (or shares of common stock if the Underwriter exercises its over-allotment option in full)
Underwriting; Over-Allotment Option	This offering is being conducted on a firm commitment basis. The Underwriter is obligated to take and pay for all of the shares of common stock if any such shares are taken. We have granted to the Underwriter an option for a period of 45 days from the date of this prospectus to purchase up to additional shares (constituting 15% of the total number of shares of common stock to be offered in this offering) of common stock from us at the initial public offering price, less the underwriting discounts and commissions, to cover over-allotments, if any.
Underwriter's Warrants	We have agreed to issue to the Underwriter (or its permitted assignees) a warrant to purchase up to a total of shares of common stock equal to 7% of the aggregate number of the shares sold in this offering at an exercise price equal to 125% of the public offering price of the Stock sold in this offering. The Underwriter's Warrant will be exercisable at any time, and from time to time, in whole or in part, commencing from the closing of the offering and expiring ( ) years from the effectiveness of the offering, will have a cashless exercise provision and will terminate on the fifth anniversary of the effective date of the registration statement of which this prospectus is a part.
Use of proceeds	We estimate that the net proceeds from this offering will be approximately $ million, or approximately $ million if the Underwriter exercises its option to purchase additional shares to cover over-allotments, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use the proceeds from this offering for research and development, sales and marketing, general and administrative, capital investments and working capital. See "Use of Proceeds."
Risk factors	See "Risk Factors" and other information appearing elsewhere in this prospectus for a discussion of factors you should carefully consider before deciding whether to invest in our securities.
Lock-up	Our executive officers, directors and our security holder(s) of five percent (5%) or more have agreed not to offer, sell, agree to sell, directly or indirectly, or otherwise dispose of any shares of our common stock for a Lock-up period of twelve months following the closing of this offering, subject to certain exceptions. For all of our other security holders, the period of Lock-up will be six months. See "Underwriting" for more information.

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Listing	We have applied to list our common stock on the Nasdaq Capital Market under the symbol "ASNS." No assurance can be given that our shares of common stock will be approved for listing on Nasdaq. The approval of our listing on Nasdaq is a condition to the closing of this offering.

The number of shares of common stock that will be outstanding after this offering is based on common stock outstanding as of , 2022 after giving effect to (i) a reverse share split effected on , 2022 at a ratio of -for-1, (ii) the conversion immediately prior to the closing of this offering of shares of convertible preferred stock on a one (1) for one (1) basis into shares of common stock, and (iii) the redemption of up to 129,000,000 shares of our non-voting common stock for their par value, and excludes as of such date:

- shares of common stock issuable upon the exercise of outstanding stock options under our 2015 Equity Incentive Plan, at a weighted average exercise price of $ per share;
- shares of common stock reserved for future issuance under our 2015 Equity Incentive Plan;
- shares of common stock issuable upon the exercise of outstanding warrants at a weighted average exercise price of $ per share;
- shares of common stock issuable upon the exercise of the warrants issued to the Underwriter in connection with the private placement of $2,160,200 in principal amount of convertible notes from December 2021 through April 2022, or the Private Placement;
- shares of common stock issuable pursuant tothe exercise of an option to purchase shares of common stock granted to Migdalor as part of the Migdalor Loan;
- shares of common stock issuable upon the exercise of the Underwriter's Warrants in connection with this offering.

Unless otherwise indicated, all information in this prospectus assumes or gives effect to:

- an assumed initial public offering price of $ per share of common stock, which is the midpoint of the price range set forth on the cover page of this prospectus;
- no exercise by the Underwriter of its option to purchase up to additional shares of common stock from us to cover over-allotments, if any;
- a reverse share split effected on , 2022 at a ratio of-for-1;
- shares of common stock issuable upon conversion of $1.5 million of the aggregate principal amount of the convertible loan agreement we entered into with our existing investors and certain employees, or the CLA, by the holders thereof;
- the conversion of $2.1 million of the aggregate principal amount of convertible notes by the holders thereof into shares of common stock.

SUMMARY CONSOLIDATED FINANCIAL DATA

You should read the following summary consolidated financial data together with our consolidated financial statements and the related notes appearing at the end of this prospectus and the "Cash and Capitalization," "Selected Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of this prospectus. We have derived these summary consolidated statements of operations data for the years ended December 31, 2021, and December 31, 2020, from our audited consolidated financial statements appearing at the end of this prospectus. Our historical results are not necessarily indicative of results that should be expected in any future period.

STATEMENTS OF OPERATIONS DATA:

(U.S. dollars in thousands, except share and per share data)	For the Year Ended December 31, 2021	For the Year Ended December 31, 2020
Revenues	$ 8,545	$ 8,532
Cost of revenues	4,575	3,550
Research and development, net	2,443	2,147
Sales and marketing, net	2,204	1,848
General and administrative, net	1,183	1,118
Financial expenses, net	3,391	1,374
Loss from operations	(5,251)	(1,505)
Income tax provision	—	—
Net loss	$ (5,251)	$ (1,505)
Loss per share of common stock attributable to the Company		
Basic and diluted	$ (0.06)	$ (0.02)
Weighted average common stock outstanding		
Basic and diluted	94,244,226	94,176,405

BALANCE SHEET DATA:

	As of December 31,	
(U.S. dollars in thousands)	2021	2020
Current assets	$ 4,135	$ 3,224
Total assets	4,684	3,766
Current liabilities	5,951	4,624
Long term liabilities	12,744	7,955
Redeemable convertible Preferred Shares	5,585	5,585
Total capital deficiency	$ (19,596)	$ (14,398)

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this prospectus, before deciding to invest in our common stock. The risks and uncertainties described below may not be the only ones we face. If any of the risks actually occur, our business, results of operations, financial condition and prospects could be harmed. In that event, the trading price of our common stock could decline, and you could lose part or all of your investment. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations.

Risks Related to Our Business

We have a history of net losses, may incur substantial net losses in the future, and may not achieve or sustain profitability or growth in future periods. If we cannot achieve and sustain profitability, our business, financial condition, and operating results will be adversely affected.

We have incurred net losses in recent years, and we may not achieve or maintain profitability in the future. We experienced a net loss of $4.5 million and $1.5 million in the years ended December 31, 2021 and 2020, respectively. As a result, we had an accumulated deficit of $22.4 million and $17.2 million as of December 31, 2021 and 2020, respectively. We cannot predict when or whether we will reach or maintain profitability.

We also expect our operating expenses to increase in the future as we continue to invest for our future growth, including expanding our research and development function to drive further development of our platform, expanding our sales and marketing activities, developing the functionality to expand into adjacent markets, and reaching customers in new geographic locations, which will negatively affect our operating results if our total revenues do not increase. In addition to the anticipated costs to grow our business, we also expect to incur significant additional legal, accounting, and other expenses as a newly public company. These efforts and additional expenses may be more costly than we expect, and we cannot guarantee that we will be able to increase our revenues to offset our operating expenses. Any failure to increase our revenues or to manage our costs as we invest in our business would prevent us from achieving or maintaining profitability.

We have had negative cash flow in the past and, given our projected funding needs, our ability to generate positive cash flow is uncertain.

We have had negative cash flow from operating activities of $2.7 million and $0.3 million in the year ended December 31, 2021 and 2020, respectively. We expect to have negative cash flow from operating and investing activities through the foreseeable future as we expect to incur research and development, sales and marketing, and general and administrative expenses and make capital expenditures in our efforts to increase our sales. Our business also will at times require significant amounts of working capital to support our growth of additional platforms. An inability to generate positive cash flow for the near term may adversely affect our ability to raise needed capital for our business on reasonable terms, diminish supplier or customer willingness to enter into transactions with us, and have other adverse effects that may decrease our long-term viability. There can be no assurance that we will achieve positive cash flow in the near future or at all.

Our financial statements contain an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern, which could prevent us from obtaining new financing on reasonable terms or at all.

The auditors' opinion included in each of our audited financial statements for the years ended December 31, 2021 and December 31 2020, contains an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern. As of December 31, 2021 and 2020, we had an accumulated deficit of $22.4 and $17.2 million, respectively. In recent years, we have incurred recurring losses from operations, have negative working capital and cash outflows from operating activities, and therefore we are dependent upon external sources for financing our operations. We have had negative cash flow from operating activities of $2.7 million and $0.3 million in the year ended December 31, 2021, and 2020. These events and conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on our ability to continue as a going concern. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty. This going concern opinion could materially limit our ability to raise additional funds through the issuance of equity or debt securities or otherwise. Further financial statements may include an explanatory paragraph with respect to our ability to continue as a going

concern. We expect to fund our operations using cash on hand and through operational cash flows. There can be no assurance that we will succeed in generating sufficient revenues from our product sales to continue our operations as a going concern. If funds are not available to us, we may be required to delay, reduce the scope of, or eliminate research or development plans for, or commercialization efforts with respect to our products. This may raise substantial doubts about our ability to continue as a going concern.

Even after consummation of the offering as contemplated, we may need to raise additional capital to meet our business requirements in the future, and such capital raising may be costly or difficult to obtain and could dilute our stockholders' ownership interests.

In order for us to pursue our business objectives, even after consummation of the offering as contemplated, we may need to raise additional capital, which additional capital may not be available on reasonable terms or at all. Any additional capital raised through the sale of equity or equity-backed securities may dilute our shareholders' ownership percentages and could also result in a decrease in the market value of our equity securities. The terms of any securities issued by us in future capital transactions may be more favorable to new investors, and may include preferences, superior voting rights and the issuance of warrants or other derivative securities, which may have a further dilutive effect on the holders of any of our securities then outstanding. In addition, we may incur substantial costs in pursuing future capital financing, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. We may also be required to recognize non-cash expenses in connection with certain securities we issue, such as convertible notes and warrants, which may adversely impact our financial condition.

Our indebtedness could adversely affect our ability to raise additional capital to fund operations, limit our ability to react to changes in the economy or our industry and prevent us from meeting our financial obligations.

We currently have one outstanding loan with Migdalor Business Investments Fund, or Migdalor, in the original principal amount of approximately $6 million which is secured by all our assets which remains outstanding as of December 31, 2021. If we cannot generate sufficient cash flow from operations to service our debt, we may need to further refinance our debt, dispose of assets or issue equity to obtain necessary funds. We do not know whether we will be able to do any of this on a timely basis, on terms satisfactory to us, or at all. Our indebtedness could have important consequences, including:

- our ability to obtain additional debt or equity financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes may be limited;
- a portion of our cash flows from operations will be dedicated to the payment of principal and interest on the indebtedness and will not be available for other purposes, including operations, capital expenditures and future business opportunities;
- our ability to adjust to changing market conditions may be limited and may place us at a competitive disadvantage compared to less-leveraged competitors, if such exist; and
- we may be vulnerable during a downturn in general economic conditions or in our business, or may be unable to carry on capital spending that is important to our growth.

To support our business growth, in the past years we increased our focus on serving certain IoT verticals, while continuing to serve our existing Telco customers. This change in our strategy may make it more difficult to evaluate our business growth and future prospects, and may increase the risk that we will not be successful in our plans.

Since our inception, our business was focused on serving telecommunication service providers, also known as Telcos, for enterprises and residential customers. Our products and solutions have been deployed with more than 100 telecommunication service providers worldwide, in enterprise, residential and mobile base station connectivity applications. In recent years, as we have further developed our technology and rolled out additional products, we turned our focus on serving the IoT markets. Our operations are focused on our fast-growing IoT business, while maintaining our commitment to our existing Telco customers.

We currently derive a significant portion of our revenue from our existing Telco customers. For the years ended December 31, 2021 and December 31, 2020, our Telco customers in the aggregate accounted for approximately 48% and 55% of our revenues, respectively.

Our change in strategy and our efforts to serve the IoT verticals that we have focused on may prove more expensive than we currently anticipate, or may require longer development and deployment times, and we may not succeed in fully penetrating such IoT verticals, or at all.

We may have ineffective sales and marketing efforts.

Our sales and marketing efforts to drive growth may be ineffective as we try to win new deals either directly with end-user customers, or indirectly through business partners, distributors, system integrators or value-add resellers. These ineffective efforts may cause us to miss our planned growth and harm our financial results.

We are dependent on the supply of electronic and mechanical components and our business would be harmed if we do not receive sufficient supply of such components in number and performance to meet our production requirements and product specifications in a timely and cost-effective manner

We rely on a supply of electronic and mechanical components of our final products to be able to fulfill and deliver customer orders. Such supply has been interrupted from time to time and if such interruption continues, it may cause us to be unable to fulfill and deliver such customer orders on expected delivery lead times. Such long lead times may cause customers to avoid placing orders or reduce future orders. As a result, such interruptions, if they continue, will reduce our ability to grow our business at the pace we expect and may cause us to miss our operating business plans.

In most cases, we do not have guaranteed supply arrangements with our suppliers, and our business relies on placing orders to our suppliers as we receive forecasts or orders from our customers. Because of the variability and uniqueness of customers' orders, we do not maintain an extensive inventory of materials for manufacturing. Through our procurement and production planning, we seek to minimize the risk of production and service interruptions and/or shortages of key parts by, among other things, monitoring the financial stability of key suppliers, identifying (and often qualifying) possible alternative suppliers, placing longer term orders for components and maintaining appropriate inventories of key components. Although we make reasonable efforts to ensure that components are available from multiple suppliers, certain key components are available only from a single supplier or a limited group of suppliers. Also, key components we obtain from some of our suppliers incorporate the suppliers' proprietary intellectual property; in those cases, we are more reliant on third parties for high-performance, high-technology components, which reduces the amount of control we have over the availability and protection of the technology and intellectual property that is used in our products. In addition, if certain of our key suppliers experience liquidity issues and are forced to discontinue operations, it could affect their ability to deliver parts and could result in delays for our products. Similarly, our suppliers themselves have increasingly complex supply chains, and delays or disruptions at any stage of their supply chains may prevent us, and have prevented us, from obtaining components in a timely manner and result in delays for our products. Our operating results and business may be adversely impacted if we are unable to obtain components to meet our production requirements and product specifications, or if we are able to do so only on unfavorable terms.

We outsource our product manufacturing and are dependent on our key manufacturers, and on our component and OEM suppliers. We are susceptible to problems, and have encountered problems in the past, in connection with procurement, decreasing quality, reliability, and protectability.

Our devices are assembled by using fully manufactured parts, the manufacturing of which has been fully outsourced, and we have no direct control over the manufacturing processes of our products. We outsource procurement and manufacturing activities to certain key manufacturers and certain component and OEM suppliers.

We also purchase unique components and products from suppliers who are exclusively able to fulfill such supply. We may lose some or all of these relationships, or have a material weakness in negotiating favorable terms, or such unique components have or may be declared end-of-life which may require product design changes. Such circumstances have hurt our profitability in the past, and may hurt our profitability in the future, and negatively affect our ability to deliver our product on time to customers.

Our lack of control in our manufacturing process due to the fact that we outsource our product manufacturing may increase quality or reliability risks and could limit our ability to quickly increase or decrease production rates. If necessary, switching production to other or additional subcontractors will entail a material cost and a temporary decrease in our productivity. Our manufacturing process has been disrupted in the past, and may be disrupted in the future, by various factors, including but not limited to shipping delays, bottlenecks resulting from raw materials specific shortages, quality problems or a decrease in quality, manpower shortages by the manufacturers or political unease that would trigger the closure of a facility or financial insolvency.

Furthermore, a supplier may discontinue production of a particular part for any number of reasons, which may require us to purchase a large inventory of such discontinued parts in order to ensure that a continuous supply of such parts remains available to our customers. Such "end-of-life" parts purchases could result in significant expenditures by us in a particular period, and ultimately any unused parts may result in a significant inventory write-off, either of which could have an adverse impact on our financial condition and results of operations for the applicable periods. Refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations," for additional information on supply constraints related to the COVID-19 pandemic.

Demand for our products and solutions may not grow or may decline.

We may experience a reduction in customer demand as a result of either of competition from other companies, technological changes required by our target markets, or disruptions of existing and new customer relationships. Such demand reduction will prevent us from realizing our planned growth.

Our gross margins may not increase or may deteriorate.

If our gross margins do not increase as planned or deteriorate, it will be harder for us to achieve profitability, which could substantially impact our business and ability to carry on operations if other financing sources are not secured on satisfactory terms. Our gross margins may deteriorate as a result of either reductions of customers price points, increases in product component and manufacturing costs, or unfavorable changes in the mix between more and less profitable customers and/or products.

Changes in the price and availability of our raw materials and shipping could be detrimental to our profitability.

Chipsets, electronic and mechanical components are significant components of our products. Over the past two years, the prices and availability of electronic and mechanical components have been constantly increasing.

Furthermore, our products are assembled with various contract manufacturers located in Israel and in Taiwan. As a result of the of COVID-19 pandemic, the world is experiencing shortages of electronic components. We have already experienced instances of limited supply of certain raw materials and shipping delays, which resulted in extended lead times, increased shipping costs and higher-than-usual backlogs. If the prices of such components and shipping were to continue to increase, or if shipping delays continue to occur, such price changes and shipping delays could have a negative effect on our gross margin and have a negative effect on revenues and earnings.

We may have previously agreed to set prices with our customers and any changes in supply costs may decrease our margin and directly affect profitability. If prices increase, supply interruptions, shipping delays, or shortages of materials continue to occur, it could have a negative effect on revenues and earnings.

Expanding our operations and marketing efforts to meet expected growth may impact profitability if actual growth is less than expected.

To meet expected growth, we plan to expand operations, including additional hiring, advertising, and promotion. If actual growth is less than expected, it would negatively impact our ability to become profitable, which would require we raise additional capital if required, which may not be available on favorable terms, or at all, which would impact our ability to carry on operations.

If our internal Company cyber-security measures are breached or fail and unauthorized access is obtained to our IT environment, we may incur significant losses of data, which we may not be able to recover and may experience a delay in our ability to conduct our day-to-day business.

As cybersecurity attacks continue to evolve and increase, our cyber-security measures and our IT environment could be penetrated or compromised by internal and external parties' intent on extracting confidential information, disrupting business processes, corrupting information, or looking to force the Company to pay a ransom. These risks could arise from external parties or from acts or omissions of internal or service provider personnel. Such unauthorized access could disrupt our business and could result in the loss of assets, litigation, remediation costs, damage to our reputation and failure to retain or attract customers following such an event, which could adversely affect our business.

Cyber attackers update their methods frequently. Sometimes cyberattacks are unrecognizable at the time of their occurrence and even long after. In addition, cyber incidents can occur as a result of non-technological failures, like human error or malicious acts. In some cases, information security incidents at our customers or suppliers can also lead to information security incidents in the Company's information systems. For these reasons, we cannot guarantee that the safeguards taken by us and the safeguards we will take in the future will completely prevent information security incidents or damages that may result from them as detailed above.

We provide cyber security features as part of our products that may not completely prevent information security breaches, and our products are installed in live customer environments and may be compromised by cyber-attacks and damage customer assets.

Our products include cyber-security features such as data-traffic encryption that are engineered to protect our customers' data and environment. Cyber-attacks become more sophisticated and evolve quickly, and these features may fail to protect our customers as intended and fail at preventing information security breaches. We plan to offer new cyber security products and features which we will either develop internally, obtain from partnerships with third-parties, or through acquisitions in the future. These planned new cyber-security products and features may fail to protect our customers as intended and not prevent information security breaches.

Our products are installed in live customer network environments, and may be subject to cyber-attacks seeking access to our customers networks through our products. Those cyber-attack attempts may take advantage of vulnerabilities of our products within the networks, vulnerabilities that may be known or unknown to us.

Our products and services include information systems and digital data of various types, including data kept by our employees, suppliers, and customers (and their own customers). In recent years there has been an increase in the frequency and severity of cyber incidents (including cybercrime). This trend is expected to continue in the future and even worsen, despite all the defense mechanisms employed against it. Cyber events can lead to unauthorized access, unauthorized disclosure, misuse, disruption, deletion, or modification of the Company and its customer assets, data, and processing, as well as disrupting day-to-day operations, computing services, and significantly slowing them down and even disabling information systems.

In the event of damage caused by such cyber-attacks, we may suffer negative consequences, such as disruption of the Company's and/or our customers' activities, disruption of or disabling information systems, theft of our and/or our customers' data, or damage to its reputation thus affecting clients' trust in the Company, and potentially exposing it to lawsuits. In such cases, our business results may be severely harmed.

We depend on key information systems and third-party service providers.

We depend on key information systems to transact our business accurately and efficiently. These systems and services are vulnerable to interruptions or other failures resulting from, among other things, natural disasters, terrorist attacks, software, equipment or teleDigital failures, processing errors, computer viruses, other security issues or supplier defaults. Security, backup, and disaster recovery measures may not be adequate or implemented properly to avoid such disruptions or failures. Any disruption or failure of these systems or services could cause substantial errors, processing inefficiencies, security breaches, inability to use the systems or process transactions, loss of customers or other business disruptions, all of which could negatively affect our business and financial performance.

We depend on our management team and other key employees, and the loss of one or more of these employees or an inability to attract and retain highly skilled employees could adversely affect our business.

Our future success depends, in part, on our ability to continue to attract and retain highly skilled personnel. The loss of the services of any of our key personnel, the inability to attract or retain qualified personnel, or delays in hiring required personnel, particularly in engineering and sales, may seriously and adversely affect our business, financial condition and results of operations. Although we have entered into employment or consulting agreements with our personnel, their employment is generally for no specific duration.

Our future performance also depends on the continued services and continuing contributions of our senior management team, which includes Tuvia Barlev, our Chief Executive Officer, to execute on our business plan and to identify and pursue new opportunities and product innovations. The loss of services of our senior management team, particularly our Chief Executive Officer, could significantly delay or prevent the achievement of our development and strategic objectives, which could adversely affect our business, financial condition and results of operations.

We may face the effects of increased competition and rapid technological changes.

The industry in which we are engaged is subject to rapid and significant technological change. There can be no assurance that our systems can be upgraded to meet future innovations which will be required to meet our customer's requirements, or that new technologies will be adopted successfully by us, or existing technologies will not be improved, which would render the offerings obsolete or non-competitive. Companies we compete with enjoy significant competitive advantages, including greater name recognition; greater financial, technical, and service resources; established networks; additional product offerings; and greater resources for product development and sales and marketing.

There can be no assurance that other established networking technology companies, any of which would likely have greater resources than us, will not enter the market. In addition, new competitors may enter the marketplace and/or begin offering networking technology products and solutions and in channels similar to or competing with ours. Such competition may reduce demand for our products and impact the growth prospects and ability to achieve profitability, which may require us to raise new capital, which may not be available on favorable terms, or at all, and that would impair our ability to carry on operations.

We cannot assure you that we will be able to compete successfully against any of these competitors. Our failure to compete successfully with our competitors could harm our business.

We are dependent on skilled human capital.

Our ability to innovate and execute its business plans is dependent on the ability to hire, replace, and train skilled personnel. The employment market suffers from shortages of candidates, and such shortages may continue in future years, causing delays and preventing us from executing our plans.

Our results of operations are likely to fluctuate from quarter to quarter and year to year, which could adversely affect the trading price of our common stock.

Our results of operations, including our revenue, cost of revenue, gross margin, operating expenses, cash flow, and deferred revenue, have fluctuated from quarter to quarter and year to year in the past and may continue to vary significantly in the future so that period-to-period comparisons of our results of operations may not be meaningful. Accordingly, our financial results in any one quarter should not be relied upon as indicative of future performance. Our quarterly financial results may fluctuate as a result of a variety of factors, many of which are outside of our control, may be difficult to predict, and may not fully reflect the underlying performance of our business. Factors that may cause fluctuations in our quarterly financial results include:

- our ability to attract new customers and increase revenue from our existing customers;
- the loss of existing customers;
- customer satisfaction with our products, solutions, platform capabilities and customer support;
- mergers and acquisitions or other factors resulting in the consolidation of our customer base;
- mix of our revenue;

- our ability to gain new partners and retain existing partners;
- fluctuations in share-based compensation expense;
- decisions by potential customers to purchase competing offerings or develop in-house technologies and solutions as alternatives to our offerings;
- changes in the spending patterns of our customers;
- the amount and timing of operating expenses related to the maintenance and expansion of our business and operations, including investments in research and development, sales and marketing, and general and administrative resources;
- network outages;
- developments or disputes concerning our intellectual property or proprietary rights, our products and services, or third-party intellectual property or proprietary rights;
- negative publicity about our company, our offerings or our partners, including as a result of actual or perceived breaches of, or failures relating to, privacy, data protection or data security;
- the timing of expenses related to the development or acquisition of technologies or businesses and potential future charges for impairment of goodwill from acquired companies;
- general economic, industry, and market conditions;
- the impact of the ongoing COVID-19 pandemic, or any other pandemic, epidemic, outbreak of infectious disease or other global health crises on our business, the businesses of our customers and partners and general economic conditions;
- the impact of political uncertainty or unrest;
- changes in our pricing policies or those of our competitors;
- fluctuations in the growth rate of the markets that our offerings address;
- seasonality in the underlying businesses of our customers, including budgeting cycles, purchasing practices and usage patterns;
- the business strengths or weakness of our customers;
- our ability to collect timely on invoices or receivables;
- the cost and potential outcomes of future litigation or other disputes;
- future accounting pronouncements or changes in our accounting policies;
- our overall effective tax rate, including impacts caused by any reorganization in our corporate tax structure and any new legislation or regulatory developments;
- our ability to successfully expand our business in the United States and internationally;
- fluctuations in foreign currency exchange rates; and
- the timing and success of new products and solutions introduced by us or our competitors, or any other change in the competitive dynamics of our industry, including consolidation among competitors, customers or partners.

The impact of one or more of the foregoing or other factors may cause our results of operations to vary significantly. Such fluctuations make forecasting more difficult and could cause us to fail to meet the expectations of investors and securities analysts, which could cause the trading price of our common stock to fall substantially, resulting in the loss of all or part of your investment, and subject us to costly lawsuits, including securities class action suits.

The loss of one or more of our significant customers, or any other reduction in the amount of revenue we derive from any such customer, would adversely affect our business, financial condition, results of operations and growth prospects.

Our future success is dependent on our ability to establish and maintain successful relationships with a diverse set of customers.

We currently derive a significant portion of our revenue from a limited number of our customers. For the years ended December 31, 2021 and December 31, 2020, our top ten customers in the aggregate accounted for approximately 78% and 70% of our revenues.

We expect to continue to derive a significant portion of our revenue from a limited number of customers in the future and, in some cases, the portion of our revenue attributable to individual customers may increase. The loss of one or more significant customers or a reduction in the amount of revenue we derive from any such customer could significantly and adversely affect our business, financial condition and results of operations. Customers may choose not to renew their contracts or may otherwise reduce the breadth of the offerings which they purchase for any number of reasons. We are also subject to the risk that any such customer will experience financial difficulties that prevent them from making payments to us on a timely basis or at all.

We are currently operating in a period of economic uncertainty and capital markets disruption, which has been significantly impacted by geopolitical instability due to the ongoing military conflict between Russia and Ukraine. Our business, financial condition and results of operations may be materially adversely affected by any negative impact on the global economy and capital markets resulting from the conflict in Ukraine or any other geopolitical tensions.

U.S. and global markets are experiencing volatility and disruption following the escalation of geopolitical tensions and the start of the military conflict between Russia and Ukraine. On February 24, 2022, a full-scale military invasion of Ukraine by Russian troops was reported. Although the length and impact of the ongoing military conflict is highly unpredictable, and although we currently have no operations or sales in either Russia or Ukraine, the conflict in Ukraine could lead to market disruptions, including significant volatility in commodity prices, credit and capital markets, as well as supply chain interruptions for some of our components. Our operations would be particularly vulnerable to potential interruptions in the supply of certain critical materials and metals, such as neon gas and palladium, which are used in semiconductor manufacturing. Any interruption to semiconductor chip supply could significantly impact our ability to receive the components and timely roll-out of our operations. Furthermore, any potential increase in geopolitical tensions in Asia, particularly in the Taiwan Strait, could also significantly disrupt existing semiconductor chip manufacturing and increase the prospect of an interruption to the semiconductor chip supply across the world. The world's largest semiconductor chip manufacturer is located in Taiwan and a large part of equipment and materials, is manufactured in, and imported from, Taiwan. A setback to the current state of relative peace and stability in the region could compromise existing semiconductor chip production and have downstream implications for our company. We are continuing to monitor the situation in Ukraine and globally and assessing its potential impact on our business.

Governments in the United States and many other countries, or the Sanctioning Bodies, have imposed economic sanctions on certain Russian individuals, including politicians, and Russian corporate and banking entities. The Sanctioning Bodies, or others, could also institute broader sanctions on Russia, including banning Russia from global payments systems that facilitate cross-border payments. These sanctions, or even the threat of further sanctions, may result in the decline of the value and liquidity of Russian securities, a weakening of the ruble or other adverse consequences to the global economy.

The current war in Ukraine, and geopolitical events stemming from such conflicts, could cause consumer confidence and spending to decrease or result in increased volatility in the United States and worldwide financial markets and economy. The extent and duration of the military action, resulting sanctions and resulting future market disruptions in the region are impossible to predict, but could be significant and have a severe adverse effect worldwide financial markets and economy.

The effects of health pandemics, such as the ongoing global COVID-19 pandemic, have had, and could in the future have, an adverse impact on our business, financial condition and results of operations.

In December 2019, a novel coronavirus disease, or COVID-19, was first reported and on March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. The widespread health crisis is adversely affecting the broader economies, financial markets and overall demand environment for many of our products.

Our operations and the operations of our suppliers, channel partners and customers were disrupted to varying degrees by a range of external factors related to the COVID-19 pandemic, some of which are not within our control. Many governments imposed, and may yet impose, a wide range of restrictions on the physical movement of people in order to limit the spread of COVID-19. The COVID-19 pandemic has had, and likely will continue to have, an impact on the attendance and productivity of our employees, and those of our channel partners or customers, resulting in negative impacts to our results of operations and overall financial performance. We suffered delays in realization of certain new orders from our customers, delay in testing of some of our new technologies in customer premises and difficulty conducting business development activities in an effective way (face-to-face). In addition, we had to increase our credit lines by $2.0 million to support the loss of revenue and profit. Additionally, COVID-19 has resulted, and likely will continue to result, in delays in non-residential construction, non-crisis-related IT purchases and project completion schedules in general, all of which can negatively impact our results in both current and future periods.

The duration and extent of the impact from the COVID-19 pandemic or any future epidemic or pandemic depends on future developments that cannot be accurately predicted at this time, such as the severity and transmission rate of the virus, the extent and effectiveness of containment actions, the effects of measures enacted by policy makers and central banks around the globe, and the impact of these and other factors on our employees, customers, channel partners and suppliers. If we are not able to respond to and manage the impact of such events effectively, our business will be affected.

Our performance is affected by general economic and political conditions and taxation policies

The success of our activities may be affected by general economic and market conditions, like interest rates, currency exchange rate fluctuations, availability of credit, inflation rates, economic uncertainty, changes in laws, and United States and international political circumstances. Unexpected volatility or illiquidity could impair profitability or result in losses.

We may be adversely affected by the political and economic situation in the U.S., Europe and a number of countries in Asia.

The U.S. communications market is directly affected by economic developments in the U.S. economy. The European and Asian communications market is similarly reliant on political and economic stability in those regions. Changing trends in these markets may lead to a decrease in investments and a delay in projects, which could harm the Company's business. To reduce our sensitivity to market changes, we operate in a large number of different vertical markets and territories.

Our business could be adversely impacted by changes in laws and regulations related to government contracts.

Federal or state government bodies or agencies have in the past adopted, and may in the future adopt, laws or regulations affecting the use of the Internet as a commercial medium. Legislators, regulators, or government bodies or agencies may also make legal or regulatory changes or interpret or apply existing laws or regulations that relate to government contracts. Changes in these laws, regulations or interpretations could require us to modify our platform in order to comply with these changes, to incur substantial additional costs or divert resources that could otherwise be deployed to grow our business, or expose us to unanticipated civil or criminal liability, among other things.

We are subject to laws and regulations worldwide, changes to which could increase our costs and individually or in the aggregate adversely affect our business.

We are subject to laws and regulations affecting our domestic and international operations in a number of areas. These U.S. and foreign laws and regulations affect our activities including, but not limited to, in areas of labor, health and safety, tax, import and export requirements, foreign exchange controls and cash repatriation restrictions, data privacy requirements, anti-competition, and environmental.

Compliance with these laws, regulations and similar requirements may be onerous and expensive, and they may be inconsistent from jurisdiction to jurisdiction, further increasing the cost of compliance and doing business. Any such costs, which may rise in the future as a result of changes in these laws and regulations or in their interpretation, could individually or in the aggregate make our products and services less attractive to our customers, delay the introduction of new products in one or more regions, or cause us to change or limit our business practices. We have implemented policies and procedures designed to ensure compliance with applicable laws and regulations, but there can be no assurance that our employees, contractors, or agents will not violate such laws and regulations or our policies and procedures.

Risks Related to Protecting Our Technology and Intellectual Property

Claims by others that we infringe their intellectual property could force us to incur significant costs or revise the way we conduct our business.

Our competitors protect their proprietary rights by means of patents, trade secrets, copyrights, trademarks and other intellectual property. We have not conducted an independent review of patents and other intellectual property issued to third parties, who may have patents or patent applications relating to our proprietary technology. We may receive letters from third parties alleging, or inquiring about, possible infringement, misappropriation, or violation of their intellectual property rights. Any party asserting that we infringe, misappropriate, or violate proprietary rights may force us to defend ourselves, and potentially our customers, against the alleged claim. These claims and any resulting lawsuit, if successful, could subject us to significant liability for damages or interruption or cessation of our operations. Any such claims or lawsuit could:

- be time-consuming and expensive to defend, whether meritorious or not;
- require us to stop providing products or services that use the technology that infringes the other party's intellectual property;
- divert the attention of our technical and managerial resources;
- require us to enter into royalty or licensing agreements with third-parties, which may not be available on terms that we deem acceptable;
- prevent us from operating all or a portion of our business or force us to redesign our products, services or technology, which could be difficult and expensive and may make the performance or value of our product or service offerings less attractive;
- subject us to significant liability for damages or result in significant settlement payments; or
- require us to indemnify our customers.

Furthermore, during the course of litigation, confidential information may be disclosed in the form of documents or testimony in connection with discovery requests, depositions or trial testimony. Disclosure of our confidential information and our involvement in intellectual property litigation could materially adversely affect our business. Some of our competitors may be able to sustain the costs of intellectual property litigation more effectively than we can because they have substantially greater resources. In addition, any litigation could significantly harm our relationships with current and prospective customers. Any of the foregoing could disrupt our business and have a material adverse effect on our business, operating results and financial condition.

Our patents and proprietary technology may be challenged or disputed.

We hold certain patent and trade secret rights relating to various aspects of our technologies, which are of material importance to the Company and its future prospects. Any patents we have obtained or do obtain may be challenged by re-examination or otherwise invalidated or eventually found unenforceable. Both the patent application process and the process of managing patent disputes can be time consuming and expensive. Competitors may attempt to challenge or invalidate our patents or may be able to design alternative techniques or devices that avoid infringement of our patents or develop products with functionalities that are comparable to ours. In the event a competitor infringes upon

our patent or other intellectual property rights, litigation to enforce our intellectual property rights or to defend our patents against challenge, even if successful, could be expensive and time consuming and could require significant time and attention from our management. We may not have sufficient resources to enforce our intellectual property rights or to defend our patents against challenges from others.

Any failure to protect our intellectual property rights could impair our ability to protect our proprietary technology and our brand.

Our success and ability to compete depend largely upon our intellectual property. To date, we have 27 registered patents and one patent application pending in the United States; five registered patents in Europe, one registered patent in Mexico, one registered patent in Indonesia and one patent application pending in Europe, all of which in the general area of high-speed carrier class Ethernet service and transport over bonded VDSL2, G.SHDSL as well as Fiber. We take reasonable steps to protect our intellectual property, especially when working with third parties. However, the steps we take to protect our intellectual property rights may be inadequate. For example, other parties, including our competitors, may independently develop similar technology, duplicate our services, or design around our intellectual property and, in such cases, we may not be able to assert our intellectual property rights against such parties. Further, our contractual arrangements may not effectively prevent disclosure of our confidential information or provide an adequate remedy in the event of unauthorized disclosure of our confidential information, and we may be unable to detect the unauthorized use of, or take appropriate steps to enforce, our intellectual property rights.

We make business decisions about when to seek patent protection for a particular technology and when to rely upon trade secret protection, and the approach we select may ultimately prove to be inadequate. Even in cases where we seek patent protection, there is no assurance that the resulting patents will effectively protect every significant feature of our technology or provide us with any competitive advantages. Moreover, we cannot guarantee that any of our pending patent application will issue or be approved. The United States Patent and Trademark Office and various foreign governmental patent agencies also require compliance with a number of procedurals, documentary, fee payment, and other similar provisions during the patent application process and after a patent has issued. There are situations in which noncompliance can result in abandonment or lapse of the patent, or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. If this occurs, our competitors might be able to enter the market, which would have a material adverse effect on our business. Effective trademark, copyright, patent, and trade secret protection may not be available in every country in which we conduct business. Further, intellectual property law, including statutory and case law, in the United States and other countries, is constantly developing, and any changes in the law could make it harder for us to enforce our rights.

In order to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect these rights. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming, and distracting to management and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims, and countersuits attacking the validity and enforceability of our intellectual property rights. An adverse determination of any litigation proceedings could put our intellectual property at risk of being invalidated or interpreted narrowly and could put our related pending patent applications at risk of not issuing. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation particularly in the US, there is a risk that some of our confidential or sensitive information could be compromised by disclosure in the event of litigation. In addition, during the course of litigation, there could be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our common stock. Negative publicity related to a decision by us to initiate such enforcement actions against a client or former client, regardless of its accuracy, may adversely impact our other client relationships or prospective client relationships, harm our brand and business, and could cause the market price of our common stock to decline. Our failure to secure, protect, and enforce our intellectual property rights could adversely affect our brand and our business.

We may not be able to adequately defend against piracy of intellectual property in foreign jurisdictions.

Considerable research is being performed in countries outside of the United States, and a number of potential competitors are located in these countries. The laws protecting intellectual property in some of those countries may not provide adequate protection to prevent our competitors from misappropriating our intellectual property. Several of these potential competitors may be further along in the process of product development and also operate large,

company-funded research and development programs. As a result, our competitors may develop more competitive or affordable products, or achieve earlier patent protection or product commercialization than we are able to achieve. Competitive products may render any products that we develop obsolete.

Risks Related to Managing Our Business Operations in Israel

Potential political, economic, and military instability in the State of Israel, where our research and development facilities are located, may adversely affect our results of operations.

Our office where we conduct our research and development, operations, sales outside the Americas, and administration activities, is located in Israel. Many of our employees are residents of Israel.

Accordingly, political, economic and military conditions in Israel and the surrounding region may directly affect our business. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its neighboring Arab countries, the Hamas militant group and the Hezbollah. Any hostilities involving Israel or the interruption or curtailment of trade between Israel and its trading partners could adversely affect our operations and results of operations. Ongoing and revived hostilities or other Israeli political or economic factors, such as, an interruption of operations at the Tel Aviv airport, could prevent or delay our regular operation, product development and delivery of products. If continued or resumed, these hostilities may negatively affect business conditions in Israel in general and our business in particular. In the event that hostilities disrupt the ongoing operation of our facilities and our operations may be materially adversely affected.

In addition, since 2010 political uprisings and conflicts in various countries in the Middle East, including Egypt and Syria, are affecting the political stability of those countries. It is not clear how this instability will develop and how it will affect the political and security situation in the Middle East. This instability has raised concerns regarding security in the region and the potential for armed conflict. In Syria, a country bordering Israel, a civil war is taking place. In addition, it is widely believed that Iran, which has previously threatened to attack Israel, has been stepping up its efforts to achieve nuclear capability. Iran is also believed to have a strong influence among extremist groups in the region, such as Hamas in Gaza and Hezbollah in Lebanon. Additionally, the Islamic State of Iraq and Levant, a violent jihadist group, is involved in hostilities in Iraq and Syria. The tension between Israel and Iran and/or these groups may escalate in the future and turn violent, which could affect the Israeli economy in general and us in particular. Any potential future conflict could also include missile strikes against parts of Israel, including our offices and facilities. Such instability may lead to deterioration in the political and trade relationships that exist between the State of Israel and certain other countries. Any armed conflicts, terrorist activities or political instability in the region could adversely affect business conditions, could harm our results of operations and could make it more difficult for us to raise capital. Parties with whom we do business may sometimes decline to travel to Israel during periods of heightened unrest or tension, forcing us to make alternative arrangements when necessary in order to meet our business partners face to face. Several countries, principally in the Middle East, still restrict doing business with Israel and Israeli companies, and additional countries may impose restrictions on doing business with Israel and Israeli companies if hostilities in Israel or political instability in the region continues or increases. Similarly, Israeli companies are limited in conducting business with entities from several countries. For instance, the Israeli legislature passed a law forbidding any investments in entities that transact business with Iran. In addition, the political and security situation in Israel may result in parties with whom we have agreements involving performance in Israel claiming that they are not obligated to perform their commitments under those agreements pursuant to force majeure provisions in such agreements.

Our employees and consultants in Israel, including members of our senior management, may be obligated to perform one month, and in some cases longer periods, of military reserve duty until they reach the age of 40 (or older, for citizens who hold certain positions in the Israeli armed forces reserves) and, in the event of a military conflict or emergency circumstances, may be called to immediate and unlimited active duty. In the event of severe unrest or other conflict, individuals could be required to serve in the military for extended periods of time. In response to increases in terrorist activity, there have been periods of significant call-ups of military reservists. It is possible that there will be similar large-scale military reserve duty call-ups in the future. Our operations could be disrupted by the absence of a significant number of our officers, directors, employees and consultants related to military service. Such disruption could materially adversely affect our business and operations. Additionally, the absence of a significant number of the employees of our Israeli suppliers and contractors related to military service or the absence for extended periods of one or more of their key employees for military service may disrupt their operations.

Our insurance does not cover losses that may occur as a result of an event associated with the security situation in the Middle East or for any resulting disruption in our operations. Although the Israeli government has in the past covered the reinstatement value of direct damages that were caused by terrorist attacks or acts of war, we cannot assure you that this government coverage will be maintained or, if maintained, will be sufficient to compensate us fully for damages incurred and the government may cease providing such coverage or the coverage might not suffice to cover potential damages. Any losses or damages incurred by us could have a material adverse effect on our business. Any armed conflicts or political instability in the region would likely negatively affect business conditions generally and could harm our results of operations and product development.

Further, in the past, the State of Israel and Israeli companies have been subjected to economic boycotts. Several countries still restrict business with the State of Israel and with Israeli companies. These restrictive laws and policies may have an adverse impact on our operating results, financial conditions or the expansion of our business. Similarly, Israeli corporations are limited in conducting business with entities from several countries.

Actelis Israel received Israeli government grants for certain of our research and development activities, the terms of which require us to pay royalties and satisfy specified conditions in order to manufacture products and transfer technologies outside of Israel. If we fail to satisfy these conditions, we may be required to pay penalties and refund grants previously received.

Our wholly owned subsidiary, Actelis Israel, which manages our research and development efforts, has been financed in part through royalty-bearing grants in an aggregate amount of approximately $14 million (plus accrued interest), received from the Israeli Innovation Authority (formerly known as the Office of the Chief Scientist of the Israeli Ministry of Economy, or the IIA, as of December 31, 2021. We are committed to pay royalties at a rate of 3.0% on revenues up to the total amount of grants received, linked to the U.S. dollar and bearing interest at an annual rate of LIBOR applicable to U.S. dollar deposits.

We are further required to comply with the requirements of the Israeli Encouragement of Industrial Research, Development and Technological Innovation Law, 5744-1984 (formerly known as the Law for Encouragement of Research and Development in the Industry, 1984), as amended, and related regulations, or the Research Law, with respect to those past grants. When a grantee company develops know-how, technology or products using IIA grants, the terms of these grants and the Research Law restrict the transfer or license of such know-how, and the transfer of manufacturing or manufacturing rights of such products, technologies or know-how outside of Israel, without the prior approval of the IIA. Therefore, the discretionary approval of an IIA committee would be required for any transfer or license to third parties inside or outside of Israel of Actelis Israel's know how or for the transfer outside of Israel of manufacturing or manufacturing rights related to those aspects of such technologies. We may not receive those approvals. Furthermore, the IIA may impose certain conditions on any arrangement under which it permits us to transfer technology or development outside of Israel.

The transfer or license of IIA-supported technology or know-how outside of Israel and the transfer of manufacturing of IIA-supported products, technology or know-how outside of Israel may involve the payment of significant amounts, depending upon the value of the transferred or licensed technology or know-how, our research and development expenses, the amount of IIA support, the time of completion of the IIA-supported research project and other factors. These restrictions and requirements for payment may impair our ability to sell, license or otherwise transfer our technology assets outside of Israel or to outsource or transfer development or manufacturing activities with respect to any product or technology outside of Israel. Furthermore, the consideration available to our shareholders in a transaction involving the transfer outside of Israel of technology or know-how developed with IIA funding (such as a merger or similar transaction) may be reduced by any amounts that we are required to pay to the IIA.

There are costs and difficulties inherent in managing cross-border business operations.

Managing a business, operations, personnel or assets in another country is challenging and costly. Any management that we may have (whether based abroad or in the United States) may be inexperienced in cross-border business practices and unaware of significant differences in accounting rules, legal regimes, and labor practices. Even with a seasoned and experienced management team, the costs and difficulties inherent in managing cross-border business operations, personnel, and assets can be significant (and much higher than in a purely domestic business) and may negatively impact our financial and operational performance.

Employment and other material contracts we have with our Israeli employees are governed by Israeli laws. Our inability to enforce or obtain a remedy under these agreements could adversely affect our business and financial condition.

All employees were asked to sign employment agreements that contain confidentiality, non-compete and assignment of intellectual property provisions. The employment agreements with our employees in Israel are governed by Israeli laws. The system of laws and the enforcement of existing laws and contracts in Israel may not be as certain in implementation and interpretation as in the United States, leading to a higher than usual degree of uncertainty as to the outcome of any litigation. Our inability to enforce or obtain a remedy under any of these or future agreements could adversely affect our business and financial condition. Delay with respect to the enforcement of particular rules and regulations, including those relating to intellectual property, customs, tax, and labor, could also cause serious disruption to operations abroad and negatively impact our results.

Israeli courts have required employers seeking to enforce non-compete undertakings of a former employee to demonstrate that the competitive activities of the former employee will harm one of a limited number of material interests of the employer which have been recognized by the courts, such as the secrecy of a company's confidential commercial information or the protection of its intellectual property. If we cannot demonstrate that such interests will be harmed, we may be unable to prevent our competitors from benefiting from the expertise of our former employees or consultants and our ability to remain competitive may be diminished.

In addition, Chapter 8 of the Israeli Patents Law, 5727-1967, or the Patents Law, deals with inventions made in the course of an employee's service and during his or her term of employment, whether or not the invention is patentable, or service inventions. Section 134 of the Patents Law sets forth that if there is no agreement which explicitly determines whether the employee is entitled to compensation for the service inventions and the extent and terms of such compensation, such determination will be made by the Compensation and Rewards Committee, a statutory committee of the Israeli Patents Office. As a result, it is unclear if, and to what extent, our research and development employees may be able to claim compensation with respect to our future revenues. Such claims, if successfully asserted, could adversely affect our results of operations and profitability.

We may be adversely affected by fluctuations in the currency exchange rate of the Israeli Shekel.

We compute a significant number of expenses in Israeli Shekels, both expenses from employees and suppliers. Our customers buy our products priced in US dollars or Euros. The strengthening of the shekel against the dollar and the euro could erode our profitability.

Unanticipated changes in our effective tax rate and additional tax liabilities, including those resulting from our international operations or the implementation of new tax rules, could harm our future results.

We are subject to income taxes in the United States and Israel. Our domestic and international tax liabilities are subject to the allocation of expenses in differing jurisdictions and complex transfer pricing regulations administered by taxing authorities in various jurisdictions. Tax rates in the jurisdictions in which we operate may change as a result of factors outside of our control or relevant taxing authorities may disagree with our determinations as to the income and expenses attributable to specific jurisdictions. In addition, changes in tax and trade laws, treaties or regulations, or their interpretation or enforcement, have become more unpredictable and may become more stringent, which could materially adversely affect our tax position.

Forecasting our estimated annual effective tax rate is complex and subject to uncertainty, and there may be material differences between our forecasted and actual effective tax rate. Our effective tax rate could be adversely affected by changes in the mix of earnings and losses in countries with differing statutory tax rates, certain non-deductible expenses, the valuation of deferred tax assets and liabilities, adjustments to income taxes upon finalization of tax returns, changes in available tax attributes, decision to repatriate non-U.S. earnings for which we have not previously provided for U.S. taxes, and changes in federal, state, or international tax laws and accounting principles.

Finally, we may be subject to income tax audits throughout the world. An adverse resolution of one or more uncertain tax positions in any period could have a material impact on our results of operations or financial condition for that period.

Risks Related to this Offering and Ownership of our Common Stock

The requirements of being a public company may strain our resources, divert management's attention, and affect our ability to attract and retain executive management and qualified board members.

As a public company, we will be subject to the reporting requirements of the Securities Exchange Act of 1934, or the Exchange Act, the listing standards of Nasdaq and other applicable securities rules and regulations. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting, and financial compliance costs, make some activities more difficult, time-consuming, and costly, and place significant strain on our personnel, systems, and resources. For example, the Exchange Act requires, among other things, that we file annual, quarterly, and current reports with respect to our business and results of operations. As a result of the complexity involved in complying with the rules and regulations applicable to public companies, our management's attention may be diverted from other business concerns, which could harm our business, results of operations, and financial condition.

We also expect that being a public company and these new rules and regulations will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee and compensation committee, and qualified executive officers.

As a result of disclosure of information in filings required of a public company, our business and financial condition is more visible, which may result in an increased risk of threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business and results of operations could be harmed, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and harm our business, results of operations, and financial condition.

The individuals who now constitute our senior management team have limited experience managing a publicly-traded company and limited experience complying with the increasingly complex laws pertaining to public companies. Our senior management team may not successfully or efficiently manage our transition to a public company that is subject to significant regulatory oversight and reporting obligations.

We are an "emerging growth company," and our compliance with the reduced reporting and disclosure requirements applicable to "emerging growth companies" may make our common stock less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act, and we have elected to take advantage of certain exemptions and relief from various reporting requirements that are applicable to other public companies that are not "emerging growth companies." These provisions include, but are not limited to: requiring only two years of audited financial statements and only two years of related selected financial data and management's discussion and analysis of financial condition and results of operations disclosures; being exempt from compliance with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act; being exempt from any rules that could be adopted by the Public Company Accounting Oversight Board requiring mandatory audit firm rotations or a supplement to the auditor's report on financial statements; being subject to reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements; and not being required to hold nonbinding advisory votes on executive compensation or on any golden parachute payments not previously approved.

In addition, while we are an "emerging growth company," we will not be required to comply with any new financial accounting standard until such standard is generally applicable to private companies. As a result, our financial statements may not be comparable to companies that are not "emerging growth companies" or elect not to avail themselves of this provision.

We may remain an "emerging growth company" until as late as December 31, 2027, the fiscal year-end following the fifth anniversary of the completion of this initial public offering, though we may cease to be an "emerging growth company" earlier under certain circumstances, including if (1) we have more than $1.07 billion in annual net revenues

in any fiscal year, (2) we become a "large accelerated filer," with at least $700 million of equity securities held by non-affiliates as of the end of the second quarter of that fiscal year or (3) we issue more than $1.0 billion of non-convertible debt over a three-year period.

The exact implications of the JOBS Act are still subject to interpretations and guidance by the SEC and other regulatory agencies, and we cannot assure you that we will be able to take advantage of all of the benefits of the JOBS Act. In addition, investors may find our common stock less attractive to the extent we rely on the exemptions and relief granted by the JOBS Act. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may decline or become more volatile.

We have identified a material weakness in our internal control over financial reporting. If we experience material weaknesses in the future or otherwise fail to implement and maintain an effective system of internal controls in the future, we may not be able to accurately report our financial condition or results of operations which may adversely affect investor confidence in us, and as a result, the value of our common stock.

As a privately-held company, we were not required to evaluate our internal control over financial reporting in a manner that meets the standards of publicly traded companies required by Section 404(a) of the Sarbanes-Oxley Act, or Section 404. As a public company, we will be subject to significant requirements for enhanced financial reporting and internal controls. The process of designing and implementing effective internal controls is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a system of internal controls that is adequate to satisfy our reporting obligations as a public company. In addition, we will be required, pursuant to Section 404, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting in the second annual report following the completion of this offering. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting. A material weakness is a deficiency or combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual and interim financial statements will not be detected or prevented on a timely basis.

The rules governing the standards that must be met for our management to assess our internal control over financial reporting are complex and require significant documentation, testing, and possible remediation. Testing and maintaining internal controls may divert our management's attention from other matters that are important to our business. Once we are no longer an "emerging growth company," or a "smaller reporting company", our auditors will be required to issue an attestation report on the effectiveness of our internal controls on an annual basis.

In the course of preparing the financial statements that are included in this prospectus, management has determined that a material weakness exists within the internal controls over financial reporting. The material weakness identified relates to lack of a sufficient number of finance personnel to allow for adequate segregation of duties. We concluded that the material weakness in our internal control over financial reporting occurred because, prior to this offering, we were a private company and did not have the necessary business processes, systems, personnel, and related internal controls necessary to satisfy the accounting and financial reporting requirements of a public company.

In order to remediate the material weakness, we expect to hire additional accounting and finance resources with public company experience and to nominate board members with the required financial literacy.

We may not be able to fully remediate the identified material weakness until the steps described above have been completed and our internal controls have been operating effectively for a sufficient period of time. We believe we will make significant progress in our remediation plan within fiscal year 2022, but cannot assure you that we will be able to fully remediate the material weakness by such time. We also may incur significant costs to execute various aspects of our remediation plan but cannot provide a reasonable estimate of such costs at this time.

In accordance with the provisions of the JOBS Act, we and our independent registered public accounting firm were not required to, and did not, perform an evaluation of our internal control over financial reporting as of December 31, 2021 nor any period subsequent in accordance with the provisions of the Sarbanes-Oxley Act. Accordingly, we cannot assure you that we have identified all material weaknesses. Material weaknesses may still exist when we report on the effectiveness of our internal control over financial reporting as required under Section 404 of the Sarbanes-Oxley Act after the completion of this offering.

In the future, it is possible that additional material weaknesses or significant deficiencies may be identified that we may be unable to remedy before the requisite deadline for these reports. Our ability to comply with the annual internal control reporting requirements will depend on the effectiveness of our financial reporting and data systems and controls across our company. Any weaknesses or deficiencies or any failure to implement new or improved controls, or difficulties encountered in the implementation or operation of these controls, could harm our operating results and cause us to fail to meet our financial reporting obligations, or result in material misstatements in our consolidated financial statements, which could adversely affect our business and reduce our stock price.

If we are unable to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404, our independent registered public accounting firm may not issue an unqualified opinion. If we are unable to conclude that we have effective internal control over financial reporting, investors could lose confidence in our reported financial information, which could have a material adverse effect on the trading price of our common stock. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, stockholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of our common stock.

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations. In addition, any testing by us conducted in connection with Section 404, or any subsequent testing by our independent registered public accounting firm, may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our financial statements or identify other areas for further attention or improvement. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock.

We will be required to disclose changes made in our internal controls and procedures on a quarterly basis and our management will be required to assess the effectiveness of these controls annually, beginning with our second annual report on Form 10-K. In addition, our independent registered public accounting firm will be required to attest to the effectiveness of our internal controls over financial reporting pursuant to Section 404, however they will not be required to do so for so long as we are an emerging growth company. We could be an emerging growth company for up to five years (i.e., until December 31, 2027). An independent assessment of the effectiveness of our internal controls over financial reporting could detect problems that our management's assessment might not. Undetected material weaknesses in our internal controls over financial reporting could lead to restatements of our financial statements and require us to incur the expense of remediation.

Our disclosure controls and procedures may not prevent or detect all errors or acts of fraud.

Upon completion of this offering, we will become subject to certain reporting requirements of the Exchange Act. Our disclosure controls and procedures are designed to reasonably assure that information required to be disclosed by us in reports we file or submit under the Exchange Act is accumulated and communicated to management, recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. We believe that any disclosure controls and procedures or internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an unauthorized override of the controls. Accordingly, because of the inherent limitations in our control system, misstatements or insufficient disclosures due to error or fraud may occur and not be detected.

An active trading market may not develop for our securities, and you may not be able to sell your common stock at or above the offering price per share.

This is the initial public offering of our securities and there is currently no public market for our common stock.

We intend to apply to list our common stock on the Nasdaq Capital Market. However, we cannot predict the extent to which investor interest in our Company will lead to the development of an active trading market in our common stock or how liquid that market might become. If such a market does not develop or is not sustained, it may be difficult for you to sell your shares of common stock at the time you wish to sell them, at a price that is attractive to you, or at all.

The trading market for our common stock in the future could be subject to wide fluctuations in response to several factors, including, but not limited to:

- actual or anticipated variations in our results of operations;
- our ability or inability to generate revenues or profit;
- the number of shares in our public float; and
- increased competition.

Furthermore, our stock price may be impacted by factors that are unrelated or disproportionate to our operating performance. These market fluctuations, as well as general economic, political, and market conditions, such as recessions, interest rates or international currency fluctuations may adversely affect the market price of our common stock. Additionally, moving forward we anticipate having a limited number of shares in our public float, and as a result, there could be extreme fluctuations in the price of our common stock. The offering price per share has been determined through negotiation between us and the Underwriter and may not be indicative of the market prices that prevail after this offering. You may not be able to sell your common stock at or above the offering price per share.

Our management has broad discretion in the use of proceeds from our offering and our use may not produce a positive rate of return.

The principal purposes of our offering are to increase our capitalization and financial flexibility, create a public market for our stock and thereby enable access to the public equity markets by our employees and stockholders, obtain additional capital, and strengthen our position in the market. We plan to use the net proceeds of this offering for sales and marketing, research and development, general and administrative and for working capital and other general corporate purposes without any action or approval of our stockholders. Our management has broad discretion over the specific use of the net proceeds we received in our offering and might not be able to obtain a significant return, if any, on investment of these net proceeds. Investors will need to rely upon the judgment of our management with respect to the use of proceeds. If we do not use the net proceeds that we received in our offering effectively, our business, results of operations, and financial condition could be harmed.

Our issuance of additional capital stock in connection with financings, acquisitions, investments, our 2015 Equity Incentive Plan, or otherwise will dilute all other stockholders.

Even after consummation of the offering as contemplated, we may need to raise additional capital through equity and debt financings in order to fund our operations. If we raise capital through equity financings in the future, that will result in dilution to all other stockholders. We also expect to grant equity awards to employees, directors, and consultants under our 2015 Equity Incentive Plan. As part of our business strategy, we may acquire or make investments in complementary companies, products, or technologies and issue equity securities to pay for any such acquisition or investment. Any such issuances of additional capital stock may cause stockholders to experience significant dilution of their ownership interests and the per-share value of our common stock to decline.

We do not intend to pay dividends on our common stock and, consequently, the ability of common Stockholders to achieve a return on investment will depend on appreciation, if any, in the price of our common stock.

You should not rely on an investment in our common stock to provide dividend income. We do not plan to declare or pay any dividends on our capital stock in the foreseeable future. Instead, we intend to retain any earnings to finance the operation and expansion of our business. Any credit agreements, which we may enter into with institutional lenders, may restrict our ability to pay dividends. Whether we pay cash dividends in the future will be at the discretion of our board of directors and will be dependent upon our financial condition, results of operations, capital requirements and any other factors that the board of directors decides is relevant. Therefore, any return on your investment in our capital stock must come from increases in the fair market value and trading price of the capital stock.

You will experience immediate and substantial dilution in the net tangible book value of the common stock you purchase in this offering and may experience further dilution in the future.

The initial public offering price of our common stock is substantially higher than the pro forma as adjusted net tangible book value per share of our common stock. If you purchase common stock in this offering, you will suffer immediate dilution of $ per share, representing the difference between our pro forma as adjusted net tangible book value per share as of December 31, 2021 and the assumed initial public offering price of $ per share. We also have a significant number of outstanding options to purchase shares of our common stock with exercise prices that are below the assumed initial public offering price of our common stock. To the extent these options are exercised, you will experience further dilution. See the section of this prospectus titled "Dilution" for additional information.

We might not be able to maintain the listing of our common stock on the Nasdaq Capital Market.

We intend to apply to list our common stock on the Nasdaq Capital Market in connection with this offering. The obligation of the Underwriter to purchase the shares of common stock is conditioned upon our receiving approval to list the shares of common stock on Nasdaq. We will not consummate this offering if our application is not approved. However, there can be no assurance that we will be able to maintain the listing standards of that exchange, which includes requirements that we maintain our stockholders' equity, total value of shares held by unaffiliated stockholders, and market capitalization above certain specified levels. If we fail to conform to the Nasdaq listing requirements on an ongoing basis, our common stock might cease to trade on the Nasdaq Capital Market exchange, and may move to the OTCQB or OTC Pink Markets operated by OTC Markets Group, Inc. These quotation services are generally considered to be markets that are less efficient, and to provide less liquidity in the shares, than the Nasdaq Capital Market.

Future sales of our common stock, or the perception that future sales may occur, may cause the market price of our common stock to decline, even if our business is doing well.

Sales of substantial amounts of our common stock in the public market after this offering, or the perception that these sales may occur, could materially and adversely affect the price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. The shares of common stock sold in this offering will be freely tradable, without restriction, in the public market, except for any shares sold to our affiliates.

Approximately, shares of common stock may be sold in the public market by existing stockholders after the date of this prospectus and an additional shares of common stock may be sold in the public market by existing stockholders on or about 181 days after the date of this prospectus, subject to volume and other limitations imposed under the federal securities laws. Sales of substantial amounts of our common stock in the public market after the completion of this offering, or the perception that such sales could occur, could adversely affect the market price of our common stock and could materially impair our ability to raise capital through offerings of our common stock. See the section entitled "Shares Eligible for Future Trading" for a more detailed description of the restrictions on selling shares of our common stock after this offering.

The market price of our common stock may be volatile and may decline regardless of our operating performance, and you may lose all or part of your investments.

The market price of our common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- overall performance of the equity markets and/or publicly listed technology companies;
- actual or anticipated fluctuations in our net revenues or other operating metrics;
- changes in the financial projections we provide to the public or our failure to meet these projections;
- failure of securities analysts to initiate or maintain coverage of us, changes in financial estimates by any securities analysts who follow our company, or our failure to meet the estimates or the expectations of investors;
- the economy as a whole and market conditions in our industry;
- political and economic stability in Israel;
- exchange rate fluctuations between U.S. dollars and Israeli New Shekel;
- rumors and market speculation involving us or other companies in our industry;
- announcements by us or our competitors of significant innovations, acquisitions, strategic partnerships, joint ventures, or capital commitments;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- lawsuits threatened or filed against us;
- recruitment or departure of key personnel;
- other events or factors, including those resulting from war, incidents of terrorism, or responses to these events; and
- the expiration of contractual lock-up or market standoff agreements.

In addition, extreme price and volume fluctuations in the stock markets have affected and continue to affect many technology companies' stock prices. Often, their stock prices have fluctuated in ways unrelated or disproportionate to the companies' operating performance. In the past, securities action litigation has often been brought against a Company following a decline in the market price of its securities. This risk is especially relevant for us because technology companies have experienced significant stock price volatility in recent years. If we face such litigation, it could result in substantial costs and a diversion of management's attention and resources, which could harm our business.

A possible "short squeeze" due to a sudden increase in demand of our common stock that largely exceeds supply may lead to price volatility in our common stock.

Following this offering, investors may purchase our common stock to hedge existing exposure in our common stock or to speculate on the price of our common stock. Speculation on the price of our common stock may involve long and short exposures. To the extent aggregate short exposure exceeds the number of shares of our common stock available for purchase in the open market, investors with short exposure may have to pay a premium to repurchase our common stock for delivery to lenders of our common stock. Those repurchases may in turn, dramatically increase the price of our common stock until investors with short exposure are able to purchase additional common stock to cover their short position. This is often referred to as a "short squeeze." A short squeeze could lead to volatile price movements in our common stock that are not directly correlated to the performance or prospects of our common stock and once investors purchase the shares of common stock necessary to cover their short position the price of our common stock may decline.

If securities or industry analysts do not publish research, or publish inaccurate or unfavorable research, about our business, our stock price and trading volume could decline.

The trading market for our common stock will depend, in part, on the research and reports that securities or industry analysts publish about us or our business. Securities and industry analysts do not currently, and may never, publish research on our company. If no securities or industry analysts commence coverage of our company, the trading price for our common stock would likely be negatively impacted. In the event securities or industry analysts initiate coverage, if one or more of the analysts who cover us downgrade our stock or publish inaccurate or unfavorable research about our business, our stock price would likely decline. In addition, if our operating results fail to meet the forecast of analysts, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, demand for our common stock could decrease, which might cause our stock price and trading volume to decline.

Provisions in our charter documents and under Delaware law could make an acquisition of our company more difficult, limit attempts by our stockholders to replace or remove our current board of directors and limit the market price of our common stock.

Provisions in our amended and restated certificate of incorporation, or the Charter, and bylaws, or the Bylaws, may have the effect of delaying or preventing a change of control or changes in our management. Our Charter and Bylaws, include provisions that:

- permit the board of directors to establish the number of directors and fill any vacancies and newly-created directorships;
- provide that the board of directors is expressly authorized to make, alter, or repeal our Bylaws; and

Moreover, Section 203 of the Delaware General Corporation Law, or the DGCL, may discourage, delay, or prevent a change in control of our company. Section 203 imposes certain restrictions on mergers, business combinations, and other transactions between us and holders of 15% or more of our common stock.

Our Charter provides that derivative actions brought on our behalf, actions against our directors, officers, employees or agent for breach of fiduciary duty and certain other actions may be brought only in the Court of Chancery in the State of Delaware and the stockholders shall be deemed to have consented to this choice of forum provision, which may have the effect of discouraging lawsuits against our directors, officers, other employees or agents.

Our Charter to be effective upon the consummation of this offering provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for any stockholder for (a) any derivative action or proceeding brought on our behalf, (b) any action asserting a claim of breach of a fiduciary duty owed by, or other wrongdoing by, any director, officer, employee or agent of the Company to the Company or the Company's stockholders, (c) any action asserting a claim arising pursuant to any provision of the DGCL, or our Company's Certificate of Incorporation or Bylaws, (d) any action to interpret, apply, enforce or determine the validity of the Company's Certificate of Incorporation or Bylaws, or (e) any action asserting a claim governed by the internal affairs doctrine. The federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint, claim or proceeding asserting a cause of action arising under the Exchange Act or the Securities Act. Furthermore, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. Stockholders cannot waive compliance with the federal securities laws and the rules and regulations thereunder. Any person or entity purchasing or otherwise acquiring or holding any interest in shares of our capital stock shall be deemed to have notice of and consented to the forum provision in our Charter.

The choice-of-forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with the Company or its directors, officers or other employees, and may result in increased costs to a stockholder who has to bring a claim in a forum that is not convenient to the stockholder, which may discourage such lawsuits. Although under Section 115 of the DGCL, exclusive forum provisions may be included in a company's certificate of incorporation, the enforceability of similar forum provisions in other companies' certificates or incorporation or bylaws has been challenged in legal proceedings, and it is possible that a court could find these types of provisions to be inapplicable or unenforceable. If a court were to find the exclusive forum provision of our Charter inapplicable or unenforceable with respect to one or more of the specified types of actions or proceedings, we

may incur additional costs associated with resolving such matters in other jurisdictions, which could materially and adversely affect our business, financial condition and results of operations and result in a diversion of the time and resources of our management and board of directors.

After this offering, our principal stockholders will continue to have significant influence over us.

After the consummation of this offering, our principal stockholders each holding more than 5% of our outstanding common stock will collectively beneficially own approximately % of our outstanding common stock (or approximately % of our outstanding common stock if the Underwriter's options to purchase additional shares is exercised in full). See "Principal Stockholders." These stockholders or their affiliates will be able to exert significant influence over us and, if acting together, will be able to control matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, including a merger, consolidation or sale of all or substantially all of our assets and the issuance or redemption of equity interests in certain circumstances. The interests of these stockholders may not always coincide with, and in some cases may conflict with, our interests and the interests of our other stockholders. For instance, these stockholders could attempt to delay or prevent a change in control of our company, even if such change in control would benefit our other stockholders, which could deprive our stockholders of an opportunity to receive a premium for their common stock. This concentration of ownership may also affect the prevailing market price of our common stock due to investors' perceptions that conflicts of interest may exist or arise. As a result, this concentration of ownership may not be in your best interests.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. The forward-looking statements are contained principally in the sections entitled "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations of Actelis", Management's Discussion and Analysis of Financial Condition" and "Business." These forward-looking statements involve a number of risks and uncertainties. Many of the following risks are, and will be, exacerbated by the COVID-19 pandemic and any continued limitations of the global business and economic environment as a result. We caution readers that any forward-looking statement is not a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking statement. These statements are based on current expectations of future events. Such statements include, but are not limited to, statements about future financial and operating results, plans, objectives, expectations and intentions, costs and expenses, interest rates, outcome of contingencies, financial condition, results of operations, liquidity, cost savings, objectives of management, business strategies, success of competing drugs, financing, potential growth and market opportunities, product candidates, clinical trial timing and plans, clinical and regulatory pathways for our development programs, the achievement of clinical and commercial milestones, the advancement of our technologies and our proprietary, co-developed and partnered products and product candidates, and other statements that are not historical facts.

In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "would," "expect," "anticipate" "plan," "anticipate," "could," "intend," "target," "project," "contemplate," "believe," "estimate," "predict," "potential" "possible" or "continue" or the negative of these terms or other similar expressions. Forward-looking statements contained in this prospectus include, but are not limited to, statements about:

- our ability to protect our intellectual property and continue to innovate;
- our success in retaining or recruiting, or changes required in, our officers, key employees or directors following our offering;
- the potential insufficiency of our disclosure controls and procedures to detect errors or acts of fraud;
- the accuracy of our estimates regarding expenses, future revenues, capital requirements and needs for additional financing;
- the success of competing products or technologies that are or may become available;
- our potential ability to obtain additional financing;
- our ability to grow the business due to the uncertainty resulting from the recent COVID19 pandemic or any future pandemic;
- our ability to comply with complex and increasing regulations by governmental authorities;
- our ability to have our securities listed on Nasdaq;
- our public securities' potential liquidity and trading;
- the lack of an established market for our securities;
- our expectations regarding the period during which we qualify as an emerging growth company under the JOBS Act;
- our anticipated use of the proceeds from this offering; and
- our financial performance following this offering.

Forward-looking statements are based on our management's current expectations, estimates, forecasts and projections about our business and the industry in which we operate and our management's beliefs and assumptions, and are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors that are in some cases beyond our control. As a result, any or all of our forward-looking statements in this prospectus may turn out to be inaccurate. Important factors that may cause actual results to differ materially from current expectations include, among other things, those listed under "Prospectus Summary," "Risk Factors," Use of

Proceeds," Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and elsewhere in this prospectus. Potential investors are urged to consider these factors carefully in evaluating the forward-looking statements. You should read thoroughly this prospectus and the documents that we refer to with the understanding that our actual future results may be materially different from and worse than what we expect. We qualify all of our forward-looking statements by these cautionary statements.

The forward-looking statements included in this prospectus speak only as of the date of this prospectus. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that future results, levels of activity, performance and events and circumstances reflected in the forward-looking statements will be achieved or will occur. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future. You should, however, review the factors and risks we describe in the reports we will file from time to time with the SEC after the date of this prospectus. See "Where You Can Find More Information."

USE OF PROCEEDS

We estimate that the net proceeds from the sale of common stock in this offering will be approximately $ million, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, based on an assumed initial public offering price of $ per share of common stock, which is the midpoint of the price range set forth on the cover page of this prospectus. If the Underwriter exercises its option in full to purchase up to an additional shares of common stock, we estimate that the net proceeds to us from this offering will be approximately $ million, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. Each $1.00 increase (decrease) in the assumed initial public offering price of $ per share of common stock would increase (decrease) the net proceeds to us from this offering, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, by $ million, assuming that the number of common stock offered by us, as set forth on the cover page of this prospectus, remains the same. We may also increase or decrease the number of common stock we are offering. An increase (decrease) of $1.0 million in the number of common stock we are offering would increase (decrease) the net proceeds to us from this offering, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, by $ million, assuming the assumed initial public offering price stays the same.

We currently expect to use the net proceeds from this offering for the following purposes:

- approximately $ million for our research and development efforts;
- approximately $ million for sales and marketing activities;
- approximately $ million for general and administrative corporate purposes, including working capital and capital expenditures.

Although we currently anticipate that we will use the net proceeds from this offering as described above, there may be circumstances where a reallocation of funds is necessary. Amounts and timing of our actual expenditures will depend upon a number of factors, including our sales, marketing and commercialization efforts, demand for our products, operating costs and other factors described under “Risk Factors” in this prospectus. Accordingly, our management will have flexibility in applying the net proceeds from this offering. An investor will not have the opportunity to evaluate the economic, financial or other information on which we base our decisions on how to use the proceeds.

Based on our current plans, we believe that our existing cash, cash equivalents and short-term deposits, together with the net proceeds of this offering, will be sufficient to enable us to fund our operating expenses and capital expenditure requirements through . We anticipate that these funds, together with the net proceeds of this offering, will be sufficient to . We have based this estimate on assumptions that may prove to be incorrect, and we could use our available capital resources sooner than we currently expect.

Pending our application of the net proceeds from this offering, we plan to invest such proceeds in short-term, investment-grade, interest-bearing securities and depository institutions.

We may also use a portion of the net proceeds to make acquisitions or investments in complementary companies or technologies, although we do not have any agreements or understanding with respect to any such acquisition or investment at this time.

As of the date of this prospectus, we cannot specify with certainty all of the particular uses for the net proceeds to us from this offering. Accordingly, our management will have broad discretion in the application of these proceeds. While we expect to use the net proceeds for the purposes described above, the timing and amount of our actual expenditures will be based on many factors, including cash flows from operations, the anticipated growth of our business and the general economic conditions. Net offering proceeds not immediately applied to the uses summarized above may be invested in short-term investments such as money market funds, commercial paper, U.S. treasury bills and similar securities investments pending their use.

DIVIDEND POLICY

We have never declared or paid dividends on our common stock and we do not anticipate paying any cash dividends on our common stock in the foreseeable future. Payment of cash dividends, if any, in the future will be at the discretion of our board of directors and will depend on applicable law and then-existing conditions, including our financial condition, operating results, contractual restrictions, capital requirements, business prospects and other factors our board of directors may deem relevant. We currently intend to retain all available funds and any future earnings to fund the development and growth of our business.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of December 31, 2021:

- on an actual basis;
- on a pro forma basis to give effect to (i) the Private Placement of $2,160,200 of convertible notes from December 2021 through April 2022, (ii) the conversion of all of our shares of preferred stock into shares of common stock, and (iii) the redemption of all of our non-voting common stock for their par value (for an aggregate amount of approximately $129); and
- on a pro forma as adjusted to give further effect to the issuance and sale of shares of our common stock in this offering at an assumed public offering price of $ per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, as if the sale of the common stock had occurred on December 31, 2021.

Information below on a pro forma as adjusted basis is illustrative only, and our capitalization following the closing of this offering will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing. You should read this information in conjunction with our financial statements and the related notes included elsewhere in this prospectus and the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section and other financial information contained in this prospectus.

You should read this capitalization table together with “Use of Proceeds,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes appearing elsewhere in this prospectus.

	As of December 31, 2021		
(U.S. dollars in thousands)	**Actual**	**Pro Forma (Unaudited)**	**Pro Forma As Adjusted[1] (Unaudited)**
Cash and cash equivalents	$ 693	$	$
Total long-term debt	$ 12,744		
Redeemable convertible Preferred Shares	$ 5,585		
Capital Deficiency:			
Common stock, $0.000001 par value; 506,428,470 shares authorized; 94,318,590 shares issued and outstanding, actual; shares authorized and issued and outstanding, pro forma; and authorized and shares issued and outstanding, pro forma as adjusted authorized shares	$ (506)		
Additional paid-in capital	$ 2,824		
Accumulated deficit	$ (22,420)		
Total Capital Deficiency	$ (19,596)		
Total capitalization	$ (574)	$	$

(1) Each $1.00 increase (decrease) in the assumed initial public offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase (decrease) our pro forma as adjusted cash, additional paid-in capital, total stockholders’ equity (deficit) and total capitalization by approximately $ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. The pro forma as adjusted information discussed above is illustrative only and will be adjusted based on the actual public offering price and other terms of this offering determined at pricing.

The number of shares of our common stock shown above is based on shares of common stock outstanding as of December 31, 2021, after giving effect to (i) a reverse share split effected on , 2022 at a ratio of-for-1 , the conversion immediately prior to the closing of this offering of shares of convertible preferred stock on a one (1) for one (1) basis into shares of common stock, and (iii) the redemption of up to 129,000,000 of our non-voting common stock for their par value, and excludes as of such date:

- shares of common stock issuable upon the exercise of outstanding stock options under our 2015 Equity Incentive Plan, at a weighted average exercise price of $ per share;

- shares of common stock reserved for future issuance under our 2015 Equity Incentive Plan;
- shares of common stock issuable upon the exercise of outstanding warrants at a weighted average exercise price of $ per share;
- shares of common stock issuable upon the exercise of the warrants issued to the Underwriter in connection with the Private Placement;
- shares of common stock issuable pursuant to the exercise of an option to purchase shares of common stock granted to Migdalor as part of the Migdalor Loan; and
- shares of common stock issuable upon the exercise of the Underwriter's Warrants in connection with this offering.

DILUTION

If you invest in our common stock in this offering, your ownership interest will be diluted immediately to the extent of the difference between the initial public offering price per share of our common stock and the pro forma as adjusted net tangible book value per share of our common stock immediately after this offering.

Our historical net tangible book value (deficit) as of December 31, 2021 was ($1.8)million, or ($0.02) per share of our common stock. Our historical net tangible book value (deficit) is the amount of our total tangible assets less our total liabilities. Historical net tangible book value per share represents historical net tangible book value (deficit) divided by the number of shares of our common stock outstanding as of December 31, 2021.

Our pro forma net tangible book value as of December 31, 2021 was $, or $ per share of our common stock. Pro forma net tangible book value represents the amount of our total tangible assets less our total liabilities, after giving effect to the pro forma adjustments described in "Capitalization".

After giving further effect to our issuance and sale of shares of common stock in this offering at an assumed initial public offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions, estimated offering expenses payable by us, the conversion of the New Notes into an aggregate of shares of common stock, our pro forma as adjusted net tangible book value as of December 31, 2021 would have been approximately $ million, or approximately $ per share. This represents an immediate increase in pro forma as adjusted net tangible book value per share of $ to our existing stockholders and an immediate dilution in pro forma as adjusted net tangible book value per share of approximately $ to new investors purchasing common stock in this offering. Dilution per share to new investors purchasing common stock in this offering is determined by subtracting pro forma as adjusted net tangible book value per share after this offering from the assumed initial public offering price per share paid by new investors.

The following table illustrates this dilution on a per share basis to new investors:

Assumed initial public offering price per share		$
Historical net tangible book value per share as of December 31, 2021	$	
Increase per share attributable to the pro forma adjustments described above		
Pro forma net tangible book value per share as of December 31, 2021		
Increase in pro forma as adjusted net tangible book value per share attributable to new investors purchasing shares in this offering		
Pro forma as adjusted net tangible book value per share after giving effect to this offering		
Dilution in pro forma as adjusted net tangible book value per share to new investors participating in this offering		$

Each $1.00 increase (decrease) in the assumed initial public offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase (decrease) the pro forma as adjusted net tangible book value per share after this offering by $ per share and the dilution to new investors purchasing common stock in this offering by $ per share, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

If the Underwriter exercises its option in full to purchase an additional shares of common stock in this offering, the pro forma as adjusted net tangible book value per share after the offering would be $ per share, the increase in the net tangible book value per share to existing stockholders would be $ per share and the dilution to new investors purchasing our common stock in this offering would be $ per share.

To the extent that outstanding exercisable options or warrants are exercised, you may experience further dilution. If all outstanding exercisable options and warrants with exercise prices below $ per share were exercised, our as adjusted net tangible book value as of December 31, 2021 (calculated on the basis of the assumptions set forth above) would have been approximately $ million, or approximately $ per share, causing immediate dilution of $ per share to new investors purchasing shares in this offering.

In addition, we may choose to raise additional capital due to market conditions or strategic considerations, even if we believe we have sufficient funds for our current or future operating plans. To the extent that we raise additional capital by issuing equity securities or convertible debt, your ownership will be further diluted.

The following table sets forth the total number of shares of common stock previously issued and sold to existing investors, the total consideration paid for the foregoing and the average price per share of common stock paid, or to be paid, by existing owners and by the new investors. The calculation below is based on the assumed initial public offering price of $ per share, which is the midpoint of the estimated offering range set forth on the cover page of this prospectus, before deducting estimated underwriter commissions and offering expenses, in each case payable by us.

	Share Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders			$		$
New investors			$		$
Total			$		

The number of shares of our common stock shown above is based on shares of common stock outstanding as of December 31, 2021, after giving effect to (i) a reverse share split effected on , 2022 at a ratio of 1-for- , (ii) the conversion immediately prior to the closing of this offering of shares of convertible preferred stock on a one (1) for one (1) basis into shares of common stock, and (iii) the redemption of up to 129,000,000 of our non-voting common stock for their par value, and excludes as of such date:

- shares of common stock issuable upon the exercise of outstanding stock options under our 2015 Equity Incentive Plan, at a weighted average exercise price of $ per share;
- shares of common stock reserved for future issuance under our 2015 Equity Incentive Plan; and
- shares of common stock issuable upon the exercise of outstanding warrants at a weighted average exercise price of $ per share;
- shares of common stock issuable upon the exercise of the warrants issued to the Underwriter in connection with the Private Placement;
- shares of common stock issuable pursuant to the exercise of an option to purchase shares of common stock granted to Migdalor as part of the Migdalor Loan; and
- shares of common stock issuable upon the exercise of the Underwriter's Warrants in connection with this offering.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with our audited consolidated financial statements including the related notes thereto as of and for the financial years ended December 31, 2021 and 2020 contained elsewhere in this prospectus. In addition to historical information, this discussion contains forward-looking statements that involve risks and uncertainties. You should read the sections of this prospectus titled "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements" for a discussion of the factors that could cause our actual results to differ materially from our expectations.

Overview

Actelis is a networking solutions company with a mission to enable fast, secure, cost-effective and easily implemented communication for IoT projects, deployed over wide areas such as cities, campuses, airports, military bases, roads and rail.

Our networking solutions use a combination of newly deployed fiber infrastructure and existing copper and coaxial lines to create a highly cost-effective, secure and quick-to-deploy network.

Our patent protected hybrid fiber-copper solutions deliver excellent communication over fiber to locations that may be easy to reach with new fiber. However, for locations that are difficult to reach with fiber, we can upgrade existing copper lines, to deliver cyber-hardened, high-speed connectivity without needing to replace the existing copper infrastructure with new fiber. We believe that such hybrid fiber-copper networking solution has distinct advantages in most real-life installations, providing significant budget savings and accelerating deployment of modern IoT networks. We believe that our solutions can provide connectivity over fiber or copper up to multi-Gigabit communication, while supporting Gigabit-Grade reliability and quality.

When high-speed, long reach, high reliability and secure connectivity is required, network operators usually resort to using wireline communication over physical communication lines rather than wireless communication that is more limited in performance, reliability and security. However, wireline communication infrastructure is costly, and often accounts for more than 50% of total cost of ownership (ToC) and time to deploy wide-area IoT projects.

Typically, providing new fiber connectivity to hard-to-reach locations is costly and time-consuming, often requiring permits for boring, trenching, and right-of-way. Connecting such hard-to-reach locations, may cause significant delays and budget overruns in IoT projects. Our solutions aim to solve these challenges.

By alleviating difficult challenges in connectivity, we believe that Actelis' solutions are making a significant difference: effectively accelerating deployment of IoT projects, and making IoT projects more affordable and predictable to plan and budget.

Our solutions also offer end-to-end network security to protect critical IoT data, utilizing a powerful combination of coding and encryption technologies, applied as required on both new and existing infrastructure within the hybrid-fiber-copper network. Our solutions have been tested for performance and security by the U.S. DoD laboratories, and approved for deployment with U.S. Federal Government and U.S. defense forces.

Since our inception, our business was focused on serving telecommunication service providers, also known as Telcos, providing connectivity for enterprises and residential customers. Our products and solutions have been deployed with more than 100 telecommunication service providers worldwide, in enterprise, residential and mobile base station connectivity applications. In recent years, as we have further developed our technology and rolled out additional products, we turned our focus on serving the wide-area IoT markets. Our operations are focused on our fast-growing IoT business, while maintaining our commitment to our existing Telco customers.

We currently derive a significant portion of our revenue from our existing Telco customers. For the years ended December 31, 2021 and December 31, 2020, our Telco customers in the aggregate accounted for approximately 48% and 55% of our revenues, respectively.

We currently derive a significant portion of our revenue from a limited number of our customers. For the years ended December 31, 2021 and December 31, 2020, our top ten customers in the aggregate accounted for approximately 78% and 70% of our revenues.

Our auditors' opinion in each of our audited financial statements for the years ended December31, 2021, and December 31, 2020, contains an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern. As of December 31, 2021, and 2020, we had an accumulated deficit of $22.4 and $17.2 million, respectively. In recent years, we have suffered recurring losses from operations, have negative working capital and cash outflows from operating activities, and therefore we are dependent upon external sources for financing our operations.

We currently have one outstanding loan with Migdalor Business Investments Fund, or Migdalor, in the original principal amount of approximately $6 million which is secured by all our assets, which remains outstanding as of December 31, 2021. If we cannot generate sufficient cash flow from operations to service our debt, we may need to further refinance our debt, dispose of assets or issue equity to obtain necessary funds. We expect to continue repaying the principal and interest of the Migdalor Loan from our operating cash flow.

Recent Developments

Impact of COVID-19 Pandemic

Following the outbreak of COVID-19 in China and after its spread into a large number of other countries, economic activity has suffered in many regions of the world, including in all of our markets (Americas, Europe and Asia as well as specifically Israel). Among other things, the epidemic disrupted supply chains, suppressed the volume of global transportation activity, prompted the Israeli and other governments worldwide to put in place restrictions on movement and employment, and resulted in a drop in the values of financial assets and commodities on global markets. Factors such as the extent of continued spread or containment of the virus may impact our results. We suffered delays in realization of certain new orders from our customers, delay in testing of some of our new technologies in customer premises and difficulty conducting business development activities in an effective way (face-to-face). In addition, we had to increase our credit lines by $2.0 million to support the loss of revenue and profit.

Below are some of the specific ways we have responded to the current pandemic.

- Adhered to all governmental social distancing requirements while prioritizing health and safety for our employees. We allow team members to work remotely, allowing us to continue providing uninterrupted sales and service to our customers throughout the year.
- Emphasized and established cost savings initiatives, cost control processes, and cash conservation to preserve liquidity.
- Retained key employees by continuing to provide them with competitive compensation and the tools required to be successful in their jobs.
- Successfully applied for and received various financial aid and government assistance.
- Helped our customers respond to the changes in the market, improve their return on investment, or ROI, and expand their service coverage, by providing them quick-to-deploy, cost effective networking solutions to accommodate trends such as transition to remote learning and work, emphasis on outdoor projects and activities, and government funded infrastructure initiatives.
- Worked closely with our contract manufacturing partners to help them navigate challenges in supply chain and deliveries.
- Helped customers manage their plans subject to the change in supply availability.

As a result of the pandemic, the U.S. and Israeli governments offered different programs of financial aid. We participated in the following programs:

- During 2020 and 2021, we received $430,000 in Paycheck Protection Program loan, which was fully forgiven.
- During 2020, we received $350,000 through an Israeli government COVID-19 assistance program for businesses, which was fully repaid.
- During 2020, we received a loan of $150,000 from an American Bank under the COVID EIDL Program.

Principal Factors Affecting Our Financial Performance

Our operating results are primarily affected by the following factors:

- the effectiveness sales and marketing efforts.
- our dependence on the supply and cost of electronic and mechanical components.
- our ability to offer competitive product pricing;
- our ability to broaden product offerings;
- industry demand and competition;
- our ability to leverage technology and use and develop efficient manufacturing processes;
- our ability to attract and retain talented employees and sales personnel and distributors; and
- market conditions and our market position.

JOBS Act and the Implications of Being an Emerging Growth Company and a Smaller Reporting Company

We qualify as an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012, as amended, or the JOBS Act. As an "emerging growth company," we may take advantage of specified reduced disclosure and other requirements that are otherwise applicable generally to public companies. These provisions include, but are not limited to:

- requiring only two years of audited financial statements in addition to any required unaudited interim financial statements with correspondingly reduced "Management's discussion and analysis of financial condition and results of operations" in our Securities Act of 1933, as amended, or the Securities Act, filings;
- reduced disclosure about our executive compensation arrangements;
- no non-binding advisory votes on executive compensation or golden parachute arrangements; and
- exemption from compliance with the auditor attestation requirement in the assessment of our internal control over financial reporting pursuant to Section 404(b) of the Sarbanes Oxley Act of 2002, or SOX.

We may take advantage of these exemptions for up to five years or such earlier time that we are no longer an "emerging growth company." We will continue to remain an "emerging growth company" until the earliest of the following: (i) the last day of the fiscal year following the fifth anniversary of the date of the completion of this offering; (ii) the last day of the fiscal year in which our total annual gross revenues is equal to or more than $1.07 billion; (iii) the date on which we have issued more than $1 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the Securities and Exchange Commission, or the SEC.

We are also a "smaller reporting company" as defined in the Securities Exchange Act of 1934, as amended, or the Exchange Act, and have elected to take advantage of certain of the scaled disclosures available to smaller reporting companies. To the extent that we continue to qualify as a "smaller reporting company" as such term is defined in Rule 12b-2 under the Exchange Act, after we cease to qualify as an emerging growth company, certain of the exemptions available to us as an "emerging growth company" may continue to be available to us as a "smaller reporting company," including exemption from compliance with the auditor attestation requirements pursuant to SOX and reduced disclosure about our executive compensation arrangements. We will continue to be a "smaller reporting company" until we have $250 million or more in public float (based on our common stock) measured as of the last business day of our most recently completed second fiscal quarter or, in the event we have no public float (based on our common stock) or a public float (based on our common stock) that is less than $700 million, annual revenues of $100 million or more during the most recently completed fiscal year.

We may choose to take advantage of some, but not all, of these exemptions. We have taken advantage of reduced reporting requirements in this prospectus. Accordingly, the information contained herein may be different from the information you receive from other public companies in which you hold stock. In addition, the JOBS Act provides that an emerging growth company may take advantage of an extended transition period for complying with new or revised accounting standards, delaying the adoption of these accounting standards until they would apply to private companies. We have elected to avail ourselves of the extended transition period for complying

with new or revised financial accounting standards. As a result of this accounting standards election, we will not be subject to the same implementation timing for new or revised accounting standards as other public companies that are not emerging growth companies which may make comparison of our financials to those of other public companies more difficult.

Results of Operations

For the year ended December 31, 2021, compared to the year ended December 31, 2020:

Revenues, Cost of Sales, Gross Profit

Our consolidated revenues for the years ended December 31, 2021 and 2020 were $8.5 and $8.5 million, respectively. Gross profit of amounted to $4.0 and $5.0 million for the years ended December 31, 2021 and 2020, respectively. The decrease in the gross margin is attributed mostly to increase in electronic components prices, due to shortage in electronic components, which is related to the COVID-19 pandemic.

Operating Costs and Expenses

The major components of our operating expenses for the years ended December 31, 2021 and 2020 are outlined in the table below:

(U.S. dollars in thousands)	For the year ended December 31, 2021	For the year ended December 31, 2020	Increase (Decrease)
Research and development	2,443	2,147	12.9%
Sales and marketing expenses	2,204	1,848	19.2%
General and administrative	1,183	1,118	5.5%
Total Operating Expense	5,830	5,113	12%
Financial expenses	(3,391)	(1,374)	100%
Taxes on income	—	—	—
Net loss	(5,251)	**(1,505)**	202%
Non-GAAP Adjusted EBITDA[1]	(1,097)	**50**	—

(1) We report our financial results in accordance with the accounting principles generally accepted in the United States of America, or GAAP, however, management believes the evaluation of our ongoing operating results may be enhanced by a presentation of non-GAAP Adjusted EBITDA, which is a Non-GAAP financial measure. We consider Non-GAAP Adjusted EBITDA to be an important measure because it helps illustrate underlying trends in our business and our historical operating performance on a more consistent basis.

Research and development costs were $2.4 million and $2.2 million for the years ended December 31, 2021, and 2020, respectively. The increase was mainly due to an increase of $0.1 million in payroll and related expenses.

Sales and marketing expense for the year ended December 31, 2021, were $2.2million, compared to $1.8 million for the year ended December 31, 2020. Sales and marketing expenses incurred mainly consisted of sales and support team members' compensation and investment in sales and marketing programs. The increase in sales and marketing expenses is attributed to increase in payroll in the amount of $208,000, increase in commission expenses in the amount of $31,000 and other professional services in the amount of $95,000.

General and administrative expenses of $1.2 million incurred during the year ended December 31, 2021, primarily consisted of salaries and related taxes of $0.6 million, rent expense of $0.1 million and professional services expense of $0.24 million. General and administrative expenses of $1.1 million incurred during the year ended December 31, 2020, primarily consisted of salaries and related taxes of $0.6 million, rent expense of $0.1 million and professional services expense of $0.2 million.

Financial expense for the year ended December 31, 2021, was $3.4million, compared to $1.4 million for the year ended December 31, 2020. The increase was due to fair value changes of the warrants to lenders in the amount of million $1.1 million. In addition, the interest expenses due to the long-term loan increased by $1.4 million.

We have no taxes on income expense for the years ended December 31, 2021 and 2020, due to loss for tax purposes.

Net Losses

During the years ended December 31, 2021, and 2020 we incurred net losses of $5.2 million and $1.5 million, respectively, due to the factors discussed above. The Company is generating net losses due to its operating expenses on research and development and sales and marketing expense as well as general and administrative expenses. The increase in net losses from 2021 to 2020 mostly resulted from an increase in cost of revenues in the amount of $1 million, due to increased prices of electronic components, increase in operating expenses of $0.7 million and an increase of $2.0 million in financial expenses.

Net loss reconciliation

The following table presents the reconciliation (i) from net loss per share attributable to common stockholders to pro forma net loss per share attributable to common stockholders, and (ii) from weighted average ordinary shares outstanding to pro forma weighted average ordinary shares outstanding.

For the years 2021 and 2020, (in thousands, except for shares and per share data)

Numerator	**For the year ended December 31, 2021**	**For the year ended December 31, 2020**
Net loss attributable to common stockholders	$ (0.06)	$ (0.02)
Pro forma adjustment for conversion of preferred shares – accretion of convertible redeemable preferred shares	$	$
Pro forma adjustment for conversion of preferred shares – deemed contribution to common stockholders due to modifications	$	$
Pro forma adjustment for conversion of preferred shares – deemed dividend to preferred shareholders due to re-designation	$	$
Pro forma adjustment for combined effects of 1) change in fair value of derivative liabilities and 2) automatic conversion of these shares	$	$
Numerator for pro forma basic and diluted loss per share	$	$
Denominator		
Weighted average number of shares of common stock used in computing net loss per share	94,244,226	94,176,205
Pro forma effect of conversion of preferred shares	$	
Denominator for pro forma basic and diluted loss per share	$	
Pro forma net loss per share, basic and diluted		

Liquidity and Capital Resources

Since our inception, we have financed our operations primarily through the sale of equity securities, debt financing, convertible loans and royalty-bearing grants that we received from the IIA. Our primary requirements for liquidity and capital are to finance working capital, capital expenditures and general corporate purposes. Our principal sources of liquidity following this offering are expected to be the net proceeds from this offering and cash generated from our operations.

Our future capital requirements will be affected by many factors, including our revenues growth, the timing and extent of investments to support such growth, the expansion of sales and marketing activities, increases in general and administrative costs, repayment of principal of our existing credit line, working capital to support securing raw material supply and many other factors as described under “Risk Factors.”

To the extent additional funds are necessary to meet our long-term liquidity needs as we continue to execute our business strategy, we anticipate that they will be obtained through the incurrence of additional indebtedness, additional equity financings or a combination of these potential sources of funds; however, such financing may not be available on favorable terms, or at all. In particular, the widespread COVID-19 pandemic has resulted in, and may continue to result in, significant disruption of global financial markets, reducing our ability to access capital. If we are unable to raise additional funds when desired, our business, financial condition and results of operations could be adversely affected.

We intend to meet our cash needs, including our debt obligations, over the next 12months, from our operating cash flow.

Going Concern

In recent years, we have suffered recurring losses from operations, have negative working capital and cash outflows from operating activities, and therefore we are dependent upon external sources for financing our operations. Our auditors' opinion in each of our audited financial statements for the years ended December 31, 2021, and December 31, 2020, contains an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern.

Our transition to profitable operations is dependent on generating a level of revenue adequate to support our cost structure. We must (i) continue to generate excess cash to repay debt principal; (ii) exchange some or all debt for an equity-related instrument and/or (iii) refinance the existing debt. Our management has evaluated the significance of these conditions as well as the time in which it has to complete these tasks and has determined that we can meet our operating obligations for the foreseeable future. We plan to finance our operations using cash on hand and through operational cash flows. There can be no assurance that we will succeed in generating sufficient revenues from our product sales to continue our operations as a going concern.

Our management expects to have the required funds in order to continue to operate as a going concern in the coming year from this offering. Nonetheless, there can be no assurance that necessary financing will be available on satisfactory terms, if at all. If we are unable to secure needed financing, management may be forced to take additional restructuring actions, which may include significantly reducing our anticipated level of expenditures. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

Convertible Notes, Loans, and Warrant

Convertible Loan

On March 28, 2017, we entered into the CLA, in a total amount of up to $2.0million, out of which $1.5 million was received as of December 31, 2021. The loan bears an interest of 10% per annum. Following an amendment in March 2022, which has been approved by the required majority of the CLA holders, the maturity date of the CLA will be the earlier of (i) January 1, 2023, (ii) event of default (as defined in the CLA) or (iii) a deemed liquidation event (as defined in our Charter), in which the lenders are entitled to receive an amount equal to 300% of the principal amount of the loan. The lenders are entitled to convert the principal amount of the loan as follows:

- Upon consummation of an IPO, including the closing of this offering, the principal amount of the loan will be mandatorily converted into shares of common stock, at a conversion price per share reflecting a variable discount which increases by 1% every two months, capped at no more than 65%, of the lowest price per share paid by any investor in the offering or the Private Placement. Based on the note issued upon the Private Placement, the maximum discount to the CLA holders as a percentage of the initial public offering price is 79%.
- Upon consummation of a reverse merger with a public shell company, or upon merger between us and any other entity in which our current stockholders hold less than 50% of the surviving entity, the lenders have the right to convert the loan amount to shares of the surviving entity representing 25% of the aggregate number of shares, options and warrants allocated in such transaction to our shareholders, directors and employees, or receive a payment of 300% of the principal amount of the loan.

Pursuant to the CLA, we will issue shares of common stock upon conversion of $ million of the aggregate principal amount of the CLA at a conversion price per share reflecting a variable discount which increases by 1% every two months, which is capped at no more than 65% of the lowest price per share paid by any investor in the offering, by the holders thereto. As of April 30, 2022, the conversion discount based upon the lowest price per share paid by any investor was 61%.

Loans

As a result of the COVID pandemic, the US and Israeli governments offered different programs of financial aid. The Company participated in the following programs:

- On May 5, 2020, we entered into a loan agreement with an Israeli bank, or the COVID19 Israeli Loan, in the total of $0.3 million. On December 31, 2020, we fully repaid the COVID19 Israeli Loan.

- On April 30, 2020, we entered into a loan agreement with the American Bank under the Small Business Administration Payroll Protection Program, or the PPP Loan, in the total of $0.2 million. The PPP Loan may be eligible for forgiveness, and if not eligible bears an interest of 1% per annum. The principal and interest, if not forgiven, is payable within two years. We filed a request for a forgiveness of the loan and received full forgiveness as of December 31, 2020.
- On July 1, 2020, we received a loan of $150,000 from an American Bank under the COVID EIDL Program. The loan bears interest of 3.75% per annum, the principal shall be repaid in 360 equal monthly payments starting October 31, 2022, unless forgiven per program regulations.

Migdalor Loan and Option

On December 2, 2020, we entered into a loan agreement with Migdalor, or the Migdalor Loan, for a loan of up to approximately $6.0 million. The loan bears interest at a rate of 9.6% per annum. We began paying interest under the Migdalor Loan as required by its terms commencing on February 1, 2021. The Migdalor Loan also provides that beginning on February 1, 2022, we must repay principal and accrued, but unpaid interest under the Migdalor Loan in 72 equal payments, plus an interest bonus of approximately $587,000 after the 36th month. As part of the Migdalor Loan, as amended in November 2021, we granted Migdalor an option to purchase common stock in the amount of $1.8 million at a price per share based on a company valuation of the lower of (i) $36 million and (ii) 75% of the Company's valuation in an initial public offering. As of December 31, 2020, the balance outstanding under the Migdalor Loan was $3.0 million. In January 2021 and November 2021, we received additional funding from Migdalor of $2.0 million and $1.0 million, respectively, bearing similar terms, as described above.

As of December 31, 2021, the balance outstanding under Migdalor Loan was $6.0 million. As noted above, we begun to repay interest in February 2021 and principal in February 2022. We expect to continue repaying the principal and interest of the Migdalor Loan from our operating cash flow.

Upon consummation of the offering, the option may, at the discretion of the lender, convert into shares of common stock at a formula to be calculated based on the initial offering price on a cashless basis. The lender has the right to forego the option and receive $1.8 million in cash over time, subject to the terms detailed in the Migdalor Loan.

We anticipate that the initial public offering price of our shares will be between $ and $ per share, with a midpoint of $ per share. Based on that midpoint price per share, if exercised, the Migdalor option will result in an issuance of, on a cashless basis, shares of common stock.

Convertible Notes

From December 2021 through April 2022, we offered up to $3.0 million of our 6% convertible notes due three years from the date of execution, or the Notes, in the Private Placement. The Notes were subject to optional and mandatory conversion into shares of our common stock. To date, we sold $2,160,200 of Notes. The Notes will automatically convert at the time of this offering at a 40% discount of the offering price, which shall not be less than $2.40 per share.

Private Placement Warrants

The Underwriter acted as placement agent in the Private Placement and received commissions of $151,214, plus expenses. The Company also issued warrants to the Underwriter on January 28, 2022, or the January Warrant, and April 13, 2022, or the April Warrant. Under the January Warrant, the Company issued warrants to purchase a number of shares of common stock equal to 7% of the number of shares of common stock into which the Notes dated January 28, 2022, or the January Notes, convert into. The exercise price of each warrant is 125% of the conversion price of the January Notes. The warrants are immediately exercisable and expire five years from the issuance date. The April Warrant is substantially on the same terms as the January Warrant, except under the April Warrant, the Company issued warrants to purchase a number of shares of common stock equal to 7% of the number of shares of common stock into which the Notes dated April 13, 2022, or the April Notes, convert into. The warrants are immediately exercisable and expire five years from the issuance date. Under the April Warrant, the exercise price of each warrant is 125% of the conversion price of the April Notes.

Working Capital

(U.S. dollars in thousands)	Year Ended December 31, 2021	Year Ended December 31, 2020
Current Assets	$ 4,135	$ 3,224
Current Liabilities	5,951	4,624
Working Capital	$ (1,816)	$ (1,400)

Cash Flows

The table below, for the periods indicated, provides selected cash flow information:

(U.S. dollars in thousands)	Year Ended December 31, 2021	Year Ended December 31, 2020
Net cash used in operating activities	$ (2,726)	$ (343)
Net cash used in investing activities	(54)	(21)
Net cash provided by financing activities	2,904	356
Net change in cash	$ 124	$ (8)

Cash Flows from Operating Activities

Our net cash flows from operating activities of $2.7 million for the year ended December 31, 2021, was primarily the result of our net loss of $5.2 million and changes in our operating assets and liabilities offset by the add-back of non-cash expenses. The change in operating assets and liabilities includes an increase in accounts receivable of $0.7 million, increase in inventories write-downs of $0.1 million, increase in prepaid expenses of $0.2 million, decrease in deposits of $27,000, increase in accounts payable and accrued liabilities of $28,000, decrease in other current liabilities of $0.4 million and increase in long-term liabilities of $2.1 million.

Our net cash flows from operating activities of $0.3 million for the year ended December 31, 2020, was primarily the result of our net loss of $1.5 million and changes in our operating assets and liabilities offset by the add-back of non-cash expenses. The change in operating assets and liabilities includes a decrease in accounts receivable of $3,000, an increase in inventory of $0.2 million, increase in inventories write-downs of $0.3 million, decrease in prepaid expenses of $48,000, an increase in deposits of $10,000, increase in accounts payable and accrued liabilities of $0.9 million, increase in other current liabilities of $0.2 million and increase in long-term liabilities of $0.2 million.

We expect that cash flows from operating activities may fluctuate in future periods as a result of a number of factors, including fluctuations in our net revenues and operating results, utilization of new revenue streams, collection of accounts receivable, and timing of billings and payments.

Cash Flows from Investing Activities

For the year ended December 31, 2021, we had negative cash flow from investing activities of $54,000, related to the Company's investment in property and equipment.

For the year ended December 31, 2020, we had negative cash flow from investing activities of $21,000 related to the Company's investment in property and equipment.

Cash Flows from Financing Activities

For the year ended December 31, 2021, we had a net cash flow from financing activities of $2.9 million, resulting from proceeds of long-term loan. For further details please see Note 6 to the attached financial statements.

For the year ended December 31, 2020, we had a net cash flow from financing activities of $0.4 million, resulting mainly from proceeds from a convertible loan from our stockholders in the amount of $0.3 million.

Off-Balance Sheet Arrangements

As of December 31, 2021 and 2020, we did not have any off-balance-sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K.

Non-GAAP Adjusted EBITDA

(U.S. dollars in thousands)	Year Ended December 31, 2021	Year Ended December 31, 2020
Revenues	$ 8,545	$ 8,532
GAAP net loss	(5,251)	(1,505)
Interest Expense	$ 3,391	$ 1,374
Tax Expense	87	92
Fixed asset depreciation expense	37	46
Stock based compensation	53	43
Research and development, capitalization	586	—
Other one time costs and expenses	—	—
Non-GAAP Adjusted EBITDA	(1,097)	$ 50
GAAP net loss margin	(54.1)%	(17.64)%
Adjusted EBITDA margin	(12.84)%	0.59%

Use of Non-GAAP Financial Information

Non-GAAP Adjusted EBITDA, and backlog of open orders are Non-GAAP financial measures. In addition to reporting financial results in accordance with GAAP, we provide Non-GAAP operating results adjusted for certain items, including: financial expenses, which are interest, financial instrument fair value adjustments, exchange rate differences of assets and liabilities, stock based compensation expenses, depreciation and amortization expense, tax expense, and impact of development expenses ahead of product launch. We adjust for the items listed above and show Non-GAAP financial measures in all periods presented, unless the impact is clearly immaterial to our financial statements. When we calculate the tax effect of the adjustments, we include all current and deferred income tax expense commensurate with the adjusted measure of pre-tax profitability.

We utilize the adjusted results to review our ongoing operations without the effect of these adjustments but not for comparison to budgeted operating results. We reference measures of performance that cannot yet be reflected in our financial results such as backlog of open orders. We believe the adjusted results are useful to investors because they help them compare our results to previous periods and provide important insights into underlying trends in the business and how management oversees and optimizes our business operations on a day-to-day basis. We exclude the costs in calculating adjusted results to allow us and investors to evaluate the performance of the business based upon its expected ongoing operating structure. We believe the adjusted measures, accompanied by the disclosure of the costs of these programs, provides valuable insight. Adjusted results should be considered only in conjunction with results reported according to GAAP.

(U.S. dollars in thousands)	Year Ended December 31, 2021	Year Ended December 31, 2020
Revenues	$ 8,545	$ 8,532
Non-GAAP Adjusted EBITDA	(1,097)	50
as a percentage of revenues	(12.84)%	0.59%

Backlog of Open Orders

Our business is characterized generally by short-term order and shipment schedules (except for the impact of the current shortage of electronic components). Our backlog consists of product orders for which we have received a customer purchase order or purchase commitment, and which have not yet been shipped. Orders are generally not subject to cancellation or rescheduling by the customer. We believe the review of backlog of open orders together with revenues is useful to investors because it provides important insights into underlying trends in the business and how management oversees and optimizes our business operations on a day-to-day basis. As of December 31, 2021, our firm backlog of orders was $4.6 million and as of December 31, 2020, our firm backlog of orders was $1.7 million. In almost all cases, the backlog has been caused by the current global delays in supply in electronic components. The majority of the backlog as of December 31, 2021 will be shipped during 2022.

(U.S. dollars in thousands)	Year Ended December 31, 2021	Year Ended December 31, 2020
Revenues	$ 8,545	$ 8,532
Backlog of Open Orders[1]	$ 4,602	$ 1,735

(1) Presented as of December 31 for each year.

Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Securities Exchange Act of 1934. Our management conducted an evaluation of the effectiveness of our internal control over financial reporting. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with U.S. GAAP.

A material weakness is a deficiency or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. An effective internal control system, no matter how well designed, has inherent limitations, including the possibility of human error or overriding of controls, and therefore can provide only reasonable assurance with respect to reliable financial reporting. Because of its inherent limitations, our internal control over financial reporting may not prevent or detect all misstatements, including the possibility of human error, the circumvention or overriding of controls or fraud. Effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements.

In connection with the preparation of our financial statements as of and for the years ended December 31, 2021 and 2020, we identified a material weakness in our internal control over financial reporting in the lack of sufficient finance personnel in the segregation of duties. As such, there is a reasonable possibility that a misstatement of our financial statements will not be prevented or detected on a timely basis.

As we have thus far not needed to comply with Section 404 of the Sarbanes-Oxley Act, neither we nor our independent registered public accounting firm has performed an evaluation of our internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. In light of this deficiency, we believe that it is possible that certain control deficiencies and material weaknesses may have been identified if such an evaluation had been performed.

We are working to remediate the deficiencies and the material weakness. Our remediation efforts are ongoing, and we will continue our initiatives to implement and document policies, procedures, and internal controls. We have taken steps to enhance our internal control environment and plan to take additional steps to remediate the deficiencies and address material weaknesses. Specifically:

- We will hire qualified personnel in our accounting department. We will continue to evaluate the structure of the finance organization and add resources as needed;
- We are implementing additional internal reporting procedures, including those designed to add depth to our review processes and improve our segregation of duties; and
- We are redesigning and implementing common internal control activities; and we will continue to establish policies and procedures and enhance corporate oversight over process-level controls and structures to ensure that there is appropriate assignment of authority, responsibility and accountability to enable remediating our material weaknesses.

In addition to the items noted above, as we continue to evaluate, remediate and improve our internal control over financial reporting, executive management may elect to implement additional measures to address control deficiencies or may determine that the remediation efforts described above require modification. Executive

management, in consultation with and at the direction of our Audit Committee, will continue to assess the control environment and the above-mentioned efforts to remediate the underlying causes of the identified material weaknesses.

Although we plan to complete this remediation process as quickly as possible, we are unable, at this time to estimate how long it will take; and our efforts may not be successful in remediating the deficiencies or material weaknesses.

Critical Accounting Policies and Estimates

Management's discussion and analysis of our financial condition and results of operations is based on the audited consolidated financial statements of which are included elsewhere in this prospectus. The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actelis bases its estimates on historical and anticipated results, trends and various other assumptions that it believes are reasonable under the circumstances, including assumptions as to future events. Actual results could differ from those estimates.

Management considers accounting estimates to be critical if both (i) the nature of the estimate or assumption is material due to the levels of subjectivity and judgment involved, and (ii) the impact within a reasonable range of outcomes of the estimate and assumption is material to the Actelis financial condition.

Management believes the following addresses the most critical accounting policies and estimates, which are those that are most important to the portrayal of our financial condition and results of operations and require management's most difficult, subjective and complex judgments:

Critical judgement and estimates

Critical judgement and estimates have been used primarily in estimating the fair value of our financial instruments (for example, warrants, notes and stock options), as well as the estimate of future usage of existing inventory to determine the net value of our inventory (see notes in financial statements).

Estimating the fair value of financial instruments such as warrants, notes and stock options are influenced by assessments of our future financial performance. Such assessments are forward-looking in nature and therefore, subject to significant uncertainty. Estimating the value of net inventory is also influenced by assessments of future usage of such inventory which is also forward looking in nature and therefore subject to significant uncertainty.

Accounting standards updates not yet adopted

Please see Note 2(ee) to our consolidated financial statements included elsewhere in this prospectus for information regarding accounting standards updates not yet adopted.

Our Business

Company Overview

Actelis is a networking solutions company with a mission to enable fast, secure, cost-effective and easily implemented communication for IoT projects, deployed over wide areas such as cities, campuses, airports, military bases, roads and rail.

Our networking solutions use a combination of newly deployed fiber infrastructure and existing copper and coaxial lines to create a highly cost-effective, secure and quick-to-deploy network.

Our patent protected hybrid fiber-copper solutions deliver excellent communication over fiber to locations that may be easy to reach with new fiber. However, for locations that are difficult to reach with fiber, we can upgrade existing copper lines, to deliver cyber-hardened, high-speed connectivity without needing to replace the existing copper infrastructure with new fiber. We believe that such hybrid fiber-copper networking solution has distinct advantages in most real-life installations, providing significant budget savings and accelerating deployment of modern IoT networks. We believe that our solutions can provide connectivity over fiber or copper up to multi-Gigabit communication, while supporting Gigabit-Grade reliability and quality.

When-high speed, long reach, high reliability and secure connectivity is required, network operators usually resort to using wireline communication over physical communication lines rather than wireless communication that is more limited in performance, reliability and security. However, wireline communication infrastructure is costly, and often accounts for more than 50% of total cost of ownership (ToC) and time to deploy wide-area IoT projects.

Typically, providing new fiber connectivity to hard-to-reach locations is costly and time-consuming, often requiring permits for boring, trenching, and right-of-way. Connecting such hard-to-reach locations, may cause significant delays and budget overruns in IoT projects. Our solutions aim to solve these challenges.

By alleviating difficult challenges in connectivity, we believe that Actelis' solutions are making a significant difference: effectively accelerating deployment of IoT projects, and making IoT projects more affordable and predictable to plan and budget.

Our solutions also offer end-to-end network security to protect critical IoT data, utilizing a powerful combination of coding and encryption technologies, applied as required on both new and existing infrastructure within the hybrid-fiber-copper network. Our solutions have been tested for performance and security by the U.S. DoD laboratories, and approved for deployment with U.S. Federal Government and U.S. defense forces.

Since our inception, our business was focused on serving telecommunication service providers, also known as Telcos, providing connectivity for enterprises and residential customers. Our products and solutions have been deployed with more than 100 telecommunication service providers worldwide, in enterprise, residential and mobile base station connectivity applications. In recent years, as we have further developed our technology and rolled out additional products, we turned our focus on serving the wide-area IoT markets. Our operations are focused on our fast-growing IoT business, while maintaining our commitment to our existing Telco customers.

We currently derive a significant portion of our revenue from our existing Telco customers. For the years ended December 31, 2021 and December 31, 2020, our Telco customers in the aggregate accounted for approximately 48% and 55% of our revenues, respectively.

We currently derive a significant portion of our revenue from a limited number of our customers. For the years ended December 31, 2021 and December 31, 2020, our top ten customers in the aggregate accounted for approximately 78% and 70% of our revenues.

Our auditors' opinion in each of our audited financial statements for the years ended December 31, 2021, and December 31, 2020, contains an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern. As of December 31, 2021, and 2020, we had an accumulated deficit of $22.4 and $17.2 million, respectively. In recent years, we have suffered recurring losses from operations, have negative working capital and cash outflows from operating activities, and therefore we are dependent upon external sources for financing our operations.

We currently have one outstanding loan with Migdalor Business Investments Fund, or Migdalor, in the original principal amount of approximately $6 million which is secured by all our assets, which remains outstanding as of December 31, 2021. If we cannot generate sufficient cash flow from operations to service our debt, we may need to further refinance our debt, dispose of assets or issue equity to obtain necessary funds. We expect to continue repaying the principal and interest of the Migdalor Loan from our operating cash flow.

Our Technology

To address many of the most difficult wide-area IoT and Telecom connectivity challenges, we utilize the hidden potential in existing legacy copper/coax wires that already connect billions of locations and devices globally (often at low speed, suffering from interruptions and presenting poor information security) — delivering mostly voice, or low speed control signals). However, these lines are readily available at no additional deployment cost and can reach, as we believe, most locations. Using our patented signal-processing technology and system architecture, we can "upgrade" these lines, by deriving Gigabit Grade performance from them, and integrate them with new fiber installations, where available, and to create a complete hybrid-fiber-copper network, enabling fast, reliable, and safe Gigabit-Grade connectivity.

Our technology is both powerful and compact, and is built as a relatively small set of feature-rich network elements, that serve as building block in many IoT verticals. These elements include switches, concentrators, reach extenders, data encryption elements, power sources and a smart networking software that allows for remote management and monitoring down to the single element and line performance, configuration management making complex network topologies easy to deploy, analyze, debug and remote SW download to help with remote handling of large and small networks.

Our solutions can also provide remote power over the same existing copper lines to power up network elements and IoT components connected to them (like cameras and meters). Connecting power lines to millions of IoT locations can be costly and very time consuming (similar to data connectivity). By offering the ability to combine power delivery over the same copper lines used for high-speed data, we believe our solutions are solving yet another important challenge in connecting hard-to-reach locations. We believe that combining communication and power over the same existing lines is particularly important to help connect many fifth generation, or 5G, small cells and Wifi base stations, as high cost of connectivity and power is often slowing their deployment.

Rapid Deployment and Lower Cost of Critical Connectivity for IoT

We aim to become the global leading provider of cyber-secure, cost-effective and quick-to-deploy hybrid networking for all wide-area IoT applications. Our products work over all types of wireline media on the global data network, whether owned or operated by telecom service providers or a private network operated by enterprises or government organizations. Our products are structured as building blocks for many IoT applications, and are feature-rich. This allows for one Actelis box to often replace multiple other platforms available in the market, allowing for space-saving installation, energy conservation (which we believe results in a greener network), and making network planning easier for our customers. We aim at having our products installed and help accelerate deployment of wire-area IoT projects and applications everywhere.

For example, in one of the projects where our solutions are deployed, we found that 70% of locations are easy-to-reach with new fiber optic installation. Connectivity for these locations may, as we believe, average $26,000 per mile for new fiber laid on poles, and can take between days to weeks to connect. However, the remaining 30% of locations may be hard-to-reach with new fiber optics, may require boring or trenching to reach IoT sensors or camera locations, possibly connecting over obstacles, roads, long distances, and may also require obtaining the right of way for extensive civil works. This part of the deployment, as we believe, may cost up to $400,000 per mile, may sometimes go distances of many miles, and may take many months to complete. Connecting such locations can dramatically increase project budget and cause major delays. Our hybrid networking technology includes fiber-based network elements connecting the easy-to-reach locations over new fiber, as well as copper or hybrid fiber-copper network elements that are capable of upgrading the existing copper infrastructure, such that Gigabit-Grade connectivity may be provided over this existing copper infrastructure, immediately utilizing such readily available lines at no additional cost or time to deploy. Both parts of the network are then combined into a seamless fabric of a hybrid fiber-copper network, under one management software that provides smooth, largely automated operation and end-to-end security.

In another project, we provided hybrid networking connectivity with remote powering to 3G and 4G base stations. Looking forward, we believe that a dense grid of 5G small cells would be required to enable global 5G coverage, which, may be key to IoT deployment in many smart city projects and other dense areas. We believe that connecting these 5G small cells to the network cost effectively and rapidly, in both hard-to-reach and easy-to-reach locations, as well as powering them cost-effectively is key to successful and timely deployment for such network.

We expect to release in 2023 a high-speed, cyber-hardened, multi-Gigabit, hybrid fiber-copper solution with optional remote powering aimed to help with 5G small cell deployment, especially in smart city IoT applications, where 5G is most critical. We expect that such solution will add a large sub-vertical market to our growth.

Cyber Security

IoT networks are vulnerable to cyber-attacks. They often carry data related to critical processes and applications, such as provision of energy, water, gas and transportation services to large populations; we believe that this data requires enhanced security within the network.

Our products include cyber safety features that we are constantly developing and particularly include network traffic encryption and coding. We have developed and implemented a multi-layered "Triple Shield" technology that includes (i) information coding for resilience and security (over copper); (ii) multi-line information scrambling for increased resilience and added security (over copper); and (iii) an additional 256-bit hardware-based real-time encryption of data running over fiber or copper — creating end-to-end protection for the entire hybrid network. Our network management software is also cyber-hardened and helps protect the system. Our systems have been selected for deployment in sensitive applications with U.S. DoD and other governments and military organizations, airports, utility companies, oil and gas companies, smart cities, rail and traffic applications globally.

Market Verticals We Address

We execute our vision through a multi-channel, global approach that combines our expertise, with the expertise of our trusted business partners, system integrators, distributors, and consultants.

We run a vertical based marketing plan where we dedicate efforts and resources to each vertical. The IoT verticals that we have focused on include: (1) intelligent transportation systems (ITS); (2) rail; (3) federal and military; (4) airports; (5) energy and water; (6) smart city; (7) education campuses; (8) industrial campuses; and (9) airports. Our products are utilized within networks that have been deployed, for example by The City of Los Angeles, Highways England, Federal Aviation Administration, the US military, including Air Force and Navy, Stanford University, and many others. Our customers benefit from rapidly and cost-effectively enabling their critical IoT functions such as traffic cameras and smart signaling, security cameras, smart parking meters and ticketing, rail signaling and control, electrical substation management and protection, military operations, and many more.

To date. we have been most successful in selling to customers in the intelligent transportation systems, rail, federal and military, and airports markets, primarily in the US, Canada, Europe, and Japan. While we have not yet sold to industrial campuses, we have sold to energy and water, smart city and education campuses. We intend to grow our IoT sales by growing all verticals and our pipeline of sales opportunities includes customers in each of the eight verticals listed above.

State of IoT Connectivity Market

IoT infrastructure connectivity demand is growing rapidly. We believe there is an urgent need to connect tens of millions of locations, with a fast and secure connection. A huge challenge for IoT projects is that implementing connectivity between different IoT points in a network can consume the majority of a project's cost and time to implement, and that unpredictable challenges in deploying connectivity may compromise IoT projects' plans. According to a report by Grand View Research (May 2021), the smart city market alone is expected to grow to $696 billion by 2028 at a Compounded Average Growth Rate (CAGR) of 29.3%. We believe that the number of IoT applications requiring our fast, smart, and secure connectivity is immense and provides us with a great market opportunity to grow our business. From smart transportation systems (smart cameras, smart lights and signals, V2V — Vehicle to Vehicle communication) and smart security (cameras and radars), to smart parking, smart rail, power station monitoring, and industrial and warehouse automation, we believe that we are uniquely positioned to address all of these applications in a versatile and flexible manner.

We believe that 5G mobile technology will play a major role in the implementation and scaling of IoT networks. According to research published by ABI Research in January 2021, 5G technology is expected to grow at a CAGR of 41.2% between 2021 and 2027 with a major part of that growth coming from servicing IoT networks.

According to Key Market Insights, the global small cell 5G network market size was valued at $740.8million in 2020. The market is expected to grow from $859.4 million in 2021 to approximately $1.8 billion in 2028, reflecting a CAGR of 54.4% between 2021-2028.

5G base stations and small cells need to be deployed in a dense grid of millions of locations and need to be connected to gigabit speed communication and power. Actelis is addressing these needs for the rapid connectivity and power, aiming at enabling faster and more cost-effective deployment of 5G in IoT.

Our Solutions

Actelis has invested nearly $100 million over the years to develop its patented, multi-layered "Triple Shield" technology, which can serve all connectivity markets. Our technology includes the optimization of multi-line signal coordination; the elimination of interference to boost connectivity performance; the optimization of coding for resilience and security; multi-line data scrambling for low latency, increased resilience, and added security; and implementation of 256-bit encryption of transmission for data running over fiber or copper for network-wide protection of data. Our technology is packaged into a small set of compact, feature-rich network elements, that are used as basic building blocks addressing the needs of most IoT verticals and applications, in a space-and energy-saving fashion. The ability to drive remote powering and synchronization signals to network ends over the same (copper) transmission lines provides additional significant cost-and-time benefits to network operators.

We aim to continue developing our technology to include more system-wide security and further hybridity across all types of infrastructure and further include cutting-edge computing capabilities to serve all connectivity needs for our IoT customers, in an effective and easily deployable way, while maintaining our commitment to serve our existing Telco customers.

We believe that our strong reputation as a provider of high-quality solutions, and the trust we gain from a being recognized as a solid solution provider by prominent customers (such as the U.S. DoD) help us execute our strategy.

Growth Strategy

The key elements of our growth strategy include:

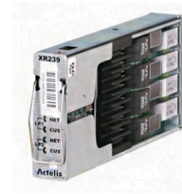
- Utilizing our existing customers and partners globally, as well as our brand name and product differentiation to expand deployment into virtually all IoT verticals globally.
- Growing our network of partners in three continents, aiming to become the vendor of choice for cyber-protected building blocks, enabling IoT connectivity globally.
- Introducing broader cyber-protection capabilities at IoT network level, offering protection software and services for IoT devices and users.
- Introducing hybrid fiber-copper-power solutions for effective connectivity and power to enable 5G growth in IoT.
- Adding wireless MMwave technology to fiber-copper connectivity, to be able to offer all three options of IoT connectivity.
- Introducing edge computing capabilities into the IoT networking building blocks, enabling smart applications and recurring SW business models for our customers.

Products

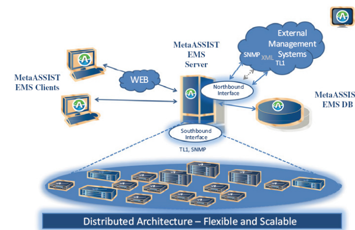
- EADs (Ethernet Access Devices) are a series of products which are cost efficient, compact and hardened Ethernet switches for hybrid-fiber-copper networks, located near the IoT devices connected to the network. This is our MetaLight ML500/600/700/800 series. For example, our EAD can be used to connect street traffic lights and nearby controllers, cameras and IoT devices to the traffic control center. Our product could be installed in an electronic cabinet on the street corner near the traffic light.

- Network Aggregators can connect hundreds of locations or elements. This product family is designed for large, medium, and small aggregation/operating and control centers. For example, control centers of highways could use such aggregators to communicate with hundreds of EADs installed in cabinets along highways in order to securely connect IoT devices (e.g. security cameras) to the highway network. This is our ML2300 aggregator series.

- Our XR239 series features a repeater to extend connectivity range to long distances, in some cases up to 100Km. These products are installed on long copper lines and can be remotely powered from the data lines themselves, while a special algorithm (Dynamic Spectral Software) is ensuring minimal interference with other signals running on adjacent conduits in the same cable. The repeater is installed outdoors and is resistant to cold, hot, rain, ice or snow. Our repeaters have been installed along rail systems in Alaska and Canada and have been safely performing for more than four years.



- Advanced EMS software (Element Management Systems), enable remote management, monitoring, maintenance, and configuration of the installed equipment in the network. It is designed to monitor, control and configure our network elements in the field, locally or remotely, for networks of various scales up to thousands of elements. The UK Highways project, as an example, is using such EMS systems to control thousands of EADs connecting IoT devices along thousands of Highway miles. It includes detailed monitoring, logging and tracking of functions both locally and remotely, to allow for easy debugging and configuration of networks, security management, graphical display of network topologies, management of licenses, remote software download, connectivity to other network and management systems. EMS may also manage other software keys and elements (for example, for encryption or other cyber-safety functions), for which customers may pay separately for the licenses. The EMS software is proprietary.



We also sell support and maintenance services together with the product purchase. This includes consulting, telephone troubleshooting and remote support, training, product repairs and software updates.

Product Specifications

Our products use advanced signal processing implemented at the system level, with an approach that treats multiple copper lines as one multi-line channel, which we believe to achieve the following benefits:

- Increase the effective bandwidth of the communication link by 50% to 500% compared to traditional, single line bandwidth;
- Extend connectivity distances from a few kilometers up to 100Km (for longer range topologies and slower speeds), and improves coverage area for connectivity by 2X to 4X times for the higher speed services; and
- Improve communication reliability even if copper lines are of poor quality, so that network operators can, in most cases, guarantee their customers what we believe are Service Level Availabilities (SLAs) similar to that of fiber optic infrastructure.

In addition to these main benefits, we have focused our efforts and implemented technologies in our products in order to achieve the following:

- Automatic multi-channel calibration based real-time line quality analysis during installation (which greatly shortens the installation process and saves personnel time);
- Transmission in the copper lines to take into account signals in neighboring lines to minimize crosstalk interference and be "Spectrally Friendly";
- Multi-line spatial coding scrambling of data in a way that enhances connection immunity to interference, and makes tapping into the data very difficult;
- Integration of remote powering and data on the same copper pairs;
- Minimizing transmission delay to support delay-sensitive applications; and
- Ability to safely, and accurately transmit clock signals for cellular base station synchronization (not available yet for 5G).

Since our inception, our business was focused on serving telecommunication service providers, also known as Telcos, for enterprises and residential customers. Our products and solutions have been deployed with more than 100 telecommunication service providers worldwide, in enterprise, residential and mobile base station connectivity applications. In recent years, as we have further developed our technology and rolled out additional products, we turned our focus on serving the IoT markets. Our operations are focused on our fast-growing IoT business, while maintaining our commitment to our existing Telco customers.

Competitive Advantage Analysis

We have invested heavily and over more than 10 years in the development of copper technologies and hybrid fiber-copper communication systems, with the goal to create a solution that enables high-speed communication over real-life networks of mixed media, securely, reliably, and with gigabit-grade resilience.

Copper lines are readily available in billions of locations. They are often buried in the ground or hanging from telephone poles, and are usually run in groups, or Bundles, of tens or hundreds of wires.

Copper was never designed for high-speed communication; attempts to deliver high-speed would encounter many problems, such as signal attenuation, interference from other lines in the Bundle and from any external electrical sources, variable quality and signal interruptions, variable latency and more. Such wires are also relatively easy to tap into physically, and the information is also radiated outside of the cable and may be exposed to security threats.

We developed technologies utilizing a multi-line approach, encoding, scrambling and processing the signals at system level (rather than at the single lines level), and finally also offering data encryption, to combat interference, electromagnetic noise, and issues with copper line quality and data security. This work was accompanied by registration of some 30 patents, including, as we believe, some of the most fundamental patents in this field.

Following the development of the tools to make copper wires high-speed and capable, as we believe, to deliver gigabit-grade service level, the next step was to integrate these technologies into hybrid-fiber-copper building blocks, that allow for seamless communication over mixed, real-life fiber-copper networks, and many other advantages.

These investments have, in the company's opinion, resulted in a unique solution on the market, in terms of value:

- Highest performance hybrid-fiber-copper communication system
  - Speeds from 10Mbps to 10Gbps
  - Reach of up to 100Km (speed declines over long distances in copper)
  - Robust connectivity allowing gigabit-grade service SLAs in various harsh environments over copper or fiber
- Cyber-protection on several levels, or Triple Shield Protection:
  - Multi-line data scrambling and coding (copper)
  - 256-bit system-wide encryption
  - System level protection (encryption and other protections) of management software, operating system and traffic flow
- Dense, feature-full design to replace multiple alternative elements in the market, and allow for installation that is compact, lower cost and power saving:
  - Advanced switching functions supporting complex network topologies
  - Support for both advanced, digital IoT devices as well as existing analog devices with serial interfaces — to save the need to replace these devices while allowing them to join the digital network
  - Power feeding for cameras and other IoT devices with the data cable
  - Ability to install our IoT building blocks in remote locations with no power. Power can be provided from the communication line.
  - Ability to provide precise synchronization over the communication lines to base stations
  - Routing functions
  - Support for spectrally-friendly reach extenders up to 100Km with minimal impact on other communication lines
- Automated software tools for installation and management (including automated line calibration and configuration recognition during installation to avoid manual work, advanced management systems that allow remote troubleshooting of any line connected to the system to save on operation and management time)

We believe that the combination of these advantages provide our customers with a highly cost-effective solution to quickly obtain IoT connectivity anywhere in their network.

We believe that our hybrid-fiber-copper solutions have a significant competitive advantage in several layers: (a) copper performance (speed, reach, link stability and data security); (b) seamless fiber-copper integration and end-to-end data encryption; (c) overall system cyber-hardened design; (d) versatile, compact and feature-dense products with a good fit to the vast majority of applications; (e) very high product and transmission reliability; automatic configuration tools and advanced management of every element in the field; and (f) highly cost-effective when compared to alternatives. We believe that these advantages lead to very good value for our customers for both rapid deployment to all locations, regardless of whether these locations are hard to reach. We also believe that these characteristics provide us with a competitive advantages against many, if not all, companies in our space, such as Cisco, Rad, Nokia, Siemens, Belden and others.

We have hundreds of large, medium and small network operators as customers, including municipalities, railway, electricity, water infrastructure companies and military customers. We believe that we enjoy a good reputation for offering reliable, high-performance and high-end products. We expect that the acceptance process for our new products for existing customers will become simpler due to customers positive accumulated experience working with us. We also have many non-exclusive third-party distributors, resellers and system integrators and partners around the world, located in the U.S., Canada, Mexico, Costa Rica, Germany, Italy, Spain, Scandinavian countries, Greece, Netherlands, Japan, and India. These non-exclusive third-party distributors are used to selling our products, and we believe that they appreciate the reliability of our products and the quality of service and support that we provide. All of these advantages constitute an entry barrier, which we believe may make it more difficult for a competitor to reach a similar status.

We believe that over the past years, we have built a reputation for providing, according to our customers, reliable, high-quality communication solutions with better copper and hybrid fiber-copper performance than other alternatives on the market. A competitor who wants to enter the market will have to compete with our reputation, which has been acquired over a long period by providing long-term quality service to hundreds of network operators and hundreds of thousands of end customers and IoT elements.

Actelis' Strategy

Actelis strives to become the global leading provider of secure, cost-effective and quick-to-deploy networking for all IoT applications. We offer secured connectivity solutions over any media on the global internet network, whether owned or operated by telecom service providers or a private network operated by enterprises or government organizations such as municipalities and military bases. Our products include cyber safety features that we are constantly developing, and particularly include network traffic encryption and coding. Our products are fully hybrid across any media (fiber or copper) and we believe are cost effective to ensure customer ROI. We aim to continue developing our technology to include more security and more media simplicity and further hybridity across all types of infrastructure including wireless and 5G, to cover the needs of communication required by IoT customers. Our products are generic building blocks (for many IoT applications) and are feature-dense, meaning they can replace multiple other platforms, allowing for installation in tight locations and save power. We aim to have our products installed with IoT projects and devices everywhere.

Our Sales and Marketing Strategy

We operate through two regions — Americas and International (consisting of EMEA (Europe, Middle East and Africa) and APAC (Asia Pacific)) in a matrix with a vertical structure that is described below. Our sales and support teams are currently located in the United States, Mexico, Germany, Israel, and India. We also execute our sales and marketing plan through a multi-channel by vertical global approach that combines our expertise with the expertise of our trusted business partners. The types of business partners we have and will seek in the future are system integrators, distributors, contractors, resellers, and consultants. Those business partners are currently located in North America, Central America, throughout Europe, India, Philippines, and Japan. Upon identification of business opportunities of interest in territories where we do not have direct presence, our experience has been to find a suitable business partner or agent to address it. We believe our strong brand name of high-quality communication solutions, as well as the trust we gain from being recognized as a cyber-hardened solution by the U.S. DoD, empowers our ability to execute. We run a vertical based marketing plan (ITS — Intelligent Traffic Systems, Rail, smart city, Utilities, Federal and Military) where we dedicate efforts and resources on each vertical to gain presence both by channel programs tailored to each vertical, as well as direct touch, especially in cases where large projects are involved.

We currently derive a significant portion of our revenue from a limited number of our customers. For the years ended December 31, 2021 and December 31, 2020, our top ten customers in the aggregate accounted for approximately 78% and 70% of our revenues, respectively.

ITS — Intelligent Traffic Systems

Intelligent Traffic Systems include customers who manage road systems such as Departments of Traffic at either the municipality, county, state, or national level. Some applications requiring communication in this vertical are road cameras, lane management systems, and road signs.

Rail

Rail systems include customers who own and operate traditional inter-city rail lines as well as light rails. Some applications requiring communication in this vertical are central train control systems, rail signals, safety cameras and alert sensors, and rail station communication. We have projects in North America, Europe, India and Japan.

Federal and Military

Federal and military include customers such as federal aviation authorities, US military, Air Force and Navy bases, and other government and military facilities. Some applications requiring communication in this vertical are radars, perimeter security systems, energy systems, offices, laboratories and residences. We have projects in North America and Europe.

Airports

Airports include customers who are either a State or Federal airport agency, or a service provider to the airport industry. Some applications requiring communication in this vertical are airport security, baggage management, and airport Wi-Fi.

Energy and Water

Energy and water include customers such as electric utilities, oil companies and water utilities. Some applications requiring communication in this vertical are sub-station monitoring, oil and gas pipeline and refineries, electric and water flow monitoring, and perimeter security. We have projects in the United States and Europe.

Smart City

We believe the goal of nearly any city worldwide is to become smarter and better serve its residents and visitors. Smart city customers include such municipalities. Some applications requiring communication in this vertical are security cameras, parking management, energy and water management, waste management, digital signs, and provision of Wi-Fi connectivity. We have projects in more than 100 cities, mostly in North America and Europe.

Telco

Telco customers include communication service providers of both wired and wireless services (including 4G and 5G). Some applications requiring communication in this vertical are enterprise offices, branch offices, residential buildings, educational facilities and back-haul for mobile base stations.

Channel and Territory coverage

The majority of our business is done indirectly through various types of business partners, namely system integrators, distributors, contractors, resellers and consultants. Still, our team often accompanies a channel partner in the selling process in order to help secure a deal with an end-user. We seek to cover the geographic territories in which we sell, in combination with the target verticals described above. In this effort, we take advantage of existing strong relationships with business partners in the United States, Europe, Latin America, and Asia Pacific and also seek to recruit new business partners that can help us expand our coverage.

In addition, we launched a new website (at *www.actelis.com*) tailored to the IoT strategy and is expanding our marketing initiatives (professional organizations, shows, online targeting, online campaigns and lead generation) to grow our opportunity pipeline.

We operate through two main regional sales teams — Americas and International (consisting of EMEA (Europe, Middle East and Africa) and APAC (Asia Pacific)) in a vertical model similar to that which was described in our marketing strategy above, and generates its pipeline of leads and opportunities through a combination of channel presence, on-line presence as well as direct touch. Our sales teams are very experienced in the target verticals and have significant competencies in the target networks of decision makers. We intend to invest in expanding this presence and strength.

Our products are assembled with various contract manufacturers, located in Israel and in Taiwan. Those contract manufacturers are experienced and capable to purchase raw material and components and provide a turn-key solution. As a result of the of COVID-19 pandemic, the world is experiencing shortages of electronic components. The Company is assisting its manufacturers to acquire those components, and may offer replacements, if needed, for certain components. The Company uses state-of-the-art logistics services from professional providers worldwide, and also has in-house expertise in executing such required processes.

Software and Services

Our products consist of hardware and an embedded software that function together to deliver the product's essential functionality. Our products are sold with a two-year warranty for repairs or replacements of the product in the event of damage or failure during the term of the support period, which is accounted for as a standard warranty. Services relating to repair or replacement of hardware beyond the standard warranty period are offered under renewable, fee-based contracts and include telephone support, remote diagnostics, and access to on-site technical support personnel.

We also offer our customers our EMS management software, either as perpetual or term based. EMS is optional and is being sold separately from our hardware products. EMS is sold either as per-element license, or as a license for a whole network.

Our customers may request added functions and features per their specific need which we can customize for an additional fee.

We also offer our customers product support services which include telephone support, remote diagnostics, and access to on-site technical support personnel. Such support service is sold as a standalone contract or in combination with EMS management software and is offered for a term, usually 12 months with a renewal option.

Additionally, our customers can purchase software support service which allow them to receive some additional features or free upgrades. Such support service is sold as a separate contract.

We offer service contracts at different levels (Silver, Gold, Platinum), which may include different levels of support (remotely or in the field), hardware repairs, spare parts, help with network design, and SW/HW upgrades. Such service contracts are sold separately from the sale of hardware products and may be sold combined with our EMS software licenses. It usually covers periods post the expiration of our warranty period and would be renewed on an annual basis. The cost of the service is derived from the size of the network, and the level of support required.

Product and Solution Roadmap

We strive to offer connectivity solutions over any media on the global internet network, including legacy copper or coaxial, fiber, wireless or cellular 4G/5G — whether owned or operated by telecom service providers or a private network operated by enterprises or government organizations such as municipalities and military bases. As we aim to expand our offering of products and services to meet all IoT verticals requirements, we are also focused on offering enhanced cyber protection for the data, the network, and thereafter protecting the applications and the end users. We aim to provide faster and faster speeds (reaching multi-Gigabit services) and to utilize our broad and global presence as IoT building blocks in many networks, to introduce advanced, edge network applications and services, such as security, video analysis, advanced edge cyber protection and more. Our solutions today serve the intelligent traffic systems (ITS), energy water and utilities, smart cities, rail systems, federal government agencies, military, airports, education campuses, oil and gas applications and more. Our products in those environments are usually hardened both for weather and data protection, and may include network cyber security features such as 256-bit end-to-end encryption;

According to Interdigital/Futuresource report from 2020, 82% of all consumer and business IP traffic in 2022 will be video. We aim to expand into edge computing capabilities and introduce more system-level cyber protection for applications, cameras and devices in association with such video traffic.

5G requires a dense grid of millions of base stations to be effective, and suffers delays due (in part) to a significant challenge — connecting base stations with Fiber can be very expensive, and in many locations cost-prohibitive. We aim to enable cost-effective connectivity of the hard-to-reach 5G locations, and further cost savings by adding power on the same copper communication lines.

Competition

We compete in markets for networking and communications services and solutions for service providers, businesses, government agencies and other organizations worldwide. Our products and services provide solutions supporting voice, data and video communications across fiber-, copper-, coaxial- and wireless-based infrastructure, as well as across wide area networks, local area networks and the internet.

We compete with a number of companies in the markets we serve. Our key competitors include Moxa Technologies, ADTRAN, Inc., FlexDSL Telecommunications AG, EtherWAN Systems, Inc. and Belden Inc.

We believe the following competitive attributes are necessary for our solutions to successfully compete in IoT networking market:

- the performance and reliability of our solutions;
- cost of deployment and return on investment in terms of cost savings;
- sophistication, novel and innovative intellectual property and technology, and functionality of our offerings;
- cross-platform operability;
- security;
- ease of implementation and use of service;
- high quality customer support; and
- price.

We believe that we compare favorably on the basis of the factors listed above. However, many of our competitors have substantially greater financial, technical, and marketing resources; relationships with large vendor partners; larger global presence; larger customer bases; longer operating histories; greater brand recognition; and more established relationships in the industry than we do. Furthermore, new entrants not currently considered to be competitors may enter the market through acquisitions, partnerships, or strategic relationships. See “Risk Factors — New competitors may enter the marketplace and begin to compete with the Company.”

Manufacturing, Procurement and Logistics

We take advantage of the combination of our inhouse skills and those of the third parties we partner with to execute our operational tasks which are planning and manufacturing finished goods inventory, planning and procuring raw materials and delivering products to our customers based on promised delivery schedules.

Our raw material is consisting of electronic chipsets, FPGA components, modems, and other electronic and mechanical components. Most of those components are procured by our contract manufacturers and we assist them as needed in specific cases. Since the breakout of COVID19, as the world is experiencing shortages of electronic components, we assist our manufacturers to acquire components that are harder to find.

Our products are assembled by various contract manufacturers, located in Israel and in Taiwan who possess the expertise of assembly and quality control required for electronic manufacturing in a turn-key fashion. Some of our products are manufactured to our specifications under an OEM arrangement. The company uses state-of-the-art logistics services from the best providers worldwide and also has in-house expertise in executing such required processes.

We believe that we can add and/or replace our contract manufacturer if necessary. We have successfully transitioned from one contract manufacturer to another in the past, and we believe that a transition would be achievable, if necessary, in the future typically within three to six months.

Warranty

Our products are generally sold with a standard warranty of two years for product defects, as well a technical center support, during normal business hours, for incidents raised by properly trained personnel. Within the warranty agreement, we offer to repair or replace defective products, or software bug fixes. Upon expiration of the warranty period, the customer has an option to purchase an extended warranty contract for an additional fee, typically for one or more periods of 12 months.

Growth Strategy

Global Expansion and Recognition

We intend to leverage (a) the customers, partners, and representatives' presence in over 30 countries including the Americas, Europe and Asia, (b) brand recognition developed over more than 10 years, and (c) the fact that our products are differentiated, as we believe, and offer unique value — to expand into virtually all IoT verticals, and become the vendor of choice for cyber-protected building blocks for all IoT networking globally.

In order to achieve the right level of global coverage, we intend to expand our network of partners and representatives and aim increasingly at partnering with larger numbers of companies with global presence.

Our plan is to first focus on the US market, then Europe and Asia.

We would invest in growing our sales, channel management and support teams, and dedicate resources which specialize in specific verticals in each of the theaters.

Expansion of Multi-year deals

Over the past years, we won several large multi-year contracts with ITS, military, airports, and more that will generate more predictable sales for the next several years. We intend to expand this strategy by investing in sales and marketing presence to expand these contracts and add many others.

Expansion into Cyber Security, Recurring Revenue Model

Cyber security is becoming increasingly more important for critical IoT infrastructure. Some countries, like Germany, are starting to mandate encryption on all IoT communication, and we believe this trend will continue. Our products are already capable to deliver sensitive information for many critical IoT applications, and we invest intend to invest more in making this a strong differentiator, and to have our products recognized as the most cyber-safe IoT building blocks in the growing secure IoT communication market.

Beyond that, we are planning on further expansion of our Cyber-protection capabilities, to allow for protection not only of the data that is running in the system, but also to help protect users of the network and IoT devices connected to it. We believe that such capabilities will enable our end customers to sell such capabilities and generate a recurring revenue stream for both them and Actelis.

Adding the 5G Connectivity for IoT

A dense grid of 5G small cells is required in order to build a global 5G coverage, which, as we believe, may be key to IoT deployment in many smart cities and other dense areas. We believe that connecting these 5G small cells to the network cost effectively and rapidly, in both hard-to-reach and easy-to-reach locations, as well as powering them cost-effectively is key to successful and timely deployment.

5G networks deployment is slowed down, as we believe, by the challenge to provide connectivity and power to millions of base station locations that are required for an effective 5G network.

We expect to release in 2023 a high-speed, cyber-hardened, multi-Gigabit, hybrid fiber-copper solution with optional remote powering aimed to help with 5G small cell deployment, especially in smart city IoT applications, where 5G is most critical. We expect that such solution will add a large sub-vertical market to our growth.

We expect that a second generation of this product family may also include precision synchronization delivery for 5G base stations for in-building installations, where GPS base-station synchronization is not available. This offering is still in early stages of concept evaluation, and may only be released in 2024 following successful evaluation and development.

Adding MMwave Technology

While we can offer solutions over fiber and copper, fixed, point-to-point wireless remains a valid option where for high-speed connectivity if line of sight is available and wireline communication is not be available. To complement our coverage or solutions over all possible media, following this offering, we plan to evaluate basic MMWave building blocks that may be acquired from third parties to integrate into our product offerings, for a complete cyber-hardened system with multiple physical media options. Such offering may only be released in 2024–2025. We have not at this finalized evaluation of such third party partners. We expect that the addition of MMwave to our product offerings would add an new significant addressable market for us.

Adding Edge Computing Capabilities

Once mass deployment of our IoT connectivity building blocks is achieved, we are planning to leverage our presence in the field to offer our customers the option to host and integrate various applications into the Actelis building blocks, many of which will be installed in critical information junctions for IoT networks. Such applications may include video analysis, data monitoring and extraction, firewalls and many others, and would enable our customers, as we believe, to develop recurring revenue models for them as well as for us.

Some examples for such applications that we have been evaluating are:

- Enhanced cyber-protection for devices and users;
- Video processing and machine vision (serving the AI ecosystem such as, intruder detection, road safety and robotics); and
- Smart video transmission/compression for delivery of video over 5G/mobile networks.

We expect the development of such capabilities to begin in 2023, and applications may be released starting in 2024. Some of the applications (especially around cyber-security) may be developed by the Company. Others may be offered by third parties and integrated into the Company's platform.

President Biden's Bipartisan Infrastructure Law

President Biden signed the Bipartisan Infrastructure Law (Infrastructure Investment and Jobs Act) in November 2021, a once-in-a-generation investment in the United States infrastructure and competitiveness, totaling approximately $1.2 trillion.

This Bipartisan Infrastructure Law is intended to rebuild America's roads and bridges investing $110 billion in this area, expand public transit by investing $39 billion in this area, expand high-speed rail by investing $66 billion in this area, upgrade the nation's electricity grid investing $108 billion in this area, expand access to clean drinking water by investing $55 billion in this area, modernize the US airports by investing $25 billion in this area, and an additional $650 billion in previous authorized funding for roads including nearly $300 billion for the Highway Trust Fund, and ensuring that every American has access to high-speed internet by investing $65 billion in this area. We believe that this significant increase in infrastructure spending by the United States Government, which is mostly aimed at funding the customer verticals where we have significant experience (such as road modernization) and that we continue to target (such as roads, highways, rail, electricity, and airports), will likely include investments in the communication infrastructure which we offer.

Growth through Mergers and Acquisitions

We intend to evaluate growth through mergers and acquisitions, or M&A, opportunities in case they can fill business gaps or add key business operations without requiring us to wait years for marketing and sales cycles to materialize. The resulting combination of our existing products and services, new key personnel, and strategic partnerships through M&A could allow us to provide new offerings to our existing market.

If we target businesses in the same sector or location, we hope to combine resources to reduce costs, eliminate duplicate facilities or departments and increase revenue. We believe this strategy will allow for accelerated growth and maximize investor returns.

Environmental

We are not aware of any environmental laws that have been enacted, nor are we aware of any such laws being contemplated for the future, that impact issues specific to our business.

Property and Facilities

We lease our facility in California, which consists of approximately 9,000 square feet of office, lab and warehouse space. Our lease expires in March 2024. We recently agreed to sublease the entire office space in California and are in the process of locating new office space beginning in June 2022.

We lease our facility in Israel, which consists of approximately 13,000 square feet of office, development and testing laboratories and warehouse space. Our lease expires in April 2023.

We believe our facilities are sufficient to meet our current needs and that suitable space will be available as and when needed. We do not own any real property.

Human Capital Resources

As of December 31, 2021, we had approximately 44 employees and contractors, of which 40 were full-time employees, including 16 in sales and marketing, 21 in research development, engineering, and operations and 7 in general and administration. We have approximately 27 employees and contractors in Israel, 14 in the U.S., 2 in Europe and 1 in Asia. Our U.S.-based employees are employed through a Professional Employer Organization, providing employee benefits and services.

We believe our culture and principles enable us to attract, retain, motivate and develop our workforce as well as drive employee engagement. We believe an engaged workforce leads to a more innovative and productive company that serves its customers better. Our employees work to ensure that our products and services connect and protect our customers critical infrastructure. A testament to that is the long-term retention of many of our employees and their loyalty to Actelis. We measure each one through a goal setting and measurement system to maximize our enterprise value and employee career potential.

We strive for ethnic and gender diversity. We intend to nominate a diverse set of independent directors on our board of directors.

Legal Proceedings

From time to time, we may be involved in various legal proceedings arising out of our operations. We are not currently a party to any legal proceedings that, in the opinion of our management, are likely to have a material adverse effect on our business, financial condition, results of operations or prospects. Regardless of outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Government Regulation

Our products get certified for safety and local standards in each country we sell at as needed. In the United States, Canada, Europe, and Japan our products are UL certified (safety), EN (emissions Regulation), VCCI (Japanese emissions standard), CISPR (European emission standard), ICES (Canadian radio frequency emissions standards), ETSI (European electromagnetic compatibility standard), CFR (US Federal Broadcasting Regulation), as well as IEC (European Safety Standard). We have also received the JITC (Joint Interoperability Test Command) certification of meeting certain cybersecurity standards required by the U.S. Department of Defense.

We are subject to numerous federal, state, provincial, local, and foreign laws and regulations relating to the storage, handling, emission, and discharge of materials into the environment, including the Comprehensive Environmental Response, Compensation, and Liability Act; the Clean Water Act; the Clean Air Act; the Emergency Planning and Community Right-To-Know Act; the Resource Conservation and Recovery Act; and similar laws in the other countries in which we operate. While we believe that our existing environmental control procedures are adequate, we will continue to evaluate and update our procedures as needed to address new or changing aspects of environmental matters.

Intellectual Property

We rely on a combination of trade secrets, patent, trademark and copyright laws in the United States, as well as intellectual property licenses and other contractual rights (including confidentiality procedures, contractual provisions, and non-disclosure and assignment-of-intellectual property agreements with our employees, independent contractors, consultants and companies with which we conduct business) to establish and protect our A.I. technology, intellectual property and proprietary rights, trade secrets, databases, and our brand.

We have registered Actelis Networks as a service trademark in the United States, and we are the registered holder of the domain name Actelis.com that includes “Actelis Networks, Inc.”. We also have 27 registered patents and 1 patent application pending in the United States; 5 registered patents and one patent application in Europe, 1 registered patent in Mexico, 1 registered patent in Indonesia, all of which in the general area of high-speed carrier class Ethernet service and transport over bonded VDSL2, G.SHDSL as well as Fiber covering various aspects of our technology. While we continue to consult with counsel on the advisability to seek patent protection of some of our algorithms, we rely heavily on trade secrets to protect our intellectual property around our technology.

Without accounting for any potential patent term adjustments or extensions or other forms of exclusivity with respect to our U.S. issued patents, seven expire between 2022 and 2024, 14 expire between 2025 and 2029, and six expire between 2030 and 2037. Any patent issuing from the pending U.S. application will begin to expire in 2037. With respect to our European patents, two European patents are expected to expire between 2022 and 2024, two European patents are expected to expire between 2025 and 2029, and one European patent is expected to expire between 2030 and 2037. Our Mexican patent is expected to expire in 2026.

We continue to maintain our intellectual property and confidential business information in a number of ways. For instance, we have a policy of requiring all employees and consultants to execute confidentiality agreements upon the commencement of an employment or consulting relationship with us. Our employee agreements also require relevant employees to assign to us all rights to any inventions made or conceived during their employment with us in accordance with applicable law. In addition, we have a policy of requiring individuals and entities with which we discuss potential business relationships to sign non-disclosure agreements. Lastly, our agreements with Clients include confidentiality and non-disclosure provisions.

MANAGEMENT

Executive Officers and Directors

The following table sets forth information regarding our executive officers and directors, including their ages as of the date of this prospectus:

Name	Age	Position
Tuvia Barlev	60	Chief Executive Officer, Secretary and Chairman of the Board
Yoav Efron	53	Chief Financial Officer
Eyal Aharon	49	Vice President R&D
Michal Winkler-Solomon	54	Vice President Marketing
Bruce Hammergren	66	EVP Sales Americas
Yaron Altit	50	EVP Sales Intl.
Hemi Kabir	52	Vice President, Operations
Jan Ruderman	56	Chief Revenue Office – Americas
Elad Domanovitz	43	Chief Technology Officer
Ram Vromen	53	Director
Yariv Gilat	51	Director
Israel Niv(2)(3)	68	Director
Joseph Moscovitz(1)(3)	67	Director Nominee
Dr. Naama Halevi-Davidov(1)(2)	51	Director Nominee
Noemi Schmayer(1)	54	Director Nominee

(1) Member of the Audit Committee
(2) Member of the Compensation Committee
(3) Member of Nominating and Corporate Governance committee

Tuvia Barlev, Chief Executive Officer, Chairman of the Board, and Secretary

Mr. Barlev serves as our Chief Executive Officer and Secretary since January 2013 and has served as the Chairman of the Board since 2010. Previously, Mr. Barlev founded our company in 1998 and served as the Chief Executive Officer until January 2010. Mr. Barlev is a seasoned serial entrepreneur with more than 25 years of experience in high-technology leadership in military, telecommunications, e-commerce, Big Data and clean energy. Prior to joining Actelis, he was head of the R&D organization at Teledata (acquired by ADC in 1998), a global supplier of advanced digital loop carrier (DLC) equipment from 1996 to 1998. Previously, Mr. Barlev served as a senior research officer with the Israeli government, and he was also founder, Chairman/Acting CEO at companies including Superfish Inc., a leading provider of visual search technology, from 2007 to 2015; Leyden Energy, a leading supplier of breakthrough battery technology from 2010 to 2012; Adyounet Inc., provider of advanced direct marketing services over the Web from 2006 to 2009; and SafePeak LTD., provider of hot data acceleration platform for Big Data across the cloud from 2011 to 2012. Mr. Barlev holds BSC and MSEE degrees from Tel Aviv University, both Summa Cum Laude.

Yoav Efron, Chief Financial Officer

Mr. Efron serves as our Chief Financial Officer since January 2018. He is responsible for all financial aspects of our business and for strategy, as well as Information Technology and Human Resources. Prior to joining Actelis, Mr. Efron was the CFO of TriPlay Inc. and eMusic Inc., a B2C cloud media services company from 2012 to 2017. From 2010 to 2014, Mr. Efron was an entrepreneur in energy efficiency and from 1998-2010 was at Avaya Inc., a Fortune 500 telecommunications company in various executive financial roles including Finance Director. Mr. Efron earned his bachelor’s degree in economics and management from the Hebrew University of Jerusalem.

Jan Ruderman, Chief Revenue Office — Americas

Mr. Ruderman serves as our Chief Revenue Officer since December 2021. Prior to joining the Company, Mr. Ruderman gained over 30 years of experience in sales to Federal, State, Government, Transportation and Regulated Industries. Prior to joining us, Mr. Ruderman was the Executive Vice President — Global Sales Global Traffic Technologies from January 2018 to December 2020, senior director of business development at Samsung from 2016 to 2018 and

had many roles at Panasonic from 1996-2016 including vice president and general manager of the mobility business. Mr. Ruderman has served on several public sector boards including TechAmerica (now CompTia) and currently sits on the Communications and Technology Committee for the IACP. Mr. Ruderman served with the US Navy for six years. Mr. Ruderman received a B.S. from Towson University, an MBA from Mount St. Mary's University, and an Advance Management Degree from PA University of Wharton School.

Elad Domanovitz, Chief Technology Officer

Dr. Domanovitz serves as our Chief Technologies Officer since April 2017, prior to that he served as director or technologies from 2014. Dr. Domanovitz brings extensive experience envisioning and developing Actelis' research capabilities. As Actelis' Chief Scientist, Dr. Domanovitz is responsible for driving Actelis' technology development and aligning it with the company's overall vision and worldwide go-to-market strategies. Dr. Domanovitz is also responsible for enriching the Actelis' IT portfolio and he also actively participates in standards committees. Dr. Domanovitz joined Actelis in November 2005 and has since several positions in the Algorithms and CTO groups. Dr. Domanovitz holds a Ph.D., MSc. And BSc (cum laude) in Electrical Engineering from Tel Aviv University.

Eyal Aharon, VP R&D

Mr. Aharon serves as our Vice President of R&D at Actelis since January 2018. Previously, Mr. Aharon served as our director of software engineering from 2011 through December 2017. Mr. Aharon brings extensive experience in Research and Development to Actelis, having over 20 years in the telecommunication industry. As Actelis' VP of R&D, Mr. Aharon is responsible for all current and strategic activities of the R&D group. Mr. Aharon joined Actelis in 2000 and has since held several positions within the R&D group. Prior to joining Actelis, he held several positions in ADC Teledata. Mr. Aharon holds a BA in Computer Science and Economics from Tel-Aviv University, and MA in Economics from Tel-Aviv University.

***Michal Winkler-Solomon*, VP Marketing**

Ms. Winkler- Solomon serves as our Vice President of marketing at Actelis since March 2017 and served as AVP of Product Marketing from March 2016. Ms. Winkler-Solomon has more than 20 years of product marketing and product management experience. Since joining Actelis in 2001, Ms. Winkler-Solomon has held various product management and product marketing positions, where she has been responsible for product specifications, positioning, and marketing of the company's industry-leading Ethernet in the First Mile product line. Prior to joining Actelis, Ms. Winkler-Solomon held positions as product manager of the Access Division at Telrad Telecommunications, as well as system engineer of the Broadband Systems department at Telrad Telecommunications, where she led the OEM broadband access and transport product development for Nortel Networks. After graduating with a B.Sc in electrical engineering from the Technion — Israeli Institute of Technology and an MBA from Recanati School of Business — Tel Aviv University, Ms. Winkler -Solomon spent five years guiding the development of various communication systems for the Israeli Army.

Yaron Altit, Executive Vice President, International Sales

Mr. Altit serves as our Vice President of International Sales at Actelis since June 2017. Prior to joining us, Mr. Altit was managing director of Zuzamen, a real estate development company from 2013 to 2017. Mr. Altit brings more than 25 years of experience to his position as Actelis' Executive Vice President International Sales business unit, including vast experience in sales management positions in the Telecom, Datacom, and control plane industries. In his role, Mr. Altit is responsible for all EMEA & APAC regions customer -facing functions, including sales, customer support, pre-sale engineering, business development and regional marketing. Mr. Altit held executive positions in several telecommunication companies, including management of Sales, Customer Support and Business Development at Schema, where he was the General Manager of EMEA Business unit. Previously, Mr. Altit held top sales management positions at Mindspeed Technologies. Mr. Altit was responsible for European and International sales at T-Soft (now Cramer Systems, an Amdocs OSS division). Mr. Altit received his B.A. in Economics and Accounting from the Ramat Gan College.

Hemi Kabir, Vice President, Operations

Mr. Kabir serves as our Vice President of Operations at Actelis since January 2015. With more than 20 years of experience in operations, supply chain and engineering, Mr. Kabir manages Actelis' Supply Chain, Purchasing, Quality Assurance and Operations Engineering departments, and is responsible for Actelis' operations including manufacturability, continuous improvement initiatives and cost-savings activities. Prior to joining Actelis, Mr. Kabir was head of Supply Chain management and purchasing at "Better place" Israel, where he was in charge of defining and managing the supply chain divisions. Mr. Kabir holds MBA degree from Heriot Watt University, BA degree in management from the Open University and Industrial practical engineering diploma from Israeli College of Management.

Bruce Hammergren, Executive Vice President, Sales, Americas

Mr. Hammergren serves as our Executive Vice President at Actelis since January 2015. Mr. Hammergren is a 30-year veteran in the Telecom Industry and brings with him experience in RF, wireless, wireline and video businesses. His sales and marketing management experience includes direct sales, indirect sales and OEM/channel partners with Accedian, Motorola, Ericsson, PairGain, Westwave, Actelis and IneoQuest. His responsibilities have included VP positions for the Americas including Field Sales, Field Engineering as well as P&L responsibility. Mr. Hammergren graduated from University of Illinois at Champaign — Urbana with a BS in Commerce/Marketing.

Dr. Ram Vromen, Director

Dr. Vromen serves as a board member in our company since 2015. Dr. Vromen has served as the Managing Partner of Evolution Venture Capital Fund since September 2006. Previously Dr. Vromen was a partner at Millennium Materials Technologies Fund, a venture capital fund focused on material sciences, and prior to that, a managing director of First IsraTech Fund, a venture capital fund focused primarily on medical devices. Before embarking on his VC career Dr. Vromen was a corporate lawyer focused on the hi-tech and venture capital practice. Dr. Vromen has been a board member in over 20 private and public hi-tech companies in the past 20 years. Dr. Vromen has a PhD in history from the Ecole Des Hautes Etudes en Sciences Sociales, Paris, France and an LLB in law from Tel Aviv University.

Dr. Israel Niv, Director

Dr. Niv serves as a board member in our company since 2015. Dr. Niv serves on the board of Palo Alto University and Attolight AG and is an advisor to the Silicom Ventures investment group. Dr. Niv received a BSc in chemistry and a PhD in chemical physics from Ben-Gurion University of the Negev (Israel). He completed his postdoctoral work at the University of Southern California as a Weizmann Postdoctoral Fellow.

Yariv Gilat, Director

Mr. Gilat serves as a board member in our company since 2015. Mr. Gilat is a serial angel investor, and currently serves as the founder of First, an Israeli holding and financial services group operating five companies in the fields of blockchain and cryptocurrency. Prior to this role, Mr. Gilat served in different board and director positions: in Kaymera Technologies, Hiperdia S.A, iPawn.com, Gas Motos, White Smoke, Playtika, Face.com and Oplus Technologies. Earlier in his career, Mr. Gilat served as the CEO of Final Israel and as the CEO of Kryptonite. Mr. Gilat earned his bachelor's degree in economics from the Hebrew University of Jerusalem.

Nominated Directors

Joseph Moscovitz, Director Nominee

Mr. Moscovitz will serve on our board of directors upon completion of this offering. Mr.Moscovitz has served as President Products & Solutions at Telit Communications Plc from 2017 through February 2022. Prior to that he served as Chief Executive Officer of Telit Automotive Solutions from 2016 to 2017 and President of Telit Wireless Solutions from 2011-2016. Mr. Moscovitz was previously employed as a Chief Executive Officer of Cell Data Ltd. and a Chief Executive Officer by Microkim Ltd. He received his Bachelor of Science in Electrical Engineering from Technion-Israel Institute of Technology.

Dr. Naama Halevi-Davidov, Director Nominee

Dr. Halevi Davidov will serve on our board of directors upon completion of this offering. Dr. Halevi Davidov has served as a Financial Consultant to Joytunes Ltd., a developer of music learning software, since April 2021, as a director of Gamida-Cell Ltd., since February 2022 and as a director of Kaltura, Inc. since July 2021. Prior to that, Dr. Halevi Davidov served as Financial Advisor to Gloat Ltd., a talent marketplace platform, and to Healthy IO Ltd., a manufacturer and marketer of medical equipment. Dr. Halevi Davidov served as the Chief Financial Officer of Kaltura from November 2012 to August 2017. Dr. Halevi Davidov has also served on the board of Kaltura, Inc. subsidiary, Kaltura Asia Pte Ltd. since February 2015. Dr. Halevi Davidov is a Certified Public Accountant in Israel. She received a Ph.D. in Strategy from Tel Aviv University in 2012, a Master's in Business Administration from Tel Aviv University in 2002 and Bachelor of Arts in Accounting and Economics from Tel Aviv University in 2000. Dr. Halevi Davidov was selected to serve on our board of directors because of her extensive knowledge of and experience with corporate financial strategy.

Noemi Schmayer, Director Nominee

Ms. Schmayer will serve on our board of directors upon completion of this offering. Ms. Schmayer acted as a Senior Partner and Head of the High-tech and global corporations in one of the five largest law firms in Israel. Since then, Ms. Schmayer has been counseling companies and individuals regarding mergers & acquisitions, investments and strategy, and serves as a director of several board of directors including serving as the external director of Somoto Ltd (publicly traded on the Tel Aviv Stock Exchange under the name Nostromo Energy Ltd) and served as legal counsel for Smart Shooter Ltd. Ms. Schmayer is a renowned specialist in corporate law, corporate finance, cross-border transactions, and commercial law. Ms. Schmayer wields particular expertise in M&A, finance transactions, and complexed commercial contracts in High-tech and Biotech. Ms. Schmayer received an LLB in law from Tel Aviv University.

Number and Terms of Office of Officers and Directors

Upon consummation of this offering, our board of directors will have five members, three of whom will be deemed "independent" under SEC and Nasdaq rules.

Our officers are appointed by the board of directors and serve at the discretion of the board of directors, rather than for specific terms of office. Our board of directors is authorized to appoint persons to the offices set forth in our certificate of incorporation as it deems appropriate.

Each of the directors of the Company were elected pursuant to the provisions of the Stockholders Agreement and our Certificate of Incorporation in effect prior to this offering. Tuvia Barlev has a right under the Stockholders Agreement to designate one director. Dr. Niv, Dr. Vromen and Mr. Gilat were elected by the holders of the majority of the Series A Preferred Stock. From and after the completion of this offering, the Stockholders Agreement will be terminated and each of the directors will be appointed by the holders of the majority of our outstanding common stock pursuant to the provisions of our Certificate of Incorporation to be in effect after this offering.

Director Independence

Our Company is governed by our Board. Currently, each member of our Board, other than Tuvia Barlev, is an independent director; and all standing committees of our Board of Directors are composed entirely of independent directors, in each case under Nasdaq's independence definition applicable to boards of directors. For a director to be considered independent, our Board of Directors must determine that the director has no relationship which, in the opinion of our Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Members of the Audit Committee also must satisfy a separate SEC independence requirement, which provides that they may not accept directly or indirectly any consulting, advisory or other compensatory fee from us or any of our subsidiaries other than their directors' compensation. In addition, under SEC rules, an Audit Committee member who is an affiliate of the issuer (other than through service as a director) cannot be deemed to be independent. In determining the independence of members of the Compensation Committee, Nasdaq listing standards require our Board of Directors to consider certain factors, including, but not limited to: (1) the source of compensation of the director, including any consulting, advisory or other compensatory fee paid by us to the director, and (2) whether the director is affiliated with us, one of our subsidiaries or an affiliate of one of our subsidiaries. Under our Compensation Committee Charter, members of the Compensation Committee also must qualify as "outside directors" for purposes of

Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code, and as "non-employee directors" for purposes of Rule 16b-3 under the Exchange Act. The independent members of the Board of Directors are Israel Niv, Joseph Moscovitz, Naama Halevi-Davidov, and Noemi Schmayer.

Committees of the Board of Directors

Our board intends to establish an audit committee, a compensation committee and a nominating and corporate governance committee, each with its own charter to be approved by the board. The anticipated composition and responsibilities of each committee are described below. Members will serve on these committees until their resignation or until otherwise determined by our board of directors. Upon our listing on The Nasdaq Capital Market, each committee's charter will be available under the Corporate Governance section of our website at [*www.actelis.com*]. The reference to our website address does not constitute incorporation by reference of the information contained at or available through our website, and you should not consider it to be a part of this prospectus.

Until such committees are established, our entire board of directors will undertake the functions that would otherwise be undertaken by the committees. In addition, our board of directors may, from time to time, designate one or more additional committees, which shall have the duties and powers granted to it by our board of directors.

Audit Committee

Upon completion of this offering, we will establish an audit committee of the board of directors. Our audit committee consists of Joseph Moscovitz, Naama Halevi-Davidov, and Neomi Schmayer, with Naama Halevi-Davidov serving as Chairperson. The composition of our audit committee meets the requirements for independence under current Nasdaq listing standards and SEC rules and regulations. Each member of our audit committee meets the financial literacy requirements of Nasdaq listing standards. In addition, our board of directors has determined that Naama-Halevi Davidov is an audit committee financial expert within the meaning of Item 407(d) of Regulation S-K under the Securities Act of 1933. The audit committee will operate under a written charter that satisfies the applicable standards of the SEC and Nasdaq. The audit committee will, among other things:

- review our consolidated financial statements and our critical accounting policies and practices;
- select a qualified firm to serve as the independent registered public accounting firm to audit our consolidated financial statements;
- help to ensure the independence and performance of the independent registered public accounting firm;
- discuss the scope and results of the audit with the independent registered public accounting firm and review, with management and the independent registered public accounting firm, our interim and year-end results of operations;
- pre-approve all audit and all permissible non-audit services to be performed by the independent registered public accounting firm;
- oversee the performance of our internal audit function when established;
- review the adequacy of our internal controls;
- develop procedures for employees to submit concerns anonymously about questionable accounting or audit matters;
- review our policies on risk assessment and risk management; and
- review related party transactions.

Compensation Committee

Upon completion of this offering, we will establish a compensation committee of our board of directors. Our compensation committee consists of Naama Halevi-Davidov, Israel Niv, and Joseph Moscovitz, with Israel Niv serving as Chairperson. The composition of our compensation committee meets the requirements for independence under Nasdaq listing standards and SEC rules and regulations. Each member of the compensation committee is also a

non-employee director, as defined pursuant to Rule 16b-3 promulgated under the Exchange Act. The purpose of our compensation committee is to discharge the responsibilities of our board of directors relating to compensation of our executive officers. The compensation committee will operate under a written charter that satisfies the applicable standards of the SEC and Nasdaq. The compensation committee will, among other things:

- review, approve and determine, or make recommendations to our board of directors regarding, the compensation of our executive officers;
- administer our stock and equity incentive plans;
- help to ensure the independence and performance of the independent registered public accounting firm;
- review and approve, or make recommendations to our board of directors regarding, incentive compensation and equity plans; and
- establish and review general policies relating to compensation and benefits of our employees.

Nominating and Corporate Governance Committee

Immediately following the completion of this offering, our nominating and corporate governance committee will consist of Noemi Schmayer, Joseph Moscovitz, and Israel Niv, with Joseph Moscovitz serving as Chairperson. The composition of our nominating and corporate governance committee meets the requirements for independence under Nasdaq listing standards and SEC rules and regulations. The nominating and corporate governance committee will operate under a written charter that satisfies the applicable standards of the SEC and Nasdaq. The nominating and corporate governance committee will, among other things:

- identify, evaluate and select, or make recommendations to our board of directors regarding, nominees for election to our board of directors and its committees;
- evaluate the performance of our board of directors and of individual directors;
- consider and make recommendations to our board of directors regarding the composition of our board of directors and its committees;
- review developments in corporate governance practices;
- oversee environmental, social and governance (ESG) matters;
- evaluate the adequacy of our corporate governance practices and reporting; and
- develop and make recommendations to our board of directors regarding corporate governance guidelines and matters.

Compensation Committee Interlocks and Insider Participation

None of our executive officers currently serves, and in the past year has not served, as a member of the compensation committee of any entity that has one or more executive officers serving on our board of directors.

Oversight of Risk Management

Risk is inherent with every business, and how well a business manages risk can ultimately determine its success. We face a number of risks, including economic risks, financial risks, legal and regulatory risks and others, such as the impact of competition. Management is responsible for the day-to-day management of the risks that we face, while our Board, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, our Board of Directors is responsible for satisfying itself that the risk management processes designed and implemented by management are adequate and functioning as designed. Our Board of Directors assesses major risks facing our Company and options for their mitigation in order to promote our stockholders' interests in the long-term health of our Company and our overall success and financial strength. A fundamental part of risk management is not only understanding the risks a company faces and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for us. The involvement of our full Board of

Directors in the risk oversight process allows our Board of Directors to assess management's appetite for risk and also determine what constitutes an appropriate level of risk for our Company. Our Board of Directors regularly includes agenda items at its meetings relating to its risk oversight role and meets with various members of management on a range of topics, including corporate governance and regulatory obligations, operations and significant transactions, risk management, insurance, pending and threatened litigation and significant commercial disputes.

While our Board of Directors is ultimately responsible for risk oversight, various committees of our Board of Directors oversee risk management in their respective areas and regularly report on their activities to our entire Board of Directors. In particular, the Audit Committee has the primary responsibility for the oversight of financial risks facing our Company. The Audit Committee's charter provides that it will discuss our major financial risk exposures and the steps we have taken to monitor and control such exposures. Our Board of Directors has also delegated primary responsibility for the oversight of all executive compensation and our employee benefit programs to the Compensation Committee. The Compensation Committee strives to create incentives that encourage a level of risk-taking behavior consistent with our business strategy.

We believe the division of risk management responsibilities described above is an effective approach for addressing the risks facing our Company and that our Board's leadership structure provides appropriate checks and balances against undue risk taking.

Code of Business Conduct and Ethics

Our Board of Directors has adopted a code of ethical conduct that applies to our principal executive officer, principal financial officer and senior financial management. This code of ethical conduct is embodied within our Code of Business Conduct and Ethics, which applies to all persons associated with our Company, including our directors, officers and employees (including our principal executive officer, principal financial officer, principal accounting officer and controller). In order to satisfy our disclosure requirements under Item 5.05 of Form 8-K, we will disclose amendments to, or waivers of, certain provisions of our Code of Business Conduct and Ethics relating to our chief executive officer, chief financial officer, chief accounting officer, controller or persons performing similar functions on our website promptly following the adoption of any such amendment or waiver. The Code of Business Conduct and Ethics provides that any waivers of, or changes to, the code that apply to the Company's executive officers or directors may be made only by the Audit Committee. In addition, the Code of Business Conduct and Ethics includes updated procedures for non-executive officer employees to seek waivers of the code.

Executive Compensation[1]

Summary Compensation Table

The following table shows the total compensation awarded to, earned by, or paid to (1) the individual who served as our principal executive officer during fiscal year 2021; and (2) our next two most highly compensated executive officers who earned more than $100,000 during fiscal year 2021 and were serving as executive officers as of December 31, 2021. We refer to these individuals in this prospectus as our named executive officers.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Nonequity incentive plan compensation ($)	Nonqualified deferred compensation earnings ($)	All other compensation ($)	Total ($)
Tuvia Barlev,	2021	$ 181,188		$				25,000	$ 206,188
Chief Executive Officer and Chairman	2020	$ 180,000						25,000	$ 205,000
Yoav Efron,	2021	$ 135,128		$	29,600			7,029	$ 171,757
Chief Financial Officer	2020	$ 130,741						1,817	$ 132,558
Bruce Hammergren,	2021	$ 130,000		$		28,824		4,686	$ 165,910
Executive Vice President, Sales, Americas	2020	$ 132,400				39,025		5,094	$ 176,519

Outstanding Equity Awards at Fiscal Year-End

The following table provides certain information concerning any common share purchase options, stock awards or equity incentive plan awards held by the executive officers named above at the fiscal year ended December 31, 2021.

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (*) Exercisable	Number of Securities Underlying Unexercised Options (*) Unexcercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (*)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (*)	Market Value of Shares or Units of Stock That Have Not Vested	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested
Tuvia Barlev, Chief Executive Officer and Chairman	—	—	—	$		—	—	—	—
				$					
Yoav Efron, Chief Financial Officer	4,921,584	—		$ 0.0023		—	—	—	—
		1,000,000	1,000,000	$ 0.0296					
Bruce Hammergren, Executive Vice President, Sales, Americas	1,913,610	161,461	—	0.0023	—	—	—	—	—

Benefit Plans

We maintain a defined contribution employee retirement plan, or 401(k) plan, for our full-time employees. Our named executive officers are eligible to participate in the 401(k) plan on the same basis as our other full-time employees, if they are considered an employee and not a consultant. The 401(k) plan is intended to qualify as a tax-qualified plan under Section 401(k) of the Internal Revenue Code. The 401(k) plan provides that each participant may make pre-tax deferrals from his or her compensation up to the statutory limit, which is $20,500 for calendar year 2022, and other

testing limits. Participants that are 50 years or older can also make "catch-up" contributions, which in calendar year 2020 may be up to an additional $6,500 above the statutory limit. Participant contributions are held and invested, pursuant to the participant's instructions, by the plan's trustee.

We have no pension, or profit-sharing programs for the benefit of directors, officers or other employees, but our officers and directors may recommend adoption of one or more such programs in the future. We do not sponsor any qualified or non-qualified pension benefit plans, nor do we maintain any non-qualified defined contribution or deferred compensation plans.

Employment Agreements

We have entered into written employment agreements with our executive officers. All of these agreements contain customary provisions regarding noncompetition, confidentiality of information and assignment of inventions. However, the enforceability of the noncompetition provisions may be limited under applicable law.

Chief Executive Officer

Employment Agreement with Mr. Tuvia Barlev

On February 15, 2015, we entered into an at-will employment agreement with Mr. Tuvia Barlev, which remains in effect as of the date of this prospectus.

Mr. Barlev receives a base salary of $200,000 per year, and he may receive an annual bonus based on mutually agreed performance targets.

Mr. Barlev's employment agreement provides that that he will be entitled to severance if we terminate his employment without "Cause" (as defined in the employment agreement), if he terminates his employment for "Good Reason" (as defined in the employment agreement), or following his death or permanent disability. In any event in which Mr. Barlev is entitled to severance pursuant to these provisions, we shall continue to pay Mr. Barlev his then-in-effect base salary and provide benefit continuation at our expense for a period of six months from the date of termination of employment. Any severance payable to Mr. Barlev shall be payable in equal instalments in the same manner and in our regular payroll cycle as other salaried executive employees are paid.

Consultant Agreement with Barlev Enterprises Inc.

In February 2015, we entered into a consulting agreement with Barlev Enterprises Inc., a company owned by Mr. Tuvia Barlev, our Chief Executive Officer, and his wife, Nurit Barlev, or the Barlev Consulting Agreement. Pursuant to the Barlev Consulting Agreement, Barlev Enterprises Inc. provides services to us as an independent contractor, and receives a monthly retainer of $2,083 for these services. The Barlev Consulting Agreement contains provisions regarding noncompetition, non-solicitation, confidentiality of information and assignment of inventions. The enforceability of the noncompetition covenants is subject to certain limitations. The Barlev Consulting Agreement will continue to be in full force and effect unless otherwise terminated in accordance with its terms. The Barlev Consulting Agreement may be terminated by either party, with or without cause, at any time upon six (6) months advance written notice to the other party.

Promissory Note with Tuvia Barlev

On February 20, 2015, we made a loan to our Chief Executive Officer, Mr. Tulia Barlev, in the principal amount of $106,290, which loan was evidenced by a secured, non-negotiable promissory note, or the Barlev Note. In April 2022, we entered into a Securities Purchase and Loan Repayment Agreement with Mr. Barlev, pursuant to which Mr. Barlev sold to the Company 1,274,173 shares for a purchase price equal to $0.0989 per share for an aggregate purchase consideration of $126,023, or the Purchase Consideration. In lieu of paying Mr. Barlev the Purchase Consideration for the shares in cash, the Purchase Consideration was used to repay in full the outstanding loan amount and accrued interest owed to the Company by Mr. Barlev, and the Barlev Note was terminated.

Chief Financial Officer

Employment Agreements with Mr. Yoav Efron

In December 2017, Actelis Israel, our wholly-owned subsidiary, entered into an at will employment agreement with our Chief Financial Officer, Mr. Yoav Efron, and we entered into another, separate, at will employment agreement with our subsidiary. Both of these agreements remain in effect as of the date of this prospectus. Pursuant to the agreements, Mr. Efron is eligible to receive an annual base salary from both entities totaling approximately $158,000.

Mr. Efron employment agreements provide that that he will be entitled to severance if we terminate his employment without "Cause" (as defined in the employment agreements), if he terminates his employment for "Good Reason" (as defined in the employment agreements), we shall continue to pay Mr. Efron his then-in-effect base salary and provide benefit continuation at our expense for a period of six months from the date of termination of employment following an acquisition of us. Any severance payable to Mr. Efron shall be payable in equal instalments in the same manner and in our regular payroll cycle as other salaried executive employees are paid.

Director Compensation

None of our current non-employee directors has received any compensation for services as a member of our Board of Directors during the past two fiscal years. Our directors are and will continue to be reimbursed by us for any out-of-pocket expenses incurred in connection with activities conducted on our behalf. The compensation of Mr. Barlev as a named executive officer is set forth in the section above; he does not receive any additional compensation for his service as the Chairman of the Board.

In anticipation of this offering and the increased responsibilities of our directors as directors of a public company, our board of directors intends to adopt a formal non-employee director compensation policy, to become effective on the effective date of the registration statement of which this prospectus forms a part, pursuant to which each of our directors who is not an employee or consultant of our company will be eligible to receive compensation for his or her service on our board of directors and committees of our board of directors.

Director and Officer Liability Insurance

We intend to purchase director and officer liability insurance that provides financial protection for our directors and officers in the event that they are sued in connection with the performance of their services and also provides employment practices liability coverage, which insures for harassment and discrimination suits.

2015 Equity Incentive Plan

The 2015 Equity Incentive Plan, or the 2015 Plan, was adopted by our board of directors, or the Board, on May 10, 2015. The 2015 Plan provides for the grant of equity-based incentive awards to our employees, directors, and consultants in order to incentivize them to increase their efforts on behalf of our Company and to promote the success of our Company's business.

Authorized Shares. As of the date of this prospectus, there are 3,684,755 options to purchase shares of common stock reserved and available for grant under the Plan. Common stock subject to options granted under the 2015 Plan that expire or become unexercisable without having been exercised in full will become available again for future grant or sale under the Plan.

Administration. The Board, or a duly authorized committee of the Board, administers the 2015 Plan, or the Administrator. Under the Plan, the Administrator has the authority, subject to applicable law, to interpret the terms of the 2015 Plan and any award agreements or awards granted thereunder, designate recipients of awards, determine and amend the terms of awards, including the exercise price of an option award, the fair market value of a share, the time and vesting schedule applicable to an award or the method of payment for an award, accelerate or amend the vesting schedule applicable to an award, prescribe the forms of agreement for use under the 2015 Plan and take all other actions and make all other determinations necessary for the administration of the Plan.

The administrator also has the authority to approve the conversion, substitution, cancellation or suspension under and in accordance with the 2015 Plan of any or all awards, and the authority to modify outstanding awards unless otherwise provided by the terms of the Plan.

The administrator may adopt special appendices and/or guidelines and provisions for persons who are residing in or employed in, or subject to, the taxes of, any domestic or foreign jurisdictions, to comply with applicable laws, regulations, or accounting, listing or other rules with respect to such domestic or foreign jurisdictions.

Eligibility. The 2015 Plan provides for granting awards under various tax regimes, including, without limitation, in compliance with Section 102 of the Ordinance and Section 3(i) of the Ordinance and for awards granted to our United States employees or service providers, including those who are deemed to be residents of the United States for tax purposes, Section 422 of the Code and Section 409A of the Code.

Grants. All awards granted pursuant to the 2015 Plan will be evidenced by an award agreement. Award agreements need not be in the same form and may differ in the terms and conditions included therein. The award agreement will set forth the terms and conditions of the award, including the type of award, number of shares subject to such award, vesting schedule and conditions, the exercise price, if applicable, the date of expiration of the award, any special terms applying to such award (if any), including the terms of any country-specific or other applicable appendix, as determined by our board of directors.

Awards. The 2015 Plan provides for the grant of stock options, Nonstatutory Stock Options, Stock Appreciation Rights, Restricted Stock and Restricted Stock Units.

With respect to options granted under the Plan, unless otherwise determined by the administrator, and subject to the conditions of the Plan, options vest and become exercisable, if applicable, under the following schedule: 25% of the shares covered by the option on the first anniversary of the vesting commencement date determined by the administrator (and in the absence of such determination, the date on which such option was granted) and 6.25% of the shares covered by the option at the end of each subsequent three-month period thereafter over the course of the following three years; provided that the grantee remains continuously as an employee or provides services to our company and our affiliates throughout such vesting dates.

Each option will expire ten years from the date of the grant thereof, unless such shorter term of expiration is otherwise designated by the administrator or required by applicable law.

Options under the 2015 Plan may be exercised by providing our company with a notice of exercise and full payment of the exercise price for such shares underlying the option, if applicable, in such form and method as may be determined by the administrator and permitted by applicable law. An option may not be exercised for a fraction of a share. If the Company's shares are listed for trading on any securities exchange, and if the administrator so determines, all or part of the exercise price and any withholding taxes may be paid by the delivery of an irrevocable direction to a securities broker approved by our company to sell shares and to deliver all or part of the sales proceeds to our company or the trustee, or, the delivery of an irrevocable direction to pledge shares to a securities broker or lender approved by our company, as security for a loan, and to deliver all or part of the loan proceeds to our company, or such other method of payment acceptable to our company as determined by the administrator.

Transferability. Other than by will, the laws of descent and distribution or as otherwise provided under the Plan, the awards and shares granted under the 2015 Plan are not assignable or transferable, unless determined otherwise by the Administrator in which case such Award may only be transferred as permitted by Rule 701 of the Securities Act of 1933.

Termination of Relationship. In the event of termination of a grantee's employment or service with our company, all vested and exercisable options held by such grantee as of the date of termination may be exercised within ninety days after such date of termination, unless otherwise determined by the administrator, but in no event later than the date of expiration of the option as set forth in the award agreement. After such ninety-day period, all such unexercised options will terminate, and the shares covered by such options shall again be available for issuance under the Plan.

In the event of termination of a grantee's employment or service with our company or any of our affiliates due to such grantee's death or permanent disability, all vested and exercisable options held by such grantee as of the date of termination may be exercised by the grantee or the grantee's legal guardian, estate or by a person who acquired the right to exercise the options by bequest or inheritance, as applicable, within 12 months after such date of termination, unless otherwise provided by the administrator, but in no event later than the date of expiration of the option as set forth in the award agreement. Any options which are unvested as of the date of such termination or which are vested but not then exercised within the 12-month period following such date, will terminate and the shares covered by such options shall again be available for issuance under the Plan.

All restricted shares still subject to restriction under the applicable restriction period as set by the administrator in the applicable award agreement, lapsed will revert to the Company and again will become available for grant under the Plan.

Rights as a stockholder. Subject to terms of the Plan, a grantee shall have no rights as a stockholder of our company with respect to any shares covered by an award until the grantee shall have exercised the award and paid the exercise price therefor, if applicable, and becomes the record holder of the subject shares.

Transactions. Shares subject to an award, as well as the price per share covered by each outstanding award, shall be proportionately adjusted for any increase or decrease in the number of issued shares resulting from a share split, reverse share split, combination or reclassification of the shares, or any other increase or decrease in the number of issued shares effected without receipt of consideration by our company, provided, however, that the Administrator will make such adjustments to an Award required by Section 25102(o) of the California Corporations Code to the extent the Company is relying upon the exemption afforded thereby with respect to the Award.

In the event of a merger or Change in Control, each outstanding Award will be treated as the Administrator determines without a Participant's consent, including, without limitation, that either (i) Awards will be assumed, or substantially equivalent Awards will be substituted, by the acquiring or succeeding corporation (or an affiliate thereof) with appropriate adjustments as to the number and kind of shares and prices; (ii) upon written notice to a Participant, that the Participant's Awards will terminate upon or immediately prior to the consummation of such merger or Change in Control (subject to the provisions of the paragraph above); (iii) outstanding Awards will vest and become exercisable, realizable, or payable, or restrictions applicable to an Award will lapse, in whole or in part prior to or upon consummation of such merger or Change in Control, and, to the extent the Administrator determines, terminate upon or immediately prior to the effectiveness of such merger of Change in Control; (iv) (A) the termination of an Award in exchange for an amount of cash and/or property, if any, equal to the amount that would have been attained upon the exercise of such Award or realization of the Participant's rights as of the date of the occurrence of the transaction (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction the Administrator determines in good faith that no amount would have been attained upon the exercise of such Award or realization of the Participant's rights, then such Award may be terminated by the Company without payment), or (B) the replacement of such Award with other rights or property selected by the Administrator in its sole discretion; or (v) any combination of the foregoing or other alternative not listed hereinabove. In taking any of the actions permitted under this subsection, the Administrator will not be obligated to treat all Awards, all Awards held by a Participant, or all Awards of the same type, similarly. In the event of liquidation or winding up of our company, the administrator will notify each Participant as soon as practicable prior to the effective date of such proposed transaction. To the extent it has not been previously exercised, an Award will terminate immediately prior to the consummation of such proposed action.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following includes a summary of transactions since January 1, 2019 to which we have been a party, in which the amount involved in the transaction exceeded or will exceed $120,000, and in which any of our directors, executive officers or, to our knowledge, beneficial owners of more than 5% of our capital stock or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest, other than equity and other compensation, termination, change in control and other arrangements, which are described under "Executive and Director Compensation." We also describe below certain other transactions with our directors, executive officers and stockholders.

Services Agreement with Ram Vromen

On December 27, 2021, we entered into a service agreement with Dr. Ram Vromen, our director, or the Vromen Services Agreement. Under the terms of the Vromen Services Agreement, Dr. Vromen provides services to us as an independent contractor. The services include advising us and aiding in fundraising, assisting with presentations and providing follow up, negotiating deals, legal assistance. We agreed to pay the outstanding amount for unpaid services rendered by Dr. Vromen during the period between February 15, 2015, and ending on December 31, 2019, of $197,500 plus VAT, or the Outstanding Fees. Pursuant to the Vromen Services Agreement, Dr. Vromen will also be entitled to additional fees in the amount of $150,000 plus VAT as follows: Dr. Vromen will receive (1) $100,000 upon the earlier to occur of (i) the closing of a financing round by us of at least $2.0 million and (ii) achievement of at least $3.0 million in EBITDA as reported by us, which VAT was paid to Dr. Vromen in January 2022 following the closing of our private placement, and (2) $50,000 upon the earlier to occur of (i) the closing of a financing round by us of at least $4.0 million and (ii) achievement of at least $3.0 million in EBITDA as reported by us. In the event that we reach one of the milestones set forth above and Dr. Vromen is entitled to receive such additional fees, then we will pay to Dr. Vromen all of the Outstanding Fees, together with the payment of such additional fees, provided that we may pay any and all of the Outstanding Fees in several instalments over a period not to exceed twenty-four (24) months from achievement of the applicable milestone.

Related Party Transaction Policy

We intend to adopt a formal, written policy, which will become effective upon completion of this offering, that our executive officers, directors (including director nominees), holders of more than 5% of any class of our voting securities and any member of the immediate family of or any entities affiliated with any of the foregoing persons, are not permitted to enter into a related party transaction with us without the prior approval or, in the case of pending or ongoing related party transactions, ratification of our audit committee. For purposes of our policy, a related party transaction is a transaction, arrangement or relationship where we were, are or will be involved and in which a related party had, has or will have a direct or indirect material interest.

Certain transactions with related parties, however, are excluded from the definition of a related party transaction including, but not limited to:

- transactions involving the purchase or sale of products or services in the ordinary course of business, not exceeding $20,000;
- transactions where a related party's interest derives solely from his or her service as a director of another entity that is a party to the transaction;
- transactions where a related party's interest derives solely from his or her ownership of less than 10% of the equity interest in another entity that is a party to the transaction; and
- transactions where a related party's interest derives solely from his or her ownership of a class of our equity securities and all holders of that class received the same benefit on a pro rata basis.

No member of the Audit Committee may participate in any review, consideration or approval of any related party transaction where such member or any of his or her immediate family members is the related party. In approving or rejecting the proposed agreement, our Audit Committee shall consider the relevant facts and circumstances available and deemed relevant by the Audit Committee, including, but not limited to:

- the benefits and perceived benefits to us;

- the materiality and character of the related party's direct and indirect interest;
- the availability of other sources for comparable products or services;
- the terms of the transaction; and
- the terms available to unrelated third parties under the same or similar circumstances.

In reviewing proposed related party transactions, the Audit Committee will only approve or ratify related party transactions that are in, or not inconsistent with, the best interests of us and our stockholders.

The transactions described below were consummated prior to our adoption of the formal, written policy described above, and therefore the foregoing policies and procedures were not followed with respect to the transactions. However, we believe that the terms obtained or consideration that we paid or received, as applicable, in connection with the transactions described were comparable to terms available or the amounts that would be paid or received, as applicable, in arm's-length transactions.

Policy for Approval of Related Party Transactions

Prior to the consummation of this offering, we will adopt our Code of Ethics requiring us to avoid, wherever possible, all conflicts of interests, except under guidelines or resolutions approved by our board of directors (or the appropriate committee of our board of directors) or as disclosed in our public filings with the SEC. Under our Code of Ethics, conflict of interest situations will include any financial transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness) involving Actelis. A form of the Code of Ethics that we plan to adopt prior to the consummation of this offering is filed as an exhibit to the registration statement of which this prospectus forms a part.

In addition, the Audit Committee of our board of directors will adopt a charter, providing for the review, approval and/or ratification of "related party transactions," which are those transactions required to be disclosed pursuant to Item 404 of Regulation S-K as promulgated by the SEC, by the Audit Committee. At its meetings, the Audit Committee shall be provided with the details of each new, existing, or proposed related party transaction, including the terms of the transaction, any contractual restrictions that the company has already committed to, the business purpose of the transaction, and the benefits of the transaction to the company and to the relevant related party. Any member of the committee who has an interest in the related party transaction under review by the committee shall abstain from voting on the approval of the related party transaction, but may, if so requested by the chairman of the committee, participate in some or all of the committee's discussions of the related party transaction. Upon completion of its review of the related party transaction, the committee may determine to permit or to prohibit the related party transaction. Our Audit Committee will review on a quarterly basis all payments that were made by us to our sponsor, officers, or directors, or our or any of their affiliates.

These procedures are intended to determine whether any such related party transaction impairs the independence of a director or presents a conflict of interest on the part of a director, employee or officer.

PRINCIPAL STOCKHOLDERS

The following table sets forth information regarding the beneficial ownership of our common stock as of the date of this prospectus, and as adjusted to reflect the sale of shares of our common stock offered by this prospectus, by:

- each person known by us to be the beneficial owner of more than 5% of our outstanding common stock;
- each of our executive officers, directors and director nominees that beneficially owns common stock; and
- all our executive officers, directors and director nominees as a group.

The beneficial ownership of our common stock is determined in accordance with the rules of the SEC and generally includes any shares over which a person exercises sole or shared voting or investment power, or the right to receive the economic benefit of ownership. For purposes of the table below, we deem common stock issuable pursuant to options that are currently exercisable or exercisable within 60 days from the date of this prospectus to be outstanding and to be beneficially owned by the person holding the options for the purposes of computing the percentage ownership of that person, but we do not treat them as outstanding for the purpose of computing the percentage ownership of any other person. Percentage of shares beneficially owned before this offering is based on common stock issued and outstanding as of the date of this prospectus. The number of common stock deemed issued and outstanding after this offering is based on common stock which includes the common stock offered hereby but assumes no exercise of the Underwriter's over-allotment option.

Unless otherwise indicated, we believe that all persons named in the table have sole voting and investment power with respect to all of our common stock beneficially owned by them.

	Shares beneficially owned	Percentage of Shares beneficially owned	
		Before Offering	**After Offering**
Name of Beneficial Owner			
Tuvia Barlev[(1)(2)]	72,743,466	16.17%	
Yoav Efron[(2)(3)]	4,921,584	1.08%	
Eyal Aharon[(5)]	1,614,619	*	
Michal Winkler-Solomon[(6)]	1,705,053	*	
Bruce Hammergren[(7)]	1,970,903	*	
Yaron Altit[(8)]	4,921,584	1.08%	
Hemi Kabir[(9)]	2,056,131	*	
Jan Ruderman	—	—	
Elad Domanovitz[(10)]	2,405,500	*	
Ram Vromen[(11)]	29,122,459	6.47%	
Yariv Gilat[(12)]	56,562,169	12.48%	
Israel Niv[(13)]	24,764,082	5.47%	
Joseph Moscovitz	—	—	
Dr. Naama Halevi-Davidov	—	—	
Noemi Schmayer	—	—	
All Directors, Director Nominees and Officers as a Group (15 persons)	205,482,533	43.20%	
Other Greater than 5% Beneficial Owners			
Isard Dunietz[(14)]	56,562,169	12.48%	
Rami Lipman[(15)]	27,962,841	6.22%	
Arik Steinberg[(16)]	23,923,368	5.32%	
Hamizrahi Bank			

* Less than 1%.

(1) Unless otherwise noted, the business address of the following entities or individuals is 47800 Westinghouse Drive Fremont, CA 94539.

(2) Unless otherwise noted, the business address of the following entities or individuals is 25 Bazel St. P.O.B. 3236 Petach-Tikva 4951038 Israel.

(3) Consists of 74,017,639 shares of common stock held by Mr. Barlev.

(4) Consists of 4,921,584 shares of common stock issuable upon the exercise of options issued to Mr. Efron which options are exercisable within 60 days from the date of this prospectus.

(5) Consists of 1,614,619 shares of common stock issuable upon the exercise of options issued to Mr. Aharon which options are exercisable within 60 days from the date of this prospectus.

(6) Consists of 1,705,053 shares of common stock issuable upon the exercise of options issued to Ms. Winkler-Solomon which options are exercisable within 60 days from the date of this prospectus.

(7) Consists of 1,970,903 shares of common stock issuable upon the exercise of options issued to Mr. Hammergren which options are exercisable within 60 days from the date of this prospectus.

(8) Consists of 4,921,584 shares of common stock issuable upon the exercise of options issued to Mr. Altit which options are exercisable within 60 days from the date of this prospectus.

(9) Consists of 2,056,131 shares of common stock issuable upon the exercise of options issued to Mr. Kabir which options are exercisable within 60 days from the date of this prospectus.

(10) Consists of 2,405,500 shares of common stock issuable upon the exercise of options issued to Mr. Domanovitz which options are exercisable within 60 days from the date of this prospectus.

(11) includes 25,799,830 shares of common stock held by IBI Trust Management Ltd. on behalf of Dr. Vromen,

(12) Consists of 53,337,191 shares of common stock held by Mr. Gilat and (ii) 3,224,978 shares of common stock issuable upon the exercise of options issued to Mr. Gilat which options are exercisable within 60 days from the date of this prospectus.

(13) Consists of (i) 16,362,120 shares of common stock held by The Niv Family Trust, for which Dr. Niv and his spouse serve as trustees, (ii) 5,176,984 shares of common stock held by Saron Hava Niv 2015 Irrevocable Trust for which Dr. Niv and his spouse serve as trustees, and (iii) 3,224,978 shares of common stock issuable upon the exercise of options issued to Dr. Niv which options are exercisable within 60 days from the date of this prospectus.

(14) Mr. Dunietz's address is 638 La Salle Place, Highland Park, IL 60035.

(15) Mr. Lipman's address is 10 Beit Haam Street, Ramot Hashavim, Israel.

(16) Mr. Steinberg's address is 19 Haetzel Street, Ramat Hasharon, Israel.

(17) shares of common stock will be issued upon exercise of warrants at the consummation of this Offering.

DESCRIPTION OF SECURITIES

The following description is intended as a summary of our Charter and our Bylaws, each of which will become effective prior to the effectiveness of the registration statement of which this prospectus forms a part, and which will be filed as exhibits to the registration statement of which this prospectus forms a part, and to the applicable provisions of the DGCL. Because the following is only a summary, it does not contain all of the information that may be important to you. For a complete description, you should refer to our Charter and Bylaws.

Authorized Capital Stock

Our Charter authorizes us to issue up to 506,428,470shares of common stock, 128,973,588 shares of non-voting common stock and 367,479,318 shares of preferred stock. Upon the closing of this offering (i) we will have shares of common stock outstanding, all of which will have the voting rights described below and no shares of non-voting common stock will be outstanding, and (ii) all of our shares of preferred stock will automatically convert to common stock, and our non-voting common stock will be redeemed for their par value (an aggregate of approximately $129). As of April 15, 2022, there were 8 holders of record of our common stock, 29 holders of record of our Preferred A Stock and 33 holders of record of our Preferred B Stock.

Common Stock

Upon the closing of this offering, shares of our common stock have the following rights, preferences and privileges:

Voting Rights

Each holder of common stock is entitled to one vote for each share of common stock held on all matters submitted to a vote of stockholders. Any action at a meeting at which a quorum is present will be decided by a majority of the voting power present in person or represented by proxy, except in the case of any election of directors, which will be decided by a plurality of votes cast. There is no cumulative voting.

Dividends Rights

Holders of our common stock are entitled to receive dividends when, as and if declared by our board of directors out of funds legally available for payment, subject to the rights of holders, if any, of any class of stock having preference over the common stock. Any decision to pay dividends on our common stock will be at the discretion of our board of directors. Our board of directors may or may not determine to declare dividends in the future. See “Dividend Policy.” The board’s determination to issue dividends will depend upon our profitability and financial condition any contractual restrictions, restrictions imposed by applicable law and the SEC, and other factors that our board of directors deems relevant.

Liquidation Rights

In the event of a voluntary or involuntary liquidation, dissolution or winding up of the Company, the holders of our common stock will be entitled to share ratably on the basis of the number of shares held in any of the assets available for distribution after we have paid in full, or provided for payment of, all of our debts and after the holders of all outstanding series of any class of stock have preference over the common stock, if any, have received their liquidation preferences in full.

Other Rights and Preferences

Upon the closing of this offering, holders of our common stock will have no pre-emptive, conversion, subscription or other rights, and there are no redemption or sinking fund provisions applicable to our common stock. The rights, preferences and privileges of the holders of our common stock are subject to and may be adversely affected by the rights of the holders of shares of any series of our preferred stock that we may designate in the future. Upon the closing of this offering, shares of our common stock are not convertible into shares of any other class of capital stock, nor are they subject to any redemption or sinking fund provisions.

Fully paid and nonassessable

All of our outstanding shares of common stock are, and the shares of common stock to be issued in this offering will be, fully paid and nonassessable.

Preferred stock

We are authorized to issue up to shares of preferred stock. Our Charter authorizes the board to issue these shares in one or more series, to determine the designations and the powers, preferences and relative, participating, optional or other special rights and the qualifications, limitations and restrictions thereof, including the dividend rights, conversion or exchange rights, voting rights (including the number of votes per share), redemption rights and terms, liquidation preferences, sinking fund provisions and the number of shares constituting the series. Our board of directors could, without stockholder approval, issue preferred stock with voting and other rights that could adversely affect the voting power and other rights of the holders of common stock and which could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, a majority of our outstanding voting stock. Upon the closing of this offering, no shares of preferred stock will be outstanding.

Charter and Bylaw Provisions

Charter and Bylaw Provisions

Our Charter and our Bylaws to be effective upon the closing of this offering, include a number of provisions that could deter hostile takeovers or delay or prevent changes in control of our management team, including the following:

- *Board of Directors vacancies.* Our Charter to be effective upon the closing of this offering, provides that vacancies on the board of directors may be filled only by the affirmative vote of a majority of the directors then in office, irrespective of whether there is a quorum, or by a sole remaining director. Additionally, the number of directors to serve on our board of directors is fixed solely and exclusively by resolution duly adopted by our board of directors. This would prevent a stockholder from increasing the size of our board of directors and then gaining control of our board of directors by filling the resulting vacancies with its own nominees. This makes it more difficult to change the composition of our board of directors but promotes continuity of management.

- *Special Meetings of Stockholders.* Our Charter to be effective upon the closing of this offering, provides that special meetings of our stockholders may be called by the board of directors acting pursuant to a resolution approved by the affirmative vote of a majority of the directors then in office, and special meetings of stockholders may not be called by any other person or persons.

- *No Cumulative Voting.* The DGCL provides that stockholders are not entitled to the right to cumulate votes in the election of directors unless the corporation's certificate of incorporation provides otherwise. Our Charter does not provide for cumulative voting.

- *Amendment of Charter and Bylaw Provisions.* Any amendment of our Charter requires the affirmative vote of the majority of the outstanding shares of capital stock entitled to vote on such amendment, and the affirmative vote of the majority of the outstanding shares of each class entitled to vote thereon as a class. Amendments to our Bylaws may be executed pursuant to a resolution by the Board of Directors pursuant to an affirmative vote of a majority of the directors then in office, or by the affirmative vote of at least 75% of the outstanding shares of capital stock entitled to vote.

- *Delaware Business Combination Statute.* The Company is subject to the "business combination" provisions of Section 203 of the DGCL. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years following the date such person becomes an interested stockholder, unless the business combination or the transaction in which such person becomes an interested stockholder is approved in a prescribed manner. Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Generally, an "interested stockholder" is a person that, together with affiliates and associates, owns, or within three years prior to the determination of interested stockholder

status did own, 15% or more of a corporation's voting stock. The existence of this provision may have an anti-takeover effect with respect to transactions not approved in advance by our Board of Directors, and the anti-takeover effect includes discouraging attempts that might result in a premium over the market price for the shares of our common stock.

- *Exclusive Forum.* Unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware is the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the DGCL, our Charter or our Bylaws, (iv) any action to interpret, apply, enforce or determine the validity of the Company's Charter or Bylaws, or (v) any action asserting a claim against us governed by the internal affairs doctrine. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees.

Anti-Takeover Provisions

The provisions of the DGCL, our Charter and our Bylaws may have the effect of delaying, deferring or discouraging another person from acquiring control of our company. These provisions, which are summarized below, may have the effect of discouraging takeover bids. They are also designed, in part, to encourage persons seeking to acquire control of us to negotiate first with our board of directors. We believe that the benefits of increased protection of our potential ability to negotiate with an unfriendly or unsolicited acquirer outweigh the disadvantages of discouraging a proposal to acquire us because negotiation of these proposals could result in an improvement of their terms.

Limitations on Liability, Indemnification of officers and directors and Insurance

Our Charter and Bylaws contain provisions that limit the liability of our directors for monetary damages to the fullest extent permitted by the DGCL. Consequently, our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors, except liability for:

- any breach of the director's duty of loyalty to us or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases, or redemptions as provided in Section 174 of the DGCL; or
- any transaction from which the director derived an improper personal benefit.

Listing

We have applied to list our common stock on the Nasdaq Capital Market under the symbol "ASNS".

Transfer Agent and Registrar

The transfer agent and registrar for our common stock will be VStock Transfer, LLC. The transfer agent and registrar's address is 18 Lafayette Place, Woodmere, NY 11598.

Exclusive Forum

Our Charter provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for any stockholder for (a) any derivative action or proceeding brought on our behalf, (b) any action asserting a claim of breach of a fiduciary duty owed by, or other wrongdoing by, any director, officer, employee or agent of the Company to the Company or the Company's stockholders, (c) any action asserting a claim arising pursuant to any provision of the DGCL or the Company's Certificate of Incorporation or Bylaws, (d) any action to interpret, apply, enforce or determine the validity of the Company's Certificate of Incorporation or Bylaws, or (e) any action asserting a claim governed by the internal affairs doctrine. The federal district courts of the United States of America shall be the exclusive forum for the resolution

of any complaint, claim or proceeding asserting a cause of action arising under the Exchange Act or the Securities Act. Furthermore, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. Stockholders cannot waive compliance with the federal securities laws and the rules and regulations thereunder. Any person or entity purchasing or otherwise acquiring or holding any interest in shares of our capital stock shall be deemed to have notice of and consented to the forum provision in our Charter.

The choice-of-forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with the Company or its directors, officers or other employees, and may result in increased costs to a stockholder who has to bring a claim in a forum that is not convenient to the stockholder, which may discourage such lawsuits. Although under Section 115 of the DGCL, exclusive forum provisions may be included in a company's certificate of incorporation, the enforceability of similar forum provisions in other companies' certificates or incorporation or bylaws has been challenged in legal proceedings, and it is possible that a court could find these types of provisions to be inapplicable or unenforceable. If a court were to find the exclusive forum provision of our Charter inapplicable or unenforceable with respect to one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could materially and adversely affect our business, financial condition and results of operations and result in a diversion of the time and resources of our management and board of directors.

Anti-Takeover Provisions of the DGCL and Charter Provisions

Certain provisions of the DGCL and certain provisions included in our Charter and Bylaws summarized below may be deemed to have an anti-takeover effect and may delay, deter, or prevent a tender offer or takeover attempt that a stockholder might consider to be in its best interests, including attempts that might result in a premium being paid over the market price for the shares held by stockholders.

Removal of Directors

Our Bylaws provide that stockholders may only remove a director with or without cause by a vote of no less than a majority of the shares present in person or by proxy at the meeting and entitled to vote, voting together as a single class.

Amendments to Certificate of Incorporation

Certain sections of our Certificate of Incorporation require the affirmative vote of the holders of a majority of the voting power of the then outstanding shares of capital stock of the Company entitled to vote, voting together as a single class.

Amendments to Bylaws

Our Charter limits the abilities of the directors and stockholders to amend our Bylaws in certain circumstances. In particular, the Bylaws may be amended only by the vote of a majority of all of the directors then in office, or by the stockholders in accordance with the provisions of the Bylaws, and the DGCL.

No Cumulative Voting

Our Charter does not provide for cumulative voting.

Special Meetings of Stockholders

Our Bylaws provide that, except as otherwise required by law, special meetings of the stockholders may be called only by an officer at the request of a majority of our board of directors, by our Chief Executive Officer or President or by the holders of not less than 25% of the holders of stock entitled to vote at the meeting.

Stockholders Agreement

We are party to the Amended and Restated Stockholders Agreement, dated February 2, 2016, or the Stockholders Agreement, pursuant to which certain holders of our common stock have the right to demand that we file a registration statement or request that their common stock be covered by a registration statement that we are otherwise filing. All rights under the Stockholders Agreement will terminate upon the closing of this offering.

SHARES ELIGIBLE FOR FUTURE SALE

Immediately prior to this offering, there was no public market for shares of our common stock, and we cannot predict what effect, if any, market sales of our common stock or the availability of our common stock for sale will have on the market price of our common stock prevailing from time to time. Nevertheless, future sales of substantial amounts of our common stock in the public market, or the perception that such sales could occur, could materially and adversely affect the market price of our common stock and could impair our future ability to raise capital through the sale of our equity or equity-related securities at a time and price that we deem appropriate.

Upon the consummation of this offering, we will have an aggregate of approximately shares of common stock issued and outstanding. In the event the Underwriter exercises the over-allotment option in full, we will have shares of common stock issued and outstanding. Of the outstanding shares, the shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act, except any shares purchased by our "affiliates," as that term is defined in Rule 144 under the Securities Act, may be sold only in compliance with the limitations described below.

The remaining outstanding common stock will be deemed restricted securities, as defined under Rule 144. Restricted securities may be sold in the public market only if registered or if they qualify for an exemption from registration under Rules 144 or 701 under the Securities Act, which we summarize below. Approximately of these shares will be subject to lock-up agreements described below.

Taking into account the lock-up agreements described below, and assuming we do not release stockholders from these agreements, the following shares will be eligible for sale in the public market at the following times, subject to the provisions of Rule 144 and Rule 701:

Date Available for Sale	Shares Eligible for Sale	Description
Date of Prospectus		Shares sold in the offering that are not subject to a lock-up
90 Days after Date of Prospectus		Shares saleable under Rules 144 and 701 that are not subject to a lock-up
6 Months after Date of Prospectus		Lock-up released; shares saleable under Rules 144 and 701
12 Months after Date of Prospectus		Lock-up released; shares saleable under Rules 144 and 701

Lock-up Agreements

Pursuant to certain "lock-up" agreements, we, our executive officers and directors and our stockholders of five percent (5%) or more, have agreed not to, without the prior written consent of the Underwriter, offer, sell, assign, transfer, pledge, contract to sell, or otherwise dispose of or announce the intention to otherwise dispose of, or enter into any swap, hedge or similar agreement or arrangement that transfers, in whole or in part, the economic risk of ownership of, directly or indirectly, engage in any short selling of any common stock or securities convertible into or exchangeable or exercisable for any common stock, whether currently owned or subsequently acquired, for a period of twelve (12) months, subject to certain exceptions. All of our other stockholders have agreed to the same lock-up provisions described above for a period of six (6) months. See "Underwriting — Lock-Up Agreements" for additional information.

Rule 144

Affiliate Resales of Restricted Securities

In general, beginning 90 days after the effective date of the registration statement of which this prospectus is a part, a person who is an affiliate of ours, or who was an affiliate at any time during the 90 days before a sale, who has beneficially owned shares of our common stock for at least 180 days would be entitled to sell in "broker's transactions" or certain "riskless principal transactions" or to market makers, a number of shares within any three-month period that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding; and
- the average weekly trading volume in our common stock on Nasdaq during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

Affiliate resales under Rule 144 are also subject to the availability of current public information about us. In addition, if the number of shares being sold under Rule 144 by an affiliate during any three-month period exceeds 5,000 shares or has an aggregate sale price in excess of $50,000, the seller must file a notice on Form 144 with the SEC and Nasdaq concurrently with either the placing of a sale order with the broker or the execution directly with a market maker.

Non-Affiliate Resales of Restricted Securities

Under Rule 144, a person who is not an affiliate of ours at the time of sale, and has not been an affiliate at any time during the 90 days preceding a sale, and who has beneficially owned shares of our common stock for at least six months but less than a year, is entitled to sell such shares subject only to the availability of current public information about us. If such person has held our shares for at least one year, such person can resell without regard to any Rule 144 restrictions, including the 90-day public company requirement and the current public information requirement.

Non-affiliate resales are not subject to the manner of sale, volume limitation or notice filing provisions of Rule 144.

Rule 701

In general, under Rule 701, any of our employees, directors, officers, consultants or advisors who purchases shares from us in connection with a compensatory stock or option plan or other written agreement before the effective date of the registration statement of which this prospectus forms a part is entitled to sell such shares 90 days after such effective date in reliance on Rule 144. Our affiliates can resell shares in reliance on Rule 144 without having to comply with the holding period requirement, and non-affiliates of the issuer can resell shares in reliance on Rule 144 without having to comply with the current public information and holding period requirements.

The SEC has indicated that Rule 701 will apply to typical stock options granted by an issuer before it becomes subject to the reporting requirements of the Exchange Act, along with the shares acquired upon exercise of such options, including exercises after an issuer becomes subject to the reporting requirements of the Exchange Act.

Form S-8 Registration Statement

Following the completion of this offering, we intend to file one or more registration statements on Form S8 under the Securities Act to register the common stock issued or reserved for issuance under our Plan. The registration statement on Form S-8 will become effective automatically upon filing. common stock issued upon exercise of an option and registered under the Form S-8 registration statement will, subject to vesting and lockup provisions and Rule 144 volume limitations applicable to our affiliates, be available for sale in the open market immediately unless they are subject to a lock-up, in which case, immediately after the term of the lock-up expires.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL SHARE TRANSFER RESTRICTION MATTERS THAT MAY BE OF IMPORTANCE TO A PROSPECTIVE INVESTOR. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN LEGAL ADVISOR REGARDING THE PARTICULAR SECURITIES LAWS AND TRANSFER RESTRICTION CONSEQUENCES OF PURCHASING, HOLDING, AND DISPOSING OF THE COMMON STOCK INCLUDING THE CONSEQUENCES OF ANY PROPOSED CHANGE IN APPLICABLE LAWS.

MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS FORNON-U.S. HOLDERS

The following discussion is a summary of the material U.S. federal income tax consequences to non-U.S. holders (as defined below) of the purchase, ownership and disposition of our common stock issued pursuant to this offering, but does not purport to be a complete analysis of all potential tax effects. The effects of other U.S. federal tax laws, such as estate and gift tax laws, and any applicable state, local or foreign tax laws are not addressed herein. This discussion is based on the Code, Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the U.S. Internal Revenue Service, or the IRS, in effect as of the date of this offering. These authorities may change or be subject to differing interpretations. Any such change or differing interpretation may be applied retroactively in a manner that could adversely affect a non-U.S. holder of our common stock. We have not sought and will not seek any rulings from the IRS regarding the matters discussed below. There can be no assurance the IRS or a court will not take a contrary position regarding the tax consequences of the purchase, ownership and disposition of our common stock.

This discussion is limited to non-U.S. holders that hold our common stock as a "capital asset" within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all U.S. federal income tax consequences relevant to a non-U.S. holder's particular circumstances, including the impact of the alternative minimum tax or the unearned income Medicare contribution tax. In addition, it does not address consequences relevant to holders subject to particular rules, including, without limitation:

- U.S. expatriates and certain former citizens or long-term residents of the United States;
- persons holding our common stock as part of a hedge, straddle or other risk reduction strategy or as part of a conversion transaction or other integrated investment;
- banks, insurance companies, and other financial institutions;
- brokers, dealers or traders in securities or currencies;
- persons that hold more than 5% of our common stock, directly or indirectly;
- "controlled foreign corporations," "passive foreign investment companies," and corporations that accumulate earnings to avoid U.S. federal income tax;
- corporations organized outside of the United States, any state thereof or the District of Columbia that are nonetheless treated as U.S. taxpayers for U.S. federal income tax purposes;
- partnerships or other entities or arrangements treated as partnerships for U.S. federal income tax purposes (and investors therein);
- tax-exempt organizations or governmental organizations;
- persons deemed to sell our common stock under the constructive sale provisions of the Code;
- persons for whom our common stock constitutes "qualified small business stock" within the meaning of Section 1202 of the Code;
- persons who hold or receive our common stock pursuant to the exercise of any employee stock option or otherwise as compensation;
- qualified foreign pension funds as defined in Section 897(l)(2) of the Code and entities all of the interests of which are held by qualified foreign pension funds;
- persons whose "functional currency" is not the U.S. dollar;
- persons subject to special tax accounting rules as a result of any item of gross income with respect to our common stock being taken into account in an applicable financial statement; and
- tax-qualified retirement plans.

If a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds our common stock, the tax treatment of a partner (or person or entity treated as a partner) in the partnership will depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level. Accordingly, partnerships holding our common stock and the partners in such partnerships should consult their tax advisors regarding the U.S. federal income tax consequences to them.

THIS DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT INTENDED AS LEGAL OR TAX ADVICE. INVESTORS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR COMMON STOCK ARISING UNDER THE U.S. FEDERAL ESTATE OR GIFT TAX LAWS OR UNDER THE LAWS OF ANY STATE, LOCAL OR NON-U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE INCOME TAX TREATY.

Definition of a Non-U.S. Holder

For purposes of this discussion, a "non-U.S. holder" is any beneficial owner of our common stock that is neither a "U.S. person," nor an entity or arrangement treated as a partnership for U.S. federal income tax purposes regardless of its place of organization or formation. A U.S. person is any person that, for U.S. federal income tax purposes, is or is treated as any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation or other entity created or organized under the laws of the United States, any state thereof, or the District of Columbia and treated as a corporation for U.S. federal income tax purposes;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust that (1) is subject to the primary supervision of a U.S. court and which has one or more U.S. persons (within the meaning of Section 7701(a)(30) of the Code) who have the authority to control all substantial decisions of the trust, or (2) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

An individual non-U.S. citizen may, in some cases, be deemed to be a resident alien (as opposed to a nonresident alien) by virtue of being present in the United States for at least 31 days in the calendar year and for an aggregate of at least 183 days during a three-year period ending in the current calendar year. Generally, for this purpose, all the days present in the current year, one-third of the days present in the immediately preceding year, and one-sixth of the days present in the second preceding year, are counted.

Resident aliens are generally subject to U.S. federal income tax as if they were U.S. citizens. Individuals who are uncertain of their status as resident or nonresident aliens for U.S. federal income tax purposes are urged to consult their tax advisors regarding the U.S. federal income tax consequences of the ownership or disposition of our common stock.

Distributions

As described in the section titled "Dividend Policy," we do not anticipate declaring or paying distributions to holders of our common stock in the foreseeable future. However, if we do make distributions on our common stock, such distributions of cash or property on our common stock will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Amounts not treated as dividends for U.S. federal income tax purposes will first constitute a return of capital and be applied against and reduce a non-U.S. holder's adjusted tax basis in its common stock, but not below zero. Any excess will be treated as capital gain and will be treated as described below under "— Sale or Other Disposition of common stock."

Subject to the discussion below on effectively connected income, backup withholding and foreign accounts, dividends paid to a non-U.S. holder of our common stock that are not effectively connected with the non-U.S. holder's conduct of a trade or business within the United States will be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividends (or such lower rate specified by an applicable income tax treaty).

Non-U.S. holders may be entitled to a reduction in or an exemption from withholding on dividends as a result of either (a) an applicable income tax treaty or (b) the non-U.S. holder holding our common stock in connection with the conduct of a trade or business within the United States and dividends being effectively connected with that trade or business. To claim such a reduction in or exemption from withholding, the non-U.S. holder must provide the applicable withholding agent with a properly executed (a) IRS Form W-8BEN or W-8BEN-E (or other applicable documentation) claiming an exemption from or reduction of the withholding tax under the benefit of an income tax treaty between the United States and the country in which the non-U.S. holder resides or is established, or (b) IRS Form W-8ECI stating that the dividends are not subject to withholding tax because they are effectively connected with the conduct by the non-U.S. holder of a trade or business within the United States, as may be applicable. These certifications must be provided to the applicable withholding agent prior to the payment of dividends and must be updated periodically. If a non-U.S. holder holds stock through a financial institution or other agent acting on the holder's behalf, the holder will be required to provide appropriate documentation to such agent. The holder's agent will then be required to provide certification to us or our paying agent, either directly or through other intermediaries. Non-U.S. holders that do not timely provide the applicable withholding agent with the required certification, but that qualify for a reduced rate under an applicable income tax treaty, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

Subject to the discussions below regarding backup withholding and the FATCA, if dividends paid to a non-U.S. holder are effectively connected with the non-U.S. holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the non-U.S. holder maintains a permanent establishment in the United States to which such dividends are attributable), then, although exempt from U.S. federal withholding tax (provided the non-U.S. holder provides appropriate certification, as described above), the non-U.S. holder will be subject to U.S. federal income tax on such dividends on a net income basis at the regular U.S. federal income tax rates. In addition, a non-U.S. holder that is a corporation may be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on its effectively connected earnings and profits for the taxable year that are attributable to such dividends, as adjusted for certain items. Non-U.S. holders should consult their tax advisors regarding their entitlement to benefits under any applicable income tax treaty.

Sale or Other Disposition of common stock

Subject to the discussions below on backup withholding and FATCA, a non-U.S. holder generally will not be subject to U.S. federal income tax on any gain realized upon the sale or other disposition of our common stock (including a redemption, but only if the redemption would be treated as a sale or exchange rather than as a distribution for U.S. federal income tax purposes) unless:

- the gain is effectively connected with the non-U.S. holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the non-U.S. holder maintains a permanent establishment in the United States to which such gain is attributable);
- the non-U.S. holder is a nonresident alien individual present in the United States for 183 days or more during the taxable year of the disposition and certain other requirements are met; or
- our common stock constitute U.S. real property interests, or the USRPIs, by reason of our status as a U.S. real property holding corporation, or the USRPHC, for U.S. federal income tax purposes.

Gain described in the first bullet point above will generally be subject to U.S. federal income tax on a net income basis at the regular U.S. federal income tax rates. A non-U.S. holder that is a foreign corporation also may be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on its effectively connected earnings and profits, as adjusted for certain items, which will include such effectively connected gain.

A non-U.S. holder described in the second bullet point above will be subject to U.S. federal income tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on any gain derived from the disposition, which may be offset by certain U.S. source capital losses of the non-U.S. holder (even though the individual is not considered a resident of the United States) provided the non-U.S. holder has timely filed U.S. federal income tax returns with respect to such losses.

With respect to the third bullet point above, we would be a USRPHC if our USRPIs comprise (by fair market value) at least 50 percent of our business assets. We believe we are not currently and do not anticipate becoming a USRPHC. Because the determination of whether we are a USRPHC depends on the fair market value of our USRPIs relative to the fair market value of our other business assets and our non-U.S. real property interests, however, there can be no assurance we are not a USRPHC or will not become one in the future. Even if we are or were to become a USRPHC, gain arising from the sale or other taxable disposition by a non-U.S. holder of our common stock will not be subject to U.S. federal income tax if our common stock is "regularly traded," as defined by applicable Treasury Regulations, on an established securities market, and such non-U.S. holder owned, actually and constructively, 5% or less of our common stock throughout the shorter of the five-year period ending on the date of the sale or other taxable disposition or the non-U.S. holder's holding period. There can be no assurance that our common stock will continue to qualify as regularly traded on an established securities market. If any gain on your disposition is taxable because we are a United States real property holding corporation and your ownership of our common stock exceeds 5%, you will be taxed on such disposition generally in the manner as gain that is effectively connected with the conduct of a U.S. trade or business (subject to the provisions under an applicable income tax treaty), except that the branch profits tax generally will not apply.

Non-U.S. holders should consult their tax advisors regarding potentially applicable income tax treaties that may provide for different rules.

Information Reporting and Backup Withholding

Subject to the discussion below on FATCA, a non-U.S. holder will not be subject to backup withholding with respect to distributions on our common stock we make to the non-U.S. holder, provided the applicable withholding agent does not have actual knowledge or reason to know such holder is a U.S. person and the holder certifies its non-U.S. status, such as by providing a valid IRS Form W-8BEN, W-8BEN-E or W-8ECI, or other applicable certification. However, information returns generally will be filed with the IRS in connection with any distributions (including deemed distributions) made on our common stock to the non-U.S. holder, regardless of whether any tax was actually withheld. Such information returns generally include the amount of any such dividends, the name and address of the recipient, and the amount, if any, of tax withheld. A similar report is sent to the holder to whom any such dividends are paid. Copies of these information returns may also be made available under the provisions of a specific treaty or agreement to the tax authorities of the country in which the non-U.S. holder resides or is established.

Information reporting and backup withholding may apply to the proceeds of a sale or other taxable disposition of our common stock within the United States, and information reporting may (although backup withholding generally will not) apply to the proceeds of a sale or other taxable disposition of our common stock outside the United States conducted through certain U.S.-related financial intermediaries, in each case, unless the beneficial owner certifies under penalty of perjury that it is a non-U.S. holder on IRS Form W-8BEN or W-8BEN-E, or other applicable form (and the payor does not have actual knowledge or reason to know that the beneficial owner is a U.S. person) or such owner otherwise establishes an exemption. Proceeds of a disposition of our common stock conducted through a non-U.S. office of a non-U.S. broker generally will not be subject to backup withholding or information reporting.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a non-U.S. holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Additional Withholding Tax on Payments Made to Foreign Accounts

Withholding taxes may be imposed under Sections 1471 to 1474 of the Code and applicable Treasury Regulations (commonly referred to as the Foreign Account Tax Compliance Act, or FATCA), on certain types of payments made to non-U.S. financial institutions and certain other non-U.S. entities. Specifically, a 30% withholding tax may be imposed on dividends paid on our common stock, or (subject to the proposed Treasury Regulations discussed below) gross proceeds from the sale or other disposition of our common stock paid to a "foreign financial institution" or a "non-financial foreign entity" (each as defined in the Code) (including, in some cases, when such foreign financial institution or non-financial foreign entity is acting as an intermediary), unless (1) the foreign financial institution undertakes certain diligence and reporting obligations, (2) the non-financial foreign entity either certifies it does not have any "substantial United States owners" (as defined in the Code) or furnishes identifying information regarding each substantial United States owner, or (3) the foreign financial institution or non-financial foreign entity otherwise

qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in (1) above, it must enter into an agreement with the U.S. Department of the Treasury requiring, among other things, that it undertake to identify accounts held by certain “specified United States persons” or “United States-owned foreign entities” (each as defined in the Code), annually report certain information about such accounts, and withhold 30% on certain payments to non-compliant foreign financial institutions and certain other account holders. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules.

The withholding provisions under FATCA generally apply to payments of dividends paid on our common stock. Further, current provisions of the Code and Treasury Regulations treat gross proceeds from the sale or other disposition of common stock as subject to FATCA withholding after December 31, 2018. However, recently proposed Treasury Regulations, if finalized in their present form, would eliminate FATCA withholding on payments of gross proceeds from a sale or other disposition of our common stock. In its preamble to such proposed regulations, the U.S. Treasury Department stated that taxpayers generally may rely on these proposed Treasury Regulations until final Treasury Regulations are issued. Prospective investors should consult their tax advisors regarding the potential application of FATCA.

EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING THE TAX CONSEQUENCES OF PURCHASING, HOLDING AND DISPOSING OF OUR COMMON STOCK, INCLUDING THE CONSEQUENCES OF ANY RECENT OR PROPOSED CHANGE IN APPLICABLE LAW.

UNDERWRITING

In connection with this offering, we expect to enter into an underwriting agreement with Boustead Securities, LLC (who we refer to as the Underwriter) with respect to the shares of common stock in this offering. Under the terms and subject to the conditions contained in the underwriting agreement, the Underwriter will agree to purchase from us on a firm commitment basis the respective number of shares of common stock at the public price less the underwriting discounts and commissions set forth on the cover page of this prospectus, at the public offering price per shares less the underwriting discounts and commissions set forth on the cover page of this prospectus, the number of shares of common stock listed next to its name in the following table.

Underwriter	Number of Shares Common Stock
Boustead Securities, LLC	
Total	

The shares of common stock sold by the underwriter to the public will initially be offered at the initial public offering price set forth on the cover page of this prospectus. Any shares of common stock sold by the Underwriter to securities dealers may be sold at a discount from the initial public offering price not to exceed $ per share. If all of the shares are not sold at the initial offering price, the Underwriter may change the offering price and the other selling terms. The Underwriter has advised us that it does not intend to make sales to discretionary accounts. The underwriting agreement will provide that the obligations of the Underwriter to pay for and accept delivery of the shares of common stock are subject to the passing upon certain legal matters by counsel and certain conditions such as confirmation of the accuracy of representations and warranties by us about our financial condition and operations and other matters. The obligation of the Underwriter to purchase the shares of common stock is conditioned upon our receiving approval to list the shares of common stock on Nasdaq.

Over-Allotment Option

If the Underwriter sells more shares of common stock than the total number set forth in the table above, we have granted to the Underwriter an option, exercisable one or more times in whole or in part, not later than 45 days after the date of this prospectus, to purchase up to additional shares of common stock at the public offering price less the underwriting discount and commissions set forth on the cover page of this prospectus, constituting 15% of the total number of shares of common stock to be offered in this offering (excluding shares subject to this option). The Underwriter may exercise this option solely for the purpose of covering over-allotments, if any, in connection with this offering. Any shares of common stock issued or sold under the option will be issued and sold on the same terms and conditions as the other shares of common stock that are the subject of this offering.

Discounts and Commissions; Expenses

The underwriting discounts and commissions are a cash fee equal to: (i) seven percent (7%) of gross proceeds from the sale of securities in this offering. We have been advised by the Underwriter that it proposes to offer the common stock to the public at the public offering price set forth on the cover of this prospectus and to dealers at a price that represents a concession not in excess of $ per share under the public offering price. After the offering, the Underwriter may change the public offering price and other selling terms.

The following table summarizes the public offering price and the underwriting discounts and commissions payable to the Underwriter by us in connection with this offering (assuming both the exercise and non-exercise of the over-allotment option that we have granted to the Underwriter):

	Per Share	Total Without Over-Allotment Option	Total With Full Over-Allotment Option
Public offering price	$	$	$
Underwriting discounts and commissions[(1)]	$	$	$
Non-accountable expense allowance (0.75%)	$	$	$
Proceeds, before expenses, to us	$	$	$

(1) Does not include (i) the warrant to purchase a number of shares of common stock equal to 7% of the number of shares sold in the offering, or (ii) amounts representing reimbursement of certain out-of-pocket expenses, each as described below.

We estimate that our total expenses of the offering, excluding the estimated underwriting discounts and commissions, will be approximately $.

We have agreed to issue to the Underwriter (or its permitted assignees) a warrant to purchase up to a total of ___ shares of common stock equal to 7% of the aggregate number of the shares sold in this offering at an exercise price equal to 125% of the public offering price of the common stock sold in this offering. The Underwriter's Warrant will be exercisable at any time, and from time to time, in whole or in part, commencing from the closing of the offering and expiring five (5) years from the effectiveness of the offering, will have a cashless exercise provision and will terminate on the fifth anniversary of the effective date of the registration statement of which this prospectus is a part. The Underwriter's Warrants are not exercisable or convertible for more than five years from the commencement of sales of the public offering. The Underwriter's Warrants will also provide for customary anti-dilution provisions and immediate piggyback registration rights with respect to the registration of the shares underlying the warrants for a period of seven years from commencement of sales of this offering. The warrants are not redeemable by us. The Underwriter's Warrants and the shares of common stock issuable upon exercise of the Underwriter's Warrants have been included on the registration statement of which this prospectus forms a part.

The Underwriter's Warrants and the underlying shares are deemed to be compensation by FINRA, and therefore will be subject to a 180-day lock-up period pursuant to FINRA Rule 5110(e)(1). In accordance with FINRA Rule 5110(e)(1), neither the Underwriter's Warrants nor any of our common stock issued upon exercise of the Underwriter's Warrants may be sold, transferred, assigned, pledged or hypothecated, or be the subject of any hedging, short sale, derivative, put or call transaction that would result in the effective economic disposition of such securities by any person, for a period of 180 days immediately following commencement of sale of this offering subject to certain exceptions permitted by FINRA Rule 5110(e)(2).

We have agreed to pay the Underwriter a non-accountable expense allowance equal to 0.75% of the gross proceeds received at the closing of this offering.

We have agreed to reimburse the Underwriter for reasonable out-of-pocket expenses incurred by the Underwriter in connection with this offering, regardless of whether the offering is consummated, up to $230,000. The Underwriter out-of-pocket expenses include but are not limited to: (i) road show and travel expenses, (ii) reasonable fees of Underwriter's legal counsel, (iii) the cost of background check on our officers, directors and major stockholders and due diligence expenses. Any out-of-pocket expenses above $5,000 are to be pre-approved by the Company. As of the date of this prospectus, we have paid the Underwriter refundable advances of $ which shall be applied against its actual out-of-pocket accountable expenses. Such advance payments will be returned to us to the extent any portion of the advance is not actually incurred, in accordance with FINRA Rule 5110(g)(4)(A).

Indemnification

We have agreed to indemnify the Underwriter and the other underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. If we are unable to provide this indemnification, we will contribute to payments that the Underwriter and the other underwriters may be required to make for these liabilities.

Right of First Refusal

Subject to the completion of this offering, the Underwriter has the right of first refusal for two (2) years following the consummation of this offering to act as financial advisor or to act as joint financial advisor on at least equal economic terms on any public or private financing (debt or equity), merger, business combination, recapitalization or sale of some or all of our equity or our assets, whether in conjunction with another broker-dealer or on the Company's own volition (collectively, "Future Services"). In the event that we engage the Underwriter to provide such Future Services, the Underwriter will be compensated consistent with the engagement agreement with the Underwriter, unless we mutually agree otherwise. To the extent we are approached by a third party to lead any public or private financing (debt or equity), merger, business combination, recapitalization or sale of some or all of our equity or assets, the Underwriter will be notified of the transaction and be granted the right to participate in such transaction under any syndicate formed by such third party.

No Sales of Similar Securities

We have agreed not to offer, issue, sell, contract to sell, encumber, grant any option for the sale of or otherwise dispose of any shares of our common stock or other securities convertible into or exercisable or exchangeable for shares of common stock at a price per share that is less than the price per shares of common stock in this offering, or modify the terms of any existing securities, whether in conjunction with another broker-dealer or on the Company's own volition for a period of twelve months following date on which our common stock are trading on the Nasdaq Capital Market, without the prior written consent of the Underwriter.

Lock-Up Agreements

Our executive officers, directors following this offering and other security holder(s) of five percent (5%) or more have agreed not to offer, sell, agree to sell, directly or indirectly, or otherwise dispose of any shares of our common stock for a period of twelve (12) months following the closing of this offering, subject to certain exceptions, or the Lock-Up Period. For all of our other security holders, the Lock-Up period will be six (6) months following the closing of this offering.

Notwithstanding the above, the Underwriter of this offering may engage in stabilization activities as described below. The Underwriter may in its sole discretion and at any time without notice release some or all of the shares subject to lock-up agreements prior to the expiration of the Lock-Up Period. When determining whether or not to release shares from the lock-up agreements, the Underwriter will consider, among other factors, the security holder's reasons for requesting the release, the number of shares for which the release is being requested and market conditions at the time.

In connection with the offering, the Underwriter may purchase and sell shares in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions, which may include purchases pursuant to the over-allotment option, and stabilizing purchases.

- Short sales involve secondary market sales by an underwriter of a greater number of shares than they are required to purchase in the offering.
- "Covered" short sales are sales of shares in an amount up to the number of shares represented by the over-allotment option.
- "Naked" short sales are sales of shares in an amount in excess of the number of shares represented by the over-allotment option.
- Covering transactions involve purchases of shares either pursuant to the over-allotment option or in the open market after the distribution has been completed in order to cover short positions.
- To close a naked short position, an underwriter must purchase shares in the open market after the distribution has been completed. A naked short position is more likely to be created if an underwriter is concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.
- To close a covered short position, an underwriter must purchase shares in the open market after the distribution has been completed or must exercise the over-allotment option. In determining the source of shares to close the covered short position, the underwriter will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option.
- Stabilizing transactions involve bids to purchase shares so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by an underwriter for its own account, may have the effect of preventing or retarding a decline in the market price of the common stock. They may also cause the price of the common stock to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The Underwriter may conduct these transactions in the over-the-counter market or otherwise. If the Underwriter commences any of these transactions, they may discontinue them at any time.

Determination of Offering Price

In determining the initial public offering price, we and the Underwriter have considered a number of factors, including:

- the information set forth in this prospectus and otherwise available to the Underwriter;
- our prospects and the history and prospects for the industry in which we compete;
- an assessment of our management;
- our prospects for future revenues and earnings;
- the general condition of the securities markets at the time of this offering;
- the recent market prices of, and demand for, publicly traded securities of generally comparable companies; and
- other factors deemed relevant by the Underwriter and us.

The estimated initial public offering price set forth on the cover page of this preliminary prospectus is subject to change as a result of market conditions and other factors. Neither we nor the Underwriter can assure investors that an active trading market will develop for our common stock, or that the shares will trade in the public market at or above the initial public offering price

Electronic Offer, Sale and Distribution of common stock

A prospectus in electronic format may be delivered to potential investors by one or more of the underwriters participating in this offering. In addition, shares of common stock may be sold by the Underwriter to securities dealers who resell our common stock to online brokerage account holders. The prospectus in electronic format will be identical to the paper version of such prospectus. Other than the prospectus in electronic format, the information on any underwriter's website and any information contained in any other website maintained by an underwriter is not part of this prospectus or the registration statement of which this prospectus forms a part, has not been approved and/or endorsed by us or the Underwriter in its capacity as Underwriter and should not be relied upon by investors.

Offer Restrictions Outside the United States

Other than in the United States, no action has been taken by us or the Underwriter that would permit a public offering of the securities offered by this prospectus in any jurisdiction where action for that purpose is required. The securities offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to this offering and the distribution of this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities offered by this prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

LEGAL MATTERS

The validity of the shares of the common stock offered by this prospectus will be passed upon for us by Pearl Cohen Zedek Latzer Baratz LLP, Boston, Massachusetts. Certain legal matters in connection with this offering relating to U.S. law will be passed upon for us by McDermott, Will & Emery LLP, New York, NY. Certain legal matters relating to this offering will be passed upon for the Underwriter by Bevilacqua PLLC.

EXPERTS

The financial statements as of December 31, 2021 and 2020 and for the years then ended included in this Prospectus have been so included in reliance on the report of Kesselman & Kesselman, Certified Public Accountants (Isr.), a member firm of PricewaterhouseCoopers International Limited, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement on Form S-1 with the SEC under the Securities Act of 1933, as amended, with respect to the securities offered in this prospectus. This prospectus, which is filed as part of a registration statement, does not contain all of the information set forth in the registration statement, some portions of which have been omitted in accordance with the SEC's rules and regulations. Statements made in this prospectus as to the contents of any contract, agreement or other document referred to in this prospectus are not necessarily complete and are qualified in their entirety by reference to each such contract, agreement or other document that is filed as an exhibit to the registration statement.

You can read our SEC filings, including the registration statement, over the internet at the SEC's website. Upon completion of this offering, we will be subject to the information reporting requirements of the Exchange Act, and we will file reports, proxy statements and other information with the SEC. The SEC's website contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address of that site is *http://www.sec.gov*.

We also maintain a website at *www.Actelis.com*, at which you may access these materials free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC.

However, the information contained in or accessible through our website is not part of this prospectus or the registration statement of which this prospectus forms a part, and investors should not rely on such information in making a decision to purchase our common stock in this offering.

ACTELIS NETWORKS, INC.

2021 CONSOLIDATED FINANCIAL STATEMENTS

ACTELIS NETWORKS, INC.
2021 CONSOLIDATED FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Actelis Networks, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Actelis Networks, Inc. and its subsidiary (the "Company") as of December 31, 2021 and 2020 and the related consolidated statements of comprehensive loss, of convertible preferred stock and capital deficiency and of cash flows for each of the two years the period ended December 31, 2021, including the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2021 conformity with accounting principles generally accepted in the United States of America.

Substantial Doubt about the Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1(c) to the consolidated financial statements, the Company has suffered recurring losses from operations, has negative working capital and cash outflows from operating activities. These factors and the risk inherent in the Company's operations raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1(c). The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of these consolidated financial statements in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Tel-Aviv, Israel	/s/ Kesselman & Kesselman
March 30, 2022	Certified Public Accountants (lsr.)
	A member firm of PricewaterhouseCoopers International Limited

We have served as the Company's auditor since 2019.

Kesselman & Kesselman, 146 Derech Menachem Begin, Tel-Aviv 6492103, Israel,
P.O Box 7187 Tel-Aviv 6107120, Telephone: +972 -3- 7954555, Fax:+972 -3- 7954556, www.pwc.com/il

ACTELIS NETWORKS, INC.
CONSOLIDATED BALANCE SHEETS

		December 31,	
	Note	2021	2020
		U. S. dollars in thousands (except for share and per share amounts)	
Assets			
CURRENT ASSETS:			
Cash and cash equivalents		693	569
Trade receivables, net of allowance for doubtful debts of $61 as of December 31, 2021, and 2020		2,147	1,416
Inventories	3	897	1,077
Prepaid expenses and other current assets	4	398	162
TOTAL CURRENT ASSETS		4,135	3,224
NON-CURRENT ASSETS:			
Property and equipment, net	5	103	86
Restricted cash		102	102
Severance pay fund		266	249
Long term deposits		78	105
TOTAL NON-CURRENT ASSETS		549	542
TOTAL ASSETS		**4,684**	**3,766**

ACTELIS NETWORKS, INC.
CONSOLIDATED BALANCE SHEETS (continued)

	Note	December 31, 2021	December 31, 2020
		U.S. dollars in thousands (except for share and per share amounts)	
Liabilities and redeemable convertible preferred stock net of capital deficiency			
CURRENT LIABILITIES:			
Current maturities of long-term loans	7	758	—
Warrants	11	177	—
Trade payables		1,920	2,137
Deferred revenues		673	581
Employee and employee-related obligations		703	613
Accrued royalties	9	818	560
Other accrued liabilities	6	902	733
TOTAL CURRENT LIABILITIES		5,951	4,624
NON-CURRENT LIABILITIES:			
Long-term loan, net of current maturities	7	5,473	3,021
Warrants	11	1,972	1,023
Convertible loan	8	4,905	3,563
Accrued severance		315	304
Other long-term liabilities		79	44
TOTAL NON-CURRENT LIABILITIES		12,744	7,955
TOTAL LIABILITIES		18,695	12,579
COMMITMENTS AND CONTINGENCIES	9		
REDEEMABLE CONVERTIBLE PREFERRED STOCK:			
CONVERTIBLE SERIES A PREFERRED STOCK, $0.000001 par value, 229,357,779 shares authorized as of December 31, 2021, and 2020; 229,357,779 shares issued and outstanding as of December 31, 2021, and 2020; aggregate liquidation preference of $5,091 and $4,714 as of December 31, 2021 and 2020.	10	2,858	2,858
CONVERTIBLE SERIES B PREFERRED STOCK, $0.000001 par value, 138,122,000 shares authorized as of December 31, 2021, and 2020; 126,270,195 shares issued and outstanding as of December 31, 2021, and 2020; aggregate liquidation preference of $4,271 and $3,955 as of December 31, 22021 and 2020, respectively.	10	2,727	2,727
TOTAL REDEEMABLE CONVERTIBLE PREFERRED STOCK		5,585	5,585
CAPITAL DEFICIENCY:	12		
Common stock, $0.000001 par value: 506,428,470 shares authorized as of December 31, 2021, and 2020, respectively; 94,318,590 and 94,191,508 shares issued and outstanding as of December 31, 2021, and 2020, respectively		*	*
Non-voting common stock, $0.000001 par value: 128,973,588 shares authorized as of December 31, 2021, and 2020, respectively; 82,053,579 shares issued and outstanding as of December 31, 2021, and 2020, respectively.		*	*
Additional paid-in capital		2,824	2,771
Accumulated deficit		(22,420)	(17,169)
TOTAL CAPITAL DEFICIENCY		(19,596)	(14,398)
TOTAL LIABILITIES AND REDEEMABLE CONVERTIBLE PREFERRED STOCK NET OF CAPITAL DEFICIENCY		**4,684**	**3,766**

* Represents an amount less than $1 thousands.

The accompanying notes are an integral part of these consolidated financial statements.

ACTELIS NETWORKS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Note	For the year ended December 31, 2021	2020
		U.S. dollars in thousands (except share and per share amounts)	
REVENUES	15	8,545	8,532
COST OF REVENUES		4,575	3,550
GROSS PROFIT		3,970	4,982
OPERATING EXPENSES:			
Research and development expenses, net		2,443	2,147
Sales and marketing expenses, net		2,204	1,848
General and administrative expenses, net		1,183	1,118
TOTAL OPERATING EXPENSES		5,830	5,113
OPERATING LOSS		(1,860)	(131)
Financial expenses, net	16	(3,391)	(1,374)
NET COMPREHENSIVE LOSS FOR THE YEAR		(5,251)	(1,505)
Net loss per share attributable to common shareholders – basic and diluted	14	$ (0.06)	$ (0.02)
Weighted average number of common stock used in computing net loss per share – basic and diluted		94,244,226	94,176,405

The accompanying notes are an integral part of these consolidated financial statements.

ACTELIS NETWORKS, INC.
CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND CAPITAL DEFICIENCY

	Convertible Preferred Stock		Common Stock		Non-voting Common Stock				
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Additional paid-in capital	Accumulated deficit	Total capital deficiency
	U.S. dollars in thousands (except number of shares)								
BALANCE AS OF JANUARY 1, 2020	355,627,974	5,585	94,104,008	*	82,053,579	*	2,728	(15,664)	(12,936)
CHANGES DURING THE YEAR ENDED DECEMBER 31, 2020:									
Exercise of options into common stock	—	—	87,500	*	—	—	*	—	*
Share based compensation	—	—	—	—	—	—	43	—	43
Net comprehensive loss for the year	—	—	—	—	—	—	—	(1,505)	(1,505)
BALANCE AS OF DECEMBER 31, 2020	355,627,974	5,585	94,191,508	*	82,053,579	*	2,771	(17,169)	(14,398)
CHANGES DURING THE YEAR ENDED DECEMBER 31, 2021:									
Exercise of options into common stock	—	—	127,082	*	—	—	*	—	*
Share based compensation	—	—	—	—	—	—	53	—	53
Net comprehensive loss for the year	—	—	—	—	—	—	—	(5,251)	(5,251)
BALANCE AS OF DECEMBER 31, 2021	355,627,974	5,585	94,318,590	*	82,053,579	*	2,824	(22,420)	(19,596)

* Represents an amount less than $1 thousands.

The accompanying notes are an integral part of these consolidated financial statements.

ACTELIS NETWORKS, INC.
CONOSLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2021	2020
	U.S. dollars in thousands	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss for the year	(5,251)	(1,505)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	37	46
Changes in fair value related to warrants to lenders	1,031	333
Inventories write-downs	102	495
Exchange rate differences	167	—
Share-based compensation	53	43
Changes in fair value related to convertible loan	1,342	755
Changes in operating assets and liabilities:		
Trade receivables	(731)	3
Inventories	78	(817)
Prepaid expenses and other current assets	(236)	48
Severance pay	(6)	22
Long term deposits	27	(10)
Trade payables	(217)	963
Deferred revenues	92	36
Employee and employee-related obligations	90	(56)
Accrued royalties	258	252
Other accrued liabilities	203	(52)
Accrued interest	235	(899)
Net cash used in operating activities	(2,726)	(343)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(54)	(21)
Net cash used in investing activities	(54)	(21)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of options	*	*
Repayment of short-term bank credit	—	(1,300)
Proceeds from convertible loan	—	344
Proceeds from long-term debt, net of issuance costs	2,904	3,167
Repayment of long-term loan	—	(1,855)
Net cash provided by financing activities	2,904	356
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	167	—
INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	124	(8)
BALANCE OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	671	679
BALANCE OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	795	671
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH:		
Cash and cash equivalents	693	569
Restricted cash	102	102
Total cash, cash equivalents and restricted cash	795	671

* Represents an amount less than $1 thousands.

The accompanying notes are an integral part of these consolidated financial statements.

ACTELIS NETWORKS, INC.
CONOSLIDATED STATEMENTS OF CASH FLOWS (continued)

	Year ended December 31,	
	2021	2020
	U.S. dollars in thousands	
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	511	260
SUPPLEMENTARY INFORMATION ON INVESTING AND FINANCING ACTIVITIES NOT INVOLVING CASH FLOWS:		
Additional warrants	95	145

The accompanying notes are an integral part of these consolidated financial statements.

ACTELIS NETWORKS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
U.S. DOLLARS IN THOUSANDS

NOTE 1 — GENERAL:

a . Actelis Networks, Inc. (hereafter -the Company) was established in 1998, under the laws of the state of Delaware. The Company has a wholly-owned subsidiary in Israel, Actelis Networks Israel Ltd. (hereafter — the Subsidiary). The Company is engaged in the design, development, manufacturing, and marketing of networking solutions for IoT and Telecommunication companies. The Company's customers include providers of telecommunication services and enterprises as well as resellers of the Company's products.

b. Following the December 2019 outbreak of Coronavirus (COVID-19) in China and after its spread into a large number of other countries, economic activity has suffered in many regions of the world, including in all markets of the Company (Americas, Europe and Asia as well as specifically Israel). Among other things, the pandemic disrupted supply chains, suppressed the volume of global transportation activity, prompted the Israeli and other governments worldwide to put in place restrictions on movement and employment, and resulted in a drop in the values of financial assets and commodities on global markets. As a result, the Company suffered delays in realization of new orders from its customers, delay in testing of its technologies at customer premises and an inability to conduct business development activities in an effective way. As a result, the Company increased its long-term loan by $3,000 in order to support the loss of revenue and profit. To date, the Company adhered to all state and federal social distancing requirements while prioritizing health and safety for its employees. The Company has also established cost savings initiatives, cost control processes, and cash conservation to preserve liquidity as well as successfully applying for and receiving various financial aid and government assistance (see note 7).

c . The Company has suffered recurring losses from operations, has an accumulated deficit as of December 31, 2021, and 2020 as well as negative working capital and cash outflows from operating activities. The Company monitors its cash flow projections on a current basis and takes active measures to obtain the funding it requires to continue its operations. These cash flow projections are subject to various risks and uncertainties concerning their fulfilment. These factors and the risk inherent in the Company's operations raise a substantial doubt as to the Company's ability to continue as a going concern. These consolidated financial statements have been prepared assuming that the Company will continue as a going concern and do not include any adjustments that might result from the outcome of this uncertainty.

The Company's transition to profitable operations is dependent on generating a level of revenue adequate to support its cost structure. The Company must (i) continue to generate excess cash to repay debt principal; (ii) exchange some or all debt for an equity-related instrument and/or (iii) refinance the existing debt. Management has evaluated the significance of these conditions as well as the time in which it has to complete these tasks and has determined that the Company can meet its operating obligations for the foreseeable future. The Company expects to fund operations using cash on hand and through operational cash flows.

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES:

a. Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

b. Use of estimates in preparation of financial statements

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The Company evaluates on an ongoing basis its assumptions, including those related to contingencies, Fair value of warrants and convertible loan liabilities, inventory write-offs, as well as in estimates used in applying the revenue recognition policy

ACTELIS NETWORKS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
U.S. DOLLARS IN THOUSANDS

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES: (cont.)

(See note 2k). The Company's management believes that the estimates, judgment, and assumptions used are reasonable based upon information available at the time they are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

c. Functional currency

The currency of the primary economic environment in which the operations of the Company and its Subsidiary are conducted is the U.S. dollar ("$" or "dollar"). Therefore, the functional currency of the Company and its Subsidiary is the dollar. In determining the appropriate functional currency to be used, the Company reviewed factors relating to sales, costs and expenses, financing activities and cash flows.

Transactions and balances denominated in dollars are presented at their original amounts. Non-dollar transactions and balances have been re-measured to dollars in accordance with the provisions of ASC 830-10, "Foreign Currency Translation". All transaction gains and losses from re-measurement of monetary balance sheet items denominated in non-dollar currencies are reflected in the statement of comprehensive loss as financial income or expenses, as appropriate.

d. Principles of consolidation

The consolidated financial statements include the accounts of the Company and the Subsidiary. Intercompany transactions and balances have been eliminated upon consolidation.

e. Cash and cash equivalents

The Company considers all highly liquid investments, which include short-term bank deposits that are not restricted as to withdrawal or use to be cash equivalents.

f. Restricted cash

Restricted cash are money market funds. These bank deposits are presented at their cost, including accrued interest. The restricted cash is held mostly as a collateral for the fulfillment of lease commitments and long-term loan.

g. Trade Receivables, net

Trade receivables are recorded at the invoiced amount, are unsecured and do not bear interest. Trade receivables are stated net of allowances. The allowance for doubtful accounts is based on the Company's periodic assessment of the collectability of the accounts based on a combination of factors including the payment terms of each account, its age, the collection history of each customer, and the customer's financial condition. On this basis, management has determined that an allowance for doubtful accounts of $61 was appropriate as of December 31, 2021, and 2020.Bad debt expense for the years ended December 31, 2021, and 2020 was $0 and $31, respectively.

h. Inventories

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Inventory write-offs are provided to cover risks arising from slow-moving items, excess inventories, discontinued products, new products introduction and for market prices lower than cost. Any write-off is recognized in the consolidated statement of comprehensive loss as cost of revenues. In

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES: (cont.)

addition, if required, the Company records a liability for firm non-cancelable and unconditional purchase commitments with contract manufacturers for quantities in excess of the Company's future demands forecast consistent with its valuation of excess and obsolete inventory.

Cost is determined as follows:

Raw materials, parts, supplies and finished products- using the weighted average cost method.

i. Property and equipment, net

Property and equipment is stated at cost less accumulated depreciation. Maintenance and repairs are expensed as incurred. Depreciation expense is calculated on a straight-line basis over the estimated useful lives of the related assets. The cost and related accumulated depreciation of assets sold or otherwise disposed of are removed from the accounts and the related gain or loss is reported in the statement of comprehensive loss.

Annual rates of depreciation are as follows:

	%
Computers, electronic equipment and software	Mainly 33%
Office furniture and equipment	7
Leasehold improvements	By the shorter of term of the lease and the life of the asset

j. Impairment of long-lived assets subject to amortization

The Company evaluates long-lived assets, such as property and equipment with finite lives, for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. The Company identifies impairment of long-lived assets when estimated undiscounted future cash flows expected to result from the use of the assets plus net proceeds expected from disposition of the assets, if any, are less than the carrying value of the assets. If the Company identifies an impairment, the Company reduces the carrying amount of the assets to their estimated fair value based on a discounted cash flow approach or, when available and appropriate, to comparable market values.

k. Revenue recognition:

The Company's product consists of hardware and an embedded software that function together to deliver the product's essential functionality. The embedded software is essential to the functionality of the Company's products. The Company's products are sold with a two -year warranty for repairs or replacements of the product in the event of damage or failure during the term of the support period, which is accounted for as a standard warranty. Services relating to repair or replacement of hardware beyond the standard warranty period are offered under renewable, fee-based contracts and include telephone support, remote diagnostics and access to on-site technical support personnel.

The Company also offers its customers other management software. The Company sells its other non-embedded software either as perpetual or as term based.

The Company provides, to certain customers, software updates that it chooses to develop, which the Company refers to as unspecified software updates, and enhancements related to the Company's management software through support service contracts. The Company also offers its customers product support services which include telephone support, remote diagnostics and access to on-site technical support personnel.

ACTELIS NETWORKS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
U.S. DOLLARS IN THOUSANDS

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES: (cont.)

The Company's customers are comprised of resellers, system integrators and distributors.

The Company follows five steps to record revenue: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) it satisfies its performance obligations.

Performance obligations promised in a contract are identified based on the goods or services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the good or service either on its own or together with other resources that are readily available from third parties or from the Company, and are distinct in the context of the contract, whereby the transfer of the goods or services is separately identifiable from other promises in the contract.

The transaction price is determined based on the consideration to which the Company will be entitled in exchange for transferring goods or services to the customer. The Company's contracts do not include additional discounts once product price was set, right of returns, significant financing components or any forms of variable consideration.

The Company uses the practical expedient and does not assess the existence of a significant financing component when the difference between payment and revenue recognition is less than a year. The Company's service period is for one year and is paid for either up front or on a quarterly basis.

Most of the Company's contracts are of a single performance obligation (sales of the product with a standard warranty) thus the entire transaction price is allocated to the single performance obligation. For contracts that contain more than one identified performance obligation (such as when the product is sold with services and the management software), the Company determines standalone selling prices taking into account available information such as historical selling prices of each identified performance obligation, geographic location, and market conditions, and allocates the consideration based on the relative stand-alone selling price of each identified performance obligation. In term-based license arrangements (for the management software), the contracts also include the related services, and as such, the Company determines the stand-alone selling price of the term-base license based on a ratio from the perpetual management software.

Revenue from selling the Company's product and/or the software management (either as term-based or perpetual) is recognized at a point in time which is typically at the time of shipment of products to the customer or when the code is transferred, respectively. Revenue from services is (e.g., product support service, software support service or extended warranty) are recognized on a straight-line basis over the service period, as a time-based measure of progress best reflects our performance in satisfying this obligation.

l. Cost of revenues

Cost of revenues includes cost of materials, costs associated with packaging, assembly and testing costs, as well as cost of personnel (including share-based compensation), shipping costs, royalties, costs of logistics and quality assurance, access to on-site technical support personnel as well as warranty expenses and other expenses associated with manufacturing support.

m. Leases

The Company leases offices space and vehicles under various leasing arrangements. As leases expire, they are normally renewed or replaced in the ordinary course of business. Most lease agreements contain renewal options and rent escalation clauses. Rent expense, is recognized on a straight-line basis over the

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES: (cont.)

non-cancellable term of each lease, plus any periods the Company has access to and control over the leased space prior to the beginning of the non-cancellable lease term to construct leasehold improvements and any extension periods that appear to be reasonably assured at the inception of the lease.

The Company's leases are all classified as operating.

n. Basic and diluted net loss per share

Basic net loss per share is computed using the weighted average number of common stock and fully vested RSUs outstanding during the period. In computing diluted loss per share, basic loss per share is adjusted to take into account the potential dilution that could occur upon: (i) the exercise of options and non-vested RSUs granted under employee stock compensation plans, and the exercise of warrants using the treasury stock method; and (ii) the conversion of the convertible preferred stock, and convertible loan using the "if-converted" method, by adding to net loss the change in the fair value of the convertible loan, net of tax benefits, and by adding the weighted average number of shares issuable upon assumed conversion of these instruments.

o. Fair value of financial instruments

Fair value measurements are classified and disclosed in one of the following three categories:

Level 1 — Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 — Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table represents the fair value hierarchy for the Company's financial assets and liabilities measured at fair value on a recurring basis as of December 31:

		Fair value measurements at December 31, 2021		
Description	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets:				
Money market funds	$ 102	$ 102	$ —	$ —
Liabilities:				
Convertible Loan (Note 8)	$ 4,905	$ —	$ —	$ 4,905
Warrants (Note 11)	$ 2,149	$ —	$ —	$ 2,149

		Fair value measurements at December 31, 2020		
Description	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets:				
Money market funds	$ 102	$ 102	$ —	$ —
Liabilities:				
Convertible Loan (Note 8)	$ 3,563	$ —	$ —	$ 3,563
Warrants (Note 11)	$ 1,023	$ —	$ —	$ 1,023

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES: (cont.)

As of December 31, 2021, and 2020, the fair values of the Company's cash, cash equivalents, long-term deposits, trade receivables, trade payables, long-term loan and restricted cash approximated the carrying values of these instruments presented in the Company's consolidated balance sheets because of their nature.

p. Concentrations of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash, and trade receivables. Cash and cash equivalents and restricted cash are placed with banks and financial institutions in the United States and Israel.

Management believes that the financial institutions that hold the Company's investments are financially sound and, accordingly, present minimal credit risk with respect to those investments.

The Company's trade receivables are derived primarily from telecommunication operators, the Company's reseller customers and enterprises located mainly in the United States, Europe, and Asia. Credit risk with respect to trade receivables exists to the full extent of the amounts presented in the consolidated financial statements. Management makes judgments as to its ability to collect outstanding accounts receivable and provides allowances for the applicable portion of accounts receivable when collection becomes doubtful.

Management provides allowances based upon a specific review of all significant outstanding invoices, analysis of its historical collection experience, and current economic trends. If the historical data used to calculate the allowance for doubtful accounts does not reflect the Company's future ability to collect outstanding accounts receivable, additional provisions for doubtful accounts may be needed, and the future results of operations could be materially affected.

q. Risks and uncertainties

The Company is subject to a number of risks associated with companies in a similar stage of development, including, but not limited to, dependence on key employees; potential competition from larger, more established companies; the ability to develop and bring new products to market; the ability to attract and retain additional qualified personnel; the ability to obtain raw materials required to deliver its products to customers ; and the ability to obtain adequate financing to support its growth.

r. Warranty costs

The Company's products generally include standard warranty of two years for product defects. The Company accrues for warranty at the time revenue is recognized. The Company's estimates of future warranty obligations may change due to product failure rates, material usage, and other rework costs incurred in correcting a product failure. In addition, specific warranty accruals may be recorded if unforeseen problems arise. The provision for warranty amounted to $158 and $90 as of December 31, 2021, and 2020, respectively. These provisions are included in other accrued liabilities and non-current liabilities in the accompanying consolidated balance sheets.

The following table sets forth activity in the Company's accrued warranty account for each of the years ended December 31, 2021, and 2020, respectively:

	Year ended December 31,	
	2021	**2020**
Balance at the beginning of the year	90	93
Cost incurred	(68)	(102)
Expense recognized	136	99
Balance at the end of the year	158	90

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NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES: (cont.)

s. Sales and marketing expenses

Sales and marketing expenses include such expenses for the company's sales teams, business development activities, sales engineering, and customer support.

t. Research and development costs, net

Research and development costs are expensed as incurred and include compensation for engineers, external services, and material costs associated with new product development, enhancement of current products. During 2021, no grants were received and non were recorded. During 2020, the Company was entitled to receive grants from the Israeli Innovation Authority (see also Note 2v) and therefore recorded grants in the amount of $53 in 2020, as a reduction to research and development expenses. During 2021 the Company was not entitled to receive grants from the Israeli Innovation Authority

According to ASC Topic 350, "*Intangibles — Goodwill and Other*," software that is part of a product or process to be sold to a customer shall be accounted for under ASC Subtopic 985-20. The Company's products contain embedded software which is an integral part of these products because it allows the various components of the products to communicate with each other and the products are clearly unable to function without this coding. Based on the Company's product development process, the Company does not incur material costs after the point in time at which the product as a whole reaches technological feasibility. Therefore, research and development costs are charged to the statement of comprehensive loss as incurred.

u. Shipping and handling

The Company classifies shipping and handling charged to customers as revenues and classifies costs relating to shipping and handling as cost of revenues.

v. Government grants and related royalties

The Company is paying royalties to the government of Israel for funding received for research and development. Royalties are calculated and paid at a rate of 3% of the applicable revenues. During 2021 and 2020, respectively, the Company incurred royalty expenses of $258 and $252, included within cost of revenues (see note 9).

w. Segments

The Company operates in one segment. Management does not segregate its business for internal reporting. The Company's chief operating decision maker ("CODM") evaluates the performance of its business based on financial data consistent with the presentation in the accompanying financial statements. The Company concluded that its unified business is conducted globally and accordingly represents one operating segment.

x. Income taxes

The Company accounts for income taxes in accordance with ASC 740, "Income Taxes" ("ASC 740"). ASC 740 prescribes the use of the liability method whereby deferred tax assets and liability account balances are determined based on differences between the financial reporting and the tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company provides a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value if it is more likely than not that a portion or all of the deferred tax assets will not be realized.

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES: (cont.)

ASC 740 contains a two-step approach to recognizing and measuring a liability for uncertain tax positions. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that, on an evaluation of the technical merits, the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement.

Taxes which would apply in the event of disposal of investment in foreign subsidiary has not been taken into account in computing the deferred taxes, since the Company's intention is to hold, and not to realize the investment.

y. Employee related benefits:

Severance pay

The Company's liability for severance pay for its Israeli employees is calculated pursuant to the Israeli Severance Pay Law based on the most recent salary of the employees multiplied by the number of years of employment, as of the balance sheet date. Employees whose employment is terminated by the Company or who are otherwise entitled to severance pay in accordance with Israeli law or labor agreements are entitled to one month's salary for each year of employment or a portion thereof. The Company's liability for all of its Israeli employees is partly provided for by monthly deposits for insurance policies and the remainder by an accrual. The value of these policies is recorded as an asset in the Company's consolidated balance sheet. Such deposits are not considered to be "plan assets" and are therefore included in other non-current assets.

During April and May 2008 (the "transition date"), the Company amended the contracts of most of its Israeli employees so that starting on the transition date, such employees are subject to Section 14 of the Severance Pay Law, 1963 ("Section 14") for severance pay accumulated in periods of employment subsequent to the transition date. Pursuant to Section 14, these employees are entitled to monthly deposits made by the Company on their behalf with insurance companies. These deposits are not recorded as an asset on the Company's balance sheet, and there is no liability recorded as the Company does not have a future obligation to make any additional payments. The Company's contributions to the defined contribution plans are charged to the consolidated statements of operations as and when the services are received from the Company's employees. For the Company's employees in Israel that began employment prior to Article 14, the Company calculates the liability for severance pay based on the most recent salary of these employees multiplied by the number of years of employment as of the Article 14 inception date. These liabilities are presented under accrued severance pay in the Company's consolidated balance sheets. The amounts used to fund these liabilities are included in the Company's consolidated balance sheets under severance pay fund.

The carrying value for the deposited funds for the Company's employees' severance pay for employment periods prior to the transition date include profits and losses accumulated up to the balance sheet date. The deposited funds may be withdrawn only upon the fulfillment of the obligation pursuant to the Israeli Severance Pay Law or labor agreements.

Gain (loss) on amounts funded in respect of employee rights upon retirement totaled approximately $8 and $(8) for the years ended December 31, 2020 and 2021, respectively

401(k) profit sharing plans

The Company has a number of savings plans in the United States that qualify under Section 401(k) of the current Internal Revenue Code as a "safe harbor" plan. The Company must make a mandatory contribution to the 401(k) plan to satisfy certain nondiscrimination requirements under the Internal Revenue Code. This mandatory contribution is made to all eligible employees. The contribution costs were $6 and $7 for the years ended December 31, 2021, and 2020, respectively.

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES: (cont.)

z. Share-based compensation

Share-based compensation expense for all share-based payment awards is determined based on the grant-date fair value. The Company recognizes these compensation costs net of actual forfeitures and recognizes compensation cost for all options on a straight-line basis over the requisite service period of the award, which is generally the option vesting term of four years.

The Company accounts for share-based compensation arrangements with nonemployees based on the estimated fair value of the equity instrument using the Black-Scholes option-pricing model. Compensation cost is recognized over the period that the services are provided, and the award is earned by the counterparty.

The Company follows ASC 718 to determine whether a share-based payment should be classified and accounted for as a liability award or equity award. All grants of share-based awards to employees classified as equity awards are recognized in the financial statements based on their grant date fair values which are calculated using an option pricing model.

For options and similar instruments with graded vesting, the Company has elected a fair-value-based measure of the entire award by using a single weighted-average expected term.

For awards granted to employees with only service conditions that has a graded vesting schedule, the Company has elected to recognize the compensation cost on a straight-line basis over the requisite service period for the entire award.

The Company has adopted the actual approach as its accounting policy to account for forfeitures' effect on its share-based payments (i.e., to account for forfeitures as they occur).

aa. Convertible loan

The Company follows ASC 480-10, Distinguishing Liabilities from Equity ("ASC 480-10") in its evaluation of the accounting for a hybrid instrument. A financial instrument that embodies an unconditional obligation, or a financial instrument other than an outstanding share that embodies a conditional obligation, that the issuer must or may settle by issuing a variable number of its equity shares shall be classified as a liability (or an asset in some circumstances) if, at inception, the monetary value of the obligation is based solely or predominantly on any one of the following: (a) a fixed monetary amount known at inception; (b) variations in something other than the fair value of the issuer's equity shares; or (c) variations inversely related to changes in the fair value of the issuer's equity shares. Hybrid instruments meeting these criteria are not further evaluated for any embedded derivatives, and are carried as a liability at fair value at each balance sheet date with remeasurements reported in interest expense in the accompanying Consolidated Statement of Comprehensive Loss.

The Company concluded that the value of the loan is predominantly based on a fixed monetary amount known at the date of issuance, to be converted into shares of common stock, at a conversion price per share reflecting a discount of no more than 65% of the lowest price per share paid by any investor in an offering. Accordingly, the loan was classified as a liability and is measured at its fair value, pursuant to the provisions of ASC 480-10. (See note 8).

bb. Warrants

Common stock warrants

The Company accounts for its warrants as either equity-classified or liability-classified instruments based on an assessment of the specific terms of the warrants and applicable authoritative guidance in Accounting Standards Codification ("ASC") 480, "Distinguishing Liabilities from Equity" ("ASC 480"), and ASC 815, "Derivatives and Hedging" ("ASC 815"). The assessment considers whether the warrants are freestanding financial instruments pursuant to ASC 480, meet the definition of a liability pursuant

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES: (cont.)

to ASC 480, or meet all of the requirements for equity classification under ASC 815, including whether the warrants are indexed to the Company's own common stock and whether the warrant holders could potentially require "net cash settlement" in a circumstance outside of the Company's control, among other conditions for equity classification. See note 11b.

Preferred stock warrants

The Company accounts for preferred stock warrants at fair value and classifies preferred stock warrants as liabilities in accordance with ASC 480, as the warrants are exercisable into contingently redeemable preferred stock as described in Note 11. All preferred stock warrants are recognized at fair value and re-measured at each balance sheet date. At the end of each reporting period, changes in fair value during the period are recognized as a component of financial income (expense), net.

Following the guidance of ASC 480 the warrants were required to be classified as a liability because the redemption feature of their underlying preferred stock potentially requires the Company to repurchase its stock by transferring assets upon specific events which would not necessarily be within the control of the Company (See note 11).

Warrants issued in connection with obtaining loans and/or securing credit facilities

Warrants issued in connection with obtaining a loan or securing a credit facility are considered deferred issuance costs. Deferred issuance costs for obtaining a loan are reflected as a deduction from the carrying amount of the related loan and are amortized using the effective interest method. Deferred issuance costs incurred in connection with securing a credit facility of non-revolving loans are recorded as an asset on our consolidated balance sheets and amortized on a straight-line basis over the term of the arrangement, until the loan, or a portion of the loan is withdrawn. When the loan or a portion of a loan is withdrawn, the unamortized related deferred issuance cost, or a portion of it, is deducted from the loan and is subsequently amortized according to the effective interest method.

cc. Preferred stock

The Company's preferred stock is not mandatorily redeemable, nor redeemable at the option of the holder after a specified date, but a deemed liquidation event would constitute a redemption event outside of the common shareholders' control. Therefore, all Preferred stock has been presented outside of permanent equity in accordance with ASC 480-10-S99-3A, "Distinguishing Liabilities from Equity".

dd. Commitments and contingencies

The Company accounts for its contingent liabilities in accordance with ASC Topic 450, Contingencies ("ASC 450"). A provision is recorded when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. With respect to legal matters, provisions are reviewed and adjusted to reflect the impact of negotiations, estimated settlements, legal rulings, advice of legal counsel and other information and events pertaining to a particular matter.

ee. Accounting standards updates not yet adopted

As an emerging growth company, the Jumpstart Our Business Startup Act ("JOBS Act") allows the Company to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. The Company has elected to use this extended transition period under the JOBS Act. The adoption dates discussed below reflect this election.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which would require lessees to include all leases on their balance sheets, whether operating or financing, while continuing to recognize

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES: (cont.)

the expenses on their statements of operations in a manner similar to current practice. The guidance states that a lessee would recognize a lease liability for the obligation to make lease payments and a right-to-use asset for the right to use the underlying asset for the lease term. In June 2020, the FASB issued ASU No. 2020-05, Revenue from Contracts with Customers (ASC 606) and Leases (Topic 842): Effective Dates for Certain Entities, which defers the effective date of ASU 2016-02 for non-public entities to fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The guidance will be effective for the Company beginning January 1, 2022, and interim periods in fiscal years beginning January 1, 2023. Based on the most recent assessment of existing leases, the adoption of Topic 842 will not result in a cumulative effect adjustment as of January 1, 2022 to retained earnings. Management is continuing to assess the values of the right-of-use assets and lease liabilities that will be included on the consolidated balance sheet as of January 1, 2022 and expects to record a Right of Use asset and related liability for the existing leases in an amount of approximately $522. Management does not expect the adoption of Topic 842 to have a material impact on the Company's results of operations or cash flows.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which replaces the existing incurred loss impairment model with an expected credit loss model and requires a financial asset measured at amortized cost to be presented at the net amount expected to be collected. The guidance will be effective for the Company beginning January 1, 2023, and interim periods therein. Early adoption is permitted.

The Company is currently evaluating the effect that ASU 2016-13 will have on its consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04 "Reference Rate Reform (Topic 848) — Facilitation of the Effects of Reference Rate Reform on Financial Reporting." This guidance provides optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The guidance applies only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. This guidance is effective for all entities as of March 12, 2020 through December 31, 2022.

The Company's exposure to reference rate reform is due to royalties payments the Company is obligated to pay for research and development grants received from the Government of Israel (see note 9b). As of the date of this report, the IIA did not determine an alternative benchmark rate to the LIBOR. However, the Company will consider this guidance as future modifications are made.

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes ("Topic 740"): Simplifying the Accounting for Income Taxes, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. ASU No. 2019-12 is effective for the Company for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The adoption of this guidance will not have a significant impact on the Company's consolidated financial statements.

In June 2020 issued Accounting Standards Update ("ASU") 2020-06, "Debt — Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging — Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity" ("ASU 2020-06"). ASU 2020-06 simplifies the accounting for certain convertible instruments, amends guidance on derivative scope exceptions for contracts in an entity's own equity and modifies the guidance on diluted earnings per share calculations as a result of these changes. ASU 2020-06 will be effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years.

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NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES: (cont.)

Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company is currently evaluating the effect of this standard on its consolidated financial statements.

In November 2021, the FASB issued an accounting pronouncement (ASU 2021-10) related to government assistance disclosures. The amendments in this update increase the transparency surrounding government assistance by requiring disclosure of 1) the types of assistance received, 2) an entity's accounting for the assistance, and 3) the effect of the assistance on the entity's financial statements. The update is effective for annual periods beginning after December 15, 2021. The Company plans to adopt this pronouncement for fiscal year beginning January 1, 2022 and does not expect it to have a material effect on its consolidated financial statements.

NOTE 3 — INVENTORIES:

	December 31,	
	2021	**2020**
Raw materials	356	330
Finished goods	541	747
	897	1,077

Inventories write-downs totaled to $102 and $495 during the year ended December 31, 2021 and 2020 respectively.

NOTE 4 — PREPAID EXPENSES AND OTHER CURRENT ASSETS:

	December 31,	
	2021	**2020**
Prepaid expenses	194	60
Governmental authorities	82	42
Accrued income	122	60
	398	162

NOTE 5 — PROPERTY AND EQUIPMENT, NET:

	December 31,	
	2021	**2020**
Cost:		
Computer, software, and electronic equipment	8,575	8,521
Office furniture and equipment	872	872
Leasehold improvements	292	292
	9,739	9,685
Less: accumulated depreciation	9,636	9,599
Property and equipment, net	103	86

Depreciation expense was $37 and $46 for the years ended December 31, 2021, and 2020, respectively.

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NOTE 6 — OTHER ACCRUED LIABILITIES:

	December 31,	
	2021	**2020**
Tax authorities	10	—
Accrued expenses	813	687
Accrued standard warranty	79	46
	902	733

NOTE 7 — LOANS:

a . As a result of the COVID pandemic, the US and Israeli governments offered different programs of financial aid. The Company participated in the following programs:

On May 5, 2020, the Company entered into a loan agreement with an Israeli bank ("COVID19 Israeli Loan") in the total of $350. The COVID19 Israeli Loan bears an interest of LIBOR plus 3.1% per annum, the principal shall be repaid in 48 monthly payments starting June 15, 2021 and the interest shall be paid in 60 monthly payments. On December 31, 2020, the Company fully repaid the COVID19 Israeli Loan.

On April 30, 2020, the Company entered into a loan agreement with an American Bank under the Small Business Administration Payroll Protection Program ("PPP Loan") in the total of $239. The PPP Loan may be eligible for forgiveness, and if not eligible bears an interest of 1% per annum. The principal and interest, if not forgiven, is payable within 2 years. The Company filed a request for a forgiveness of the loan and received full forgiveness as of December 31, 2020. The forgiven amount was recognized net of payroll expenses.

On July 1, 2020, the Company received funding from an American Bank under the Small Business Administration COVID19 EIDL Program in the total of $150. The loan bears interest of 3.75% per annum, the principal shall be repaid in 360 equal monthly payments starting October 31, 2022, unless forgiven per program regulations (the "EIDL Loan").

On February 5, 2021, the Company entered into a loan agreement with an American Bank under the Small Business Administration Payroll Protection Program ("PPP Loan") in the total of $191. The PPP Loan may be eligible for forgiveness, and if not eligible bears an interest of 1% per annum. The principal and interest, if not forgiven, is payable within 2 years. The Company filed a request for a forgiveness of the loan and received full forgiveness during 2021. The forgiven amount was recognized net of payroll expenses.

b . On December 9, 2020, the Company signed a new loan agreement with an Israeli based financial institution (the "New Lender") for a loan of up to $6,000 (the "New Loan"). The Company received $3,000 on December 2020, and additional $2,000 in January 2021. The loan bears interest of 9.6% per annum. The interest shall first be paid in 12 payments starting February 1, 2021. Starting February 1, 2022, the loan principal and interest shall be repaid in 72 equal payments, plus a onetime interest payment after the 36th month. The loan covenants for the period include a coverage ratio of 90% of the loan by current assets. As of December 31, 2021, the Company met the covenant.

As part of the loan agreement, the Company issued the new Lender warrants to acquire common stock in the amount of $1,500 (see Note 11 regarding the warrants granted).

In November 2021, the Company received additional funding in the amount of $1,000 from the New Lender. The loan bears interest of 9.6% per annum. Starting February 1, 2022, the loan principal and interest shall be repaid in 72 equal monthly payments, plus a onetime interest payment after the 24th month. The Company increased the value of the warrant to the New Lender to $1,800 (see also Note 11). As of December 31, 2021, the total loan balance outstanding was $6,231 (including $758 current maturities).

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NOTE 7 — LOANS: (cont.)

As of December 31, 2021, future minimum payments are summarized as follows:

	EIDL Loan	New Loan from December 2020 and January 2021-In NIS	New Loan from November 2021-In NIS
2022	2	3,511($1,128)	670($216)
2023	9	3,683($1,184)	704($226)
2024	9	5,568($1,790)	1,081($347)
2025	9	3,683($1,184)	704($226)
2026	9	3,683($1,184)	704($226)
2027 and thereafter	112	3,990($1,283)	762($245)
Less – accumulated interest	—	(8,070)($2,593)	(1,761)($565)
Total	150	16,048($5,160)	2,864($921)

NOTE 8 — CONVERTIBLE LOAN:

On March 28, 2017, the Company entered into a convertible loan agreement ("the Agreement") in a total amount of up to $ 2,000, out of which only $ 1,526 was received to date. The loan bears an interest of 10% per annum. Following an amendment in March 2022, which has been approved by the required majority of the CLA holders, the maturity date of the CLA will be the earlier of (i) January 1, 2023, (ii) event of default (as defined in the Agreement) or (iii) deemed liquidation event (as defined in the Company's certificate of incorporation), in which the lenders are entitled to receive an amount equal to 300% of the principal amount of the loan. the lenders are entitled to convert the principal of the loan in case of other equity financing as follows:

- Upon consummation of an equity finance, including the closing of this offering, the principal amount of the loan will be mandatorily converted into shares of common stock, at a conversion price per share reflecting a discount of no more than 65% of the lowest price per share paid by any investor in the offering.
- Upon consummation of a reverse merger with a public shell company, or upon merger between the Company and any other entity in which the current shareholders of the Company hold less than 50% of the surviving entity, the lenders have the right to convert the loan amount to shares of the surviving entity representing 25% of the aggregate number of shares, options and warrants allocated in such transaction, or receive a payment of 300% of the amount of the loan.

The Company determined the equity finance as being the predominant conversion scenario. The Company measured the convertible loan in its entirety at fair value with changes in fair value recognized as financial income or loss in accordance with ASC 480-10.

The Company recorded financial expenses during 2021 and 2020 in the amount of $362 and $755, respectively.

As of December 31, 2021, and 2020, the estimated fair value of the CLA was based on a hybrid valuation methodology with a weighted average that combined Option Pricing Model (OPM) and Probability Weighted Expected Return Method (PWERM); therefore, it is categorized as Level 3 in accordance with ASC 820.

NOTE 8 — CONVERTIBLE LOAN: (cont.)

The valuation was performed under a scenario of an IPO and staying private.

The IPO scenario was estimated at 37.5% (2020: 50%) of an IPO occurring in May 2022 (2020: September 2021). Upon consummation of an IPO, the holders of the CLA have the right to convert the principal amount of the loan into common stock at a conversion price per common stock reflecting a discount of 30% plus an additional 1% for each two calendar months following March 2017. In addition, the holders of the CLA would be entitled to an additional discount of 40% pursuant to convertible note subscription agreement from January 2022. Under this scenario, the fair value of the CLA was estimated at the conversion value using a discount of 77.2% (2020: 58%) on the anticipated value of a common stock and a risk adjusted-discount rate of 20.8% (2020: 20.5%). The remain private scenario estimated at 62.5% (2020: 50%) probability of remaining private for an expected period of 3 years (2020: 4 years) and an equity value of $24.3 million (2020: 24 million). The Company applied a volatility of 58% (2020: 57%) and a risk-free rate of 0.97% (2020: 0.27%).

The following is a roll forward of the fair values:

	Year ended December 31,	
	2021	2020
Fair value at the beginning of the year	3,563	2,464
Proceeds from convertible loan	—	344
Change in fair value reported in statement of comprehensive loss	1,342	755
	4,905	3,563

NOTE 9 — COMMITMENTS AND CONTINGENCIES:

a . As of December 31, 2021, the Company was obligated under noncancellable operating lease agreements for certain sales offices and vehicles.

Future minimum lease payments for noncancellable operating leases with initial or remaining terms in excess of one year are as follows:

Fiscal year ending December 31:

2022	573
2023	294
2024	42
Total minimum lease payments	909

The lease fees expensed in each of the years ended December31, 2021, and 2020 were $516 and $493 respectively.

b . The Company is obligated to repay certain research and development grants received from the Government of Israel in the form of a royalty rate on future sales of products derived from the funded research and development activities (see also Note 2v). The aggregate amount of royalties to be paid is determined based on 100% of the total grants received for qualified projects plus interest based on LIBOR. The Company may be required to pay royalties based on previous years funding in periods after December 31, 2021, for the future sale of product that includes technology developed and funded with these research and development grants received to date.

As of December 31, 2021, the Company received approximately $14,300 (approximately $15,500 including LIBOR) and repaid approximately $10,000.

As of December 31, 2021, and 2020, the Company had a liability to pay royalties in the amount of approximately $818 and $560, respectively.

NOTE 10 — CONVERTIBLE PREFERRED STOCK:

The rights, preferences, and privileges of the preferred stock (series A and series B) are described below:

Dividends:

a. The holders of preferred stock shall be entitled to receive dividends, out of any assets legally available therefore, when and as declared by the Board of Directors from time to time, out of any assets of the Company legally available, therefore.

b. The Company may not declare or pay any dividends or make any distribution of assets on, or redeem, purchase or otherwise acquire, shares or any other capital shares of the Company ranking junior to the preferred stock as to the payment of dividends or the distribution of assets upon liquidation, dissolution or winding up, unless a corresponding distribution is effected in respect of the preferred stock as if the preferred stock had been converted into common stock.

No dividends have been declared to date.

Conversion rights:

Each of the holders of preferred stock shall have the right, at such holder's discretion, at any time or from time to time, to convert each preferred stock held by it into such number of fully paid and non-assessable shares of common stock as it is determined by dividing the applicable original issue price by the applicable conversion price per share for the preferred stock in effect at the time of conversion. The initial conversion price for each preferred stock shall be the original issue price for such preferred stock. The conversion price is subject to adjustment.

Each preferred stock will automatically convert into shares of common stock at the then-effective conversion price for each such share immediately upon the earlier of: (i) the Company's sale of its common stock in a firm commitment, underwritten public offering pursuant to a registration statement under the Securities Act of 1933, as amended, which results in aggregate gross proceeds to the Company of not less than $5,000 at a Company valuation of at least $15,000; or (ii) the date specified in a written request to the Company for such conversion from either the holders (a) of at least 75% of the series B preferred stock then outstanding, or (b) from the holders of at least 75% of the series A preferred stock then outstanding.

Liquidation rights:

Upon liquidation, dissolution or winding up of the Company, whether voluntary or involuntary or deemed liquidation the assets of the Company available for distribution to its shareholders shall be distributed in the following order of priority:

First and in preference to any distribution of any available assets to the holders of any other class or series of share of the corporation, the holders of series B preferred stock shall be entitled to receive an amount equal to $ 0.02172 per share plus interest at the rate of 8% per annum from the original issuance date of such series B preferred stock. If the assets are insufficient to permit a full payment, then all assets shall be distributed ratably among the holders of series B.

In the event that, following the satisfaction of the B preference in full, the available assets shall exceed the amount necessary to pay the B preference, the remaining assets shall be distributed among the holders of series A preferred stock in preference to holders of common stock, an amount equal to $ 0.01308 per share plus interest at the rate of 8% per annum from the original issuance date of such series A preferred stock.

NOTE 10 — CONVERTIBLE PREFERRED STOCK: (cont.)

If the assets are insufficient to permit a full payment, then all assets shall be distributed ratably among the holders of series A. If the assets exceed the amount necessary to fulfill the payment, then the remaining assets shall be distributed ratably among the holders of common stock.

Voting rights:

The holders of preferred stock will vote together with, in the same manner and with the same effect as the holders of common stock on all matters on which the holders of common stock shall be entitled to vote. The holders of preferred Stock shall be entitled to cast such number of votes equal to the number of shares of common stock into which the preferred stock are then convertible.

The Company applied the provision of ASC 480-10-S99-3A and classified the preferred Stock outside of permanent equity. The Company concluded that it is not currently probable the preferred stock will become redeemable (e.g., it is not probable a contingency that triggers redemption will be met). Therefore, an adjustment of the initial carrying amount is not necessary until it is probable that the security will become redeemable.

NOTE 11 — WARRANTS:

a. During February 2018, the Company issued warrants to an Israeli bank contemporaneously with obtaining a loan and a credit facility. The warrants are convertible into series B convertible preferred stock or common stock in a qualified financing round. The number of series B convertible preferred stock is determined by dividing the warrant amount (as determined under the contract) by the applicable exercise price which depends on the triggering event as established in the contract, or the lowest stock purchase price in a qualified financing round, the lower of the two. During February 2019, the Company issued additional warrants to the Israeli bank with identical terms to those issued in 2018. During November 2020, the Company issued additional warrants to the Israeli bank with identical terms apart from the established warrant amount that is used to calculate the number of series B convertible preferred stock to be issued. As of December 31, 2021, the warrants are still outstanding.

b. During December 2020, the Company issued warrants to New Lender contemporaneously with obtaining a loan, See note 7b above. The warrants can either be:

1) converted into the Company’s common stock (the number of which shall be determined based on the warrant amount established in the contract and the Company’s valuation as defined in the contract, or based on a triggering event), at any time during a period of 96 months; or

2) redeemed for cash based on the lower of a predetermined amount or a formula as set in the contract, at any time and in the financial institution’s own discretion, during a period of 96 months.

The Company classified these warrants as liabilities mainly due to the redemption feature over the options. Due to certain conditions in the warrant’s agreement, part of the warrants ($177) was classified as short-term liability. As of December 31, 2021, these warrants are still outstanding.

In November 2021, the Company received additional funding in the amount of $1,000 from the New Lender (see also note 7b), increased the warrants from $1,500 to $1,800 for calculating the number of common stock to be converted into, and increased the predetermined amount of the cash redemption option. As the new warrants were issued in connection with obtaining the additional funding, and no amendment has been made to the original loan, the warrants were accounted for as deferred issuance costs attributed to the additional loan. These deferred issuance costs are reflected as a deduction from the carrying amount of the additional related loan and are amortized using the effective interest method.

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NOTE 11 — WARRANTS: (cont.)

c. The table below shows the impact on the statement of comprehensive loss related to the warrants for the year ended December 31

	2021	2020
Outstanding as of January 1	1,023	544
Fair value changes	1,031	334
Additions	95	145
Outstanding as of December 31	2,149	1,023

As of December 31, 2021, and 2020, the estimated fair value of the warrants was based on a hybrid valuation methodology with a weighted average that combined Option Pricing Model (OPM) and Probability Weighted Expected Return Method (PWERM) using Level 3 inputs. The valuation was performed under scenarios of IPO and staying private using a volatility of 58% (2020: 57%), a risk-free rate of 0.97% (2020: 0.27%) and an expected term of 0.4 years (2020: 0.75 years) in the scenario of IPO and 3 years (2020: 4 years) in the scenario of staying private.

NOTE 12 — CAPITAL DEFICIENCY:

a. **Share capital**

The Company's share capital as of December 31, 2021 and 2020, is composed of common stock and Non-voting common stock, of $0.000001 par value each, as follows:

	December 31, 2021	
	Authorized	Issued and outstanding
	Number of shares	
Common stock	506,428,470	94,318,590
Non-voting Common stock	128,973,588	82,053,579

	December 31, 2020	
	Authorized	Issued and outstanding
	Number of shares	
Common stock	506,428,470	94,191,508
Non-voting Common stock	128,973,588	82,053,579

b. **Non-voting common stock**

Non-voting common stock, par value $ 0.000001, has no voting or dividend rights, and only having the right to receive distributable proceeds upon certain qualifying events of liquidation, which will be equal to the pro rata portion of the acquisition amount less amounts paid to settle all Company debt outstanding, and all costs and fees associated with such liquidation event. In addition, the Company has a right to redeem these shares at par value in case of an IPO. In case of an IPO, should the Company decide not to redeem the non-voting common stock, there will be no change in this stock.

NOTE 12 — CAPITAL DEFICIENCY: (cont.)

c. Share-based compensation

In February 2015, under and in accordance with the equity restructure, the Company's Board of Directors terminated the Old Plan. On June 30, 2015, the Company adopted the 2015 Equity Incentive Plan ("the 2015 Plan").

Under the 2015 Plan, the Board of Directors may grant up to 128,999 Incentive Share Options, Non statutory shares options, share appreciation rights, restricted share and restricted share units to employees, directors, and consultants. The exercise price of an option cannot be less than 100% of the fair market value of the underlying share of common stock on the date of grant for incentive share options (not less than 110% of the fair market value for shareholders owning more than 10% of all classes of share) as determined by the Board of Directors. The maximum option term is 10 years (five years for shareholders owning more than 10% of all classes of share). The 2015 Plan grants the Board of Directors the discretion to determine when the options granted become exercisable.

In January 2016, the Company's Board of Directors approved an additional quantity of 9,950 share options permitted to be granted under the 2015 Plan.

As of December 31, 2021, and 2020, 93,518 shares of common stock were issued to key personnel, par value, having full voting rights and entitled to receive all dividends and other distributions paid with respect to such shares.

During the year ended December 31, 2021, the following awards were granted:

Award Type (2015 Plan)	Number of Awards	Vesting Conditions	Expiration Date
Options	1,990,000	Over 4 years from grant date	10th anniversary of Grant Date

Pursuant to the current Section 102 of the Israeli Tax Ordinance, which came into effect on January 1, 2003, options may be granted through a trustee (i.e., Approved 102 Options) or not through a trustee (i.e., Unapproved 102 Options). The Company elected to grant its options through a trustee. As a result, the Company will not be allowed to claim as an expense for tax purposes in Israel the amounts credited to the employee as capital gains to the grantees, although it will generally be entitled to do so in respect of the salary income component (if any) of such awards when the related tax is paid by the employee.

A summary of the Company's share option activity under option plans is as follows:

	Number of Options	Weighted-Average Exercise Price	Weighted Average Remaining Contractual Life
Outstanding – January 1, 2020	40,644,910	$ 0.0019	7.2
Granted	685,000	$ 0.0023	
Exercised	87,500	$ 0.0023	
Expired and forfeited	796,861	$ 0.0022	
Outstanding – December 31, 2020	40,445,549	$ 0.0019	6.25
Exercisable – December 31, 2020	33,615,201	$ 0.0018	5.92

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NOTE 12 — CAPITAL DEFICIENCY: (cont.)

	Number of Options	Weighted-Average Exercise Price	Weighted Average Remaining Contractual Life
Outstanding – January 1, 2021	40,445,549	$ 0.0019	6.25
Granted	1,990,000	$ 0.0296	
Exercised	127,082	$ 0.0023	
Expired and forfeited	1,345,785	$ 0.0019	
Outstanding – December 31, 2021	40,962,682	$ 0.0033	5.43
Exercisable – December 31, 2021	36,871,859	$ 0.006	5.10

No income tax benefit has been recognized relating to share-based compensation expense and no tax benefits have been realized from exercised share options.

The following table summarize information as of December 31, 2021, regarding the number of ordinary shares issuable upon outstanding options and exercisable options:

Exercise price	Options outstanding as of December 31, 2021	Weighted average remaining contractual life (years)	Options exercisable as of December 31, 2021	Weighted average remaining contractual life of options exercisable (years)
0.0014	16,526,275	3.63	16,526,275	3.63
0.0023	22,446,407	6.42	20,345,584	6.3
0.0296	1,990,000	9.41	—	—

The weighted-average fair value of options granted, estimated by using the Black-Scholes option-pricing model, was $0.027, for the years ended December 31, 2021 and 2020. The aggregate intrinsic value was calculated as the difference between the exercise price of the share options and the fair value of the underlying common stock as of December 31, 2021 and 2020.

The weighted-average grant-date fair value of options granted during the years ended December 31, 2021, and 2020 was $54 and $18.6, respectively. The intrinsic value of options exercised in 2021 and 2020 was approximately $0. The aggregate intrinsic value represents the total intrinsic value (the difference between the fair value of the Company's common shares on December 31 of the respective year and the exercise price, multiplied by the number of options that would have been received by the option holders had all option holders exercised their options on such date).

Key assumptions used to estimate the fair value of the share options granted during the year ended December 31,2021 and 2020 included:

	Year Ended December 31	
	2021	2020
Expected term of options (years)	5.4	6.1
Expected common stock price volatility*	58%	57%
Risk-free interest rate	0.97%	0.51%
Expected dividend yield	—	—

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NOTE 12 — CAPITAL DEFICIENCY: (cont.)

The expected volatility was based on the historical stock prices of publicly traded comparable companies.

Share-based compensation expense for share options in the consolidated statement of comprehensive income (loss) is summarized as follows:

	Year Ended December 31	
	2021	**2020**
Cost of revenues	3	3
Research and development	24	23
Sales and marketing	16	13
General and administrative	10	4
Total Share-based compensation expense	53	43

NOTE 13 — INCOME TAXES:

a. The Company is subject to U.S. and Israeli income tax laws.

b. The US entity is subject to a federal income tax rate of 21% in 2019 and thereafter and State taxes of 9%. The Subsidiary is subject to ordinary corporate income tax rate of 23% in 2019 and thereafter.

c. Carryforward tax losses:

As of December 31, 2021, the Company has net operating loss carry forwards of approximately $1,963. In addition, the Company has loss carry forward of approximately $29,867, which the Company did not perform a qualification test for and has certain doubts regarding their qualification. Net operating loss carry forwards relate to activity in the U.S has an indefinite carry forward period.

As of December 31, 2021, the Company's subsidiary has net operating loss carry forwards of approximately $133,205. Net operating loss carry forwards relate to activity in Israel has an indefinite carry forward period.

Utilization of the U.S. federal and state net operating losses may be subject to a substantial limitation due to the change in ownership limitations provided by the Internal Revenue Code of 1986, as amended and similar to state provisions. The annual limitation may result in the expiration of the net operating losses and credits before their utilization.

d. Loss before taxes on income are comprised as follows:

	Year Ended December 31	
	2021	**2020**
Domestic	(3,273)	(974)
Foreign Subsidiary	(1,978)	(531)
Total	(5,251)	(1,505)

e. Reconciliation of the theoretical tax expense to actual tax expense:

The main reconciling item between the statutory tax rate of the Company and the effective rate is the provision for a full valuation allowance in respect of tax benefits from carry forward tax losses due to the uncertainty of the realization of such tax benefits.

f. The Company's major tax jurisdictions are the United States and Israel. Due to unutilized net operating losses and research credits, the tax years through 2016 remain open and subject to examinations by the appropriate governmental agencies in the United States. Tax assessments filed by the Company's subsidiary through the year 2015 are considered to be final.

NOTE 13 — INCOME TAXES: (cont.)

The components of the Company's net deferred tax assets were as follows:

	Year Ended December 31	
	2021	2020
Deferred tax assets (liabilities):		
Loss carryforwards	31,049	39,412
Valuation allowance	(31,049)	(39,412)
Total net deferred tax assets	—	—

The Company provided a valuation allowance equal to the deferred income tax assets for the years ended December 31,2021 and 2020 because it is not presently known whether future taxable income will be sufficient to utilize the loss carryforwards.

The valuation allowance could be reduced or eliminated based on future earnings and future estimates of taxable income.

NOTE 14 — BASIC AND DILUTED LOSS PER SHARE:

Basic net loss per share is computed using the weighted average number of common stock and fully vested RSUs outstanding during the period. In computing diluted loss per share, basic loss per share is adjusted to take into account the potential dilution that could occur upon: (i) the exercise of options and non-vested RSUs granted under employee stock compensation plans, and the exercise of warrants using the treasury stock method; and (ii) the conversion of the convertible preferred stock, and convertible loan using the "if-converted" method, by adding to net loss the change in the fair value of the convertible loan, net of tax benefits, and by adding the weighted average number of shares issuable upon assumed conversion of these instruments.

Options to purchase 40,962,682 and 40,445,549 shares of common stock at an average exercise price of $0.0033 and $0.0019 per share were outstanding as of December 31, 2021 and 2020, respectively, but were not included in the computation of diluted EPS because to do so would have had antidilutive effect on the basic loss per share.

Preferred stock, which was convertible into 355,627,974, shares of common stock was outstanding as of December 31, 2021 and 2020 but was not included in the computation of diluted EPS because to do so would have had antidilutive effect on the basic loss per share.

The convertible loan (see Note 8) was not included in the calculation of the diluted loss per share as the loan is convertible into shares only on contingent event which have yet to occur as of December 31, 2021 and 2020.

Warrants (as described in Note 11) are convertible into 303,721 and 146,585 of the Company's preferred stock were outstanding as of December 31,2021 and 2020, respectively, but were not included in the computation of diluted EPS because to do so would have had antidilutive effect on the basic loss per share.

Warrants (as described in Note 11) are convertible into 147,126 and 26,242 of the Company's common stock were outstanding as of December 31,2021 and 2020, respectively, but were not included in the computation of diluted EPS because to do so would have had antidilutive effect on the basic loss per share.

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NOTE 15 — ENTITY WIDE INFORMATION AND DISAGREGATED REVENUES:

The Company operates as one operating segment (developing and marketing access broadband equipment for copper and fiber networks).

a. Geographic information:

Following is a summary of revenues by geographic areas. Revenues attributed to geographic areas, based on the location of the end customers:

	Year Ended December 31	
	2021	2020
North America	4,637	6,268
Europe, the Middle East and Africa	3,373	1,905
Asia Pacific	520	326
Latin America	15	33
	8,545	8,532

b. The Company's long-lived assets are located as follows:

Property and Equipment, net:

	December 31	
	2021	2020
Israel	101	82
North America	2	4
	103	86

c . Customers representing 10% or more of net revenues and the amount of revenues recognized are as follows:

	December 31, 2021	
	%	
Customer A	22%	1,887
Customer B	19%	1,663
Customer C	10%	835

	December 31, 2020	
	%	
Customer A	18%	1,556
Customer B	13%	1,076
Customer C	10%	846

The majority of the Company's revenues are recognized at a point in time.

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NOTE 16 — FINANCIAL EXPENSES, NET:

a. **Financial expenses:**

	Year Ended December 31	
	2021	**2020**
Interest expenses	690	260
Change in convertible loan fair value	1,342	755
Change in warrants' fair value	1,031	333
Other	50	19
Exchange rates differences	278	7
	3,391	1,374

NOTE 17 — RELATED PARTY TRANSACTIONS:

1. Share purchase agreement

On February 20, 2015, the Company completed a financing round where common stock were issued to investors (the "Financing Round"). The Company's chief executive officer (the "CEO") participated in the Financing Round on the same terms and conditions as were offered to all other investors. The CEO purchased 67,718,081 common stock for the amount of $106.In order to fund the common stock purchase, the Company issued a secured promissory note, not subject to forgiveness to the CEO in the amount of $106 (see 17(3) for further details).

2. Share based Compensation

On February 20, 2015, the Company entered into a restricted share repurchase agreement (the "Agreement") with the CEO in relation to the common stock the CEO had purchased in the Financing Round (see 17(1)). Under the Agreement the common stock the CEO purchased (67,718,081) will be subject to repurchase rights by the Company, under certain continuous employment conditions (the "RSU"). The RSU vests over a five-year period and is valued at 106 as the grant date.

3. Promissory Note

On February 20, 2015, the Company issued a secured promissory note not subject to forgiveness to the CEO in the amount of $106 to fund the CEO's participation in the financing round as described above (see 17(2)), with a term of 6 years. The promissory note bears an annual interest of 2.41% to be repaid with the principal amount at the due date (which is the earlier of 6 years, a deemed liquidation event or a distribution event). In November 2020, the Company extended the term by an additional 5 years under the same terms of the original Note. the Company recorded a receivable related to the promissory note as a reduction in equity, since cash for the related issuance of common stock (as described above) was yet to be received.

4. Management fees

As part of the Shareholder Agreement (the "SHA"), commencing on February 15, 2015, the company was paying one of its shareholders a monthly management fee of $5. The Company and the shareholder agreed to amend the agreement with the shareholder to replace the monthly payment with a success-based fees, effective on January 1, 2020. The amendment offers successbased fee of up to $150 on funding of up to $4,000. During January 2022, the Company paid the shareholder an amount of $100 related to the amendment (see note 18(b) for further details). The Company recorded the payment as a prepaid expense for uncompleted services.

NOTE 17 — RELATED PARTY TRANSACTIONS: (cont.)

5. Convertible Loan

In March 2017, the Company issued a convertible loan to investors (see note 8). The Company's CEO participated in the convertible loan in an amount of $26 and received identical terms and conditions as other investors of the convertible loan.

NOTE 18 — SUBSEQUENT EVENTS:

a. The Company evaluates events or transactions that occur after the balance sheet date but prior to the issuance of the consolidated financial statements to identify matters that require additional disclosure. For its annual consolidated financial statements as of December 31, 2021, and for the year then ended, the Company evaluated subsequent events through March 30, 2022, the date that the consolidated financial statements were issued. The Company has concluded that no subsequent event has occurred that require disclosure other than the below.

b. During December 2021 to March 2022, the Company offered up to $3,000 of the Company's 6% convertible notes due three years from the date of execution (the "Notes"). The Notes were subject to optional and mandatory conversion into shares of the Company's Common stock, $0.000001 par value. In January 2022 the Company performed a first closing $2,100 convertible notes out of the $3,000 offered, which private placement was completed pursuant to an exemption from registration under Rule 506(b) of the Securities Act and was funded by this amount (less fees and expenses). The notes may be converted at any time by the holders into common stock and automatically converted to common stock upon the consummation of an Initial Public Offering. The conversion price for the notes will be at a 40% discount.

c. On February 24, 2022, a full-scale military invasion of Ukraine by Russian troops was reported. Although the length and impact of the ongoing military conflict is highly unpredictable, the conflict in Ukraine could lead to market disruptions, including significant volatility in commodity prices, credit and capital markets, as well as supply chain interruptions for some of our mining equipment components. Our operations would be particularly vulnerable to potential interruptions in the supply of certain critical materials and metals.

PRELIMINARY PROSPECTUS

, 2022

Through and including 2022 (the 25th day after the date of this offering), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table indicates the expenses to be incurred in connection with the offering described in this registration statement, other than underwriting discounts and commissions, all of which will be paid by us. All amounts are estimated except the Securities and Exchange Commission registration fee, the Financial Industry Regulatory Authority, Inc., or FINRA, filing fee and the Nasdaq Capital Market listing fee.

	Amount to be paid
SEC registration fee	$ 1,738.99
FINRA filing fee	$ 3,313.91
Nasdaq Capital Market listing fee	*
Blue sky qualification fees and expenses	*
Printing and engraving expenses	*
Legal fees and expenses	*
Accounting fees and expenses	*
Transfer agent and registrar fees and expenses	*
Miscellaneous expenses	*
Total	$ *

* To be filed by amendment.

Item 14. Indemnification of Directors and Officers.

The certificate of incorporation and the by-laws of our company, each as amended to date, provide that our company will indemnify, to the fullest extent permitted by the General Corporation Law of the State of Delaware, each person who is or was a director, officer, employee or agent of our company, or who serves or served any other enterprise or organization at the request of our company. Pursuant to Delaware law, this includes elimination of liability for monetary damages for breach of the directors' fiduciary duty of care to our company and its stockholders. These provisions do not eliminate the directors' duty of care and, in appropriate circumstances, equitable remedies such as injunctive or other forms of non-monetary relief will remain available under Delaware law. In addition, each director will continue to be subject to liability for breach of the director's duty of loyalty to our company, for acts or omissions not in good faith or involving intentional misconduct, for knowing violations of law, for any transaction from which the director derived an improper personal benefit, and for payment of dividends or approval of stock repurchases or redemptions that are unlawful under Delaware law. The provision also does not affect a director's responsibilities under any other laws, such as the federal securities laws or state or federal environmental laws.

Section 145 of the Delaware General Corporation Law permits a corporation to indemnify any director or officer of a corporation against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with any action, suit or proceeding brought by reason of the fact that such person is or was a director or officer of the corporation, if such person acted in good faith and in a manner that he or she reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal action or proceeding, if he or she had no reasonable cause to believe his or her conduct was unlawful. In a derivative action (i.e., one brought by or on behalf of the corporation), indemnification may be provided only for expenses actually and reasonably incurred by any director or officer in connection with the defense or settlement of such an action or suit if such person acted in good faith and in a manner that he or she reasonably believed to be in, or not opposed to, the best interests of the corporation, except that no indemnification shall be provided if such person shall have been adjudged to be liable to the corporation, unless and only to the extent that the Delaware Chancery Court or the court in which the action or suit was brought shall determine that such person is fairly and reasonably entitled to indemnity for such expenses despite such adjudication of liability.

Our Certificate of Incorporation provides that we shall indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any person who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person, or a person for whom such person is the legal representative, is or was a director or officer of our Company or, while a director or officer of our Company, is or was serving at our request as a director, officer, employee or agent of another corporation or of a partnership, joint venture, limited liability company, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys" fees) reasonably incurred by such Indemnified Person in such Proceeding.

In connection therewith, we have agreed to pay the expenses (including attorneys' fees) incurred by an any such person in defending any such proceeding in advance of its final disposition, provided, however, that, to the extent required by law, such payment of expenses in advance of the final disposition of such proceeding shall be made only upon receipt of an undertaking by such person to repay all amounts advanced if it should be ultimately determined that such person is not entitled to be indemnified under our Certificate of Incorporation.

In addition, we may indemnify and advance expenses to any person who was or is made or is threatened to be made or is otherwise involved in any proceeding by reason of the fact that such person, or a person for whom such person is the legal representative, is or was an employee or agent of our Company or, while an employee or agent of our Company, is or was serving at our request as a director, officer, employee or agent of another corporation or of a partnership, joint venture, limited liability company, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such person in connection with such Proceeding. We may pay the expenses (including attorneys' fees) incurred by an employee or agent in defending any proceeding in advance of its final disposition on such terms and conditions as may be determined by our Board of Directors.

Our Board of Directors may, and expects to following the closing of the offering, to the full extent permitted by applicable law, authorize an appropriate officer or officers to purchase and maintain at the Company's expense insurance: (a) to indemnify the Company for any obligation which it incurs as a result of the indemnification of directors, officers and employees; and (b) to indemnify or insure directors, officers and employees against liability in instances in which they may not otherwise be indemnified by the Corporation under the provisions of our Certificate of Incorporation.

We have entered into agreements with our directors and executive officers that require us to indemnify these persons against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred (including expenses of a derivative action) in connection with any proceeding, whether actual or threatened, to which any such person may be made a party by reason of the fact that the person is or was a director or officer of our company or any of our affiliated enterprises, provided the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to our company's best interests and, with respect to any criminal proceeding, had no reasonable cause to believe that his or her conduct was unlawful. The indemnification agreements will also establish procedures that will apply if a claim for indemnification arises under the agreements.

Reference is made to our undertakings in Item 17 with respect to liabilities arising under the Securities Act.

Reference is also made to the form of underwriting agreement filed as Exhibit 1.1 to this registration statement for the indemnification agreements between us and the Underwriter.

Item 15. Recent Sales of Unregistered Securities.

During the past three years, we issued securities which were not registered under the Securities Act as set forth below. We believe that each of such issuances was exempt from registration under the Securities Act in reliance on Section 4(2), Rule 701 and/or Regulation S under the Securities Act.

The following is a summary of transactions during the preceding three fiscal years involving sales of our securities that were not registered under the Securities Act.

- On February 28, 2018, February 13, 2019, and November 4, 2020, we issued to an Israeli bank three warrants to purchase stock at an aggregate value of $750,000, at an exercise price at the lower of $0.02172 per share, if exercised into Series B Preferred Stock or at the qualified financing price if exercised at a financing round, including the consummation of this offering.

- On December 2, 2020, we signed the Migdalor Loan, for a loan of up to approximately $6.0million. The loan bears interest of 9.6% per annum. The interest shall first be paid in 12 payments starting February 1, 2021. Starting February 1, 2022, the loan principal and interest shall be repaid in 72 equal payments, plus an interest bonus after the 36th month. As part of the Migdalor Loan, we granted Migdalor an option to purchase common stock in the amount of $1.5 million, at an exercise price to be calculated based on the initial offering price. As of December 31, 2020, the balance outstanding under the Migdalor Loan was $3.0 million. In January 2021 and November 2021, we received additional funding from Migdalor of $2.0 million and $1.0 million, respectively, bearing similar terms. In November 2021, we increased the value of the option granted to Migdalor to $1.8 million.

- From December 2021 through April 2022, we offered up to $3.0 million of our 6% convertible notes due three years from the date of execution, or the Notes. The Notes were subject to optional and mandatory conversion into shares of our common stock, $0.000001 par value. To date, we closed a private placement of $2,160,200 convertible notes in a private placement pursuant to an exemption from registration under Rule 506(b) of the Securities Act. The Underwriter acted as placement agent in the private placement and received commissions of $151,214, plus expenses and five-year warrants to purchase a number of shares of common stock equal to 7% of number of shares of common stock into which the Notes convert into. The Notes may be converted at any time by the holders into common stock. The conversion price for the Note will be at a 40% discount (and no less than $2.40 per share).

- We have granted under the 2015 Plan options to purchase an aggregate of 67,488,861 shares of our common stock to a total of 116 employees, consultants, and directors (of which 40,945,807 to 62 employees, consultants and directors are outstanding), having exercise prices ranging from $0.0014 to $0.0296 per share. 800,679 of such options granted under the 2015 Plan have been exercised at a weighted-average exercise price of $0.0016 per share.

Item 16. Exhibits and Financial Statements Schedules.

(a) Exhibits.

Exhibit No.	Description
1.1	Form of Underwriting Agreement*
3.1	Twenty-Third Amended and Restated Certificate of Incorporation of the Registrant, as in effect prior to this offering
3.2	Form of Twenty-Fourth Amended and Restated Certificate of Incorporation of the Registrant to become effective upon the closing of this offering*
3.3	Bylaws of the Registrant, as in effect prior to this offering*
3.4	Form of Amended and Restated Bylaws of the Registrant to become effective upon the closing of this offering
4.1	Form of Representative's Warrant*
5.1	Form of Opinion of Pearl Cohen Zedek Latzer Baratz LLP
10.1	Amended and Restated Stockholders Agreement, dated February 2, 2016, by and among Actelis Networks, Inc. and each of its common and preferred shareholders listed thereto
10.2	Lease by and between the Actelis Networks Israel, Ltd. and Moshe Smucha, dated January 13, 2000*
10.3	Lease by and between the Actelis Networks Israel, Ltd. and Hamerton, dated October 22, 2017*
10.4	Form of Service Agreement with Dr. Ram Vromen, dated December 27, 2021*
10.5	Form of Restricted Stock Repurchase Agreement with Company CEO Mr. Tuvia Barlev dated February 20, 2015*
10.6	Form of secured non-negotiable Promissory Note between the Company and Mr. Tuvia Barlev dated February 20, 2015

Exhibit No.	Description
10.7	Series A Preferred Stock Purchase Agreement dated January 27, 2015
10.8	Series B Preferred Stock Purchase Agreement dated February 2, 2016
10.9	Employment Agreement between Actelis Networks, Inc. and Mr. Tuvia Barlev dated February 15, 2015
10.10	Employment Agreement between Actelis Networks, Inc. and Mr. Yoav Efron dated December 3, 2017
10.11	Employment Agreement between Actelis Networks Israel, Ltd. And Mr. Yoav Efron dated December 5, 2017*
10.12	Consulting Agreement between Actelis Networks, Inc. and Barlev Enterprises dated February 20, 2015
10.13	Actelis Networks, Inc. 2015 Equity Incentive Plan
10.14	Amendment No. 1 to 2015 Equity Incentive Plan
10.15	Form of Director and Officer Indemnification Agreement*
10.16	Senior Loan Agreement between Migdalor Business Investment Fund and Actelis Networks Israel, Ltd., dated December 2, 2020
10.17	Amendment Number 1 to Senior Loan Agreement between Migdalor Business Investment Fund and Actelis Networks Israel, Ltd., dated November 17, 2021
10.18	Securities Purchase and Loan Repayment Agreement between Actelis Networks, Inc. and Mr. Tuvia Barlev dated April 15, 2022
21.1	Subsidiaries of the Registrant
23.1	Consent of Kesselman & Kesselman, Certified Public Accountants (Isr.) a member firm of PricewaterhouseCoopers International Limited, independent registered accounting firm for the Registrant
23.2	Consent of Pearl Cohen Zedek Latzer Baratz LLP (included in Exhibit 5.1)
24.1	Power of Attorney (included in signature page to Registration Statement)
99.1	Consent of Joseph Moscovitz to be Named as Director Nominee
99.2	Consent of Dr. Naama Halevi-Davidov to be Named as Director Nominee
99.3	Consent of Noemi Schmayer to be Named as Director Nominee
107	Filing Fee Table

* To be filed by Amendment.

†† Indicates a management contract or compensatory plan

(b) Financial Statements Schedules.

No financial statement schedules are provided because the information called for is not applicable or not required or is shown in the financial statements or the notes thereto.

(c) Filing Fee Table.

The Filing Fee Table and related disclosure is filed herewith as Exhibit 107.

Item 17. Undertakings.

The undersigned Registrant hereby undertakes to provide to the Underwriter at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the Underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions referenced in Item 14 of this Registration Statement, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer, or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered hereunder,

the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

i. For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

ii. For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Signatures

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Freemont, California on April 15, 2022.

ACTELIS NETWORKS, INC.

By: /s/ Tuvia Barlev
Tuvia Barlev
Chief Executive Officer and Secretary

POWER OF ATTORNEY

KNOW ALL BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Tuvia Barlev and Yoav Efron and each and either of them, his or her true and lawful agent, proxy and attorney-in-fact, with full power of substitution and resubstituting, for him or her and in his or her name, place and stead, in any and all capacities, to (i) act on, sign and file with the Securities and Exchange Commission any and all amendments (including post-effective amendments) to this registration statement on Form S-1 together with all schedules and exhibits thereto and any subsequent registration statement filed pursuant to Rule 462(b) under the Securities Act, together with all schedules and exhibits thereto, (ii) act on, sign and file such certificates, instruments, agreements and other documents as may be necessary or appropriate in connection therewith, (iii) act on and file any supplement to any prospectus included in this registration statement on Form S-1 or any such amendment or any subsequent registration statement filed pursuant to Rule 462(b) under the Securities Act and (iv) take any and all actions which may be necessary or appropriate to be done, as fully for all intents and purposes as he or she might or could do in person, hereby approving, ratifying and confirming all that such agent, proxy and attorney-in-fact or any of his substitutes may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement and the Power of Attorney has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Tuvia Barlev Tuvia Barlev	Chief Executive Officer, Secretary and Chairman of the Board (Principal Executive Officer)	April 15, 2022
/s/ Yoav Efron Yoav Efron	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	April 15, 2022
/s/ Ram Vromen Ram Vromen	Director	April 15, 2022
/s/ Yariv Galit Yariv Galit	Director	April 15, 2022
/s/ Israel Niv Israel Niv	Director	April 15, 2022

Exhibit 3.1

STATE OF DELAWARE

CERTIFICATE of AMENDMENT
to the
TWENTY-THIRD AMENDED AND RESTATED
CERTIFICATE of INCORPORATION
of
ACTELIS NETWORKS, INC.

ACTELIS NETWORKS INC., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware ("**DGCL**"), does hereby certify that:

1. The present name of the Corporation is ACTELIS NETWORKS, INC.

2. The date of filing of the original Certificate of Incorporation of the Corporation with the Secretary of State of the State of Delaware was on November 12, 1998, as ACTEL Networks, Inc. The Amended and Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on May 6, 1999. A Certificate of Amendment to the Certificate of Incorporation was filed on June 14, 1999. A Certificate of Amendment to the Certificate of Incorporation was filed on July 6, 1999. A Certificate of Amendment to the Certificate of Incorporation was filed on July 28, 1999. The Second Amended and Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on October 19, 1999. The Third Amended and Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on December 1, 1999. The Fourth Amended and Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on April 20, 2001. The Fifth Amended and Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on April 26, 2001. The Sixth Amended and Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on June 12, 2001. The Seventh Amended and Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on December 9, 2004. The Eighth Amended and Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on January 7, 2005. A Certificate of Amendment to the Certificate of Incorporation was filed on September 14, 2005. The Ninth Amended and Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on November 21, 2006. The Tenth Amended and Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on December 28, 2006. The Eleventh Amended and Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on April 30, 2008. A Certificate of Amendment to the Certificate of Incorporation was filed on January 27, 2009. The Twelfth Amended and Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on March 13, 2009. The Thirteenth Amended and Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on April 23, 2009. A Certificate of Amendment to the Certificate of Incorporation was filed on June 4, 2009. The Fourteenth Amended and Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on August 25, 2009. The Fifteenth Amended and Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on October 2, 2009. The Sixteenth Amended and Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on February 16, 2011. The Seventeenth Amended and Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on June 14, 2013. The Eighteenth Amended and Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on July 1, 2013. The Nineteenth Amended and Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on March 24, 2014. The Twentieth Amended and Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on June 16, 2014. The Twenty First Amended and Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on February 24, 2015. The Twenty Second Amended and Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on February 27, 2015. A Certificate of Amendment to the Twenty Second Amended and Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on December 29, 2015 (the "Certificate of Incorporation").

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3. This Twenty Third Amended and Restated Certificate of Incorporation, which amends and restates the Corporation's Certificate of Incorporation in its entirety, has been duly adopted pursuant to the provisions of Sections 242 and 245 of the DGCL, and the stockholders of the Corporation have given their written consent hereto in accordance with Section 228 of the DGCL. The provisions of the Twenty Third Amended and Restated Certificate of Incorporation are as follows

FIRST: The name of the corporation is Actelis Networks, Inc. (the "**Corporation**").

SECOND: The registered office in the State of Delaware is located at Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle, 19801 and its registered agent at such address is The Corporation Trust Company.

THIRD: The nature of the business, and the objects and purposes proposed to be transacted, promoted and carried on, are to do any lawful act or thing for which a corporation may be organized under the General Corporation Law of the State of Delaware.

FOURTH: The aggregate number of shares of stock which the Corporation shall have authority to issue is 1,002,881,376 shares, consisting of 506,428,470 shares of Common Stock with a par value of US$0.000001 per share (the "**Common Stock**"), 128,973,588 shares of Non-Voting Common Stock with a par value of US$0.000001 per share (the "**Non-Voting Common Stock**") and 367,479,318 shares of preferred stock with a par value of US$0.000001 per share (the "**Preferred Stock**" or the "**Preferred Shares**"), of which 229,357,781 are designated the "Series A Preferred Convertible Stock" (the "**Series A Preferred Stock**") and 138,121,537 are designated the "Series B Convertible Stock" (the "**Series B Preferred Stock**"). It is hereby clarified that any reference to Common Stock shall not include a reference to Non-Voting Common Stock.

A description of the respective classes of stock and a statement of the designations, preferences, voting powers (or no voting powers), relative, participating, optional or other special rights and privileges and the qualifications, limitations and restrictions of the Preferred Stock, the Common Stock and the Non-Voting Common Stock are as follows:

A. COMMON STOCK

1. General. The voting, dividend and liquidation rights of the holders of the Common Stock are subject to and qualified by the rights of the holders of the Preferred Stock (and any other class or series of capital stock of the Corporation) at the time outstanding having prior rights as to voting, dividends or liquidation, all as set forth herein.

2. Voting. The Common Stock is entitled to one vote for each share with respect to any and all matters presented to the stockholders of the Corporation for their action or consideration. Except as provided by law or as otherwise provided in this Certificate of Incorporation, the Common Stock shall vote together as a single class on

all matters with any other class or series of voting capital stock of the Corporation. The Common Stock shall not vote as a separate class with respect to the increase of the authorized number of Common Stock, notwithstanding Section 242(2)(b)(2) of the Delaware Corporation Code.

3. Dividends. The holders of the Common Stock shall be entitled to receive, when and as declared by the Board of Directors, out of any assets of the Corporation legally available therefor, such dividends as may be declared from time to time by the Board of Directors.

4. Liquidation. Subject to Article FOURTH, Sections B.3 and C.2, upon the dissolution, liquidation or winding up of the Corporation, holders of Common Stock will be entitled to receive the assets of the Corporation, pro rata in proportion to the respective number of shares held by each of them, subject to any preferential rights of any then outstanding Preferred Stock or other then outstanding stock ranking on liquidation senior to or on a parity with the Common Stock.

B. NON-VOTING COMMON STOCK

1. Voting. The Non-Voting Common Stock shall not be entitled to vote on any matters presented to the stockholders of the Corporation for their action or consideration (other than as specifically prescribed in Article NINTH, as pertaining to the rights of the holders of the Non-Voting Common Stock in this Section B of Article FOURTH).

2. Dividends. The holders of the Non-Voting Common Stock shall not be entitled to receive any dividends or distributions as may be declared from time to time by the Board of Directors.

3. Plan of Distribution. The Non-Voting Common Stock shall have no rights, privileges or preferences in any event of Liquidation (as hereinafter defined) of the Corporation, except that, pursuant to the terms and conditions of that certain Plan of Distribution appended and incorporated into this Twenty Third Amended and Restated Certificate of Incorporation, as **Annex I** ("**Plan of Distribution**"), upon certain qualifying events of Liquidation constituting an "Entitling Event" (as defined in the Plan of Distribution), holders of Non-Voting Common Stock may be entitled to a right to receive certain Distributable Proceeds (as defined in the Plan of Distribution), if any, as set forth in the Plan of Distribution, appended, where such Plan of Distribution is integrated with and into this Twenty Third Amended and Restated Certificate of Incorporation. For the sake of clarity, (i) the Primary Distribution Percentage as defined in Section 1(f) of the Plan of Distribution shall be diluted proportionately to the dilution experienced by the Non-Voting Common Stock with respect to the issuance and sale of the Series B Preferred Stock pursuant to that certain Series B Stock Purchase Agreement of the Corporation and (ii) the Acquisition Amount as defined in Section 1(a) of the Plan of Distribution will reflect the additional funding received by the Corporation in the round of financing for which the Series B Preferred Stock were issued and sold.

4. Redemption. Upon Liquidation or any initial public offering of the Corporation, the Corporation shall have a right to redeem any or all of the outstanding shares of Non-Voting Common Stock at a price per share equal to the par value thereof (the "**Redemption Price**"). In such event, the Corporation shall send written notice of such mandatory redemption (the "**Redemption Notice**") to each holder of record of Non-Voting Common Stock, indicating a date of redemption not less than five (5) business days from the date of Redemption Notice (the "**Redemption Date**"). On or before the Redemption Date, each holder of shares of Non-Voting Common Stock shall surrender the certificate or certificates representing such shares (or, if such registered holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate) to the Corporation, in the manner and at the place designated in the Redemption Notice, and thereupon the Redemption Price for such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof. In the event that the stock certificates representing the redeemed Non-Voting Common Stock are not surrendered to, or an affidavit for loss is not received by the Corporation, then such shares shall nevertheless be redeemed on the applicable Redemption Date, and the Redemption Price payable upon such redemption shall be paid or tendered for payment or deposited with an independent payment agent for the benefit of the holder of Non-Voting Common Stock whose shares have been redeemed. Upon completion of any redemption hereunder, all redeemed shares of Non-Voting Common Stock shall be automatically and immediately cancelled and retired and shall not be reissued, sold or transferred.

5. Non-Transferability. The Non-Voting Common Stock shall not be transferable by the holders thereof to any person or entity (other than by operation of law, intestate succession or the law of wills, descent and distribution). Without derogating from the foregoing, holders of Non-Voting Common Stock shall be able to transfer, by sale or otherwise, their respective shares of Non-Voting Common Stock: (i) to the Corporation or (ii) by any other means as approved by the Board of Directors of the Corporation. Any transfer of Non-Voting Common Stock subject to this section B(5) shall not implicate any rights held by any stockholder of the Corporation including, without limitation, rights of first refusal, co-sale rights, and/or bring-along rights.

C. PREFERRED STOCK

1. Dividends.

(a) The holders of Preferred Shares shall be entitled to receive dividends, out of any assets legally available therefor, when and as declared by the Board of Directors from time to time, out of any assets of the Corporation legally available therefor.

(b) the Corporation may not declare or pay any dividend or make any distribution of assets on, or redeem, purchase or otherwise acquire, shares of Common Stock or of any other capital stock of the Corporation ranking junior to the Preferred Shares as to the payment of dividends or the distribution of assets upon liquidation, dissolution or winding up (for purposes of this section a **"Distribution"**), unless a corresponding Distribution is effected in respect of the Preferred Shares as if the Preferred Shares had been converted into Common Stock.

2. Rights on Liquidation, Dissolution or Winding Up, Etc.

(a) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, or Deemed Liquidation (each, a "**Liquidation**") and subject to parallel distribution of Distributable Proceeds pursuant to the Plan of Distribution, if and to the extent applicable in such Liquidation, the assets of the Corporation available for distribution to its stockholders, whether from capital, surplus or earnings, (the **"Available Assets"**), shall be distributed in the following order of priority:

(i) First and in preference to any distribution of any Available Assets to the holders of any other class or series of Stock of the Corporation by reason of their ownership thereof, the holders of Series B Preferred Stock shall be entitled to receive an amount per share equal to (i) the Original Issue Price of the Series B Preferred Stock (as hereinafter defined) plus (ii) interest at the rate of 8% per annum from the Original Issue Date of such Series B Preferred Stock (the **"B Preference"**). In the event that the Available Assets shall be insufficient to pay the B Preference, the Corporation shall distribute the Available Assets to the holders of the Series B Preferred Stock on a pari passu basis in proportion to the full B Preference to which such holders would otherwise be entitled to receive.

(ii) In the event that, following the satisfaction of the B Preference in full, the Available Assets shall exceed the amount necessary to pay the B

Preference, the remaining assets (after payment in full of the B Preference) shall be distributed among the holders of Series A Preferred Stock shall be entitled to receive an amount per share equal to (i) the Original Issue Price of the Series A Preferred Stock plus (ii) interest at the rate of 8% per annum from the Original Issue Date of such Series A Preferred Stock (the **"A Preference"**). In the event that the Available Assets shall be insufficient to pay the A Preference, the Corporation shall distribute the Available Assets to the holders of the Series A Preferred Stock on a pari passu basis in proportion to the full A Preference to which such holders would otherwise be entitled to receive.

(iii) In the event that, following the satisfaction of the B Preference and A Preference in full, the Available Assets shall exceed the amount necessary to pay the B Preference and the A Preference, the remaining assets (after payment in full of the B Preference and the A Preference) shall be distributed among the holders of Common Stock on a pari passu basis and in proportion to the respective percentage holdings of all of the Common Stock.

(b) For purposes of Section C.2, in addition to any liquidation of the Corporation under applicable law, whether voluntary or not, the Corporation shall be deemed to undergo a Liquidation (a **"Deemed Liquidation"**) in the event of (i) a consolidation, combination, merger or reorganization of the Corporation with or into any other company, entity or person (or group of companies, persons or other entities), other than a wholly-owned subsidiary of the Corporation, (ii) the closing of the transfer or issuance (whether by merger, combination, consolidation or otherwise), in one transaction or a series of related transactions to which the Corporation is a party, to a corporation, person or group of affiliated persons (other than an underwriter of the Corporation's securities), of the Corporation's securities if, after such closing, such person or group of affiliated persons would hold more than 50% of the outstanding voting stock of the Corporation (other than an transfer or issuance effected primarily for purposes of raising capital for the Corporation or its subsidiaries) or (iii) a sale, lease, assignment, transfer, disposal, exclusive license or other disposition, in a single transaction or series of related transactions, of all or substantially all of the assets or intellectual property of the Corporation (other than (1) a pledge of assets or grant of a security interest therein to a commercial lender in connection with a commercial lending or similar transaction; (2) a sale, lease, exclusive license, assignment, transfer or disposal to a corporation, limited liability company or other entity (or a group of corporations, limited liability companies or other entities) in which the holders of capital stock of the Corporation immediately prior to such sale, lease, exclusive license, assignment, transfer or disposal continue to hold (solely in respect of their interests in the Corporation's capital stock immediately prior to such merger, combination or consolidation) a majority of the aggregate voting power of the capital stock of the acquiring entity or entities)); and (3) in the case of an exclusive license of assets or intellectual property, an exclusive license of assets or intellectual property constituting less than substantially all of the economic value of the Corporation's assets or intellectual property or (iv) any transaction resulting in all or substantiality all the Corporation's securities or assets being traded in exchange for the securities of any non-affiliate entity. Notwithstanding the foregoing, a transaction in which stockholders of the Corporation prior to the transaction will maintain (solely in respect of their interests in the Corporation's capital stock immediately prior to such merger, combination, consolidation or otherwise) a majority of the voting power of the capital stock of the resulting entity after the transaction (provided, however, that shares of the surviving entity held by stockholders of this Corporation acquired by means other than the exchange or conversion of the shares of this Corporation shall not be used in determining if the stockholders of this Corporation maintain such voting control, but shall be used for determining the total outstanding voting power of the surviving entity) shall not be deemed a Liquidation. The treatment of any particular transaction or series of transactions as a Liquidation may be waived by the vote or written consent of the holders of at least a majority of the then outstanding Preferred Stock (voting together as a single class and on an as-converted to Common Stock basis). Upon the closing of any Liquidation of the Corporation as described herein, the holders of the Preferred Shares shall be entitled to receive in cash, securities and/or other property (valued as provided in Section C.2(c) and (d) below), regardless of whether or not they have exercised their redemption right set forth in this sub-article (b) above, amounts as specified in Section C.2(a) above.

(c) Whenever the distribution provided for in this Section C.2 shall be payable in securities or property other than cash, the value of such distribution shall be the fair market value of such securities or other property as determined in good faith by the Board of Directors.

(d) Notwithstanding Section C.2(c) above, any securities shall be valued as follows:

(i) Securities not subject to investment letter or other similar restrictions on free marketability covered by (ii) below:

(A) If traded on a securities exchange or through the Nasdaq National Market, the value shall be deemed to be the average of the closing prices of the securities on such quotation system over the thirty (30) day period ending three (3) days prior to the closing;

(B) If actively traded over-the-counter, the value shall be deemed to be the average of the closing bid or sale prices (whichever is applicable) over the thirty (30) day period ending three (3) days prior to the closing; and

(C) If there is no active public market, the value shall be the fair market value thereof, as determined by the Board of Directors.

(ii) The method of valuation of securities subject to investment letter or other restrictions on free marketability (other than restrictions arising solely by virtue of a stockholder's status as an affiliate or former affiliate) shall be to make an appropriate discount from the market value determined as above in (i)(A), (B) or (C) to reflect the approximate fair market value thereof, as determined by the Board of Directors.

(e) The Corporation shall give each holder of record of Preferred Shares written notice of any transaction that constitutes a Liquidation as defined under Section C.2(b) above not later than twenty (20) days prior to the stockholders' meeting called to approve such transaction, or twenty (20) days prior to the closing of such transaction, whichever is earlier, and shall also notify such holders in writing of the final approval of such transaction. The first of such notices shall describe the material terms and conditions of the impending transaction and the provisions of this Section 2, and the Corporation shall thereafter give such holders prompt notice of any material changes. The transaction shall in no event take place sooner than twenty (20) days after the Corporation has given the first notice provided for herein or sooner than ten (10) days after the Corporation has given notice of material changes provided for herein; provided, however, that such periods may be shortened upon the written consent of the holders of Preferred Shares that are entitled to such notice rights or similar notice rights and that represent at least a majority of the voting power of all then outstanding Preferred Shares, voting together as a single class.

3. Voting Rights.

(a) Except as otherwise provided by law and with respect to the matters covered by Sections C.4(b) and C.4(c) hereof, the holders of the Preferred Shares shall vote together with and in the same manner and with the same effect as the holders of Common Stock on all matters on which the holders of Common Stock shall be entitled to vote. The holders of Preferred Shares shall be entitled to cast such number of votes in respect of the Preferred Shares held by them as shall equal the largest whole number of shares of Common Stock into which such Preferred Shares are then convertible pursuant to Section 5 hereof.

(b) Until a Qualified IPO, the Corporation shall not, either directly or indirectly, without the prior consent of the holders of at least a majority of the then outstanding Preferred Shares, voting together as a single class, take any of the following actions (whether by amendment, merger, consolidation or otherwise):

(i) adopt any amendment of the Certificate of Incorporation or the Bylaws of the Corporation or take any other action which would have the effect of adversely amending, changing or abrogating the rights, preferences or privileges of the Preferred Shares;

(ii) increase or decrease below the number then outstanding (other than by redemption or conversion) total number of authorized shares of Preferred Shares.

(c) The Board of Directors of the Corporation (the "**Board**") shall be composed of up to six (6) directors.

(i) One (1) member shall be elected by Tuvia Barlev. In the event that Tuvia Barlev sells or transfers (other than to "Affiliates", as such term is defined in the Amended and Restated Stockholders Agreement) more than 50% of his holdings in the Corporation, then Tuvia Barlev shall no longer have the right to elect the said director.

(ii) Three (3) members shall be elected by the holders of Preferred A Shares, voting as a separate class. In the event that the holders of Preferred A Shares on the date of filing this certificate of incorporation sell or transfer (other than to "Affiliates", as such term is defined in the Amended and Restated Stockholders Agreement) more than 50% of their holdings in the Corporation, then such holders shall have the right to elect one (1) director.

(iii) One (1) member shall be elected by the holders of Preferred B Shares, voting as a separate class. In the event that the holders of Preferred B Shares on the date of filing this certificate of incorporation sell or transfer (other than to "Affiliates", as such term is defined in the Amended and Restated Stockholders Agreement) more than 50% of their holdings in the Corporation, then such holders shall not have the right to elect one (1) director.

(iv) The appointed directors, voting unanimously, shall be entitled to elect the remaining director, in their discretion, who shall be an industry expert.

(d) For purposes of this Certificate:

"**Original Issue Date**" means, with respect to a share of Series B Preferred Stock or Series A Preferred Stock the first date on which such share was issued;

"**Original Issue Price of Series A Stock**" means, with respect to a share of Series A Preferred Stock the Series A Price Per Share (subject to adjustment in the event of share splits, share dividends, reclassifications and other like events);

"**Original Issue Price of Series B Stock**" means, with respect to a share of Series B Preferred Stock the Series B Price Per Share (subject to adjustment in the event of share splits, share dividends, reclassifications and other like events);

"**Preferred Director**" shall mean any director elected exclusively by the holders of the Series A Preferred Stock; and

"**Series A Price Per Share**" means, with respect to a share of Series A Preferred Stock, US$0.01308.

"**Series B Price Per Share**" means, with respect to a share of Series B Preferred Stock, US$0.02232.[1]

4. Conversion of Preferred Shares.

(a) Each of the holders of Preferred Shares shall have the right, at such holder's option, at any time or from time to time, to convert each Preferred Share held by it into such number of fully paid and non-assessable shares of Common Stock as is as is determined by dividing the applicable Original Issue Price by the applicable Conversion Price (as hereinafter defined) per share for the Preferred Shares in effect at the time of conversion. The initial "**Conversion Price**" for each Preferred Share shall be the Original Issue Price for such Preferred Share. Such initial Conversion Price shall be subject to adjustment as provided in this Section 4. The holder of any Preferred Shares exercising the aforesaid right to convert such shares into shares of Common Stock shall be entitled to receive all declared and unpaid dividends with respect to such Preferred Shares up to and including the respective conversion date of such shares of Preferred Shares.

(b) Each outstanding Preferred Share shall automatically be converted into shares of Common Stock at the then effective Conversion Price in accordance with Section 4(a) hereof (i) upon the closing of an underwritten offering of the Corporation's securities to the public (a) pursuant to a registration statement under the U.S. Securities Act of 1933, as amended, or (b) subject to the consent of holders of at least a majority of the Preferred Shares, on an international stock exchange, pursuant to the securities law of such jurisdiction, in each case yielding at least US$5 million to the Corporation at a Corporation valuation of at least US$15 million (a "**Qualified IPO**"); or (ii) upon the receipt by the Corporation of a written request for such conversion from either the holders (a) of at least seventy five (75%) of the Series B Preferred Stock then outstanding, or, if later, the effective date for conversion specified in such requests, if the conversion is in respect of the Series B Preferred Stock, or (b) from the holders of at least seventy five (75%) of the Series A Preferred Stock then outstanding, or, if later, the effective date for conversion specified in such requests if the conversion is in respect of the Series A Preferred Stock.

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1 The Series B Price Per Share is calculated based only on the fully diluted voting share capital of the Corporation and excludes all issued and outstanding shares of Non-Voting Common Stock of the Corporation.

(c) Before any holder of Preferred Shares shall be entitled (in the case of a conversion at such holder's option) to convert the same into Common Stock, he shall surrender the certificate or certificates therefor, duly endorsed (or, if such holder alleges that such certificate has been lost, stolen, or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate), at the office of the Corporation, and shall give written notice by mail, postage prepaid, to the Corporation at its principal corporate office, of the election to convert the same and shall state therein the name or names of any nominee for such holder in which the certificate or certificates for Common Stock are to be issued. Such conversion (in the case of a conversion at such holder's option) shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the certificate representing the Preferred Shares to be converted, and the person or persons entitled to receive the Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such Common Stock as of such date. If the conversion is in connection with a Qualified IPO, then the conversion shall be deemed to have taken place automatically regardless of whether the certificates representing such shares have been tendered to the Corporation, but from

and after such conversion any such certificates not tendered to the Corporation shall be deemed to evidence solely the Common Stock received upon such conversion and the right to receive a certificate for such Common Stock. If the conversion is in connection with a Qualified IPO, the conversion may, at the option of any holder tendering Preferred Shares for conversion, be conditioned upon the closing with the underwriter of the sale of securities pursuant to such offering, in which event the person(s) entitled to receive the Common Stock issuable upon such conversion of the Preferred Shares shall not be deemed to have converted such Preferred Shares until immediately prior to the closing of such offer of securities. The Corporation shall, as soon as practicable after the conversion and tender of the certificate for the Preferred Shares converted, issue and deliver at such office to such holder of Preferred Shares or to the nominee or nominees of such holder of Preferred Shares or to the nominee or nominees of such holder, a certificate or certificates for the number of Common Stock to which such holder shall be entitled as aforesaid, and cash as provided in Section 4(d) in lieu of any fraction of a share of Common Stock otherwise issuable upon such conversion and payment of any declared but unpaid dividends on the shares of Preferred Stock converted.

(d) No fractional shares shall be issued upon conversion of Preferred Shares into Common Stock. In case the number Preferred Shares represented by the certificate or certificates surrendered pursuant to Section 4(c) exceeds the number of shares converted, the Corporation shall, upon such conversion, execute and deliver to the holder, at the expense of the Corporation, a new certificate or certificates for the number of Preferred Shares represented by the certificate or certificates surrendered which are not to be converted. All shares of Common Stock (including factions thereof) issuable to a holder of Preferred Shares upon conversion of such holder's Preferred Shares shall be aggregated for purposes of determining whether the conversion would result in the issuance of any fractional share. If, after such aggregation, any fractional share of Common Stock would, except for the provisions of the first sentence of this Section 4(d), be delivered upon such conversion, the Corporation, in lieu of delivering such fractional share, shall pay to the holder surrendering the Preferred Shares for conversion an amount in cash equal to the current market price of such fractional share as determined in good faith by the Board.

(e)

(i) Except as hereinafter provided, in case the Corporation shall at any time after the Original Issue Date, grant or sell any shares of Additional Stock (as hereinafter defined) for a consideration, exercise or conversion price per share less than the Conversion Price in effect for any series of Preferred Shares immediately prior to the issuance or sale of such shares, or without consideration, then forthwith upon such issuance or sale, the Conversion Price for such series of Preferred Shares shall (upon such issuance or sale) be reduced to a price determined by multiplying such Conversion Price immediately prior to such issuance or sale ("**OCP**") by a fraction, the numerator of which shall be (x) the number of shares of Common Stock (including Common Stock into which the Preferred Stock could be converted into) outstanding (on an as converted to Common Stock basis) immediately prior to such issuance or sale ("**COS**") plus (y) the number of shares of Common Stock which the aggregate consideration received by the Corporation for the total number of Additional Stock so issued would purchase at such Conversion Price in effect immediately prior to such issuance or sale ("**TC**"), and the denominator of which shall be (x) the COS plus (y) the number of such Additional Stock so issued ("**AOS**"); provided, however, that in no event shall the Conversion Price be adjusted pursuant to this computation to an amount in excess of the Conversion Price in effect immediately prior to such computation.

$$CP = OCP \times \frac{COS + \frac{TC}{OCP}}{COS + AOS}$$

For the purposes hereof, **"Additional Stock"** shall mean Common Stock or options, warrants or other rights to acquire or securities convertible into or exchangeable for shares of Common Stock, including shares held in the Corporation's treasury, and shares of Common Stock issued upon the exercise of any options, rights or warrants to subscribe for shares of Common Stock and shares of Common Stock issued upon the direct or indirect conversion or exchange of securities for shares of Common Stock, other than:

(A) Common Stock issued or issuable upon the conversion of the Preferred Shares;

(B) Common Stock issued to officers, directors or employees of, or bona fide consultants to, the Corporation pursuant to a stock option plan or purchase plan approved by the Board of Directors for employees, officers, directors or bona fide consultants of the Corporation;

(C) securities issued in connection with any transaction for which adjustment is made pursuant to Section 4(e)(iii) or 4(e)(iv) hereof.

For the purpose of any computation to be made in accordance with this Section 4(e), the following provisions shall be applicable:

(1) Insofar as it consists of cash, the consideration for the issuance of Additional Stock shall be deemed to be the amount of cash received therefor after giving effect to any discounts or commissions paid or incurred by the Corporation for any underwriting or otherwise in connection with the issuance and sale thereof, and shall not include consideration other than cash.

(2) The number of shares of Common Stock at any one time outstanding shall include the aggregate number of shares issued or issuable (subject to readjustment upon the actual issuance thereof) upon the exercise of outstanding options, rights, warrants and upon the conversion or exchange of outstanding convertible or exchangeable securities.

(3) Insofar as it consists of property other than cash, the consideration for the issuance of Additional Stock shall be computed at the fair market value thereof at the time of such issue, as determined in good faith by the Board;

(4) In the event the Corporation shall issue on more than one date Additional Stock that is a part of one transaction or a series of related transactions and that would result in an adjustment to the Conversion Price pursuant to the terms of Section 4(e) then, upon the final such issuance, the Conversion Price shall be readjusted to give effect to all such issuances as if they occurred on the date of the first such issuance (and without giving effect to any additional adjustments as a result of any such subsequent issuances within such period).

(5) In the event the Additional Stock is issued together with other shares or securities or other assets of the Corporation for consideration which covers both, be the proportion of such consideration so received, computed as provided in clauses (2) and (3) above, as determined in good faith by the Board.

(ii) In the event the Corporation shall issue any options or warrants to subscribe for, purchase or otherwise acquire Common Stock or Preferred Stock ("**Options**") or any evidences of indebtedness, shares or other securities directly or indirectly convertible into or exchangeable for Common Stock, but excluding Options ("**Convertible Securities**") and shall fix a record date for the determination of holders of any class of securities entitled to receive any such Options or

Convertible Securities, then the maximum number of shares (as set forth in the instrument relating thereto without regard to any provisions contained therein for a subsequent adjustment of such number) of Common Stock issuable upon the exercise of such Options or, in the case of Convertible Securities, the conversion or exchange of such Convertible Securities or, in the case of Options for Convertible Securities, the exercise of such Options and the conversion or exchange of the underlying securities, shall be deemed to have been issued as of the time of such issue or, in case such a record date shall have been fixed, as of the close of business on such record date, provided that in any such case in which shares are deemed to be issued:

(A) no further adjustment in the Conversion Price shall be made upon the subsequent issue of Convertible Securities or shares of Common Stock in connection with the exercise of such Options or conversion or exchange of such Convertible Securities;

(B) if such Options or Convertible Securities are revised as a result of any amendment or by their terms provide, with the passage of time or otherwise, for any change in the consideration payable to the Corporation or in the number of shares of Common Stock issuable upon the exercise, conversion or exchange thereof (other than a change pursuant to the anti-dilution provisions of such Options or Convertible Securities such as this Section 4(e)(ii) or pursuant to recapitalization provisions of such Options or Convertible Securities such as Sections 4(e)(iii) and 4(g) hereof), the Conversion Price of the Preferred Stock and any subsequent adjustments based thereon shall be recomputed to reflect such change as if such change had been in effect as of the original issue thereof (or upon the occurrence of the record date with respect thereto);

(C) upon the expiration of any such Options or any rights of conversion or exchange under such Convertible Securities which shall not have been exercised, the Conversion Price of the Preferred Stock computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto) and any subsequent adjustments based thereon shall, upon such expiration, be recomputed as if:

(a) in the case of Convertible Securities or Options exercisable for Common Stock, the only Additional Stock issued was the Common Stock, if any, actually issued upon the exercise of such Options or the conversion or exchange of such Convertible Securities and the consideration received therefor was the consideration actually received by the Corporation for the issue of such exercised Options plus the consideration actually received by the Corporation upon such exercise or for the issue of all such Convertible Securities which were actually converted or exchanged, plus the additional consideration, if any, actually received by the Corporation upon such conversion or exchange, and

(b) in the case of Options exercisable for Convertible Securities, only the Convertible Securities, if any, actually issued upon the exercise thereof were issued at the time of issue of such Options, and the consideration received by the Corporation for the Additional Stock deemed to have been then issued was the consideration actually received by the Corporation for the issue of such exercised Options, plus the consideration deemed to have been received by the Corporation (determined pursuant to Section 3(d)(v)) upon the issue of the Convertible Securities with respect to which such Options were actually exercised; and

(c) if such record date shall have been fixed and such Options or Convertible Securities are not issued on the date fixed therefor, the adjustment previously made in the Conversion Price which became effective on such record date shall be canceled as of the close of business on such record date, and thereafter the Conversion Price shall be adjusted pursuant to this paragraph 4(e)(ii) as of the actual date of their issuance.

(iii) If the Corporation subdivides or combines its Common Stock, each Conversion Price shall be proportionately reduced, in case of subdivision of shares, as at the effective date of such subdivision, or if the Corporation fixes a record date for the purpose of so subdividing, as at such record date, whichever is earlier, or shall be proportionately increased, in the case of combination of shares, as the effective date of such combination, or, if the Corporation fixes a record date for the purpose of so combining, as at such record date, whichever is earlier.

(iv) If the Corporation at any time pays a dividend, with respect to its Common Stock only, payable in additional shares of Common Stock or other securities or rights convertible into, or entitling the holder thereof to receive directly or indirectly, additional shares of Common Stock, without any comparable payment or distribution to the holders of Preferred Shares (hereinafter referred to as "**Common Stock Equivalents**"), then each Conversion Price shall be adjusted as at the date the Corporation fixes as a record date for the purpose of receiving such dividend (or if no such record date is fixed, as at the date of such payment) to that price determined by multiplying the applicable Conversion Price in effect immediately prior to such record date (or if no record date is fixed then immediately prior to such payment) by a fraction (a) the numerator of which shall be the total number of shares of Common Stock outstanding and those issuable with respect to Common Stock Equivalents prior to the payment of such dividend, and (b) the denominator of which shall be the total number of shares of Common Stock outstanding and those issuable with respect to such Common Stock Equivalents immediately after the payment of such dividend (plus, in the event that the Corporation paid cash for fractional shares, the number of additional shares which would have been outstanding had the Corporation issued fractional shares in connection with such dividend).

(v) No adjustment in the Conversion Price for the Preferred Shares shall be required in an amount less than one cent (US$0.01) per share; provided, however, that any adjustments which by reason of this Section 4(d)(iv) are not required to be made shall be carried forward and taken into account in any subsequent adjustment required to be made hereunder.

(f) In the event the Corporation declares a distribution payable in securities of other persons, evidences of indebtedness issued by the Corporation or other persons, assets (excluding cash dividends) or options or rights not referred to in sub-article (e)(iv), then, in each such case, the holders of the Preferred Shares shall be entitled to receive such distribution, in respect of their holdings on an as-converted basis as of the record date for such distribution.

(g) If at any time or from time to time there shall be a recapitalization of the Common Stock (other than a subdivision, combination or merger or sale of assets transaction provided for elsewhere in this Section 4 or in Section 3(b)), provision shall be made so that the holders of the Preferred Shares shall thereafter be entitled to receive upon conversion of the Preferred Shares the number of shares of stock or other securities or property of the Corporation or otherwise, to which a holder of Common Stock deliverable upon conversion would have been entitled on such recapitalization. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 4 with respect to the rights of the holders of the Preferred Shares after the recapitalization to the end that the provisions of this Section 4 (including adjustment of the Conversion Price for the Preferred Shares then in effect and the number of shares issuable upon conversion of the Preferred Shares) shall be applicable after that event as nearly equivalent as may be practicable.

(h) The Corporation will not, by amendment of its Certificate of Incorporation or through any reorganization, recapitalization, transfer of assets,

consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Corporation, but will at all times in good faith assist in the carrying out of all the provisions of this Section 4 and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the holders of the Preferred Shares against impairment.

(i) Upon the occurrence of each adjustment or readjustment of the Conversion Price of any series of Preferred Shares pursuant to this Section 4, the Corporation, at its expense, shall promptly compute such adjustment or readjustment in accordance with the terms hereof and prepare and furnish to each holder of such series of Preferred Shares a statement, signed by its chief financial officer, setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, upon the written request at any time of any holder of Preferred Shares, furnish or cause to be furnished to such holder a like certificate setting forth (A) such adjustment and readjustment, (B) the Conversion Price for such Preferred Shares at the time in effect, and (C) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the conversion of a share of such Preferred Shares.

(j) The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of the shares of the Preferred Shares, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding Preferred Shares; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Preferred Shares, in addition to such other remedies as shall be available to the holder of such Preferred Shares, the Corporation will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in best efforts to obtain the requisite stockholder approval of any necessary amendment to these provisions.

(k) The Corporation shall pay all documentary, stamp or other transactional taxes attributable to the issuance or delivery of shares of capital stock of the Corporation upon conversion of any shares Preferred Shares; provided, however, that the Corporation shall not be required to pay any taxes which may be payable in respect of any transfer involved in the issuance or delivery of any certificate for such shares in a name other than that of the holder of the Preferred Shares in respect of which such shares are being issued.

(l) All shares of Common Stock which may be issued in connection with the conversion provisions set forth herein will, upon issuance by the Corporation, be validly issued, fully paid and nonassessable and free from all taxes, liens or charges with respect thereto.

(m) In the event any Preferred Shares shall be converted pursuant to Section 4 hereof or otherwise reacquired by the Corporation, the shares so converted or reacquired shall be cancelled and may not be reissued. The Certificate of Incorporation of the Corporation may be appropriately amended from time to time to effect the corresponding reduction in the Corporation's authorized capital stock.

(n) If the Corporation shall propose at any time: (i) to declare any dividend or distribution upon its Common Stock, whether in cash, property, stock or other securities, whether or not a regular cash dividend and whether or not out of earnings or earned surplus; (ii) to offer for subscription pro rata to the holders of any class or series of its stock any additional shares of stock of any class or series or other rights; (iii) to effect any reclassification or recapitalization of its Common Stock outstanding involving a change in the Common Stock; or (iv) to merge or consolidate with or into any other corporation, or sell, lease or convey all or substantially all of its assets, or to liquidate, dissolve or wind up; then, in connection with each such event, the Corporation shall send to the holders of the Preferred Shares: (1) at least twenty (20) days prior written notice of the date on which a record shall be taken for such dividend, distribution or subscription rights (and specifying the date on which the holders of Common Stock shall be entitled thereto) or for determining rights to vote, if any, in respect of the matters referred to in (iii) and (iv) above; and (2) in the case of the matters referred to in (iii) and (iv) above, at least twenty (20) days prior written notice of the date when the same shall take place (and specifying the date on which the holders of Common Stock shall be entitled to exchange their Common Stock for securities or other property deliverable upon the occurrence of such event).

FIFTH: The holders of Common Stock and Preferred Shares shall have preemptive rights as set forth in the Amended and Restated Stockholders Agreement dated on or about the Original Issue Date of the Series B Preferred Stock by and between the Corporation and certain of its stockholders, as amended ("**Amended and Restated Stockholders Agreement**").

SIXTH: To the fullest extent permitted by law, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL, or (iv) for any transaction from which the director derived an improper personal benefit. If the DGCL is amended after the filing of the Certificate of Incorporation of which this article is a part to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended. Any repeal or modification of the foregoing paragraph by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

SEVENTH: The Corporation shall, to the fullest extent permitted by Section 145 of the General Corporation Law of the State of Delaware, as the same may be amended and supplemented, indemnify directors and officers of the Corporation whom it shall have power to indemnify under said section from and against any and all of the expenses, liabilities or other matters referred to in or covered by said section, and the indemnification provided for herein shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any By-Laws, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in their official capacities and as to action in another capacity while holding such offices, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such person.

EIGHT: The Board of Directors shall have the power to make, alter, or repeal the By-Laws subject to the provisions of Section C.3(b) of Article FOURTH.

NINTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, and any other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted, subject to the limitations set forth in this Certificate of Incorporation and any agreement or undertaking by which the Corporation is bound and in the manner now or hereafter provided by statute, and, subject to the foregoing, all rights, preferences and privileges of whatsoever nature conferred upon stockholders, directors or any other persons whomsoever by and pursuant to this Certificate of Incorporation in its present form or as amended are granted subject to the rights reserved in this Article NINTH.

TENTH: All Preferred Shares held or acquired (or Common Stock issuable upon conversion thereof) by affiliated entities shall be aggregated together for the purpose of determining whether a minimum stock ownership threshold has been satisfied.

ELEVENTH: Drag-Along.

(a) Notwithstanding the restrictions on transferability applicable to any stockholder, at any time prior to a Qualified IPO, if any person or entity (an

“**Acquirer**”) makes a detailed offer to purchase all of the issued and outstanding capital stock or all or substantially all of the assets of the Corporation (whether structured as merger, consolidation, sale of assets or other similar transaction)(the “**Purchase Offer**”), and holders of 66% of the issued and outstanding Common Stock (including Preferred Shares on an as-converted basis), accept the Purchase Offer (“**Proposing Stockholders**”), then, at the closing of the Purchase Offer, the Proposing Stockholders and all of the other holders of Common Stock and Preferred Stock (“**Non-Proposing Stockholders**” and, together with the Proposing Stockholders, the “**Stockholders**”) will vote their shares in favor of the Purchase Offer and, to the extent applicable, transfer such Shares to such person or entity. In such event, each stockholder shall deliver the stock certificate(s), accompanied by a duly executed stock powers or other instrument of transfer duly endorsed in blank, representing the Shares to the Corporation or to an agent designated by the Corporation, for the purpose of effectuating the transfer of the shares to the Acquirer and the disbursement of the proceeds of such transaction. The aggregate consideration payable by the Acquirer shall be distributed among the stockholders of the Corporation in accordance with the provisions of the Article FOURTH C.1 hereof.

(b) To the maximum extent under the DGCL and applicable law that this Certificate of Incorporation may so lawfully require of each stockholder of the Corporation, if such transaction underlying the Purchase Offer is structured as a merger, consolidation, sale of assets or other similar transaction, each stockholder of the Corporation will waive any dissenter’s rights, appraisal rights or similar rights in connection with such merger, consolidation or other similar transaction, and raise no objections thereto, and if such transaction is structured as a sale of stock or other similar transaction, each stockholder will agree to sell all of his or its shares of stock in the Corporation, as the case may be, and rights to acquire shares, as the case may be, on the terms and conditions of the Purchase Offer as approved by the Board.

(c) Notwithstanding the foregoing, a Stockholder will not be required to comply with this ARTICLE ELEVENTH, unless:

(1) Limitations on Representations and Warranties. The only representations, warranties or covenants that any Stockholder shall be required to make in connection with an agreement in respect of a Purchase Offer are representations and warranties with respect to its own ownership of the Corporation’s securities to be sold by it and its ability to convey title thereto free and clear of liens, encumbrances or adverse claims and reasonable covenants regarding confidentiality and publicity; and

(2) Indemnity Provisions. The liability of any Stockholder with respect to any representation and warranty or covenant made by the Corporation in connection with an agreement in respect of a Purchase Offer, as applicable, must be several and not joint with any other person; and such Stockholder’s liability (other than with respect to the representations, warranties and covenants made by such holder in connection with such Purchase Offer with respect to ownership and ability to convey title) must be limited to its pro rata share (based on transaction proceeds actually received) of an escrow account into which a portion of the aggregate consideration paid to all Stockholders will be deposited to cover any indemnification liabilities by the Stockholders after the closing date (as that term is defined in the document for the transaction giving rise to the escrow); and

(3) Out of Pocket Expenditures. No Stockholder shall be obligated to make any out of pocket expenditure prior to the consummation of the Purchase Offer (excluding modest expenditures for postage, copies, etc.) or be obligated to pay any expenses incurred in connection with a consummated Purchase Offer, as applicable, except indirectly to the extent such costs are incurred for the benefit of all of the Stockholders and are paid by the Corporation or the Acquirer; where costs incurred by or on behalf of any holder for its sole benefit will not be considered costs of the transaction hereunder.

TWELFTH: Excluded Opportunity.

The Corporation renounces, to the fullest extent permitted by law, any interest or expectancy of the Corporation in, or in being offered an opportunity to participate in, any Excluded Opportunity. An “**Excluded Opportunity**” is any matter, transaction or interest that is presented to, or acquired, created or developed by, or which otherwise comes into the possession of, (i) any director of the Corporation who is not an employee of the Corporation or any of its subsidiaries, or (ii) any holder of Preferred Stock or any partner, member, director, stockholder, employee or agent of any such holder, other than someone who is an employee of the Corporation or any of its subsidiaries (collectively, “**Covered Persons**”), unless such matter, transaction or interest is presented to, or acquired, created or developed by, or otherwise comes into the possession of, a Covered Person expressly and solely in such Covered Person’s capacity as a director of the Corporation.

(remainder of page left intentionally blank)

THE UNDERSIGNED, being the President of the Corporation, for the purpose of amending and restating the Corporation’s Certificate of Incorporation pursuant to the DGCL, does make this certificate, hereby declaring and certifying that this is my act and deed on behalf of the Corporation this ___ day of January, 2016.

Name: Tuvia Barlev
Title: President

Exhibit 3.4

AMENDED AND RESTATED BYLAWS OF

ACTELIS NETWORKS, INC.

Adopted April 21, 2009

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BYLAWS

ARTICLE I - MEETINGS OF STOCKHOLDERS

1.1 ***Place of Meetings.*** Meetings of stockholders of Actelis Networks, Inc. (the **"Company"**) shall be held at any place, within or outside the State of Delaware, determined by the Company's board of directors (the **"Board").** The Board may, in its sole discretion, determine that a meeting of stockholders shall not be held at any place, but may instead be held solely by means of remote communication as authorized by Section 211(a)(2) of the Delaware General Corporation Law (the **"DGCL").** In the absence of any such designation or determination, stockholders' meetings shall be held at the Company's principal executive office.

1.2 ***Annual Meeting.*** An annual meeting of stockholders shall be held for the election of directors at such date and time as may be designated by resolution of the Board from time to time. Any other proper business may be transacted at the annual meeting. The Company shall not be required to hold an annual meeting of stockholders, *provided* that (i) the stockholders are permitted to act by written consent under the Company's certificate of incorporation and these bylaws, (ii) the stockholders take action by written consent to elect directors and (iii) the stockholders unanimously consent to such action or, if such consent is less than unanimous, all of the directorships to which directors could be elected at an annual meeting held at the effective time of such action are vacant and are filled by such action.

1.3 ***Special Meeting.*** A special meeting of the stockholders may be called at any time by the Board, Chairperson of the Board, Chief Executive Officer or President (in the absence of a Chief Executive Officer) or by one or more stockholders holding shares in the aggregate entitled to cast not less than 10% of the votes at that meeting.

If any person(s) other than the Board calls a special meeting, the request shall:

(i) be in writing;

(ii) specify the time of such meeting and the general nature of the business proposed to be transacted; and

(iii) be delivered personally or sent by registered mail or by facsimile transmission to the Chairperson of the Board, the Chief Executive Officer, the President (in the absence of a Chief Executive Officer) or the Secretary of the Company.

The officer(s) receiving the request shall cause notice to be promptly given to the stockholders entitled to vote at such meeting, in accordance with the provisions of **sections 1.4** and **1.5** of these bylaws, that a meeting will be held at the time requested by the person or persons calling the meeting. No business may be transacted at such special meeting other than the business specified in such notice to stockholders. Nothing contained in this paragraph of this **section 1.3** shall be construed as limiting, fixing, or affecting the time when a meeting of stockholders called by action of the Board may be held.

1.4 ***Notice of Stockholders' Meetings.*** All notices of meetings of stockholders shall be sent or otherwise given in accordance with either **section 1.5** or **section 7.1** of these bylaws not less than 10 or more than 60 days before the date of the meeting to each stockholder entitled to vote at such meeting. The notice shall specify the place, if any, date and hour of the meeting, the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called.

1.5 ***Manner of Giving Notice; Affidavit of Notice.*** Notice of any meeting of stockholders shall be given:

(i) if mailed, when deposited in the United States mail, postage prepaid, directed to the stockholder at his or her address as it appears on the Company's records; or

(ii) if electronically transmitted as provided in **section 7.1** of these bylaws.

An affidavit of the Secretary or an Assistant Secretary of the Company or of the transfer agent or any other agent of the Company that the notice has been given by mail or by a form of electronic transmission, as applicable, shall, in the absence of fraud, be *prima facie* evidence of the facts stated therein.

1.6 ***Quorum.*** Except as otherwise provided by law, the certificate of incorporation or these bylaws, at each meeting of stockholders the presence in person or by proxy of the holders of shares of stock having a majority of the votes which could be cast by the holders of all outstanding shares of stock entitled to vote at the meeting shall be necessary and sufficient to constitute a quorum. If, however, such quorum is not present or represented at any meeting of the stockholders, then either (i) the chairperson of the meeting, or (ii) the stockholders entitled to vote at the meeting, present in person or represented by proxy, shall have the power to adjourn the meeting from time to time, in the

manner provided in **section 1.7**, until a quorum is present or represented.

1.7 ***Adjourned Meeting; Notice.*** Any meeting of stockholders, annual or special, may adjourn from time to time to reconvene at the same or some other place, and notice need not be given of the adjourned meeting if the time, place, if any, thereof, and the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the Company may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

1.8 ***Conduct of Business.*** Meetings of stockholders shall be presided over by the Chairperson of the Board, if any, or in his or her absence by the Vice Chairperson of the Board, if any, or in the absence of the foregoing persons by the Chief Executive Officer, or in the absence of the foregoing persons by the President, or in the absence of the foregoing persons by a Vice President, or in the absence of the foregoing persons by a chairperson designated by the Board, or in the absence of such designation by a chairperson chosen at the meeting. The Secretary shall act as secretary of the meeting, but in his or her absence the chairperson of the meeting may appoint any person to act as secretary of the meeting. The chairperson of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of business.

1.9 ***Voting.*** The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of **section 1.11** of these bylaws, subject to Section 217 (relating to voting rights of fiduciaries, pledgors and joint owners of stock) and Section 218 (relating to voting trusts and other voting agreements) of the DGCL.

Except as may be otherwise provided in the certificate of incorporation, each stockholder entitled to vote at any meeting of stockholders shall be entitled to one vote for each share of capital stock held by such stockholder which has voting power upon the matter in question. Voting at meetings of stockholders need not be by written ballot and, unless otherwise required by law, need not be conducted by inspectors of election unless so determined by the holders of shares of stock having a majority of the votes which could be cast by the holders of all outstanding shares of stock entitled to vote thereon which are present in person or by proxy at such meeting. If authorized by the Board, the requirement of a written ballot for the election of directors shall be satisfied by a ballot submitted by electronic transmission (as defined in **section 7.2** of these bylaws), *provided* that any such electronic transmission must either set forth or be submitted with information from which it can be determined that the electronic transmission was authorized by the stockholder or proxy holder.

At all meetings of stockholders for the election of directors a plurality of the votes cast shall be sufficient to elect. All other elections and questions shall, unless otherwise provided by law, the certificate of incorporation or these bylaws, be decided by the vote of the holders of shares of stock having a majority of the votes which could be cast by the holders of all shares of stock entitled to vote thereon which are present in person or represented by proxy at the meeting.

1.10 ***Stockholder Action by Written Consent Without a Meeting.*** Unless otherwise provided in the certificate of incorporation, any action required by the DGCL to be taken at any annual or special meeting of stockholders of a corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice, and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for such meeting had been the date that written consents signed by a sufficient number of holders to take the action were delivered to the Company as provided in Section 228 of the DGCL. In the event that the action which is consented to is such as would have required the filing of a certificate under any provision of the DGCL, if such action had been voted on by stockholders at a meeting thereof, the certificate filed under such provision shall state, in lieu of any statement required by such provision concerning any vote of stockholders, that written consent has been given in accordance with Section 228 of the DGCL.

1.11 ***Record Date for Stockholder Notice; Voting; Giving Consents.*** In order that the Company may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board and which record date:

(i) in the case of determination of stockholders entitled to notice of or to vote at any meeting of stockholders or adjournment thereof, shall, unless otherwise required by law, not be more than sixty nor less than ten days before the date of such meeting;

(ii) in the case of determination of stockholders entitled to express consent to corporate action in writing without a meeting, shall not be more than ten days after the date upon which the resolution fixing the record date is adopted by the Board; and

(iii) in the case of determination of stockholders for any other action, shall not be more than sixty days prior to such other action.

If no record date is fixed by the Board:

(i) the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held;

(ii) the record date for determining stockholders entitled to express consent to corporate action in writing without a meeting when no prior action of the Board is required by law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Company in accordance with applicable law, or, if prior action by the Board is required by law, shall be at the close of business on the day on which the Board adopts the resolution taking such prior action; and

(iii) the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board adopts the resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting, *provided* that the Board may fix a new record date for the adjourned meeting.

1.12 ***Proxies.*** Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for such stockholder by proxy authorized by an instrument in writing or by a transmission permitted by law filed in accordance with the procedure established for the meeting, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212 of the DGCL.

1.13 ***List of Stockholders Entitled to Vote.*** The officer who has charge of the stock ledger of the Company shall prepare and make, at least 10 days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. The Company shall not be required to include electronic mail addresses or other electronic contact information on such list. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting for a period of at least 10 days prior to the meeting: (i) on a reasonably accessible electronic network, *provided* that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours, at the Company's principal executive office. In the event that the Company determines to make the list available on an electronic network, the Company may take reasonable steps to ensure that such information is available only to stockholders of the Company. If the meeting is to be held at a place, then the list shall be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting. Such list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

ARTICLE II - DIRECTORS

2.1 ***Powers.*** Subject to the provisions of the DGCL and any limitations in the certificate of incorporation or these bylaws relating to action required to be approved by the stockholders or by the outstanding shares, the business and affairs of the Company shall be managed and all corporate powers shall be exercised by or under the direction of the Board.

2.2 ***Number of Directors.*** The number of directors shall be determined from time to time by resolution of the Board, *provided* that the Board shall consist of at least one member. No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

2.3 ***Election, Qualification and Term of Office of Directors.*** Except as provided in **section 2.4** of these bylaws, directors shall be elected at each annual meeting of stockholders to hold office until the next annual meeting. Directors need not be stockholders unless so required by the certificate of incorporation or these bylaws. The certificate of incorporation or these bylaws may prescribe other qualifications for directors. Each director, including a director elected to fill a vacancy, shall hold office until such director's successor is elected and qualified or until such director's earlier death, resignation or removal.

2.4 ***Resignation and Vacancies.*** Any director may resign at any time upon notice given in writing or by electronic transmission to the Company. When one or more directors so resigns and the resignation is effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office as provided in this section in the filling of other vacancies.

Unless otherwise provided in the certificate of incorporation or these bylaws:

(i) Vacancies and newly created directorships resulting from any increase in the authorized number of directors elected by all of the stockholders having the right to vote as a single class may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director.

(ii) Whenever the holders of any class or classes of stock or series thereof are entitled to elect one or more directors by the provisions of the certificate of incorporation, vacancies and newly created directorships of such class or classes or series may be filled by a majority of the directors elected by such class or classes or series thereof then in office, or by a sole remaining director so elected.

If at any time, by reason of death or resignation or other cause, the Company should have no directors in office, then any officer or any stockholder or an executor, administrator, trustee or guardian of a stockholder, or other fiduciary entrusted with like responsibility for the person or estate of a stockholder, may call a special meeting of stockholders in accordance with the provisions of the certificate of incorporation or these bylaws, or may apply to the Court of Chancery for a decree summarily ordering an election as provided in Section 211 of the DGCL.

If, at the time of filling any vacancy or any newly created directorship, the directors then in office constitute less than a majority of the whole Board (as constituted immediately prior to any such increase), then the Court of Chancery may, upon application of any stockholder or stockholders holding at least 10% of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office as aforesaid, which election shall be governed by the provisions of Section 211 of the DGCL as far as applicable.

2.5 ***Place of Meetings; Meetings by Telephone.*** The Board may hold meetings, both regular and special, either within or outside the State of Delaware.

Unless otherwise restricted by the certificate of incorporation or these bylaws, members of the Board, or any committee designated by the Board, may participate in a meeting of the Board, or any committee, by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

2.6 ***Conduct of Business.*** Meetings of the Board shall be presided over by the Chairperson of the Board, if any, or in his or her absence by the Vice Chairperson of the Board, if any, or in the absence of the foregoing persons by a chairperson designated by the Board, or in the absence of such designation by a chairperson chosen at the meeting. The Secretary shall act as secretary of the meeting, but in his or her absence the chairperson of the meeting may appoint any person to act as secretary of the meeting.

2.7 ***Regular Meetings.*** Regular meetings of the Board may be held without notice at such time and at such place as shall from time to time be determined by the

Board.

2.8 ***Special Meetings; Notice.*** Special meetings of the Board for any purpose or purposes may be called at any time by the Chairperson of the Board, the Chief Executive Officer, the President, the Secretary or any two directors.

Notice of the time and place of special meetings shall be:

(i) delivered personally by hand, by courier or by telephone;

(ii) sent by United States first-class mail, postage prepaid;

(iii) sent by facsimile; or

(iv) sent by electronic mail,

directed to each director at that director's address, telephone number, facsimile number or electronic mail address, as the case may be, as shown on the Company's records.

If the notice is (i) delivered personally by hand, by courier or by telephone, (ii) sent by facsimile or (iii) sent by electronic mail, it shall be delivered or sent at least 24 hours before the time of the holding of the meeting. If the notice is sent by United States mail, it shall be deposited in the United States mail at least four days before the time of the holding of the meeting. Any oral notice may be communicated to the director. The notice need not specify the place of the meeting (if the meeting is to be held at the Company's principal executive office) nor the purpose of the meeting.

2.9 ***Quorum.*** At all meetings of the Board, a majority of the total number of directors shall constitute a quorum for the transaction of business. The vote of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board, except as may be otherwise specifically provided by statute, the certificate of incorporation or these bylaws. If a quorum is not present at any meeting of the Board, then the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

2.10 ***Board Action by Written Consent Without a Meeting.*** Unless otherwise restricted by the certificate of incorporation or these bylaws, any action required or permitted to be taken at any meeting of the Board, or of any committee thereof, may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing or by electronic transmission and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

2.11 ***Fees and Compensation of Directors.*** Unless otherwise restricted by the certificate of incorporation or these bylaws, the Board shall have the authority to fix the compensation of directors.

2.12 ***Approval of Loans to Officers.*** The Company may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the Company or of its subsidiary, including any officer or employee who is a director of the Company or its subsidiary, whenever, in the judgment of the Board, such loan, guaranty or assistance may reasonably be expected to benefit the Company. The loan, guaranty or other assistance may be with or without interest and may be unsecured, or secured in such manner as the Board shall approve, including, without limitation, a pledge of shares of stock of the Company.

2.13 ***Removal of Directors.*** Unless otherwise restricted by statute, the certificate of incorporation or these bylaws, any director or the entire Board may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of such director's term of office.

ARTICLE III - COMMITTEES

3.1 ***Committees of Directors.*** The Board may designate one or more committees, each committee to consist of one or more of the directors of the Company. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board or in these bylaws, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Company, and may authorize the seal of the Company to be affixed to all papers that may require it; but no such committee shall have the power or authority to (i) approve or adopt, or recommend to the stockholders, any action or matter expressly required by the DGCL to be submitted to stockholders for approval, or (ii) adopt, amend or repeal any bylaw of the Company,

3.2 ***Committee Minutes***. Each committee shall keep regular minutes of its meetings and report the same to the Board when required.

3.3 ***Meetings and Action of Committees.*** Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of:

(i) **section 2.5** (Place of Meetings; Meetings by Telephone);

(ii) **section 2.7** (Regular Meetings***);***

(iii) **section 2.8** (Special Meetings; Notice);

(iv) **section 2.9** (Quorum);

(v) **section 2.10** (Board Action by Written Consent Without a Meeting); and

(vi) **section 6.10** (Waiver of Notice)

with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the Board and its members*However:*

(i) the time of regular meetings of committees may be determined either by resolution of the Board or by resolution of the committee;

(ii) special meetings of committees may also be called by resolution of the Board; and

(iii) notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The Board may adopt rules for the government of any committee not inconsistent with the provisions of these bylaws.

ARTICLE IV - OFFICERS

4.1 ***Officers.*** The officers of the Company shall be a President and a Secretary. The Company may also have, at the discretion of the Board, a Chairperson of the Board, a Vice Chairperson of the Board, a Chief Executive Officer, one or more Vice Presidents, a Chief Financial Officer, a Treasurer, one or more Assistant Treasurers, one or more Assistant Secretaries, and any such other officers as may be appointed in accordance with the provisions of these bylaws. Any number of offices may be held by the same person.

4.2 ***Appointment of Officers.*** The Board shall appoint the officers of the Company, except such officers as may be appointed in accordance with the provisions of **sections 4.3** and **4.5** of these bylaws, subject to the rights, if any, of an officer under any contract of employment.

4.3 ***Subordinate Officers.*** The Board may appoint, or empower the Chief Executive Officer or, in the absence of a Chief Executive Officer, the President, to appoint, such other officers and agents as the business of the Company may require. Each of such officers and agents shall hold office for such period, have such authority, and perform such duties as are provided in these bylaws or as the Board may from time to time determine.

4.4 ***Removal and Resignation of Officers.*** Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by an affirmative vote of the majority of the Board at any regular or special meeting of the Board or, except in the case of an officer chosen by the Board, by any officer upon whom such power of removal may be conferred by the Board.

Any officer may resign at any time by giving written notice to the Company. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice. Unless otherwise specified in the notice of resignation, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Company under any contract to which the officer is a party.

4.5 ***Vacancies in Offices.*** Any vacancy occurring in any office of the Company shall be filled by the Board or as provided in**section 4.2.**

4.6 ***Representation of Shares of Other Corporations.*** Unless otherwise directed by the Board, the President or any other person authorized by the Board or the President is authorized to vote, represent and exercise on behalf of the Company all rights incident to any and all shares of any other corporation or corporations standing in the name of the Company. The authority granted herein may be exercised either by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by such person having the authority.

4.7 ***Authority and Duties of Officers.*** Except as otherwise provided in these bylaws, the officers of the Company shall have such powers and duties in the management of the Company as may be designated from time to time by the Board and, to the extent not so provided, as generally pertain to their respective offices, subject to the control of the Board.

ARTICLE V - RECORDS AND REPORTS

5.1 ***Maintenance and Inspection of Records.*** The Company shall, either at its principal executive office or at such place or places as designated by the Board, keep a record of its stockholders listing their names and addresses and the number and class of shares held by each stockholder, a copy of these bylaws as amended to date, accounting books, and other records.

Any stockholder of record, in person or by attorney or other agent, shall, upon written demand under oath stating the purpose thereof, have the right during the usual hours for business to inspect for any proper purpose the Company's stock ledger, a list of its stockholders, and its other books and records and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to such person's interest as a stockholder. In every instance where an attorney or other agent is the person who seeks the right to inspection, the demand under oath shall be accompanied by a power of attorney or such other writing that authorizes the attorney or other agent so to act on behalf of the stockholder. The demand under oath shall be directed to the Company at its registered office in Delaware or at its principal executive office.

5.2 ***Inspection by Directors.*** Any director shall have the right to examine the Company's stock ledger, a list of its stockholders, and its other books and records for a purpose reasonably related to his or her position as a director. The Court of Chancery is hereby vested with the exclusive jurisdiction to determine whether a director is entitled to the inspection sought. The Court may summarily order the Company to permit the director to inspect any and all books and records, the stock ledger, and the stock list and to make copies or extracts therefrom. The Court may, in its discretion, prescribe any limitations or conditions with reference to the inspection, or award such other and further relief as the Court may deem just and proper.

5.3 ***Annual Report.*** The Company shall cause an annual report to be sent to the stockholders of the Company to the extent required by applicable law. If and so long as there are fewer than 100 holders of record of the Company's shares, the requirement of sending of an annual report to the stockholders of the Company is expressly waived (to the extent permitted under applicable law).

ARTICLE VI - GENERAL MATTERS

6.1 ***Stock Certificates; Partly Paid Shares.*** The shares of the Company shall be represented by certificates,*provided* that the Board may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Company. Notwithstanding the adoption of such a resolution by the Board, every holder of stock represented by certificates and upon request every holder of uncertificated shares shall be entitled to have a certificate signed by, or in the name of the Company by the Chairperson of the Board or Vice

Chairperson of the Board, or the President or a Vice President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Company representing the number of shares registered in certificate form. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Company with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

The Company may issue the whole or any part of its shares as partly paid and subject to call for the remainder of the consideration to be paid therefor. Upon the face or back of each stock certificate issued to represent any such partly paid shares, upon the books and records of the Company in the case of uncertificated partly paid shares, the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated. Upon the declaration of any dividend on fully paid shares, the Company shall declare a dividend upon partly paid shares of the same class, but only upon the basis of the percentage of the consideration actually paid thereon.

6.2 ***Special Designation on Certificates.*** If the Company is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the Company shall issue to represent such class or series of stock; *provided* that, except as otherwise provided in Section 202 of the DGCL, in lieu of the foregoing requirements there may be set forth on the face or back of the certificate that the Company shall issue to represent such class or series of stock a statement that the Company will furnish without charge to each stockholder who so requests the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

6.3 ***Lost Certificates.*** Except as provided in this **section 6.3**, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the Company and cancelled at the same time. The Company may issue a new certificate of stock or uncertificated shares in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Company may require the owner of the lost, stolen or destroyed certificate, or such owner's legal representative, to give the Company a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

6.4 ***Construction; Definitions.*** Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the DGCL shall govern the construction of these bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a corporation and a natural person.

6.5 ***Dividends.*** The Board, subject to any restrictions contained in either (i) the DGCL, or (ii) the certificate of incorporation, may declare and pay dividends upon the shares of its capital stock. Dividends may be paid in cash, in property, or in shares of the Company's capital stock.

The Board may set apart out of any of the funds of the Company available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve. Such purposes shall include but not be limited to equalizing dividends, repairing or maintaining any property of the Company, and meeting contingencies.

6.6 ***Fiscal Year.*** The fiscal year of the Company shall be fixed by resolution of the Board and may be changed by the Board.

6.7 ***Seal***. The Company may adopt a corporate seal, which shall be in such form as may be approved from time to time by the Board. The Company may use the corporate seal by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

6.8 ***Stock Transfer Agreements.*** The Company shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the Company to restrict the transfer of shares of stock of the Company of any one or more classes owned by such stockholders in any manner not prohibited by the DGCL.

6.9 ***Registered Stockholders.*** The Company:

(i) shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner;

(ii) shall be entitled to hold liable for calls and assessments the person registered on its books as the owner of shares; and

(iii) shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of another person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

6.10 ***Waiver of Notice.*** Whenever notice is required to be given under any provision of the DGCL, the certificate of incorporation or these bylaws, a written waiver, signed by the person entitled to notice, or a waiver by electronic transmission by the person entitled to notice, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice or any waiver by electronic transmission unless so required by the certificate of incorporation or these bylaws.

ARTICLE VII - NOTICE BY ELECTRONIC TRANSMISSION

7.1 ***Notice by Electronic Transmission.*** Without limiting the manner by which notice otherwise may be given effectively to stockholders pursuant to the DGCL, the certificate of incorporation or these bylaws, any notice to stockholders given by the Company under any provision of the DGCL, the certificate of incorporation or these bylaws shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice to the Company. Any such consent shall be deemed revoked if:

(i) the Company is unable to deliver by electronic transmission two consecutive notices given by the Company in accordance with such consent; and

(ii) such inability becomes known to the Secretary or an Assistant Secretary of the Company or to the transfer agent, or other person responsible for the giving of notice.

However, the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action.

Any notice given pursuant to the preceding paragraph shall be deemed given:

(i) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice;

(ii) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice;

(iii) if by a posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of (A) such posting and (B) the giving of such separate notice; and

(iv) if by any other form of electronic transmission, when directed to the stockholder.

An affidavit of the Secretary or an Assistant Secretary or of the transfer agent or other agent of the Company that the notice has been given by a form of electronic transmission shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

7.2 ***Definition of Electronic Transmission.*** An "electronic transmission" means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved, and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

7.3 ***Inapplicability.*** Notice by a form of electronic transmission shall not apply to Sections 164, 296, 311, 312 or 324 of the DGCL.

ARTICLE VIII - INDEMNIFICATION

8.1 ***Indemnification of Directors and Officers.*** The Company shall indemnify and hold harmless, to the fullest extent permitted by the DGCL as it presently exists or may hereafter be amended, any director or officer of the Company who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a **"Proceeding"**) by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was a director, officer, employee or agent of the Company or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or non-profit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses reasonably incurred by such person in connection with any such Proceeding. The Company shall be required to indemnify a person in connection with a Proceeding initiated by such person only if the Proceeding was authorized by the Board.

8.2 ***Indemnification of Others.*** The Company shall have the power to indemnify and hold harmless, to the extent permitted by applicable law as it presently exists or may hereafter be amended, any employee or agent of the Company who was or is made or is threatened to be made a party or is otherwise involved in any Proceeding by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was an employee or agent of the Company or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or non-profit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses reasonably incurred by such person in connection with any such Proceeding.

8.3 ***Prepayment of Expenses.*** The Company shall pay the expenses incurred by any officer or director of the Company, and may pay the expenses incurred by any employee or agent of the Company, in defending any Proceeding in advance of its final disposition; *provided* that the payment of expenses incurred by a person in advance of the final disposition of the Proceeding shall be made only upon receipt of an undertaking by the person to repay all amounts advanced if it should be ultimately determined that the person is not entitled to be indemnified under this **Article VIII** or otherwise.

8.4 ***Determination; Claim.*** If a claim for indemnification or payment of expenses under this **Article VIII** is not paid in full within sixty days after a written claim therefor has been received by the Company the claimant may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action the Company shall have the burden of proving that the claimant was not entitled to the requested indemnification or payment of expenses under applicable law.

8.5 ***Non-Exclusivity of Rights.*** The rights conferred on any person by this **Article VIII** shall not be exclusive of any other rights which such person may have or hereafter acquire under any statute, provision of the certificate of incorporation, these bylaws, agreement, vote of stockholders or disinterested directors or otherwise.

8.6 ***Insurance.*** The Company may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Company would have the power to indemnify him or her against such liability under the provisions of the DGCL.

8.7 ***Amendment or Repeal.*** Any repeal or modification of the foregoing provisions of this **Article VIII** shall not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to the time of such repeal or modification.

ARTICLE IX - AMENDMENTS

These bylaws may be adopted, amended or repealed by the stockholders entitled to vote. However, the Company may, in its certificate of incorporation, confer the power to adopt, amend or repeal bylaws upon the directors. The fact that such power has been so conferred upon the directors shall not divest the stockholders of the power, nor limit their power to adopt, amend or repeal bylaws.

ACTELIS NETWORKS, INC.

CERTIFICATE OF AMENDMENT OF BYLAWS

The undersigned hereby certifies that he or she is the duly elected, qualified, and acting Secretary or Assistant Secretary of Actelis Networks, Inc., a Delaware corporation (the "**Company**"), and that the foregoing bylaws, comprising 15 pages, were amended and restated on April 21, 2009, by the Company's board of directors.

The undersigned has executed this certificate as of April 21, 2009.

____
(signature)

Arthur F. Schneiderman
(print name)

Secretary
(title)

Exhibit 5.1

PEARL COHEN

Pearl Cohen Zedek Latzer Baratz LLP

April __, 2022

Actelis Networks, Inc.
47800 Westinghouse Drive
Fremont, CA 94539

Ladies and Gentlemen:

We have acted as special counsel to Actelis Networks, Inc., a Delaware corporation (the "Company"), in connection with the Registration Statement on Form S-1, as amended (File No. ____________), filed by the Company with the Securities and Exchange Commission under the Securities Act of 1933, as amended, relating to the offer and sale by the Company of shares of common stock, par value $0.00001 per share, at an aggregate initial offering price of up to $__________ (the "Shares").

We have examined originals or copies, certified or otherwise identified to our satisfaction, of such corporate records of the Company and other certificates and documents of officers of the Company, public officials and others as we have deemed appropriate for purposes of this letter. We have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, and the conformity to authentic original documents of all copies submitted to us as conformed and certified or reproduced copies.

Based on the foregoing, and subject to the qualifications, assumptions and limitations stated herein, we advise you that, in our opinion, when the Shares have been issued and delivered against payment therefor in accordance with the terms of the applicable definitive underwriting agreement or the applicable definitive representative warrants, as the case may be, the Shares will be validly issued, fully paid and non-assessable.

The opinions we express herein are limited to matters involving the Delaware General Corporation Law.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference made to us under the caption, "Legal Matters," in the prospectus constituting part of the Registration Statement. In giving this consent, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Act, the rules and regulations of the Securities and Exchange Commission promulgated thereunder, or Item 509 of Regulation S-K promulgated under the Act.

Yours sincerely,

Pearl Cohen Zedek Latzer Baratz LLP

Exhibit 10.1

AMENDED AND RESTATED

STOCKHOLDERS AGREEMENT

THIS AMENDED AND RESTATED STOCKHOLDERS AGREEMENT (this "**Agreement**"), is made as of the 2nd day of February 2016 (the "**Effective Date**"), by and among Actelis Networks Inc., a Delaware corporation (the "**Company**"), Tuvia Barlev (the "**Founder**"), Ram Vromen (the "**Representative**" and collectively with the Founder the "**Common Holders**"), holders of Non-Voting Common Stock as listed on **Schedule A** hereto (each, a "**Non- Voting Common Holder**" and collectively, the "**Non-Voting Common Holders**"), holders of Series A Convertible Preferred Stock as listed on **Schedule B** (each a "**Preferred A Shareholder**" and collectively, the "**Preferred A Shareholders**") and the investors listed on **Schedule C** hereto (each, a "**Preferred B Shareholder**" and collectively, the "**Preferred B Shareholders**" and collectively with the Preferred A Shareholders, the "**Preferred Shareholders**") (each, a party to this Agreement, and collectively, parties to this Agreement).

W I T N E S S E T H :

WHEREAS, the Company, the Common Holders and the Preferred A Shareholders previously entered into a Shareholders' Agreement, dated February 24, 2015, as amended by way of that certain amendment by and between the Company and the Requisite Parties (as hereinafter defined) and dated November 30, 2015 (collectively, the "**Prior Agreement**").

WHEREAS, the Company and certain of the Preferred Shareholders are parties to the Series B Preferred Stock Purchase Agreement of even date herewith, pursuant to which such Preferred Shareholders are purchasing the Company's Series B Preferred Shares (the "**Purchase Agreement**"); and

WHEREAS, in order to induce the Preferred B Shareholders to invest funds in the Company pursuant to the Purchase Agreement, the Preferred B Shareholders' obligations under the Purchase Agreement are conditioned upon the execution and delivery of this Agreement by the Preferred B Shareholders, and the Preferred A Shareholders holding a majority and interest of the Series A Preferred Convertible Stock, the Founder and the Company (the "**Requisite Parties**"); and

NOW, THEREFORE, the parties hereto, which include the Requisite Parties, hereby agree that the Prior Agreement shall be amended and restated in its entirety by this Agreement, and the parties to this Agreement, in consideration of the mutual promises and covenants set forth herein, hereby agree as follows:

1. Definitions. For the purpose of this Agreement:

1.1 "**Affiliates**" means, (A) with respect to a Shareholder which is an entity or corporation: (i) in the case of a transferor which is a partnership – its limited partners, general partners or the limited or general partners of such limited or general partners; (ii) in the case of any incorporated shareholder (whether company or partnership) – any legal entity which controls, is controlled by, or is under common control with or by the general partner of such incorporated shareholder (iii) a transfer of all Shareholder's shares upon the liquidation or dissolution of Shareholder's fund or (iv) a transfer of shares by an Shareholder to a parallel investment fund of such Shareholder; (B) with respect to a Shareholder who is an individual: (i) a spouse, child, brother, sister, or parent of the shareholder; or (ii) an entity wholly-owned controlled by such shareholder, provided that such entity remains wholly-owned by such shareholder; or (iii) a trust for the benefit of the shareholder; or (iv) a beneficiary of shares held in trust in accordance with the Company's share option plan as approved by the Board.

1.2 "**Preferred Stock**" means Series A Preferred Stock and Series B Preferred Stock of the Company.

1.3 "**Shareholder**" means a stockholder of the Company who is party to this Agreement.

2. Affirmative Covenants.

2.1 Delivery of Financial Statements. The Company shall deliver to each Preferred Shareholder h and the Founder (each, a "**Major Stockholder**"), the following:

(a) As soon as practicable, but in any event within ninety (90) days after the end of each fiscal year of the Company, a consolidated balance sheet of the Company as of the end of such year, and statements of income and statements of cash flow of the Company for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, United States dollar-denominated, prepared in accordance with US generally accepted accounting principles ("**GAAP**"), audited by a firm of Independent Certified Public Accountants approved by the Representative, and accompanied by an opinion of such firm which opinion shall state that such balance sheet and statements of income and cash flow have been prepared in accordance with GAAP applied on a basis consistent with that of the preceding fiscal year, and present fairly and accurately the financial position of the Company as of their date, and that the audit by such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards; and

(b) As soon as practicable, but in any event within fourteen (14) days after the end of each month, a report in a form agreed from time to time by the Company's Board of Directors (the "**Board**").

2.2 Accounting. The Company will maintain and cause each of its Subsidiaries to maintain a system of accounting established and administered in accordance with GAAP consistently applied, and will set aside on its books and cause each of its operating Subsidiaries to set aside on its books all such proper reserves as shall be required by GAAP. For purposes of this Section 2.2, "Subsidiary" means any corporation or entity at least a majority of whose voting securities are at the time owned by the Company, or by one or more Subsidiaries, or by the Company and one or more Subsidiaries.

2.3 Confidentiality. Each Shareholder agrees that such Shareholder will keep confidential and will not disclose, divulge, or use for any purpose (other than to monitor its investment in the Company) any Confidential Information (as defined below) obtained from the Company pursuant to the terms of this Agreement (including notice of the Company's intention to file a registration statement), unless such Confidential Information (a) is known or becomes known to the public in general (other than as a result of a breach of this Section 2.3 by such Shareholder); (b) is or has been independently developed or conceived by the Shareholder without use of the Company's confidential information; or (c) is or has been made known or disclosed to the Shareholder by a third party without a breach of any obligation of confidentiality such third party may have to the Company; provided, however, that a Shareholder may disclose Confidential Information (i) to its employees, attorneys, accountants, consultants, and other professionals (together the "**Professionals**") to the extent necessary to obtain their services in connection with monitoring its investment in the Company, provided that such Professionals are subject to confidentiality due to their rules of professional conduct, agree to keep such information confidential or are already subject to a confidentiality agreement with such Shareholder; (ii) to any prospective purchaser of any Registrable Securities from such Shareholder, if such prospective purchaser agrees to be bound by the provisions of this Section 2.3; (iii) to any affiliate, partner, member, stockholder, or wholly owned subsidiary of such Shareholder (each an "**Affiliate**") in the ordinary course of business,

provided that such Shareholder informs such Affiliate that such information is confidential and such Affiliate agrees to keep such information confidential or such Affiliate is already subject to a confidentiality agreement with such Shareholder; or (iv) as may otherwise be required by law, provided that the Shareholder promptly notifies the Company of such disclosure and takes reasonable steps to minimize the extent of any such required disclosure. The Company acknowledges that certain of the Major Stockholders are in the business of venture capital investing and therefore review the business plans and related proprietary information of many enterprises, including enterprises that may have products or services that compete directly or indirectly with those of the Company. Nothing in this Agreement shall preclude or in any way restrict the Major Stockholders from investing or participating in any particular enterprise, regardless of whether such enterprise has products or services that compete with those of the Company, without derogating from the confidentiality restrictions set forth herein. For purposes of this Section 2.3 "Confidential Information" shall mean information obtained pursuant to Section 2.1.

2.4 Termination of Financial Information Rights. The Company's obligation to deliver the financial statements and other information under Section 2.1 shall terminate and shall be of no further force or effect upon the earlier of (i) closing of an event of Liquidation (as such term is defined in the existing Certificate of Incorporation as currently in effect) and (ii) closing of the Company's initial firmly underwritten public offering of its Common Stock pursuant to an effective registration statement under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or equivalent law of another jurisdiction yielding at least US$5 million to the Company at a Company's valuation of at least US$15 million (a "**Qualified IPO**"). Thereafter, the Company shall deliver to the Preferred Shareholders, and its assignees or transferees, such financial information as the Company from time to time provides to other holders of its shares.

2.5 Spin-Off. In the event that the Board adopts a resolution for a spin-off, a split of one of the Company's business unit or otherwise establishes a new separate business entity, and seeks equity investments by parties other than the Company itself or its wholly owned subsidiaries, unless otherwise is determined by the Board with the affirmative vote of at least two (2) Preferred Directors, each Preferred Shareholder shall have a right of first refusal to participate in the funding of such new entity pro rata to its holdings in the Company at the time of such Board resolution.

3. Preemptive Rights. Until a Qualified IPO, each Major shall have pre-emptive rights to purchase, pro-rata to the outstanding voting share capital of the Company held by all voting Shareholders, all (or any part) of New Securities (as defined below) that the Company may, from time to time, propose to sell and issue. The Major Stockholder's pro rata share shall be the ratio of the number of shares of the Company's Common Stock (assuming for purposes of this Section that all Preferred Stock have been converted into Common Stock) then held by the Major Stockholder as of the date of the Rights Notice (as defined in Section 2(b)), to the sum of the total number of such Common Stock held by all voting Shareholders, excluding for the sake of clarity, all Non-Voting Common Stock. This right of pre-emptive rights shall be subject to the following provisions:

(a) "**New Securities**" shall mean any Common or Preferred Stock of any kind of the Company, whether now or hereafter authorized, and rights, options, or warrants to purchase said Common or Preferred Stock, and securities of any type whatsoever that are, or may become, convertible into or exchangeable for said common or preferred stock; provided, however, that "**New Securities**" shall not include (i) Common Stock issued by the Company in connection with subdivisions, combinations or issuances of dividends payable in additional shares of Common Stock, or other securities or rights convertible into, or entitling the holder thereof to receive directly or indirectly, additional Common Stock; (ii) Common Stock issued to officers, directors or employees of, or bona fide consultants to, the Company pursuant to a stock option plan or purchase plan approved by the Board ("**Plan**") for employees, officers, directors or bona fide consultants of the Company; (iii) Common Stock issued or issuable upon conversion of the Preferred Stock.

(b) If the Company proposes to issue New Securities, it shall give the Major Stockholders written notice (the '**Rights Notice**") of its intention, describing the New Securities, the price, the general terms upon which the Company proposes to issue them, and the number of shares that the Major Stockholder has the right to purchase under this Section 3. Each Major Stockholder (including, for this purpose, any party to whom the Major Stockholder is permitted to assign its interests under this Agreement pursuant to Section 5.3 without consent) shall have fourteen (14) days from delivery of the Rights Notice to agree to purchase (i) all or any part of its pro-rata share of such New Securities, and (ii) all or any part of the pro- rata share of any other shareholder (including for this purpose any permitted transferee of the Shareholder) entitled to such rights to the extent that such other shareholder does not elect to purchase its full pro-rata share, in each case for the price and upon the general terms specified in the Rights Notice, by giving written notice to the Company setting forth the quantity of New Securities to be purchased. If the acceptances, in the aggregate, are in respect of all of, or more than, the New Securities, then the accepting Major Stockholders shall acquire the New Securities, on the terms aforementioned, in proportion to their respective holdings provided that no Major Stockholder shall be entitled to acquire under the provisions of this Section 2 more than the number of New Securities initially accepted by such Major Stockholder and upon the allocation to such Major Stockholder of the full number of shares so accepted, such Major Stockholder shall be disregarded in any subsequent computations and allocations hereunder. Any shares remaining after the computation of such respective entitlements shall be re-allocated among the accepting Major Stockholders (other than those to be disregarded as aforesaid), in the same manner, until one hundred percent (100%) of the New Securities have been allocated as aforesaid.

(c) If the Major Stockholders, within the period or periods specified in Section 2(b), submit acceptances to purchase, in the aggregate, less than all of the New Securities, the Company shall have ninety (90) days after delivery of the Rights Notice to sell the unsold portion of the New Securities at a price and upon general terms no more favorable to the purchasers thereof than specified in the Rights Notice. If the Company has not sold the New Securities within said ninety (90) day period the Company shall not thereafter issue or sell any New Securities without first offering such securities to the Major Stockholders in the manner provided above.

4. Registration. The following provisions govern the registration of the Company's securities:

4.1 Definitions. As used herein, the following terms have the following meanings:

"**Holder**" means holder of outstanding Registrable Securities or shares convertible into Registrable Securities, who acquired such Registrable Securities or shares convertible into Registrable Securities in a transaction or series of transactions not involving any registered public offering.

"**Form S-3**" means Form S-3 under the Securities Act, as in effect on the date hereof or any registration form under the Securities Act subsequently adopted by the Securities and Exchange Commission ("**SEC**") which permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

"**Initiating Holders**" means Holders of at least fifty percent (50%) of the then outstanding Registrable Securities, assuming for purposes of such determination the conversion of all shares convertible into Registrable Securities.

"**Register**", "**registered**" and "**registration**" refer to a registration effected by filing a registration statement in compliance with the Securities Act and the declaration or ordering by the Commission of effectiveness of such registration statement, or the equivalent actions under the laws of another jurisdiction.

"**Registrable Securities**" means all Common Stock issuable upon conversion of the Preferred Stock, Common Stock held by the Representative and the Founder, all Common Stock issued by the Company in respect of such shares and any additional shares of Common Stock or Preferred Stock of the Company that the Major Stockholders may hereafter purchase pursuant to their preemptive rights, rights of first refusal or otherwise, or Common Stock issued on conversion or exercise of other securities so purchased.

4.2 Incidental Registration. If the Company at any time proposes to register any of its securities, other than in a registration under Section 4.3 or Section 4.4 of this Agreement, it shall give notice to the Holders of such intention. Upon the written request of any Holder given within twenty (20) days after receipt of any such notice, the Company shall include in such registration all of the Registrable Securities indicated in such request, so as to permit the disposition of the shares so registered. Notwithstanding any other provision of this Section 3.2, if the managing underwriter advises the Company in writing that marketing factors require or favor a limitation of the number of shares to be underwritten, then there shall be excluded from such registration and underwriting to the extent necessary to satisfy such limitation, first shares held by stockholders other than the Holders and then to the extent necessary, shares held by the Holders (pro rata to the respective number of Registrable Securities required by the Holders to be included in the registration); provided, however, unless otherwise agreed to in writing by Holders of at least a majority of the Registrable Securities then outstanding, in no event shall the amount of Registrable Securities of the Holders included in the registration be reduced below twenty five percent (25%) of the total amount of securities included in such registration, unless such offering is the IPO, in which case such Holders may be excluded entirely or partially if the underwriters make the determination described above and no securities other than those of the Company are included in such registration; and provided, however, that in any event all Registrable Securities must be included in such registration prior to any other securities of the Company (with the exception of securities to be issued by the Company to the public).

4.3 Demand Registration. At any time commencing six (6) months following the closing of the Company's initial firmly underwritten public offering of its Common Stock pursuant to an effective registration statement under the Securities Act, or equivalent law of another jurisdiction ("**IPO**"), the Initiating Holders may request in writing that all or part of the Registrable Securities shall be registered for trading on the securities exchange on which the IPO took place. Any such demand must request the registration of shares in a minimum amount, net of underwriting discounts and commissions, exceeding two million United States Dollars (US$2,000,000). Within ten (10) days after receipt of any such request, the Company shall give written notice of such request to the other Holders and shall include in such registration all Registrable Securities held by all such Holders who wish to participate in such demand registration and provide the Company with written requests for inclusion therein within fifteen (15) days after the receipt of the Company's notice. Thereupon, the Company shall, as soon as practicable, and in any event within ninety (90) days after the date such request is given by the Initiating Holders, file and use its commercially reasonable efforts to effect the registration of all Registrable Securities as to which it has received requests for registration for trading on the securities exchange specified in the request for registration (including, without limitation, filing post-effective amendments, appropriate qualifications under applicable blue sky or other state securities laws, and appropriate compliance with the Securities Act) and to permit or facilitate the sale and distribution of all or such portion of such Registrable Securities as are specified in such request; provided, however, that the Company shall not be required to effect any registration under this Section 4.3, within a period of one hundred and eighty (180) days following the effective date of a previous registration, and in any of the following cases: (i) if the Company shall furnish to the Initiating Holders a certificate signed by the Chairman of the Board or the President of the Company stating that in the good faith judgment of the Board, the Board has determined that such registration would be materially detrimental to the Company and its stockholders at such time; in which event the Company shall have the right to defer the filing of the registration statement for a period of not more than ninety (90) days after receipt of the request of the Preferred Holder or Preferred Holders under this Section 4.3, provided, however, that the Company shall not be entitled to defer the filing of the registration pursuant to this provision more than once in any twelve month period; (ii) if the Company has previously effected two (2) demand registrations pursuant to the this Section 4.3 and such registrations have been declared or ordered effective; (iii) in any particular jurisdiction in which the Company would be required to execute a general consent to service of process in effecting such registration, qualification, or compliance, unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act; and (iv) during the period starting with the date the Company gives written notice to the Initiating Holder(s) of an impending Company-initiated registration, which notice may be given no more than forty five (45) days prior to the Company's good faith estimate of the date of filing of, and ending on a date ninety (90) days after the effective date of, such registration; provided that (A) the Company is actively employing in good faith all reasonable efforts to cause such registration to become effective, and (B) if the effective date of such registration has not occurred within sixty (60) days after the giving of such notice, then this paragraph (iv) shall no longer apply for a period of one year following the expiration of such 60-day period. Notwithstanding any other provision of this Section 4.3, if the managing underwriter advises the Holders in writing that marketing factors require a limitation of the number of shares to be underwritten, then the Company shall so advise all Holders of Registrable Securities which would otherwise be underwritten pursuant hereto, and the number of shares that may be included in the underwriting shall be allocated to the Holders of such Registrable Securities on a pro rata basis based on the number of Registrable Securities held by all such Holders (including the Initiating Holders). Any Registrable Securities excluded or withdrawn from such underwriting shall be withdrawn from the registration. The Company shall not register securities for sale for its own account in any registration requested pursuant to this Section 4.3 unless permitted to do so by the written consent of Holders who hold at least fifty percent (50%) of the Registrable Securities as to which registration has been requested. The Company may not cause any other registration of securities for sale for its own account (other than a registration effected solely to implement an employee benefit plan) to be initiated after a registration requested pursuant to Section 4.3 and to become effective less than one hundred twenty (120) days after the effective date of any registration requested pursuant to Section 4.3.

4.4 Form S-3 Registration. In case the Company shall receive from any Holder or Holders a written request or requests that the Company effect a registration on Form S-3, and any related qualification or compliance, with respect to Registrable Securities, the Company shall within ten (10) days after receipt of any such request give written notice of the proposed registration, and any related qualification or compliance, to all other Holders, and include in such registration all Registrable Securities held by all such Holders who wish to participate in such registration and provide the Company with written requests for inclusion therein within fifteen (15) days after the receipt of the Company's notice. Thereupon, the Company shall as soon as practicable, use its commercially reasonable efforts to effect such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Holder's or Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holder or Holders joining in such request as are specified in a written request given within fifteen (15) days after receipt of such written notice from the Company; provided, however, that the Company shall not be obligated to effect any such registration, qualification or compliance, pursuant to this Section 4.4, (i) if Form S-3 is not available for such offering by the Holders; (ii) if the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public (net of any underwriters' discounts or commissions) of less than Five Hundred Thousand United States dollars ($500,000); (iii) if the Company shall furnish to the Holders a certificate signed by the Chairman of the Board or the President of the Company stating that in the good faith judgment of the Board, the Board has determined that it would be materially detrimental to the Company or its stockholders for such Form S-3 registration statement to be effected at such time, in which event the Company shall have the right to defer the filing of the Form S-3 registration statement for a period of not more than one hundred twenty (120) days after receipt of the request of the Holder or Holders under this Section 4.4; provided, however, that the Company shall not utilize this right more than once in any twelve (12) month period; (iv) if the Company has, within the six (6) month period preceding the date of such request, already effected a registration on Form S-3 for the Holders pursuant to this Section 4.4; (v) during the period starting with the date sixty (60) days prior to the Company's estimated date of filing of, and ending on the date one hundred eighty (180) days immediately following the effective date of, a registration statement made under Section 4.2 hereof, provided that the Company is actively employing in good faith reasonable efforts to cause such registration statement to become effective and that the Company's estimate of the date of filing such registration statement is made in good faith; or (vi) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance.

Registrations effected pursuant to this Section 4.4 shall not be counted as demands for registration or registrations effected pursuant to Section 4.3.

4.5 Designation of Underwriter.

(a) In the case of any registration effected pursuant to Section 4.3 or 4.4, the Initiating Holders that submitted the request for registration shall have the right to designate the managing underwriter(s) in any underwritten offering.

(b) In the case of any registration initiated by the Company, the Company shall have the right to designate the managing underwriter in any underwritten offering.

4.6 Expenses. All expenses incurred in connection with any registration under Section 4.2, Section 4.3 or Section 4.4 shall be borne by the Company (including the reasonable fees and disbursements of a single special counsel for the Holders); provided, however, that each of the Holders participating in such registration shall pay its pro rata portion of discounts or commissions payable to any underwriter.

4.7 Indemnities. In the event of any registered offering of securities of the Company pursuant to this Section 4:

(a) The Company will indemnify and hold harmless, to the fullest extent permitted by law, any Holder, the partners, members, managers, officers, directors and stockholders of such Holder, any underwriter for such Holder, and each person, if any, who controls the Holder or such underwriter, from and against any and all losses, damages, claims, liabilities, joint or several, costs and expenses (including any amounts paid in any settlement effected with the Company's consent) to which the Holder or any such underwriter or controlling person may become subject under applicable law or otherwise, insofar as such losses, damages, claims, liabilities (or actions or proceedings in respect thereof), costs or expenses arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in the registration statement or included in the prospectus, as amended or supplemented, (ii) the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances in which they are made, not misleading, or (iii) any violation or alleged violation by any other party hereto of the Securities Act, the Exchange Act (as defined below), any state securities law, or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law, and the Company will reimburse the Holder, such underwriter, each such controlling person of the Holder or the underwriter, or other aforementioned person or entity promptly upon demand, for any reasonable legal or any other expenses incurred by them in connection with investigating, preparing to defend or defending against or appearing as a third-party witness in connection with such loss, claim, damage, liability, action or proceeding; provided, however, that the Company will not be liable in any such case to the extent that any such loss, damage, liability, cost or expense arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission so made in conformity with information furnished in writing by a Holder, such underwriter or such controlling persons in writing specifically for inclusion therein; provided, further, that this indemnity shall not be deemed to relieve any underwriter of any of its due diligence obligations;provided, further, that the indemnity agreement contained in this subsection 4.7(a) shall not apply to amounts paid in settlement of any such claim, loss, damage, liability or action if such settlement is effected without the consent of the Company, which consent shall not be unreasonably withheld. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the selling shareholder, the underwriter or any controlling person of the selling shareholder or the underwriter, and regardless of any sale in connection with such offering by the selling shareholder. Such indemnity shall survive the transfer of securities by a selling shareholder.

(b) To the extent permitted by law, each Holder participating in a registration hereunder, severally and not jointly, in proportion to the number of Registrable Securities sold by such Holder, will indemnify and hold harmless the Company, each other Holder participating in such registration, any underwriter for the Company, or for any such other Holder, and each person, if any, who controls the Company or such underwriter or such other Holder, from and against any and all losses, damages, claims, liabilities, costs or expenses (including any amounts paid in any settlement effected with the selling shareholder's consent) to which the Company or any such controlling person and/or any such underwriter and/or such other Holder may become subject under applicable law or otherwise, insofar as such losses, damages, claims, liabilities (or actions or proceedings in respect thereof), costs or expenses arise out of or are based on (a) any untrue or alleged untrue statement of any material fact contained in the registration statement or included in the prospectus, as amended or supplemented, or (b) the omission or the alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading, and each such Holder will reimburse the Company, each other Holder participating in such registration, any underwriter and each such controlling person of the Company or any underwriter, promptly upon demand, for any reasonable legal or other expenses incurred by them in connection with investigating, preparing to defend or defending against or appearing as a third-party witness in connection with such loss, claim, damage, liability, action or proceeding; in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was so made in strict conformity with written information furnished by such Holder specifically for inclusion therein. The foregoing indemnity agreement is subject to the condition that, insofar as it relates to any such untrue statement (or alleged untrue statement) or omission (or alleged omission) made in the preliminary prospectus but eliminated or remedied in the amended prospectus at the time the registration statement becomes effective or in the Final Prospectus, such indemnity agreement shall not inure to the benefit of (i) the Company and (ii) any underwriter, if a copy of the Final Prospectus was not furnished to the person or entity asserting the loss, liability, claim or damage at or prior to the time such furnishing is required by the Securities Act; provided, further, that this indemnity shall not be deemed to relieve any underwriter of any of its due diligence obligations; provided, further, that the indemnity agreement contained in this subsection 4.7(b) shall not apply to amounts paid in settlement of any such claim, loss, damage, liability or action if such settlement is effected without the consent of the Holders, as the case may be, which consent shall not be unreasonably withheld. In no event shall the liability of a Holder exceed the net proceeds from the offering received by such Holder.

(c) Promptly after receipt by an indemnified party pursuant to the provisions of Sections 4.7(a) or 4.7(b) of notice of the commencement of any action involving the subject matter of the foregoing indemnity provisions, such indemnified party will, if a claim thereof is to be made against the indemnifying party pursuant to the provisions of said Section 4.7(a) or 4.7(b), promptly notify the indemnifying party of the commencement thereof; but the omission to notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party otherwise than hereunder. In case such action is brought against any indemnified party and it notifies the indemnifying party of the commencement thereof, the indemnifying party shall have the right to participate in, and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof with counsel reasonably satisfactory to such indemnified party; provided, however, that if the defendants in any action include both the indemnified party and the indemnifying party and there is a conflict of interests which would prevent counsel for the indemnifying party from also representing the indemnified party, the indemnified party or parties shall have the right to select one separate counsel, with the fees and expenses to be paid by the indemnifying party, to participate in the defense of such action on behalf of such indemnified party or parties. After notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party pursuant to the provisions of said Sections 4.7(a) or 4.7(b) for any legal or other expense subsequently incurred by such indemnified party in connection with the defense thereof, unless (i) the indemnified party shall have employed counsel in accordance with the provision of the preceding sentence, (ii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after the notice of the commencement of the action and within 15 days after written notice of the indemnified party's intention to employ separate counsel pursuant to the previous sentence, or (iii) the indemnifying party has authorized the employment of counsel for the indemnified party at the expense of the indemnifying party. No indemnifying party will consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect to such claim or litigation.

(d) If recovery is not available under the foregoing indemnification provisions, for any reason other than as specified therein, the parties entitled to indemnification by the terms thereof shall be entitled to contribution to liabilities and expenses as more fully set forth in an underwriting agreement to be executed in connection with such registration. In determining the amount of contribution to which the respective parties are entitled, there shall be considered the parties' relative knowledge and access to

information concerning the matter with respect to which the claim was asserted, the opportunity to correct and prevent any statement or omission, and any other equitable considerations appropriate under the circumstances. In no event shall the liability of a Holder exceed the net proceeds from the offering received by such Holder.

(e) Unless otherwise superseded by an underwriting agreement entered into in connection with an underwritten public offering, the obligations of the Company and Holders under this Section 4 shall survive the completion of any offering of Registrable Securities in a registration under this Section 4.

4.8 Obligations of the Company. Whenever required under this Section 4 to effect the registration of any Registrable Securities, the Company shall, as expeditiously as possible:

(a) prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its best efforts to cause such registration statement to become effective, and, upon the request of the holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for a period of up to nine (9) months or, if sooner, until the distribution contemplated in the Registration Statement has been completed; provided, however, that such nine (9) month period shall be extended for a period of time equal to the period the Holder refrains, at the request of an underwriter of Common Stock (or other securities) of the Company, from selling any securities included in such registration.

(b) prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities covered by such registration statement.

(c) furnish to the Holders such numbers of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them.

(d) register and qualify the Registrable Securities covered by such registration statement under such other securities or “blue sky” laws of such jurisdictions as shall be reasonably requested by the Holders; provided, that in no event shall the Company be required to qualify to do business in any state or other jurisdiction or to take any action which would subject it to general or unlimited service of process in any jurisdiction where it is not now so subject.

(e) in the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement.

(f) notify each holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing, and as promptly as possible thereafter the Company shall promptly prepare and furnish to such Holder a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such shares, such prospectus will not include an untrue statement of material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(g) cause all Registrable Securities registered pursuant hereunder to be listed on each securities exchange on which similar securities issued by the Company are then listed.

(h) provide a transfer agent and registrar for all Registrable Securities registered pursuant hereunder and a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration.

(i) furnish, at the request of any Holder requesting registration of Registrable Securities pursuant to this Section 4, on the date that such Registrable Securities are delivered to the underwriters for sale in connection with a registration pursuant to this Section 3, if such securities are being sold through underwriters, or, if such securities are not being sold through underwriters, on the date that the registration statement with respect to such securities becomes effective, (i) an opinion, dated such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities and (ii) a letter dated such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities.

(j) promptly make available for inspection by (i) the selling Holders, (ii) any underwriter participating in any disposition pursuant to such registration statement, and (iii) any attorney or accountant or other agent retained by any such underwriter or selected by the selling Holders; all financial and other records, pertinent corporate documents, and properties of the Company, and cause the Company’s officers, directors, employees, and independent accountants to supply all information reasonably requested by any such seller, underwriter, attorney, accountant, or agent in connection with any such registration statement.

(k) notify each selling Holder, promptly after the Company receives notice thereof, of the time when such registration statement has been declared effective or a supplement to any prospectus forming a part of such registration statement has been filed.

(l) after such registration statement becomes effective, notify each selling Holder of any request by the SEC that the Company amend or supplement such registration statement or prospectus.

4.9 Assignment of Registration Rights. Any of the Holders may assign its rights to cause the Company to register Shares pursuant to this Section 4 to a transferee of all or any part of its Registrable Securities, provided (i) such transferee acquires of the Registrable Securities of such Holder; (ii) that the transferee is a subsidiary, parent, affiliate, general partner, limited partner, retired partner, member or retired member of a Holder, or (iii) the transferee is a Holder’s immediate family member or trust for the benefit of an individual Holder or one or more of such Holder’s immediate family members, and (b) such transfer is otherwise effected in accordance with applicable securities laws. The transferor shall, within twenty (20) days after such transfer, furnish the Company with written notice of the name and address of such transferee and the securities with respect to which such registration rights are being assigned, and the transferee’s written agreement to be bound by this Section 4.

4.10 Lock-Up. In any registration of the Company's shares each of the Holders agrees that any sales of securities held by such Holder may be subject to a "lock-up" period restricting such sales, and all Holders and their transferees will agree to abide by such customary "lock-up" period of up to one hundred and eighty (180) days in connection with the IPO, or, if required by such underwriter in connection with the IPO, such longer period of time as is necessary to enable such underwriter to issue a research report or make a public appearance that relates to an earnings release or announcement by the Company within fifteen (15) days before or after the date that is one hundred eighty (180) days after the effective date of the registration statement relating to such offering, but in any event not to exceed two hundred ten (210) days following the effective date of the registration statement relating to such offering (the applicable period, the "**Stand-Off Period**"), during which period the Holders agree that they will not, without the prior written consent of the managing underwriter (i) lend, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right, or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock (whether such shares or any such securities are then owned or are thereafter acquired) or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or other securities, in cash, or otherwise. The foregoing provisions of this Section 4.10 shall apply only to the IPO, shall not apply to the sale of any shares to an underwriter pursuant to an underwriting agreement and shall be applicable to the Holders only if all officers, directors, and stockholders individually owning more that one percent (1%) of the Company's outstanding Common Stock are subject to substantially similar restrictions. The underwriters in connection with the IPO are intended third party beneficiaries of this Section 4.10 and shall have the right, power, and authority to enforce the provisions hereof as though they were a party hereto. The Holders further agree to execute such agreements as may be reasonably requested by the underwriters in the IPO that are consistent with this Section 4.10 or that are necessary to give further effect thereto. The obligations described in this Section 4.10 shall not apply to a registration relating solely to employee benefit plans on Form S-l or Form S-8 or similar forms that may be promulgated in the future, or a registration relating solely to a transaction on Form S-4 or similar forms that may be promulgated in the future. The Company may impose stop-transfer instructions with respect to the shares of Common Stock (or other securities) subject to the foregoing restriction until the end of Stand-Off Period. The Holders agree to execute a market standoff agreement with said underwriters in customary form consistent with the provisions of this Section 3.10.

4.11 Public Information. At any time and from time to time after the earlier of the close of business on such date as (a) a registration statement filed by the Company under the Securities Act becomes effective, (b) the Company registers a class of securities under Section 12 of the United States Securities Exchange Act of 1934, as amended, or any federal statute or code which is a successor thereto (the "**Exchange Act**"), or (c) the Company issues an offering circular meeting the requirements of Regulation A under the Securities Act, the Company shall (i) undertake to make publicly available and available to the Preferred Shareholders pursuant to Rule 144, such information as is necessary to enable the Preferred Shareholders to make sales of Registrable Securities pursuant to that Rule. The Company shall comply with the current public information requirements of Rule 144 and shall furnish thereafter to any Preferred Shareholder, upon request, a written statement executed by the Company as to the steps it has taken to so comply, (ii) use best efforts to file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act (at any time after the Company has become subject to such reporting requirements) and (iii) furnish to any Holder, so long as the Holder owns any Registrable Securities, forthwith upon request (x) a written statement by the Company that it has complied with the reporting requirements of Rule 144 (at any time after ninety (90) days after the effective date of the registration statement filed by the Company for the IPO), the Securities Act, and the Exchange Act (at any time after the Company has become subject to such reporting requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form S-3 (at any time after the Company so qualifies); (y) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company; and (z) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC that permits the selling of any such securities without registration (at any time after the Company has become subject to the reporting requirements under the Exchange Act) or pursuant to such Form S-3 (at any time after the Company so qualifies to use such form).

4.12 Grant of Additional Registration Rights. The Company may not grant additional demand registration rights, and any incidental or other registration rights senior to or on parity with the Holders, to any party without the prior written consent of the holders of at least a majority of the Registrable Securities.

4.13 Foreign Offerings. The provisions and intent of this Section 4 shall apply, *mutatis mutandis*, to any registration of the securities of the Company outside of the United States, to the extent applicable.

5. Negative Covenants. Until a Qualified IPO, the Company shall not, either directly or indirectly, without the prior consent of the holders of at least majority of the issued and outstanding Preferred Stock, take any of the actions listed in Article C(3)(b) of the existing Certificate of Incorporation as currently in effect.

6. Insurance. The Company represents that it has obtained from financially sound and reputable insurers a Directors and Officers insurance policy in an amount of at least US$ 5,000,000 (the "**Insurance Policy**") which is in full force and effect as of the date hereof. Until such time as the Board determines that the Insurance Policy should be discontinued, the Company shall use commercially reasonable efforts to maintain in full force and effect the Insurance Policy. The Insurance Policy shall not be cancelable by the Company without prior approval of the Board and the Representative.

7. Right of First Refusal. Prior to a Qualified IPO, any Transfer (as defined below) of any capital stock of the Company, of any class or series, now owned or hereafter acquired, whether pursuant to the exercise of an option, warrant or otherwise (the "**Securities**") by any Shareholder (other than the repurchase by the Company of Common Stock from the Founder pursuant to that certain Stock Repurchase Agreement made and entered into effective as of February 24, 2015, by and between the Company and the Founder) shall be subject to the following:

(a) a Shareholder of the Company proposes to sell, assign, transfer, pledge, hypothecate, mortgage or dispose of, by gift or otherwise, or in any way encumber ("**Transfer**") any Securities it holds of the Company to one or more third parties pursuant to an understanding with such third parties, then such Shareholder (the "**Offering Stockholder**") shall give each Major Stockholder, a written notice of the Offering Stockholder's intention to make the Transfer (the "**Transfer Notice**"), which Transfer Notice shall include (i) a description of the securities to be transferred ("**Offered Shares**"), (ii) the identity of the prospective transferee(s) and (iii) the consideration and the material terms and conditions upon which the proposed Transfer is to be made. The Transfer Notice shall certify that the Offering Stockholder has received an offer from the prospective transferee(s) and in good faith believes a binding agreement for the Transfer is obtainable on the terms set forth in the Transfer Notice. The Transfer Notice shall also include a copy of any written proposal, term sheet or letter of intent or other agreement relating to the proposed Transfer.

(b) The Major Stockholders shall have an option for a period of twenty (20) days from the Major Stockholder's receipt of the Transfer Notice from the Offering Stockholder to elect to purchase their respective pro rata amount of the Offered Shares at the same price and subject to the same material terms and conditions as described in the Transfer Notice. Each Major Stockholder may exercise such purchase option and, thereby, purchase all or any portion of his, her or its pro rata share (with any re-allotments as provided below) of the Offered Shares, by notifying the Offering Stockholder and the Company in writing, before expiration of the twenty (20) day period as to the number of such shares which he, she or it wishes to purchase (including any re-allotment). Each Major Stockholder's pro rata share of the Offered Shares shall be a fraction of the Offered Shares, of which the number of shares of Common Stock (including shares of Common Stock issuable upon conversion of Preferred Stock owned by such Major Stockholder on the date of the Transfer Notice shall be the numerator and the total number of shares of Common Stock (including shares of Common Stock issuable upon conversion of Preferred Stock) held by all Major Stockholders, excluding the holders of Non-Voting Common Stock, on the date of the Transfer Notice shall be the denominator (without the offering Stockholder). Each Major Stockholder shall have a right of re-allotment such that, if any other Major Stockholder fails to exercise the right to purchase its full pro rata

share of the Offered Shares, the other participating Major Stockholders may exercise an additional right to purchase, on a pro rata basis, the Offered Shares not previously purchased. Each Major Stockholder shall be entitled to apportion Offered Shares to be purchased among its partners, members, and Affiliates, provided that such Major Stockholder notifies the Offering Stockholder of such allocation. If a Major Stockholder gives the Offering Stockholder notice that it desires to purchase its pro rata share of the Offered Shares and, as the case may be, its re-allotment, then payment for the Offered Shares shall be by check or wire transfer, against delivery of the Offered Shares to be purchased at a place agreed upon between the parties and at the time of the scheduled closing therefor, which shall be no later than forty-five (45) days after receipt of the Transfer Notice, unless the Transfer Notice contemplated a later closing with the prospective third party transferee(s) or unless the value of the purchase price has not yet been established pursuant to Section 7(c).

(c) Should the purchase price specified in the Transfer Notice be payable in property other than cash or evidences of indebtedness, the Major Stockholders shall have the right to pay the purchase price in the form of cash equal in amount to the value of such property. If the Offering Stockholder and the Major Stockholders cannot agree on such cash value within ten (10) days after the Company's receipt of the Transfer Notice, the valuation shall be made by an appraiser of recognized standing selected by the Offering Stockholder and the Major Stockholders or, if they cannot agree on an appraiser within twenty (20) days after the Major Stockholders' receipt of the Transfer Notice, each shall select an appraiser of recognized standing and the two appraisers shall designate a third appraiser of recognized standing, whose appraisal shall be determinative of such value. The cost of such appraisal shall be shared equally by the Offering Stockholder and the Holders, with the half of the cost borne by the Holders borne pro rata by each based on the number of shares such parties were interested in purchasing pursuant to this Section 7. If the time for the closing of the Company's purchase or the Holders' purchase has expired but for the determination of the value of the purchase price offered by the prospective transferee(s), then such closing shall be held on or prior to the fifth business day after such valuation shall have been made pursuant to this subsection.

(d) Legend. Each certificate representing Securities of the Shareholders shall be endorsed with the following legend:

> **THE SALE OR TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO THE TERMS AND CONDITIONS OF A CERTAIN AMENDED AND RESTATED STOCKHOLDERS AGREEMENT BY AND AMONG THE COMPANY, THE HOLDER HEREOF AND OTHER STOCKHOLDERS OF THE COMPANY, AS AMENDED FROM TIME TO TIME. COPIES OF SUCH AGREEMENT MAY BE OBTAINED UPON WRITTEN REQUEST TO THE SECRETARY OF THE COMPANY**.

(e) The above legend shall be removed upon termination of this Agreement.

(f) Without derogating or limiting the foregoing, the Right of First Refusal as set forth in this Section 7 shall not apply to any Transfer of Non-Voting Common Stock. For the sake of clarity, holders of Non-Voting Common Stock shall only be able to Transfer their respective shares of Non-Voting Common Stock as follows: (i) to the Company, or (ii) by any other means as approved by the Board of Directors of the Corporation.

8. Co-Sale; Transfers of Stock.

(a) Unless the rights of first refusal set forth in Section 7 above are exercised in full by the Major Stockholders, each of the Major Stockholders shall have the right to participate in any sale of Securities by any Shareholder other than the Non-Voting Common Holders (the "**Selling Stockholder**") to any third party (the "**Third Party**") pursuant to the provisions hereof and on the specified terms and conditions of the Transfer Notice. Each of the Major Stockholders shall be entitled, upon written notice to the Selling Stockholder within forty-five (45) days after receipt of the Transfer Notice (a "**Participation Notice**"), to sell to the Third Party up to that number of the shares in the Company owned by such Major Stockholder (the "**Equity Shares**") determined by multiplying the total number of Offered Shares times a fraction the numerator of which is the number of shares of Common Stock owned by such Major Stockholder (assuming for purposes of this section, the conversion of all Preferred Stock) and the denominator of which is the total number of shares of Common Stock (assuming, for purposes of this section, the conversion of all Preferred Stock) held by all Major Stockholders, and such Selling Stockholder. A Participation Notice shall indicate, subject to the terms of this Section 8, the number of Shares that such Preferred Shareholder intends to transfer to the Third Party. To the extent one or more of the Major Stockholders exercises such right in accordance with the terms and conditions set forth below, the number of securities that the Selling Stockholder may sell pursuant to such Offer shall be correspondingly reduced. At the closing of the sale of securities to the Third Party, the Selling Stockholder shall transfer his shares to the Third Party only if the Third Party concurrently therewith purchases, on the same terms and conditions specified in the Offer, all of the Shares as to which Participation Notices have been delivered. The restrictions set forth in this Section 8 shall terminate upon the closing of a Qualified IPO (as such term is defined in the Amended Certificate).

(b) To the extent that the Major Stockholders have not exercised their rights to purchase the Offered Shares in full within the time periods specified in Section 7 and the Major Stockholders have not exercised their rights to participate in the sale of the Offered Shares within the time periods specified in Section 8(a), the Offering Stockholder shall have a period of ninety (90) days from the expiration of such rights in which to sell the Offered Shares upon terms and conditions (including the purchase price) no more favorable than those specified in the Transfer Notice to the third-party transferee(s) identified in the Transfer Notice. In the event the Offering Stockholder does not consummate the sale or disposition of the Offered Shares within the ninety (90) day period from the expiration of these rights, the first refusal rights and co-sale rights shall continue to be applicable to any subsequent disposition of the Offered Shares by the Offering Stockholder until such right lapses in accordance with the terms of this Agreement. Furthermore, the exercise or non-exercise of the rights of the Major Stockholders to purchase securities from an Offering Stockholder or participate in sales of securities by a Offering Stockholder shall not adversely affect their rights to make subsequent purchases from the Offering Stockholder of securities or subsequently participate in sales of securities by the Offering Stockholders.

(c) Notwithstanding the provisions of Sections 7 and 8(a) of this Agreement, a Shareholder may Transfer, with or without consideration, securities to (i) the Company at cost pursuant to the terms of an agreement approved by the Board of Directors of the Company providing for repurchase of shares upon certain events including termination of employment; (ii) any spouse, domestic partner or member of such Shareholder's immediate family, or to a custodian, trustee (including a trustee of a voting trust), executor, or other fiduciary for the account of such Shareholder's spouse, domestic partner or members of the such Shareholder's immediate family, or to a trust for the Shareholder's own self, or a charitable remainder trust; (iii) the current equity owner(s) of any shareholder that is a corporation, partnership limited liability company, or other entity or affiliate, trust or liquidating trust of such entity; (iv) an Affiliate of such Shareholder, (v) a corporation, partnership, limited liability company or other entity, all of the shares, partnership interests, membership or other ownership interests of which are owned by such shareholder and/or its Affiliates or (vi) solely with respect to Co-Sale rights an amount of shares which reflect less than 50% of the Company's shares owned by such Offering Stockholder at that time (the right of first refusal shall apply on any sale of shares) or (vii) an Affiliate.

(d) In addition to any limitations set forth in the provisions of Sections 7 of this Agreement, transfer of shares of Non-Voting Common Stock by a Non-Voting Common Holder shall be subject to the prior written consent of the Board.

9. Drag-Along. The parties hereto agree to such "drag along" provisions as is set forth in ARTICLE ELEVENTH of the Amended Certificate which is incorporated by reference to this Agreement.

10. Affirmative Covenants. The parties agree that, in the event at any time the number of authorized shares of Common Stock of the Company shall be insufficient to permit the conversion of all Preferred Stock into Common Stock in accordance with the conversion provisions of the Company's Certificate of Incorporation, as amended and restated from time to time, the Preferred Shareholders and the Common Holders shall vote in favor of such increase in the Company's authorized capital stock as shall be necessary to permit such conversion. Furthermore, the Preferred Shareholders and the Common Holders agree to vote their shares and do all such other acts as are necessary to give full force and effect to this Agreement.

11. Board of Directors.

11.1 Election of Directors. The Board shall be composed of up to five (5) directors who shall be elected in the manner set forth in this Section 11.

11.2 The Founder, regardless of his holdings of Common Stock or position with the Company, shall be entitled to designate the person to fill the directorship elected by the Common Stock as a separate class (the "**Founder Director**"). The initial Founder Director shall be the Founder. Notwithstanding the foregoing, in the event that the Founder sells or transfers (other than to Affiliates) more than 50% of his holdings in the Company as of the date of this Agreement, then the Founder shall no longer have the right to appoint the Founder Director, and the Preferred Directors at the time of such sale or transfer, by a vote of majority, shall be entitled to appoint the Founder Director.

11.3 The holders of the majority of the Company's Series A Preferred Shares, voting as a separate class (or by written consent), shall be entitled to elect three directors (the "**Preferred Directors**", each a "**Preferred Director**"). Following the consummation of an additional round of investment in the Company, which was led by a party who is not a Preferred Stockholder, the number of the Preferred Directors shall be decreased to two Preferred Directors one of them shall be the Representative. In the event that the holders of Preferred A Shares sell or transfer (other than to Affiliates) more than 50% of their holdings (in the aggregate) in the Company, then the holders of Preferred A Shares shall have the right to appoint only one (1) Preferred Director.

11.4 The holders of the majority of the Company's Series B Preferred Shares, voting as a separate class (or by written consent), shall be entitled to elect one (1) director (the "**Investor Director**"). The initial Investor Director shall be Israel Niv. In the event the holders of Preferred B Shares as at the Closing (as defined in the Purchase Agreement) sell or transfer (other than to affiliates) more than 50% of their holdings (in the aggregate) in the Company, then the holders of Preferred B Shares shall not be entitled to appoint an Investor Director.

11.5 The Board may agree to elect an additional director who is either an industry expert or a director with past experience as CEO of companies in the hi-tech field.

11.6 Removal of Board Members. Each party to this Agreement also agrees to vote, or cause to be voted, all Shares owned by such party, or over which such party has voting control, from time to time and at all times, in whatever manner as shall be necessary to ensure that:

(a) no director elected pursuant to Sections 11.2 and 11.3 of this Agreement may be removed from office unless (i) such removal is directed or approved by the affirmative vote of the persons or entities entitled under Sections 11.2 or 11.3, respectively, to designate that director or (ii) the persons or entities originally entitled to designate or approve such director pursuant to Sections 11.2 through 11.4, as applicable, are no longer so entitled to designate or approve such director; and

(b) any vacancies created by the resignation, removal or death of a director elected pursuant to Sections 11.2 and 11.3 shall be filled pursuant to the provisions of this Section 11, provided, however, that the holders of any series of Preferred Stock shall not be obligated to fill any vacancy entitled to be filed by such holder in the event they choose not to do so, and any such failure to fill a vacancy shall not be deemed to be a breach of this Agreement or any other duty as may then exist.

11.7 Voting. Each party to this Agreement agrees that it shall vote, or cause to be voted, all shares of voting stock of the Company it holds, subsequently acquires or otherwise has the power to vote (including, without limitation, any Common Stock obtained upon the conversion of the Preferred Stock and all Shares acquired after the date of this Agreement) to ensure election of the Company's directors in accordance with Sections 11.2 through Section 11.4 at any annual or special meeting of stockholders at which an election of directors is held or pursuant to any written consent of the stockholders.

Each party to this Agreement agrees to execute any written consents required to perform the obligations of this Agreement, and the Company agrees at the request of any party entitled to designate directors to call a special meeting of stockholders for the purpose of electing directors.

11.8 Chairperson. The Board shall elect one director as chairman of the Board. The Chairperson shall not have a casting vote.

11.9 Committees. The by-laws shall provide that any committee established by the Board shall include at least one of the Preferred Directors.

11.10 Subsidiary Boards. The Company shall take all actions necessary to provide that the structure of the Board as set forth in Sections 11.1 through 11.5 hereof shall be implemented for any subsidiary of the Company.

11.11 Location of Board meetings. The location of the meetings of the Board shall be coordinated and acceptable to the Preferred Directors.

11.12 Reimbursement of Expenses. The Company shall reimburse all non-management members of the Board (not including any observers to the board) for reasonable expenses incurred in connection with their service on the Board, including the cost of air travel to and from meetings of the Board, provided such expenses were approved in advance by the Company.

11.13 No Liability for Election of Recommended Directors. No party, nor any Affiliate of any such party, shall have any liability as a result of designating a person for election as a director for any act or omission by such designated person in his or her capacity as a director of the Company, nor shall any party have any liability as a result of voting for any such designee in accordance with the provisions of this Agreement.

11.14 Specific Enforcement. Each party acknowledges and agrees that each party hereto will be irreparably damaged in the event any of the provisions of this Section 11 are not performed by the parties in accordance with their specific terms or are otherwise breached. Accordingly, it is agreed that each of the Company and the Shareholders shall be entitled to an injunction to prevent breaches of this Section 11, and to specific enforcement of this Section 11 and its terms and provisions in any action instituted in any

court of the United States or any state having subject matter jurisdiction.

12. Management Fees and Expenses.

12.1 Commencing at February 15, 2015, the Company will pay the Representative a monthly management fee of $5,000 plus VAT. Such engagement shall continue until the later of (i) February 15, 2018 and (ii) such time as the Representative is no longer a director of the Company; however, shall earlier terminate in the event that the Representative resigns from its office as a director of the Company. For the avoidance of any doubt, termination of Representative's office as a director due to change in number of directors appointed by the Holders of Preferred Stock or due to election by the holders of Preferred Stock of a different director, shall not be deemed as resignation of the Representative.

12.2 The Company will finance the Preferred Shareholders' legal counsel of the choice of the Representative for every subsequent round of investment greater than $1,000,000 or a Liquidation Event, not exceeding $5,000 plus VAT per each such round or event.

13. Termination. This Agreement shall terminate immediately following the earlier to occur of the closing of a Qualified IPO, the consummation of a Transaction or with the written consent of the Company and Preferred Shareholders holding a majority of the outstanding Preferred Stock, and also by the Founder, solely in the event that such termination does not take place in conjunction with signing a new agreement in which the rights and privileges of Founder (and Affiliates thereof) designated herein are not adversely affected or derogated in a manner that is disproportionate to the rights and privileges of the Preferred Stockholders. For the purposes of this Section, a "**Transaction**" shall mean the consolidation, merger or reorganization of the Company with or into, or a sale of all or substantially all of the Company's assets, or all or substantially all of the Company's issued and outstanding share capital, or the license of all or substantially all of the Company's intellectual property rights to, any other company, or any other entity or person other than an entity controlling, controlled by or under common control with, the Company, excluding a transaction in which shareholders of the Company prior to the transaction maintain voting control of the resulting entity after the transaction.

14. Miscellaneous

14.1 Further Assurances. Each of the parties hereto shall perform such further acts and execute such further documents as may reasonably be necessary to carry out and give full effect to the provisions of this Agreement and the intentions of the parties as reflected thereby.

14.2 Governing Law. This Agreement shall be governed by the laws of the State of Delaware excluding that body of law pertaining to conflict of law. Each of the parties hereby submits irrevocably to the exclusive jurisdiction of the competent courts located within the City of Tel-Aviv, Israel.

14.3 Remedies Cumulative. All remedies, either under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

14.4 Successors and Assigns; Assignment. Except as otherwise expressly limited herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors, and administrators of the parties hereto; provided, however, that in the event of any transfer or assignment (i) the Company must receive written notice of said transfer or assignment, stating the name and address of said transferee or assignee and identifying the securities with respect to which such rights are being assigned, (ii) the transferee or assignee of such rights must not be a person deemed by the Board, in its reasonable judgment, to be a current competitor of the Company, provided, however, that if (A) such transferee or assignee is a Venture Capital Firm, or (B) if the transferor is a general or limited partnership, and such partnership assigns or transfers to its partners or to affiliated partnerships managed by the same management company or managing general partner or by an entity which controls, is controlled by, or is under common control with, such management company or managing general partner, it shall not be deemed a current competitor pursuant to this Section 14.4 (for purposes of this Section 14.4, a "**Venture Capital Firm**" shall be any entity formed for the purpose of acquiring or holding, for investment, equity interests in private companies or acquiring and holding interests in one or more vehicles that hold such equity interests) and (iii) such transferee or assignee must agree in writing to be bound by the terms and conditions of this Agreement. Notwithstanding the limitation set forth in the foregoing sentence respecting the minimum number of shares which must be transferred, any Preferred Shareholder (a) which is a partnership or limited liability company may transfer such Preferred Shareholder's board appointment rights to an Affiliate of such Holder as well as such Preferred Shareholder's constituent partners or members, as the case may be, without restriction as to the number or percentage of shares acquired by any such constituent partner or member and (b) may transfer such Preferred Shareholder's board appointment rights to an immediate family member or a trust for the benefit of the Holder. Any transfer, assignment or other disposition of securities not made in compliance with the requirements of this Agreement shall be null and void *ab initio*, shall not be recorded on the books of the Company or its transfer agent and shall not be recognized by the Company.

14.5 Entire Agreement; Amendment and Waiver. This Agreement and the Schedules hereto constitute the full and entire understanding and agreement between the parties with regard to the subject matters hereof and thereof. Any other written or oral agreement among the parties relative to the specific subject matter hereof is amended and restated by this Agreement. The Prior Agreement, as amended and restated by this Agreement, hereby terminates in full the Previous IRA and Previous Voting Agreement, and all rights and claims relating thereto of all parties thereto are hereby irrevocably waived and released, and the terms therein are hereby rendered irrevocably null and void, and of no further force or effect. Any term of this Agreement may be amended and the observance of any term hereof may be waived (either prospectively or retroactively and either generally or in a particular instance) only with the written consent of the Company, Preferred Shareholders holding a majority of the outstanding Preferred Stock, and also of the Founder, solely in the event that such amendment adversely affects or derogates from the rights and privileges of Founder (and Affiliates thereof) designated herein in a manner that is disproportionate to the amendment made to the rights and privileges of the Preferred Stockholders. Notwithstanding the foregoing, if the Company issues additional shares of Series Preferred Stock after the date hereof, any purchaser of such shares of Preferred Stock may become a party to this Agreement by executing and delivering an additional counterpart signature page to this Agreement, and thereafter shall be deemed a "Preferred Shareholder" for all purposes hereunder. No action or consent by the Preferred Shareholders shall be required for such joinder to this Agreement by such additional holder of Preferred Stock, so long as such additional holder has agreed in writing to be bound by all of the obligations as a "Preferred Shareholder" hereunder.

14.6 Notices, etc. All notices and other communications required or permitted hereunder to be given to a party to this Agreement shall be in writing and shall be telecopied or mailed by registered or certified mail, postage prepaid, or prepaid air courier, or otherwise delivered by hand, internationally recognized overnight courier or by messenger, addressed to such party's address as set forth below or at such other address as the party shall have furnished to each other party in writing in accordance with this provision:

if to the Non-Voting Common Holders: To the maximum extent allowed under applicable law, the following shall be appointed representatives of the Non-Voting Common Stock for the purpose hereof, and delivery of notice to such representative shall be deemed a delivery of notice to the holders of Non-Voting Common Stock:

____
____
____

Otherwise, to the addresses set forth in Schedule A

if to the Preferred Shareholders: to the addresses set forth in Schedule B or Schedule C, respectively

if to the Founder: c/o Actelis Networks, Inc.
47800 Westinghouse Drive
Freemont, CA 94539

if to the Representative: to the address set forth in Schedule B.

if to the Company: Actelis Networks, Inc.
47800 Westinghouse Drive
Fremont, CA 94539 Attn: Tuvia Barlev, CEO

with a copy (which shall not constitute notice) to:

Pearl Cohen Zedek Latzer Baratz LLP
50 Congress Street, Suite 1040
Boston, MA 02109
Attn: Oded Kadosh, Esq.

or such other address with respect to a party as such party shall notify each other party in writing as above provided. Any notice sent in accordance with this Section 14.6 shall be effective (i) if mailed, seven (7) business days after mailing, (ii) if by air courier, two (2) business days after deliver to the courier service, (iii) if sent by internationally recognized overnight courier, one business day after deposit with such courier if sender and recipient are in the same country, otherwise notice shall be effective three (3) business days after deposit with such courier, (iv) if sent via facsimile or electronic mail, upon transmission and electronic confirmation of receipt or if transmitted and received on a non-business day, on the first business day following transmission and electronic confirmation of receipt, and, (v) if sent by messenger, upon delivery (provided, however, that any notice of change of address shall only be valid upon actual receipt by the party to be charged with knowledge of same).

14.7 Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party upon any breach or default under this Agreement, shall impair any such right, power, or remedy of such non-breaching or non-defaulting party nor shall it be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent, or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law or otherwise afforded to any of the parties, shall be cumulative and not alternative.

14.8 Severability. 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 interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms; provided, however, that in such event this Agreement shall be interpreted so as to give effect, to the greatest extent consistent with and permitted by applicable law, to the meaning and intention of the excluded provision as determined by such court of competent jurisdiction.

14.9 Counterparts. This Agreement may be executed and delivered by facsimile signature and in any number of counterparts, each of which shall be deemed an original and enforceable against the parties actually executing such counterpart, and all of which together shall constitute one and the same instrument.

14.10 Aggregation of Stock. All Preferred Stock held or acquired (or Common Stock issuable upon conversion thereof) by affiliated entities shall be aggregated together for the purpose of determining the availability of any rights under this Agreement.

14.11 Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

[Remainder of page intentionally left blank.]

[SIGNATURE PAGE TO ACTELIS NETWORKS
STOCKHOLDERS AGREEMENT]

IN WITNESS WHEREOF the parties have signed this Amended and Restated Shareholders Agreement as of the date first hereinabove set forth.

THE COMPANY:

ACTELIS NETWORKS, INC.

By: ______________________

Name: Tuvia Barlev

Date: Chief Executive Officer

[SIGNATURE PAGE TO ACTELIS NETWORKS
AMEDNED AND RESTATED STOCKHOLDERS AGREEMENT]

IN WITNESS WHEREOF the parties have signed this Amended and Restated Shareholders Agreement as of the date first hereinabove set forth.

COMMON HOLDERS

TUVIA BARLEY

____

RAMVROMEN

____

[SIGNATURE PAGE TO ACTELIS NETWORKS
AMEDNED AND RESTATED STOCKHOLDERS AGREEMENT]

IN WITNESS WHEREOF the parties have signed this Amended and Restated Shareholders Agreement as of the date first hereinabove set forth.

COMMON HOLDERS

TUVIA BARLEY

____

RAMVROMEN

____

[SIGNATURE PAGE TO ACTELIS NETWORKS
AMEDNED AND RESTATED STOCKHOLDERS AGREEMENT]

IN WITNESS WHEREOF the parties have signed this Amended and Restated Shareholders Agreement as of the date first hereinabove set forth.

PREFERRED SHAREHOLDERS

RAM VROMEN

____

[SIGNATURE PAGE TO ACTELIS NETWORKS
AMEDNED AND RESTATED STOCKHOLDERS AGREEMENT]

IN WITNESS WHEREOF the parties have signed this Amended and Restated Shareholders Agreement as of the date first hereinabove set forth.

PREFERRED SHAREHOLDERS

GIGI LEVY-WEISS

____

[SIGNATURE PAGE TO ACTELIS NETWORKS
AMEDNED AND RESTATED STOCKHOLDERS AGREEMENT]

IN WITNESS WHEREOF the parties have signed this Amended and Restated Shareholders Agreement as of the date first hereinabove set forth.

PREFERRED SHAREHOLDERS

KEDMA CAPITAL S.H.E. LTD.

By: ____________________

Name: ____________________

Title: Gilead Halevy

[SIGNATURE PAGE TO ACTELIS NETWORKS
AMEDNED AND RESTATED STOCKHOLDERS AGREEMENT]

IN WITNESS WHEREOF the parties have signed this Amended and Restated Shareholders Agreement as of the date first hereinabove set forth.

PREFERRED SHAREHOLDERS

YARIV GILAT

____

[SIGNATURE PAGE TO ACTELIS NETWORKS
AMEDNED AND RESTATED STOCKHOLDERS AGREEMENT]

IN WITNESS WHEREOF the parties have signed this Amended and Restated Shareholders Agreement as of the date first hereinabove set forth.

PREFERRED SHAREHOLDERS

THE RODA GROUP VENTURE DEVELOPMENT COMPANY, LLC

By: ____________________

Name: ____________________

Title: ____________________

[SIGNATURE PAGE TO ACTELIS NETWORKS
AMEDNED AND RESTATED STOCKHOLDERS AGREEMENT]

IN WITNESS WHEREOF the parties have signed this Amended and Restated Shareholders Agreement as of the date first hereinabove set forth.

PREFERRED SHAREHOLDERS

Advanced Circuit Engineers, LLC

By: ____________________

Name: Rajesh Jain

Title: Owner/Partner

[SIGNATURE PAGE TO ACTELIS NETWORKS
AMEDNED AND RESTATED STOCKHOLDERS AGREEMENT]

IN WITNESS WHEREOF the parties have signed this Amended and Restated Shareholders Agreement as of the date first hereinabove set forth.

PREFERRED SHAREHOLDERS

Amit J. Ronen and Talya Ronen as trustees of the Ronen Family Trust U/T/A/D 12/21/05

By: ____________________

Name: Amit J. Ronen

Title: Trustee

[SIGNATURE PAGE TO ACTELIS NETWORKS
AMEDNED AND RESTATED STOCKHOLDERS AGREEMENT]

IN WITNESS WHEREOF the parties have signed this Amended and Restated Shareholders Agreement as of the date first hereinabove set forth.

PREFERRED SHAREHOLDERS

By:

Name:

Title:

[SIGNATURE PAGE TO ACTELIS NETWORKS
AMEDNED AND RESTATED STOCKHOLDERS AGREEMENT]

IN WITNESS WHEREOF the parties have signed this Amended and Restated Shareholders Agreement as of the date first hereinabove set forth.

PREFERRED SHAREHOLDERS

ARIK STEINBERG

IN WITNESS WHEREOF, the undersigned has executed this Notice, Acknowledgment and Waiver as of the date below.

Dated:

By:
(*signature*)

Title (if an entity):

Address:

E-mail:

Facsimile:

[SIGNATURE PAGE TO ACTELIS NETWORKS
AMEDNED AND RESTATED STOCKHOLDERS AGREEMENT]

IN WITNESS WHEREOF the parties have signed this Amended and Restated Shareholders Agreement as of the date first hereinabove set forth.

PREFERRED SHAREHOLDERS

[NAME]

By:

Name:

Title:

[SIGNATURE PAGE TO ACTELIS NETWORKS
AMEDNED AND RESTATED STOCKHOLDERS AGREEMENT]

IN WITNESS WHEREOF the parties have signed this Amended and Restated Shareholders Agreement as of the date first hereinabove set forth.

PREFERRED SHAREHOLDERS

CARMEL VERNIA

____

[SIGNATURE PAGE TO ACTELIS NETWORKS
AMEDNED AND RESTATED STOCKHOLDERS AGREEMENT]

IN WITNESS WHEREOF the parties have signed this Amended and Restated Shareholders Agreement as of the date first hereinabove set forth.

PREFERRED SHAREHOLDERS

JOSEPH PERL AND JUDITH PERL

____

____

[SIGNATURE PAGE TO ACTELIS NETWORKS
AMEDNED AND RESTATED STOCKHOLDERS AGREEMENT]

IN WITNESS WHEREOF the parties have signed this Amended and Restated Shareholders Agreement as of the date first hereinabove set forth.

PREFERRED SHAREHOLDERS

____

By: ____________________________

Name: ____________________________

Title: ____________________________

[SIGNATURE PAGE TO ACTELIS NETWORKS
AMEDNED AND RESTATED STOCKHOLDERS AGREEMENT]

IN WITNESS WHEREOF the parties have signed this Amended and Restated Shareholders Agreement as of the date first hereinabove set forth.

PREFERRED SHAREHOLDERS

____

By: ____________________________

Name: ____________________________

Title: ____________________________

[SIGNATURE PAGE TO ACTELIS NETWORKS
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IN WITNESS WHEREOF the parties have signed this Amended and Restated Shareholders Agreement as of the date first hereinabove set forth.

PREFERRED SHAREHOLDERS

PALADIN LTD.

By: ________________________________

Name: ________________________________

Title: ________________________________

[SIGNATURE PAGE TO ACTELIS NETWORKS
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IN WITNESS WHEREOF the parties have signed this Amended and Restated Shareholders Agreement as of the date first hereinabove set forth.

PREFERRED SHAREHOLDERS

BAUHINIA INVESTMENTS LTD.

By: ________________________________

Name: ________________________________

Title: ________________________________

[SIGNATURE PAGE TO ACTELIS NETWORKS
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IN WITNESS WHEREOF the parties have signed this Amended and Restated Shareholders Agreement as of the date first hereinabove set forth.

PREFERRED SHAREHOLDERS

RAMI LIPMAN

____

[SIGNATURE PAGE TO ACTELIS NETWORKS
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IN WITNESS WHEREOF the parties have signed this Amended and Restated Shareholders Agreement as of the date first hereinabove set forth.

PREFERRED SHAREHOLDERS

____

By: ________________________________

Name: ________________________________

Title: ________________________________

[SIGNATURE PAGE TO ACTELIS NETWORKS
AMEDNED AND RESTATED STOCKHOLDERS AGREEMENT]

IN WITNESS WHEREOF the parties have signed this Amended and Restated Shareholders Agreement as of the date first hereinabove set forth.

PREFERRED SHAREHOLDERS

____

By: ____________________________

Name: __________________________

Title: ___________________________

[SIGNATURE PAGE TO ACTELIS NETWORKS
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IN WITNESS WHEREOF the parties have signed this Amended and Restated Shareholders Agreement as of the date first hereinabove set forth.

PREFERRED SHAREHOLDERS

____

By: ____________________________

Name: __________________________

Title: ___________________________

[SIGNATURE PAGE TO ACTELIS NETWORKS
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IN WITNESS WHEREOF the parties have signed this Amended and Restated Shareholders Agreement as of the date first hereinabove set forth.

PREFERRED SHAREHOLDERS

THE ISARD DUNIETZ 2006 TRUST, CREATED BY A DECLARATION OF TRUST DATED JULY 19, 2006, AS IT MAY BE AMENDED OR RESTATED FROM TIME TO TIME THEREAFTER

By: ____________________________

Name: Isard Dunietz (or his successor)

Title: Trustee

[SIGNATURE PAGE TO ACTELIS NETWORKS
AMEDNED AND RESTATED STOCKHOLDERS AGREEMENT]

IN WITNESS WHEREOF the parties have signed this Amended and Restated Shareholders Agreement as of the date first hereinabove set forth.

PREFERRED SHAREHOLDERS

YEMINI ASSET MANAGEMENT LLC

By: ____________________________

Name: __________________________

Title: ___________________________

SCHEDULE A

The Non-Voting Common Holders

Name	Address

SCHEDULE B

The Preferred A Shareholders

NAME	ADDRESS
ATA Affiliates Fund I, L.P.	
ATA Affiliates Fund II, L.P.	
ATA Investment Fund I, L.P.	
ATA Investment Fund II, L.P.	
ATA Ventures I, L.P.	
ATA Ventures II, L.P.	
Yariv Gilat	9 Hagolan Street Tel Aviv, 6971812 Israel
Isard Dunietz (or his successor), as Trustee of the Isard Dunietz 2006 Trust, created by a Declaration of Trust dated July 19, 2006 as it may be amended or restated from time to time thereafter	
Rami Lipman	
Arik Steinberg	8 Yiftach Street, Entrance B Ramat Hasharon 471082, Israel
Yemini Asset Management LLC	
Joseph Perl and Judith Perl	
Zeev Bregman	Kfar Saba 3 Tel Aviv 65147
Carmel Vernia	36 Benayahu Tel Aviv, Israel
Bauhinia Investments Ltd.	c/o Excaliber Capital 11 Menachem Begin Road Ramat Gan 52522, Israel
The Niv Family Trust - January 18, 2002	27240 Natoma Road Los Altos Hills, CA 94022
Alan Barkat	
Kedma Capital S.H.E. Ltd.	Azrieli Center, Round Tower 132 Menachem Begin Blvd., Tel Aviv 67021
Ram Vromen	
Reinisch Investments & Holdings Ltd.	Excaliber Capital Ltd Attention – Jennifer Kessler 11 Derech Menahem Begin, 11th floor Ramat Gan 5268104
Paladin Ltd.	Excaliber Capital Ltd Attention – Jennifer Kessler 11 Derech Menahem Begin, 11th floor Ramat Gan 5268104
The Schwartz Family Trust	
The Roda Group Venture Development Company, LLC	918 Parker Street, Suite A-14 Berkley, CA 94710
Gigi Levy-Weiss	

SCHEDULE C

The Preferred B Shareholders

NAME	ADDRESS
Ram Vromen	6 Reading Street Tel Aviv, 69022 Israel
Yariv Gilat	9 Hagolan Street Tel Aviv, 6971812 Israel

Isard Dunietz (or his successor), as Trustee of the Isard Dunietz 2006 Trust, created by a Declaration of Trust dated July 19, 2006 as it may be amended or restated from time to time thereafter	
Rami Lipman	
Arik Steinberg	8 Yiftach Street, Entrance B Ramat Hasharon 471082, Israel
Yemini Asset Management LLC	
Carmel Vernia	36 Benayahu Tel Aviv, Israel
Bauhinia Investments Ltd.	c/o Excaliber Capital 11 Menachem Begin Road Ramat Gan 52522, Israel
The Niv Family Trust - January 18, 2002	27240 Natoma Road Los Altos Hills, CA 94022
Kedma Capital S.H.E. Ltd.	Azrieli Center, Round Tower 132 Menachem Begin Blvd., Tel Aviv 67021
Reinisch Investments & Holdings Ltd.	Excaliber Capital Ltd Attention – Jennifer Kessler 11 Derech Menahem Begin, 11th floor Ramat Gan 5268104
Paladin Ltd.	Excaliber Capital Ltd Attention – Jennifer Kessler 11 Derech Menahem Begin, 11th floor Ramat Gan 5268104
Zeev Bregman	Kfar Saba 3 Tel Aviv 65147
Roger Nicholson	34742 Williams Way Union City, CA 94587
Ronen Family Trust U/T/A/D 12/21/05	C/O Amit Ronen, Trustee 1415 Todd Street Mountain View, CA 94040
Tameyasu Anayama	
The Beinglass Revocable Trust, August 2000	1330 Elsona Ct Sunnyvale, CA 94087
Saurabh Argwal	36928 Montecito Drive Fremont, CA 94536
Ketan J. Shah	10162 Firwood Drive Cupertino, CA 95014
Advanced Circuit Engineers, LLC	C/O Rajesh Jain 308 S. Abott Avenue Milpitas, CA 95035

Exhibit 10.6

SECURED NON-NEGOTIABLE PROMISSORY NOTE

Principal Amount: $106,290.30 Effective Date: February __, 2015

FOR VALUE RECEIVED, Tuvia Barlev ("Debtor"), promises to pay to Actelis Networks, Inc., a Delaware corporation (the "Creditor"), the principal sum of $106,290.30 ("Principal Amount"), together with interest computed from February __, 2015 at a rate set forth below, payable in lawful money of the United States of America.

This Promissory Note is executed pursuant to the terms of that certain Restricted Stock Repurchase Agreement ("Restricted Stock Agreement"), each made by and between the Debtor and the Creditor, and each dated as of the Effective Date. All capitalized terms used herein without definition shall have the meaning respectively assigned to them in Restricted Stock Agreement.

The sole purpose of extending the Principal Amount to Debtor is to pay for the 67,718,081 shares of Common Stock of the Creditor (the "Shares") to be issued to Debtor under the Restricted Stock Agreement pursuant to the terms therein. By signing this Promissory Note, Debtor will be deemed to have paid for the Shares for the purpose of issuance thereof under the terms and conditions of the Restricted Stock Agreement.

1. RATE OF INTEREST. This Promissory Note shall bear interest on the unpaid principal sum at an annual rate of 2.41%, compounded annually.

2. PAYMENT OF INTEREST AND PRINCIPAL. The entire outstanding Principal Amount and accrued interest shall be due and payable on the Due Date, as hereinafter defined. "Due Date" means the first to occur of the date which is (i) six (6) years after the date of this Promissory Note, extendable at Debtor's discretion for additional five (5) years, and thereafter extendable only by a mutual consent of Debtor and the Creditor; (ii) upon Deemed Liquidation of the Creditor (as defined in the Creditor's certificate of incorporation, as amended), or (iii) upon distribution of dividends, in cash or in kind (other than due to a stock split or capital reorganization of the Creditor) to the holder of the Shares. In both sub-sections (ii) and (iii) above, repayment is required to the extent that funds distributed to the holder of the Shares exceed the Principal Amount and interest accrued thereon.

3. PREPAYMENT. This Promissory Note may be prepaid only upon and to the extent of the lapse of the Repurchase option on the Unvested Shares. Until such permitted prepayment, the Shares shall remain subject to the lien of this Promissory Note. Any prepayment shall first be applied to accrued interest, and then to Principal Amount.

4. EVENTS OF DEFAULT BY THE DEBTOR. If any of the following events ("Events of Default") shall occur:

(i) The Debtor shall fail to make payment of interest or principal under this Promissory Note on the Due Date, provided such non-payment continues uncured for a period of thirty (30) days following written notice thereof to Debtor.

(ii) A petition seeking relief, or the granting of relief, under the Bankruptcy Reform Act of 1982 or similar federal or state statute shall be filed by or against Debtor and such petition shall not be discharged or dismissed for a period of forty-five (45) days, the making of a general assignment for the benefit of creditors by Debtor or any action by Debtor for the purpose of effecting the foregoing.

(iii) The appointment of a receiver for Debtor by a court of competent jurisdiction, which appointment shall not have been vacated within a period of forty-five (45) days after the date of appointment.

(iv) The Debtor is in breach of his undertakings pursuant to the Restricted Stock Agreement, provided such breach continues to be uncured for a period of thirty (30) days following written notice thereof to Debtor, then, the Creditor may by written notice to the Debtor, declare the then outstanding Principal Amount together with all accrued interest thereon (the "Remaining Balance") to be forthwith due and payable, whereupon such Remaining Balance shall be forthwith due and payable.

5. REMEDIES. Upon an Event of Default, the Debtor shall assign and deliver to the Creditor all right, title and interest in and to: the number of Shares, free and clear of all liens and security interests, over the amount of Shares which Debtor has made full payment therefor (the "Unpaid Shares"). Upon such Event of Default, Creditor shall have all rights with respect to the Unpaid Shares. The Creditor and the Debtor understand and agree that the rights provided in this Paragraph 5 and in Paragraph 6 below are the Creditor's sole and exclusive remedy upon an Event of Default.

6. SECURITY INTEREST.

(i) In order to secure payment in full under this Promissory Note, the Debtor agrees to create a first priority UCC secured pledge on the Debtor's Shares, presently and issued in the future and rights related thereto (the "Collateral"). The Collateral will rank senior to any other form of security interest on the Shares. From time to time Creditor may demand, and the Debtor, or any of his successors shall execute, such additional documents as may be reasonably necessary to maintain the Creditor's Collateral. The Collateral shall remain fully effective in favor of the Creditor until the time on which the Principal Amount and all interest accrued thereon have been fully paid hereunder, at which time the Creditor shall, upon the Debtor's first request, deliver to the Debtor a statement signed thereby that the Collateral is null and void.

(ii) Creditor will be allowed to request the perfection of the UCC pledge mentioned in subsection (i) above.

(iii) Notwithstanding anything to the contrary contained in this Promissory Note the Creditor shall not enforce the liability and obligation of the Debtor to perform and observe the obligations contained in this Promissory Note by an action or proceeding wherein a money judgment shall be sought against the Debtor, except that Creditor may be liable to not more than 50.1% of the outstanding Principal Interest and 100% of the outstanding interest accrued thereon ("Recourse Liability") and/or transfer the Shares and/or bring a foreclosure action, an action for specific performance or any other appropriate action or proceeding to enable the Creditor to enforce and realize upon this Promissory Note and the interests in the Unpaid Shares; provided, however, that, any judgment in any such action or proceeding shall be enforceable against the Debtor only to the extent of the Debtor's interest in the Unpaid Shares and/or to the Recourse Liability. Notwithstanding anything to the contrary herein, transfer to the Creditor (or to its discretionary assigns) or forfeiture of such number of Unpaid Shares the fair market value of which equal the unpaid Principal Amount and interest accrued thereon, shall be the first remedy the Creditor may seek hereunder and only thereafter, if any unpaid Principal Amount or interest remains outstanding following such transfer or forfeiture of Unpaid Shares, Debtor shall have liability to the Creditor in addition to the Unpaid Shares, but in no event more than the Recourse Liability.

7. NOTICES. All notices or other communications required or permitted hereunder shall be in writing and delivered personally, registered or certified mail, return receipt requested and postage prepaid or by private courier service with overnight delivery requested. All notices or other communications shall be deemed given or delivered and received (a) when delivered, if delivered personally, (b) two days after mailing, if mailed by registered or certified mail, return receipt requested and postage prepaid, or (c) on the next business day after delivery to a private courier service with overnight delivery requested, if delivered to a private courier service providing documented overnight service, in each case addressed as follows:

If to the Debtor:

Tuvia Barlev
47800 Westinghouse Drive
Freemont, CA 94539

If to the Creditor:

Actelis Networks, Inc.
47800 Westinghouse Drive
Freemont, CA 94539

with a copy (which shall not constitute notice) to:

Pearl Cohen Zedek Latzer Baratz LLP
50 Congress Street, Suite 1040
Boston, MA 02109
Attn: Oded Kadosh, Esq.

or to such other address as the recipient party has specified by prior written notice to the sending party (which change of address notice will be deemed to have been given, delivered and received upon actual receipt thereof by the recipient party).

8. WAIVER. Debtor, for himself and his legal representatives, hereby waives presentment for payment, demand, notice of nonpayment, notice of dishonor, protest of any dishonor, notice of protest and protest of this Promissory Note, and all other notices in connection with the delivery, acceptance, performance, default or enforcement of the obligations under this Promissory Note.

9. GOVERNING LAW. This Promissory Note is made and delivered in the Commonwealth of Massachusetts and shall be governed by the laws of that State. The Debtor and the Creditor agree that all actions or proceedings arising directly, indirectly or otherwise in connection with, out of, related to or from this Promissory Note shall be litigated only in courts having a situs within the Commonwealth of Massachusetts.

10. JURY TRIAL WAIVER. DEBTOR AND CREDITOR HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, OR RELATED TO, THE SUBJECT MATTER OF THIS PROMISSORY NOTE AND THE BUSINESS RELATIONSHIP THAT IS BEING ESTABLISHED. THIS WAIVER IS KNOWINGLY, INTENTIONALLY AND VOLUNTARILY MADE BY DEBTOR AND CREDITOR, AND DEBTOR ACKNOWLEDGES THAT NEITHER CREDITOR NOR ANY PERSON ACTING ON BEHALF OF CREDITOR HAS MADE ANY REPRESENTATIONS OF FACT TO INCLUDE THIS WAIVER OF TRIAL BY JURY OR HAS TAKEN ANY ACTIONS WHICH IN ANY WAY MODIFY OR NULLIFY ITS EFFECT. DEBTOR AND CREDITOR ACKNOWLEDGE THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT DEBTOR AND CREDITOR HAVE ALREADY RELIED ON THIS WAIVER IN ENTERING INTO THIS PROMISSORY NOTE AND THAT EACH OF THEM WILL CONTINUE TO RELY ON THIS WAIVER IN THEIR RELATED FUTURE DEALINGS. DEBTOR AND CREDITOR FURTHER ACKNOWLEDGE THAT THEY HAVE BEEN REPRESENTED (OR HAVE HAD THE OPPORTUNITY TO BE REPRESENTED) IN THE SIGNING OF THIS PROMISSORY NOTE AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL.

11. SEVERABILITY. Any provision of this Promissory Note which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

12. NON-NEGOTIABLE. This Promissory Note is non-negotiable.

13. INTEREST. If a law, which applies to this Promissory Note and which sets maximum interest charges, is finally interpreted so that the interest collected or to be collected in connection with this Note exceed the permitted limits, then: (i) any such interest charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (ii) any sums already collected from Debtor which exceeded permitted limits will be refunded to Debtor. The Creditor may choose to make this refund by reducing the principal Debtor owes under the Promissory Note or by making a direct payment to Debtor. If a refund reduces principal, the reduction will be treated as a permitted partial payment.

14. HEADINGS. The headings of the Sections of this Promissory Note are for convenience of reference only and shall not be deemed to modify, explain, enlarge or restrict any of the provisions hereof.

IN WITNESS WHEREOF, Debtor has executed this Promissory Note as of the date first set forth above.

MAKER:

/s/ TUVIA BARLEV
TUVIA BARLEV

ACTELIS NETWORKS INC.

SERIES A PREFERRED STOCK PURCHASE AGREEMENT

THIS SERIES A PREFERRED STOCK PURCHASE AGREEMENT (the "**Agreement**") is made as of January 27, 2015 by and between Actelis Networks Inc., a Delaware corporation (the "**Company**") and the investors (including certain existing stockholders of the Company) listed on**Exhibit A** hereto (the "**Investors**"). The Company and the Investors are referred to, collectively herein as the "**Parties**" and separately as a "**Party**".

BACKGROUND

Whereas, as a condition to the Closing (as defined below), the Investors wish that the Company shall reorganize its capital stock such that all holders of Preferred Stock and holders of other rights to receive Preferred Stock shall convert their shares and rights to shares of Common Stock of the Company and thereafter the Investors shall purchase newly authorized Series A Convertible Preferred Stock of the Company (the "**Preferred A Shares**"); and

Whereas, the Board of Directors of the Company (the "**Board**") has determined that it is in the best interests of the Company to raise capital by means of the issuance of Preferred A Shares; and

Whereas, each of the Investors desires to purchase, and the Company desires to issue and sell, such number of Preferred A Shares as set forth opposite to each such Investor's name in **Exhibit A**, under the terms and conditions of this Agreement; and

Now Therefore, in consideration of the premises and the mutual promises herein made, and in consideration of the representations, warranties, and covenants herein contained, and intending to be legally bound hereby, the Parties agree as follows:

1. Sale and Purchase of the Preferred A Shares.

1.1. Authorization. The Company will, prior to the Closing (as defined below), authorize the sale and issuance of the Purchased Shares (as defined below), having the rights, privileges and preferences as set forth in the Company's Amended Certificate of Incorporation (the "**Amended Certificate**") in the form attached hereto as **Schedule 1.1**.

1.2. Sale of Shares. Subject to the terms and conditions of this Agreement, at the Closing the Company shall issue and allot to the Investors, and the Investors shall purchase from the Company, an aggregate number of up to 229,357,800 Preferred A Shares, according to the allocation set forth in **Exhibit A** (the "**Purchased Shares**"), at an aggregate purchase price for the Preferred A Shares not to exceed US$ 3,000,000 (the "**Purchase Price**") at a price per share equal to US$0.01308 (the "**PPS**") reflecting a pre-money valuation of the Company (on a fully-diluted basis) of US$1,687,500 and constituting immediately after the Closing (assuming the maximum Purchase Price was paid) 64.29% of the Company's capital Stock, on an as converted and fully diluted basis (after reserving the New Pool (as defined below)). The capitalization table of the Company pre-Closing and post-Closing (on a fully diluted basis) is attached hereto as **Schedule 1.2** (the "**Capitalization Table**").

1.3. Allocation among Investors. The Purchase Price shall be allocated among the Investors such that at least 50.01% of the Purchased Shares shall be purchased by Investors who are currently not stockholders of the Company.

1.4. Payment of Purchase Price. The Purchase Price shall be transferred to the Company on the Closing (as defined below) by all Investors in accordance with their portion of the Investment.

2. Closing and Subsequent Closing.

Subject to the satisfaction of the closing conditions and deliveries set forth in Sections 2.1, 2.2 and 5 hereof, the purchase and sale of the Purchased Shares hereunder, shall take place at the offices of Zemah Schneider & Partners, or at such other location, date and time as may be agreed upon between the Parties (the "**Closing**" and the "**Closing Date**").

At the Closing, the following transactions shall occur, which transactions shall be deemed to take place simultaneously and no transaction shall be deemed to have been completed or any document delivered until all such transactions have been completed and all required documents delivered.

2.1. Investors' Actions at the Closing. At the Closing, the Investors shall deliver, or cause to be delivered, to the Company

2.1.1. the respective Consideration (as listed opposite to each Investor's name on **Exhibit A**), by way of a bank transfer to the Company's bank account designated by the Company or by such other form of payment as mutually agreed by the Company and the Investors; and

2.1.2. A duly executed copy of the Stockholders' Agreement, as further detailed in Section 5 below.

2.2. Company's Actions at Closing. At or prior to the Closing, the Company shall deliver, or cause to be delivered, to the Investors the following:

2.2.1. Validly executed stock certificates representing the Purchased Shares being purchased with the Consideration, registered in the name of the Investors in the form attached hereto as **Schedule 2.2.1**;

2.2.2. True and correct copies of resolutions of the Company's stockholders in the form attached hereto as **Schedule 2.2.2** which include, among others (i) approving that the capital stock of the Company shall have been amended (including cancellation of the existing preferred stock and creation of a new series of Preferred A Shares); (ii) approving the execution, delivery and performance by the Company of the Transaction Agreements, including without limitation, the performance of the Company's obligations hereunder and thereunder; (iii) adoption of the Amended Certificate as an amendment and restatement of the Certificate of Incorporation of the Company as in effect prior to the Closing; (iv) a waiver by all non-participating stockholders of the Company of their pre-emptive rights, if any and anti-dilution rights, with respect to the issuance of the Preferred A Shares, issuance of the Common Stock issuable upon conversion thereof and issuance of any other shares issued in connection with this Agreement; (v) reserving shares of Common Shares for issuance upon exercise of options to be granted to employees, directors and consultants under the New Pool; and (vi) approving the purchase of Directors and Officers Insurance (as described below);

2.2.3. True and correct copies of resolutions of the Board in the form attached hereto as **Schedule 2.2.3** (i) approving the Company's delivery, execution and performance of the Transaction Agreements and any ancillary agreements referred to herein and therein; (ii) authorizing the issuance and sale of the Purchased Shares to the Investors against payment of the Purchase Price; (iii) reserving a sufficient number of shares of Common Stock to be issued upon conversion of the Purchased Shares and authorizing the issuance of such shares of Common Stock upon such conversion; (iv) issuance of Common Stock to be issued upon approval of New Plan as contemplated in **Section 5.23** herein; (v) approving the purchase of Directors and Officers Insurance; and (vi) recommending to the stockholders to approve the adoption of the Amended Certificate as an amendment and restatement of the Certificate of Incorporation of the Company as in effect prior to the Closing;

2.2.4. A duly executed copy of each of the agreements detailed in **Section 5** below.

2.2.5. A compliance certificate duly executed by an executive officer of the Company, dated as of the date of the Closing, in the form attached hereto as **Schedule 5.1**;

2.2.6. A certificate of the Secretary of State of the State of Delaware with respect to the Company's legal existence and good standing and qualification to do business in the State of Delaware, dated as soon as possible close to the Closing and in no event earlier than the date hereof and three (3) business days prior to the date of the Closing.

2.2.7. Indemnification Agreements (in the form attached hereto as **Schedule 2.2.8**) which have been duly executed by the Company and each member of the Board following the Closing.

3. Representations and Warranties of the Company.

As an inducement to the Investors to purchase the Purchased Shares, the Company hereby represents and warrants to the Investors, as of the Closing, as follows with respect to the Company, except as set forth in the Schedule of Exceptions ("**Schedule of Exceptions**") attached hereto as **Schedule 3** (which exceptions shall be deemed to be an integral part of the representations and warranties made hereunder; the Schedule of Exceptions shall be arranged in sections corresponding to the numbered and lettered sections and subsections contained in this Section 3). For purposes of these representations and warranties (other than those in Sections 3.1, 3.3 and 3.4), the term the "**Company**" shall include Actelis Networks Israel Ltd. (the "**Subsidiary**"), unless otherwise noted herein. For the purpose of this Agreement "best knowledge" means the knowledge of the senior officers of the Company after reasonable inquiry.

3.1. Organization and Standing. The Company is a private corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware and is duly licensed or qualified to transact business as a foreign corporation and is in good standing in each jurisdiction in which the failure to be qualified would have a material adverse effect on the business, assets, financial condition or results of operations of the Company or the Subsidiary (subsequently referred to as a "**Material Adverse Effect**"). The Company has requisite corporate power and authority to own and operate its properties and assets, and to carry on its business as presently conducted and as proposed to be conducted.

3.2. Corporate Power. The Company has all requisite legal and corporate power and authority (i) to execute and deliver this Agreement and the other agreements, certificates or other instruments contemplated hereby or thereby, which are ancillary hereto or thereto (collectively, the "**Transaction Agreements**"), and to consummate the transactions contemplated hereby and thereby; (ii) to sell and issue the Preferred A Shares hereunder and to issue shares of Common Stock issuable upon conversion of the Preferred A Shares, and (iii) to carry out and perform its obligations under the Transaction Agreements. The Company is duly qualified to do business and is in good standing as a foreign corporation in all jurisdictions in which the nature of its activities and of its properties (both owned and leased) makes such qualification necessary, if at all, except for those jurisdictions in which failure to do so would not have a Material Adverse Effect on the Company or its business.

3.3. Subsidiaries.

3.3.1. Except for the Subsidiary, the Company has not owned or controlled and does not presently own any other subsidiaries, does not otherwise own or control, directly or indirectly, any equity interest in any corporation, association or business entity and is not and has not been a participant in any partnership or joint venture. The Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of Israel; has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted, and is duly qualified as a foreign corporation in all jurisdictions in which it is required to be so qualified except where the failure to be so qualified would not have a Material Adverse Effect on the business operations of the Subsidiary. The Subsidiary is wholly owned by the Company and no person has any right to participate in, or receive any payment based on any amount relating to, the revenue, income, value or net worth of the Subsidiary or any component or portion thereof, or any increase or decrease in any of the foregoing.

3.3.2. The Company is the sole legal and beneficial owner of the entire outstanding share capital of the Subsidiary and holds such share capital free and clear of all liens, claims, charges, encumbrances, restrictions, rights, options to purchase, proxies, voting trusts and other voting agreements, calls or commitments of every kind. No person other than the Company owns any other shares, options or other rights to subscribe for, purchase or acquire any share capital of the Subsidiary. All outstanding shares of the Subsidiary are duly and validly authorized and issued and fully paid, and were issued in compliance with all applicable securities laws, rules and regulations.

3.3.3. Except as set forth in **Schedule 3.3.3** of the Schedule of Exceptions, there are no liabilities of the Company or its Subsidiary, including but not limited to taxes, arising out of any prior transfer of property, of any sort, between the Company and its Subsidiary.

3.4. Capitalization.

3.4.1. The authorized capital stock of the Company immediately prior to the Closing consists of 230,000,000 shares of Series A Preferred Stock, $0.000001 par value, none of which are issued and outstanding immediately prior to the Closing and 330,000,000 shares of Voting Common Stock, $0.000001 par value, at least 6,369,066 of which are issued and outstanding immediately prior to the Closing and 130,000,000 shares of Non-Voting Common Stock, $0.000001 par value 128,973,588 of which are issued and outstanding immediately prior to the Closing. At the Closing, shares of Common Stock constituting 8% of the Company's capital stock on a fully-diluted basis following the Closing (assuming an investment of $2,500,000) will have been will have been reserved for issuance to Mr. Ram Vromen (the "**Investors' Representative**") following adoption of the New Plan (as defined below). As of the Closing, shares of Common Stock, constituting 32% of the Company's capital stock on a fully-diluted basis following the Closing (assuming an investment of $2,500,000), will have been reserved and are available for future issuances under the Company's new option and shares plan to Company's employees and directors (to be adopted by the Board) (the "**New Plan**"), out of which (a) 2% of the Company's capital stock on a fully-diluted basis following the Closing (assuming an investment of $2,500,000) shall be reserved for issuance to the directors of the Company representing the Investors (except for the Investors' Representative) (b) at least 3% of the Company's capital stock on a fully-diluted basis following the Closing (assuming an investment of $2,500,000) shall be reserved to future employees of the Company and (c) the rest of the shares and options shall be allocated to the Founder and other existing employees of the Company. The outstanding shares of the Company have been duly authorized and validly issued in compliance with all applicable laws. The Purchased Shares, when issued and sold in accordance with this Agreement, and the shares of Common Stock issued upon conversion of the Purchased Shares, (i) will be duly authorized, validly issued, and free of any preemptive rights; (ii) will have the rights, preferences, privileges and restrictions set forth in the Amended Certificate and the Transaction Agreements; (iii) will be free and clear of any liens, claims, encumbrances or third party rights of any kind (except as specified in the Transaction Agreements and in the Amended Certificate) and duly registered in the name of the Investors in the Company's stockholders register. The shares of Common Stock and the Preferred A Shares have the rights, preferences, privileges and restrictions set forth in the Amended Certificate and the Stockholders' Agreement.

3.4.2. Since its date of incorporation, there has been no declaration or payment by the Company of dividends, or any distribution of any assets of any kind to any of its stockholders in redemption of or as the purchase price for any of the Company's securities.

3.4.3. A complete and correct list of the stockholders of the Company, on a fully diluted basis immediately prior to the Closing, and post the Closing is set forth in the Capitalization Table. The Capitalization Table sets forth the number and class of shares held by each stockholder of the Company, and the total number of reserved and granted options, warrants, and all other rights to subscribe for, purchase or acquire from the Company any capital stock of the Company following the Closing.

3.5. Authorization. All corporate action on the part of the Company necessary for the authorization, execution, delivery and performance of the Transaction Agreements, the authorization, reservation, sale, issuance and delivery of the Purchased Shares, the shares of Common Stock issuable upon conversion of the Purchased Shares and the performance of all of the Company's obligations under the Transaction Agreements have been taken or will be taken prior to the Closing. The Transaction Agreements, when executed and delivered by the Company, shall constitute valid and binding obligations of the Company, enforceable in accordance with their terms, subject to laws of general application relating to bankruptcy, insolvency and the relief of debtors and rules of law governing specific performance, injunctive relief or other equitable remedies. The Purchased Shares, when issued in compliance with the provisions of this Agreement, will be validly issued, fully paid and non-assessable, and will have the rights, preferences and privileges described in the Amended Certificate; the shares of Common Stock issuable upon conversion of the Purchased Shares have been duly and validly reserved and, when issued in compliance with the provisions of this Agreement and the Amended Certificate, will be validly issued, fully paid and non-assessable. The Purchased Shares and the shares of Common Stock issued upon conversion of the Purchased Shares will be, upon their issuance, free and clear of any liens or encumbrances or other rights of third parties (including but not limited to, rights for pre emptive and anti dilution protection), other than any liens or encumbrances created by or imposed upon the Investors. Except as set forth in the Stockholders' Agreement and the Amended Certificate, the Purchased Shares are not and the shares of Common Stock issuable upon conversion of the Purchased Shares will not be subject to any preemptive rights, rights of first refusal or other restrictions of transferability.

3.6. Registration Rights. Except as set forth in the Stockholders' Agreement, the Company is not under any contractual obligation to register any of its presently outstanding securities or any of its securities that may hereafter be issued.

3.7. Governmental Consent. No consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any federal, state or local governmental authority on the part of the Company or the Subsidiary is required in connection with the consummation of the transactions contemplated by this Agreement, except for (i) the filing of the Amended Certificate with the Secretary of State of Delaware, (ii) the filing pursuant to Regulation D, promulgated by the Commission under the Securities Act and (iii) the filings required by applicable state "blue sky" securities laws, rules and regulations.

3.8. Government Incentives. The Company has obtained grants from the Office of the Chief Scientist in Israel ("**OCS**"), and the material terms of such grants are listed in the Financial Statements and in the approvals granted by the OCS which were provided to the Investors (the "**Approved Grants**"). Except for the Approved Grants, the Company has not received and, there is no active application for, any grants, incentives, benefits (including tax benefits), financial support, or subsidies from any Israeli or foreign governmental or regulatory authority or any agency thereof, including without limitation the Investment Center and the OCS. The Approved Grants do not impose any limitations on the Company Intellectual Property, on the Company's products, or on the sale of the shares of the Company or any of the Company's property and assets. To the Company's knowledge, the Company is (as far as it is in its power) in compliance, in all material respects, with all the terms and provisions of all Approved Grants and applicable laws and regulations and has duly fulfilled, in all respects, all the undertakings relating thereto, including any regulations, directives, procedures and rules that have been promulgated thereunder and/or by virtue thereof, including the Company's obligation to file certain reports and to pay expenses and royalties. The Company is not aware of any existing event or other set of circumstances that will cause the revocation or material and adverse modification of the Approved Grants (including the entry into or completion of this Agreement).

3.9. No Third Party Consents. The execution and delivery of this Agreement does not, and the consummation of the transactions contemplated hereby will not, require any consent, approval, order or authorization of any individual, corporation, partnership, joint venture, trust, business association or other entity that has not been, or will not have been obtained by the Company prior to the Closing.

3.10. Compliance with Laws. The Company has obtained and to its best knowledge, maintains in good standing, all of its licenses, permits, consents and authorizations required to be obtained by it or them under all applicable laws and regulations, except for those which, individually or in the aggregate, would reasonably not have a Material Adverse Effect on the assets, condition, affairs or prospects of the Company, financially or otherwise (collectively, "**Laws**"), and all such licenses, permits, consents and authorizations remain in full force and effect. To the Company's best knowledge, the Company is in compliance with such Laws, and there is no pending or to the Company's knowledge, threatened, action or proceeding against the Company under any of such Laws.

3.11. Financial Statements.

3.11.1. The Company has furnished to the Investors the audited consolidated financial statements of the Company as of December 31, 2013 and Company's balance sheet as of September 30, 2014 (the "**Balance Sheet Date**"), attached hereto as **Section 3.11** of the Schedule of Exceptions (collectively, the "**Financial Statements**"). Such Financial Statements have been prepared in accordance with generally accepted accounting principles consistently applied (except that such unaudited Financial Statements do not contain all of the required footnotes or normal recurring period end adjustments which are not expected to be material either individually or in the aggregate) and fairly present the consolidated financial position of the Company as of the dates set forth therein. Since the Balance Sheet Date and except as set forth in **Section 3.11** of the Schedule of Exceptions, there has been no change in the assets, liabilities or financial condition of the Company or the Subsidiary from that reflected in the Financial Statements (except for changes in the ordinary course of business) which in the aggregate have not had a Materially Adverse Effect.

3.11.2. The Company has no liabilities or obligations, contingent or otherwise, other than liabilities which do not exceed US$100,000 in the aggregate (including the debt under the Credit Line Agreement (as defined below). The Company does not owe its stockholders, directors, service providers or employees any amounts or other rights to receive any proceeds, royalties or other payments from the Company.

3.11.3. The Subsidiary has advanced and fully paid to its employees all obligations and salaries with respect to their employment during December 31, 2014 and no additional payment is required by the Subsidiary to pay to such employees for their work until and including December 31, 2014.

3.11.4. **Section 3.11** of the Schedule of Exceptions details the amounts that the Company and the Subsidiary have transferred to its employees and other service providers during the last three months.

3.12. Events Subsequent to the Balance Sheet Date. Since the Balance Sheet Date, and other than as contemplated in this Agreement or as set forth in **Section 3.12** of the Schedule of Exceptions, the Company has not (i) issued any stock, bond or other corporate security, (ii) borrowed any amount or incurred or become subject to any liability (absolute, accrued or contingent), except current liabilities incurred and liabilities under contracts entered into in the ordinary course of business, (iii) discharged or satisfied any lien or encumbrance or incurred or paid any obligation or liability (absolute, accrued or contingent) other than current liabilities shown on the Financial Statements and current liabilities incurred since the Balance Sheet Date in the ordinary course of business, (iv) declared or made any payment or distribution to stockholders or purchased or redeemed any share of its capital stock or other security, (v) mortgaged, pledged, encumbered or subjected to lien any of its assets, tangible or intangible, other than liens for taxes not yet due and payable, (vi) sold, assigned or transferred any of its tangible assets except in the ordinary course of business, or canceled any debt or claim, (vii) sold, assigned, transferred or granted any exclusive license with respect to any patent, trademark, trade name, service mark, copyright, trade secret or other intangible asset, (viii) suffered any loss of property or waived any right of substantial value whether or not in the ordinary course of business, (ix) made any change in officer compensation except in the ordinary course of business and consistent with past practice, (x) made any change in the manner of business or operations of the Company which would have a Material Adverse Effect, (xi) entered into any transaction except in the ordinary course of business or as otherwise contemplated hereby which would have a Material Adverse Effect or (xii) entered into any commitments (contingent or otherwise) to do any of the foregoing.[1]

3.13. Intellectual Property and Other Intangible Assets.

3.13.1. The Company owns all rights, title and interest free of any and all claims or liens the items of Intellectual Property specified in **Section 3.13** of the Schedule of Exceptions and has obtained the right to use the items of Intellectual Property (as defined below) specified in **Section 3.13** of the Schedule of Exceptions, in respect of which the Company has applied for patent protection (the "**Company's Intellectual Property**") which Company Intellectual Property and the use thereof, to the Company's knowledge, does not infringe upon the rights of others or any other Intellectual Property. The Company's Intellectual Property is free and clear of all liens, claims and restrictions. The Company's Intellectual Property is, to the Company's best knowledge, sufficient for the conduct of the Company's business as now conducted and constitutes the principal technology for the Company's business as proposed to be conducted, it being acknowledged that the Company's Intellectual Property requires substantial additional development. Other than the Company's Intellectual Property and as described in **Section 3.13(a)** of the Schedule of Exceptions, there is no Intellectual Property), which is used by the Company. To the Company's best knowledge, neither the Company's Intellectual Property nor any product or service marketed or sold (or proposed to be marketed or sold) by the Company infringes upon or violates any right or claim of others, including without limitation Tuvia Barlev (the "**Founder**"), past and present employees of the Company and the Subsidiary and employers of the Founder or the Company's and Subsidiary's past and present employees. To the Company's best knowledge (and excluding royalties due to the OCS), neither the Company, the Founder nor the Subsidiary is obligated or under any liability whatsoever to make any payments by way of royalties, fees or otherwise to any owner or licensee of, or other claimant to, any Company's Intellectual Property, with respect to the use thereof or in connection with the conduct of the Company's business as now conducted or as proposed to be conducted or otherwise, other than payments in the ordinary course of business under licenses or agreements arising from the purchase of "off the shelf" or standard products, in respect of which the Company and the Subsidiary are not in default. The Company has obtained and possesses valid licenses to use all of the software programs present on the computers and other software-enabled electronic devices that it owns or leases or that it has otherwise provided to its employees for their use in connection with the Company's business. Except as set forth on **Section 3.13(a)** of the Schedule of Exceptions, the Company represents and warrants that it has not incorporated any Public Software, in whole or in part, into the Company Intellectual Property or used or accessed any Public Software, in whole or in part, as part of or in the operation of the Company Intellectual Property.

3.13.2. (i) all inventions (whether patentable or unpatentable and whether or not reduced to practice), all improvements thereto, and all patents, patent rights, patent applications, and patent disclosures thereof, together with all reissuances, divisional, continuations, continuations-in-part, revisions, extensions, and reexaminations thereof in any jurisdiction; (ii) all trademarks, service marks, trade dress, logos, trade names, product names, domain names and other indications of origin, including all goodwill associated therewith, and all applications, registrations, and renewals in connection therewith in any jurisdiction; (iii) all copyrightable works, all copyrights and works of authorship (whether copyrightable or not), and all applications, registrations, and renewals in connection therewith in any jurisdiction; (iv) all mask works and all applications, registrations, and renewals in connection therewith in any jurisdiction; (v) all trade secrets and confidential business information (including ideas, research and development, know-how, formulas, compositions, manufacturing and production processes and techniques, technical data, designs, drawings, specifications, customer and supplier lists, pricing and cost information, and business and marketing plans and proposals, secret processes and procedures, engineering, production, assembly, design, installation, other technical drawings and specifications, working notes and memos, market studies, consultants' reports, technical and laboratory data, competitive samples, engineering prototypes, and all similar property of any nature, tangible or intangible); and (vi) all other proprietary rights (collectively herein "**Intellectual Property**") of any kind which has been developed is currently being developed by the Founder or any employee of the Company during the course of his employment by the Company is and shall be the property solely of the Company. Any and all Intellectual Property which has been developed, is currently being developed by the past and present employees of the Company and the Subsidiary during the course of their employment by the Company or the Subsidiary is the sole property of the Company. The Company has taken measures to protect the secrecy, confidentiality and value of all the Company's Intellectual Property, which measures are reasonable and customary in the industry in which the Company operates. The Founder and each of the Company's and Subsidiary's existing and to its knowledge (following inquiry by the Company), former employees and all professional consultants have entered into written agreements with the Company or Subsidiary (as applicable) assigning to the Company or Subsidiary all rights in Intellectual Property developed in the course of their employment by the Company or Subsidiary, in the form acceptable to the Company. Except for the Founder and the employees of the Company, and consultants which have entered into agreements with the Company containing intellectual property assignment provisions, no other person or entity has been involved to date in the funding, development, invention, discovery, deriving, programming or design of the Company's Intellectual Property.

3.13.3. The Company has not received any communications alleging that the Company, the Founder or the Subsidiary have violated or by conducting the Company's business as proposed, would violate, any of the rights of any other person or entity, including rights in any Intellectual Property. Neither the Founder nor any of the Company or the Subsidiary's employees is obligated under any contract (including licenses, covenants or commitments of any nature) or other agreement, or subject to any judgment, decree or order of any court or administrative agency, that would interfere with the use of the Founder's or such employee's ability to promote the interests of the Company or the Subsidiary, as the case may be, or that would conflict with the Company's or the Subsidiary's business as conducted and as proposed to be conducted. Neither the execution nor delivery of the Agreement, nor the carrying on of the Company's or the Subsidiary's business by the employees of the Company or the Subsidiary, as the case may be, nor the conduct of the Company's or the Subsidiary's business as proposed to be conducted, will conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under, any contract, covenant or instrument under which the Founder or any of such employees is now obligated. It is not, and will not become, necessary to utilize any inventions of the Founder or the Company's or Subsidiary's employees (or people the Company or the Subsidiary currently intend to hire) made prior to their employment by the Company or the Subsidiary, as the case may be, other than those that have been assigned to the Company pursuant to the Proprietary Information and Non-Competition Agreement signed by such Founder or employee.

3.14. Litigation. Except as set forth in **Section 3.14** of the Schedule of Exceptions, there is no (i) action, suit, claim, proceeding or investigation pending or, to the Company's knowledge, threatened against or affecting the Company, at law or in equity, before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, (ii) arbitration proceeding relating to the Company pending under collective bargaining agreements or otherwise or (iii) governmental inquiry pending or, to the Company's knowledge, threatened against or affecting the Company (including without limitation any inquiry as to the qualification of the Company to hold or receive any license or permit) the Founder or any of their officers, directors, or employees (in their capacity as such). The foregoing includes, without limitation, any action, suit, proceeding, or investigation pending or currently threatened involving the prior employment of any of the employees, their use in connection with the Company's business of any information or techniques allegedly proprietary to any of their former employers, their obligations under any agreements with prior employers, or negotiations by the Company with potential backers of, or investors in, the Company proposed business. The Company is not subject to any order, writ, injunction or decree known to or served upon the Company of any court or of any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign. To the Company's knowledge, there is no action, suit, proceeding or investigation pending or threatened against any of the officers, directors or employees of the Company relating to their activities in connection with the business of the Company. There is no action or suit by the Company pending, threatened or contemplated against others.

3.15. Insurance. The Company has in full force and effect the insurance policies as set forth in **Section 3.15** of the Schedule of Exceptions. To the Company's best knowledge, the Company is in compliance with all the conditions and demands set forth in the insurance policies. The Company represents and warrants that no insurer has denied a request to provide insurance policies to the Company.

3.16. Employees.

3.16.1. **Section 3.16** of the Schedule of Exceptions sets forth a list of (a) all salaried employees of the Company, together with each such employee's position, date of employment, salary, and any other compensation payable to such employee (including, without limitation, compensation payable pursuant to bonus, deferred compensation or commission arrangements), and (b) each contract, commitment, arrangement, whether oral or written, relating to the employment of, or the performance of services by, any employee, consultant, or independent contractor including all benefits payable or which the Company is bound to provide (whether now or in the future) to each officer, employee and consultant of the Company and the foregoing are true and complete.

3.16.2. Except as set forth in **Section 3.16** of the Schedule of Exceptions, neither the Company nor the Subsidiary has any employment contract with any officer or employee or any other consultant or person who is not terminable by it at will without liability, upon thirty (30) days prior notice. Except as set forth in **Section 3.16** of the Schedule of Exceptions, as of the date hereof, neither the Company nor the Subsidiary have any deferred compensation or stock option covering any of their officers or employees. The Company has not made any representations regarding equity incentives to any officer, employees, director or consultant that are inconsistent with the share amounts and terms set forth in the Company's board minutes. Except as set forth in **Section 3.16** of the Schedule of Exceptions, the Company and the Subsidiary have complied with all applicable employment laws, policies, procedures and agreements relating to employment, terms and conditions of employment and to the proper withholding and remission to the proper tax and other authorities of all sums required to be withheld from employees or persons deemed to be employees under applicable laws respecting such withholding, except where the failure to so comply would not be expected to have a Material Adverse Effect. Except as set forth in **Section 3.16** of the Schedule of Exceptions, the Company and the Subsidiary have paid in full to all of their respective employees, wages, salaries, commissions, bonuses, benefits and other compensation due and payable to such employees on or prior to the date hereof. Neither the Company nor the Subsidiary is bound by or subject to (and none of its assets or properties is bound by or subject to) any written or oral, express or implied, contract, commitment or arrangement with any labor union except, in respect of the Subsidiary, for those provisions of general agreements between the Histadrut and any Employers' Union or Organization which are applicable to all the employees in Israel by Extension Order. The Company's and the Subsidiary's relations with their respective employees are good and, to its knowledge, no such employee has violated any material term of his or her employment agreement. To the Company's knowledge, no employee intends to terminate employment with the Company or is otherwise likely to become unavailable to continue as an employee, nor does the Company have a present intention to terminate the employment of any of the foregoing. Neither the employment by the Company or the Subsidiary of any of their respective employees (including the Founder), nor the engagement by it with any of their respective consultants, constitutes or is likely to constitute, a breach of any of such persons' obligations to third parties, including non-competition or confidentiality obligations. All employees and or consultants of the Company and the Subsidiary executed agreements for assignment of intellectual property, non-competition and confidentiality agreements between the Company or the Subsidiary (as applicable).

3.16.3. During the recent three years, many of the Company's employees have agreed in writing for the reduction of their gross salaries in an approximate rate of 10% or 20%. Of the employees who agreed for a reduction of 10%, some continued to work on a full time basis and of the employees who agreed for a reduction of 20%, some continued to work on a 80% time basis.

3.17. Interested Party Transactions. Except as specified in **Section 3.17** of the Schedule of Exceptions, no officer, director or stockholder of the Company or the Subsidiary or any affiliate of any such person or entity or the Company or the Subsidiary or any member of the immediate family of such person, has or has had, either directly or indirectly, (a) an interest in any person or entity which (i) furnishes or sells services or products which are furnished or sold or are proposed to be furnished or sold by the Company or the Subsidiary, or (ii) purchases from or sells or furnishes to the Company or the Subsidiary any goods or services, or (b) a beneficial interest in any contract or agreement to which the Company or the Subsidiary is a party or by which it may be bound or affected. There are no existing arrangements or proposed transactions between the Company or the Subsidiary and any officer, director, or stockholder of the Company or the Subsidiary, or any affiliate or associate of any such person. No employee, stockholder, officer, or director of the Company or the Subsidiary is indebted to the Company or the Subsidiary, nor, except as set forth in **Section 3.17** of the Schedule of Exceptions, is the Company or the Subsidiary indebted (or committed to make loans or extend or guarantee credit) to any of them. To the Company's knowledge, none of the directors or officers, or any members of their immediate families, has any material commercial, industrial, banking, consulting, legal, accounting, charitable or familial relationship with any of the Company's customers, suppliers, service providers, joint venture partners, licensees and competitors.

3.18. Title to Properties and Assets; Liens, etc. The Company does not own any real property. The real property leased by the Company is described in **Section 3.18** of the Schedule of Exceptions. The Company has good and marketable title to its assets, free and clear of all mortgages, liens, and encumbrances. The Company is in compliance with all of its leases and holds valid leasehold interests, free of any liens, claims or encumbrances other than those of the lessors of such property or assets.

3.19. Taxes. The Company has paid or made adequate provision for the payment of all taxes due. No deficiency assessment or proposed adjustment of any taxes is pending against the Company, and the Company has no knowledge of any proposed liability for any such tax to be imposed. The Company has not made any elections under applicable laws or regulations (other than elections that related solely to methods of accounting, depreciation or amortization) that would have a Material Adverse Effect on the Company, its financial condition, its business as presently conducted or proposed to be conducted or any of its properties or assets. Except as set forth in **Section 3.19** of the Schedule of Exceptions, the Company is not currently liable for any tax (whether income tax, capital gains tax, or otherwise). The Company has withheld and paid to the proper tax authorities all amounts required to be withheld under applicable law from payments to their employees for all periods with respect to tax, social security and any employment withholding provisions of applicable federal and state law. There have been no audits or formal examinations of any tax returns or reports by any applicable federal, state, local or foreign governmental agency. The Company has filed proper and accurate federal, state and foreign income tax and other returns for all periods for which returns were due, including with respect to employee income tax withholding, social security and unemployment taxes, and has paid the amounts shown thereon to be due and payable.

3.20. Contracts.

3.20.1. **Section 3.20** of the Schedule of Exceptions contains a true and complete list of all material contracts, agreements and purchase orders currently in effect to which the Company is a party, with customers, distributors, channels or other similar entities to the foregoing, which is expected to generate, under the terms thereof, over one million United States Dollars (US$ 1,000,000) in 2015 (a "**Contract**"). (a) The Company has not received any information or communications from the counterparty to such Contract, demanding that the Contract might be cancelled or materially and adversely amended, or is otherwise reasonably expects such demand; or (b) the Company has not received information or communications from the counterparty to such Contract, indicating that there is a claim or existing liability of the Company under such Contract which would have a Material Adverse Effect on the Company. Each of the Contracts is, to the Company's best knowledge, valid, is in full force and effect, and is binding upon the Company, as applicable, and neither the Company nor any other party thereto is in breach thereof. Except as set forth on **Section 3.20** hereto, the Company does not have any employment or consulting contracts, deferred compensation agreements or bonus, incentive, profit-sharing, or pension plans currently in force and effect, or any understanding with respect to any of the foregoing.

3.20.2. The Company has not received any written notice or other written communication from any party to a Contract or other material customer or supplier relating to such party's intent to modify, terminate or fail to renew the arrangements and relationships set forth therein.

3.21. Foreign Corrupt Practices Act. The Company has not violated the United States Foreign Corrupt Practices Act or, to its knowledge, any other similar laws, statues, rules or regulations of any country in which it regularly conducts its business.

3.22. Compliance with Other Instruments. The Company is neither in violation or default of any term of its currently existing Certificate of Incorporation and its By-Laws, nor in violation or default of, nor is the Company aware of any violation or default of any provision of any mortgage, indenture, contract, agreement, instrument or contract to which it is party or, by which it is bound or, to the Company's knowledge, of any judgment, decree, order, writ or any statute, rule or regulation and law applicable to the Company. The execution, delivery, and performance of and compliance with the Transaction Agreements, the issuance and sale of the Purchased Shares pursuant hereto, will not, with or without the passage of time or giving of notice, result in any such violation, or be in conflict with or constitute a default under any such term, or result in the creation of any mortgage, pledge, lien, encumbrance or charge upon any of the properties or assets of the Company or the suspension, revocation, impairment, forfeiture or non-renewable of any permit license, authorization or approval applicable to the Company, its business or operations or any of its assets or properties. All of the agreements to which the Company is a party are, in its knowledge, in compliance with all applicable laws. Since inception of the Company, the Company has not received any written notices, citations or decisions by any governmental or regulatory body that (i) any product or content produced, developed, manufactured, marketed or distributed at any time by the Company and/or (ii) any service provided, developed, marketed or distributed at any time by the Company fails to meet any applicable product or content regulations promulgated by any such governmental or regulatory body.

3.23. Records. The corporate records of the Company which have been made available to the Investors have been maintained in accordance with all applicable statutory requirements and are complete and accurate in all material respects. No resolutions have been passed, enacted, consented to or adopted by the directors (or any committee thereof) or stockholders of the Company, except for those contained in such corporate records, which would materially affect the other representations herein.

3.24. No Public Offer. None of the Company or anyone acting on its behalf has offered or will offer securities of the Company or any part thereof or any similar securities for issuance or sale to, or solicit any offer to acquire any of the same from, anyone so as to make issuance and sale of the Shares hereunder not exempt from the registration requirements of Section 5 of the Securities Act of 1933, as amended (the "**Securities Act**") or the prospectus requirements of the Israeli Securities Law, 1968. None of the shares of the Company's capital stock issued and outstanding has been offered or sold in such a manner as to make the issuance and sale of such shares not exempt from such registration and prospectus requirements, and all such shares of capital stock have been offered and sold in compliance with all applicable federal and state securities laws.

3.25. 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. The Company agrees to indemnify and hold the Investors harmless from and against any claim or liability resulting from any party claiming any such commission or fee, if such claims shall be contrary to the foregoing statement.

3.26. Environmental and Safety Laws. Except as could not reasonably be expected to have a Material Adverse Effect (a) the Company is and has been in compliance with all Environmental Laws; and (b) there has been no release or threatened release of any pollutant, contaminant or toxic or hazardous material, substance or waste, or petroleum or any fraction thereof, (each a "**Hazardous Substance**") on, upon, into or from any site currently or heretofore owned, leased or otherwise used by the Company. The Company has made available to the Investors true and complete copies of all material environmental records, reports, notifications, certificates of need, permits, pending permit applications, correspondence, engineering studies, and environmental studies or assessments.

For purposes of this Section 3.27, "**Environmental Laws**" means any law, regulation, or other applicable requirement relating to (a) releases or threatened release of Hazardous Substance; (b) pollution or protection of employee health or safety, public health or the environment; or (c) the manufacture, handling, transport, use, treatment, storage, or disposal of Hazardous Substances.

3.27. Customers and Suppliers.

3.27.1. The Company has provided the Investors with a list of its ten largest customers by revenue and ten largest suppliers, by revenue, for the year ended December 31, 2014. To the Company's best knowledge, no customer, included on such list has terminated, materially reduced or materially altered the terms of, or threatened to terminate, materially reduce or materially alter the term of purchases from, the Company.

3.27.2. Since December 31, 2013, no material supplier or distributor of the Company, has materially reduced or materially altered the terms of, or threatened to terminate, materially reduce or materially alter the term of its business relationship with the Company.

3.28. Accounts Receivables. All accounts receivable, including without limitation, all trade amounts receivable and other obligations from customers, are bona fide receivables incurred in the ordinary course of business and are properly reflected on the books and records of the Company in accordance with GAAP. The Company believes that it reserve for bad debts recorded on the Financial Statements is sufficient to accurately reflect the risk of non-payment, and the Company is unaware of any facts which are reasonably likely to cause any write-offs of receivables (whether as a result of defaults, counterclaims, chargebacks, deduction, credit, set off or otherwise materially in excess of the amount so reserved.

3.29. Full Disclosure. The Company has provided to the Investors or their representatives all requested documents in their possession relating specifically to the Company, in each case, regarding facts or circumstances that have a Material Adverse Effect on the Company or that could reasonably be expected to have a Material Adverse Effect on the Company. Neither this Agreement (including the Schedules hereto) nor any certificates made or delivered in connection herewith contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements herein or therein not misleading, in view of the circumstances in which they were made. To the best of the Company's knowledge, there is no fact or information relating to the business, prospects, condition (financial or otherwise), affairs, operations, or assets of the Company that has not been disclosed to the Investors in writing by the Company, which has had a Material Adverse Effect on the Company.

4. Representations and Warranties of the Investors. Each Investor hereby represents and warrants to the Company, severally and not jointly, as of the Closing, as follows:

4.1. Experience; Speculative Nature of Investment. Each of the Investors has experience in evaluating and investing in private placement transactions of securities in companies similar to the Company so that it is capable of evaluating the merits and risks of its investment in the Company and has the capacity to protect its own interests. The Investors further acknowledge that this Agreement and the issuance of the Purchased Shares hereunder do not constitute a promise or guaranty by the Company or its stockholders or directors as to the financial or commercial success of the Company or the future value of its shares.

4.2. Investment. Each Investor is acquiring the Purchased Shares and the underlying shares of Common Stock for investment for its own account, not as a nominee or agent, and not with the view to, or for resale in connection with, any distribution thereof. No Investor has a present intention of selling, granting any participation in, or otherwise distributing the same.

4.3. Authorization. The Transaction Agreements, when executed and delivered by the Investors, will constitute valid and legally binding obligations of the Investors, enforceable in accordance with their terms, subject to laws of general application relating to bankruptcy, insolvency and the relief of debtors and rules of law governing specific performance, injunctive relief or other equitable remedies.

4.4. No Public Market. Such Investor understands that no public market now exists for any of the securities issued by the Company and that the Company has made no assurances that a public market will ever exist for the Company's securities.

4.5. Availability of Information. Without in any manner derogating from the representations and warranties of the Company set forth in Section 3 above, each Investor represents that it has been afforded the opportunity to ask questions of officers or other representatives of the Company concerning the business of the Company.

4.6. Restricted Securities. The Investor understands that the Purchased Shares have not been, and will not be, registered under the Securities Act, by reason of a specific exemption from the registration provisions of the Securities Act which depends upon, among other things, the bona fide nature of the investment intent and the accuracy of the Investor's representations as expressed herein. The Investor understands that the Purchased Shares are "restricted securities" under applicable United States federal and state securities laws and that, pursuant to these laws, the Investor must hold the Purchased Shares indefinitely unless they are registered with the Securities and Exchange Commission and qualified by state authorities or an exemption from such registration and qualification requirements is available. The Investor acknowledges that the Company has no obligation to register or qualify the Purchased Shares, or the Common Stock into which it may be converted, for resale. The Investor further acknowledges that if an exemption from registration or qualification is available, it may be conditioned on various requirements including, but not limited to, the time and manner of sale, the holding period for the Purchased Shares, and on requirements relating to the Company which are outside of the Investor's control, and which the Company is under no obligation and may not be able to satisfy.

4.7. Accredited and Sophisticated Investor. The Investor is an accredited investor as defined in Rule 501(a) of Regulation D promulgated under the Securities Act. The Investor is an investor in securities of companies in early and development stages and acknowledges that Investor is able to fend for itself, can bear the economic risk of its investment, and has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of the investment in the Purchased Shares. If other than an individual, Investor also represents it has not been organized for the purpose of acquiring the Purchased Shares. No "bad actor" disqualifying event described in Rule 506(d)(1)(i)-(viii) of the Securities Act (a "Disqualification Event") is applicable to the Investor.[2]

4.8. No General Solicitation. Neither the Investor nor any of its officers, directors, employees, agents, stockholders or partners has either directly or indirectly, including through a broker or finder (a) engaged in any general solicitation with respect to the offer and sale of the Purchased Shares, or (b) published any advertisement in connection with the offer and sale of the Purchased Shares.

4.9. Exculpation among Investors. The Investor acknowledges that it is not relying upon any person, other than the Company, in making its investment or decision to invest in the Company. The Investor agrees that neither any Investor nor the respective controlling persons, officers, directors, partners, agents, or employees of any Investor shall be liable to any other Investor for any action heretofore taken or omitted to be taken by any of them in connection with the purchase of the Purchased Shares.

5. **Conditions of Closing of the Investors**. The Investors' obligations to consummate the transactions contemplated hereunder and to purchase the Purchased Shares at the Closing are subject to the fulfillment of the following conditions, any one or more of which may be waived in whole or in part by the Investor's Representative.

5.1. Representations and Warranties Correct. The representations and warranties made by the Company in Section 3 hereof, shall be true and correct when made and shall be true and correct as of the Closing Date, and the Investors shall have received a certificate dated as of the Closing Date and certifying that:

(a) Covenants. All covenants, agreements and conditions contained in this Agreement required to be performed by the Company shall have been performed or complied with by the Company in all material respects;

(b) Representations and Warranties. The representations and warranties of the Company contained in **Section 3** are true and correct in all material respects on the Closing Date.

5.2. Covenants. All covenants, agreements and conditions contained in the Transaction Agreements to be performed or complied with or delivered by the Company on or prior to the Closing shall have been performed or complied with in all material on or prior to the Closing.

5.3. Consents, etc. The Company shall have secured all permits, consents and authorizations that shall be necessary or required lawfully to consummate this Agreement and to issue the Purchased Shares to be purchased by the Investors at the Closing.

5.4. Amended Certificate; Amended By-Laws. The Amended Certificate and the amended Bylaws of the Company, in the form of **Schedule 5.4** attached hereto, shall have been duly authorized and executed by the Company.

5.5. Stockholders' Agreement. The Company and the existing stockholders of the Company shall have executed and delivered a Stockholders' Agreement in the form of **Schedule 5.5**.

5.6. Corporate Proceedings. All corporate and other proceedings in connection with the transactions contemplated by the Transaction Agreements and all documents and instruments incident to such transactions shall be satisfactory in substance and form to the Investors and their counsels, and the Investors and their counsels shall have received all such counterpart copies of such documents as the Investors and their counsels may reasonably request.

5.7. Reservation of Shares. The appropriate number of shares of Common Stock shall have been duly authorized and reserved for issuance upon conversion of the Purchased Shares.

5.8. Qualifications. All authorizations, approvals, or permits, if any, of any governmental authority or regulatory body of any state that are required in connection with the consummation of the transactions contemplated by this Agreement at the Closing will have been obtained by the Company as of the Closing.

5.9. No Change. From the date hereof until the Closing, there has been no material adverse change in the financial or business condition or prospects of the Company, having a Material Adverse Effect.

5.10. Board of Directors.

(a) As of the Closing, the number of members of the Board shall be four and Ram Vromen, Zohar Alon and Yariv Gilat shall be appointed to the Board.

(b) the existing members of the Board, other than the Founder, shall resign from their office as board members.

5.11. Opinion of Counsel. Counsel to the Company shall have delivered an opinion to the Investors regarding the legal standing of the Company and valid authorization and execution by the Company of this Agreement, in form and substance satisfactory to the Investors.

5.12. Signatory Rights. The Board shall approve signatory rights in the Company and the Subsidiary in the form reasonably acceptable to the Investors' Representative.

5.13. Closing Date. The Closing Date of this Agreement shall not be later than March 31, 2015, unless otherwise agreed by the Investors holding the majority of the Purchased Shares purchased under this Agreement. In the event that no Closing has occurred on or prior to said date, then this Agreement shall not be in effect, including without limitation obligation by Investors to pay the Purchase Price or any part thereof and the obligation of the Company to issue shares under this Agreement.

5.14. Creation of an Option Pool. The Board shall approve creation of an option pool for future grants of options to employees, officers, consultants and service providers which will consist of shares of Common Stock reserved for issuance under the Company's New Plan and constituting, immediately following the Closing such percentage as set forth in the capitalization table of the Company attached hereto based on the amount actually invested hereunder (the "**New Pool**"). At or immediately following the Closing, the Company shall issue shares or award options to purchase shares of the Company's share capital, out of of the New Pool to the Founder and existing employees of the Company pursuant to **Schedule 5.14**.

5.15. Termination of Existing Options and Option Plan. The Company shall cancel the existing options previously issued by the Company and employee stock option plan of the Company.

5.16. Agreements with Existing Stockholders. All existing agreements between the Company and the existing holders of Preferred Stock of the Company listed in **Schedule 5.16** shall be cancelled and shall not have any additional effect.

5.17. Conversion of Existing Preferred and Common Stock. All existing Preferred and Common Stock of the Company shall be converted prior to the Closing into shares of Non-Voting Common Stock of the Company.

5.18. Conversion of Existing Convertible Notes. All outstanding convertible notes issued by the Company shall be satisfied and released prior to the Closing and subject to the Plan of Distribution, as set forth in the Amended Certificate.

5.19. Cancellation of the Existing Warrants. Each of the outstanding warrants of the Company listed in **Schedule 5.21** shall be exercised or cancelled.

5.20. Amendment to the Credit Line Agreement. Comerica Bank ("**Comerica**") and the Company shall execute an amendment to the Credit Line Agreement in the form attached hereto as **Schedule 5.22** (the "**Credit Line Agreement**").

5.21. Amendment to Employment Agreement with Founder. The employment agreement of the Founder shall be amended in the form acceptable to the Representative and attached hereto as **Schedule 5.21**.

5.22. Director & Officer Liability Insurance. The Company shall have director and officer liability insurance reasonably satisfactory to the Investors' Representative, with coverage amount of no less than US$ 5,000,000.

5.23. Issuance of Common Stock to Investors' Representative and Directors. The Company shall approve the issuance to (a) Ram Vromen shares of Common Stock of the Company constituting as of the Closing 8% (assuming an investment of $2,500,000) of the Share Capital of the Company (on a fully diluted basis) and (b) to the directors of the Company representing the Investors (except for the Investors' Representative) options to purchase shares of Common Stock of the Company constituting as of the Closing 2% (assuming an investment of $2,500,000) of the Share Capital of the Company (on a fully diluted basis). Such shares and options shall be issued under the New Plan under the capital gain route as stipulated in the Israeli appendix. The issuance shall enter into effect 60 days following the submission of the New Plan to the Israeli Tax Authorities.

5.24. Removal of Liens. The Company shall remove the liens listed in **Section 5.24**.

5.25. Founder's Repurchase Agreement. The Company and the Founder shall execute a repurchase agreement in the form attached hereto as **Schedule 5.28**.

5.26. 2013 Audited Financial Statements. The Investors shall receive the audited consolidated financial statements of the Company as of December 31, 2013.

5.27. Absence of Adverse Changes. From the date hereof until the Closing, there will have been no undisclosed Material Adverse Effect or any undisclosed fact or occurrence, in the reasonable determination of the Investors' Representative, including in respect of a material change to the 2013 FS.

6. Conditions of Closing of the Company. The Company's obligation to sell and issue the Purchased Shares at the Closing is subject to the fulfillment of the following conditions:

6.1. Representations. The representations and warranties made by the Investors in Section 4 hereof shall be true and correct as of the Closing Date.

6.2. Covenants. All covenants, agreements and conditions contained in the Transaction Agreements to be performed by the Investors on or prior to the Closing Date shall have been performed or complied with in all material respects.

6.3. Stockholders' Agreement. The Investors shall have executed and delivered the Stockholders' Agreement.

6.4. Payment of the Consideration. All Investors have paid the Consideration (as listed opposite to Investor's name on **Exhibit A**).

7. **Company's Covenants**. Without limiting any other covenants and provisions hereof, the Company covenants and agrees that it will observe each of the following covenants. Any of the following covenants may be waived by the written consent of all Investors.

7.1. Expenses. At the Closing, the Company shall reimburse counsel to the Investors in an aggregate amount of up to twenty thousand US Dollars ($20,000) plus Value Added Tax. In addition, the Company shall reimburse Company's counsel in an aggregate amount of up to twenty thousand US Dollars ($20,000).

7.2. Use of Proceeds. The Company shall use the proceeds received from the Investors, as determined in the interim budget attached hereto as **Schedule 7.2**.

7.3. Approval by the Israeli Office of Chief Scientist. Within 90 days from Closing, the Company shall provide notice to the OCS for the transactions made herein.

8. **Liability.**

8.1. Reliance on Representations. The Investors shall have the right to rely fully upon all representations, warranties and covenants of the Company contained in this Agreement subject to this Section 8.

8.2. Indemnification by the Company. The Company shall indemnify the Investors (including their directors, officers, employees and agents) against, and hold the Investors harmless from all claims, actions, suits, deficiencies, judgments, settlements, damages, expenses, losses, costs, liabilities, and/or other expenses resulting from, or arising out of, or in connection with, a breach or misrepresentations of any Company's representations, warranties or covenants made in this Agreement, and all actions, suits, proceedings, judgments, costs and legal or other expenses incident to any of the foregoing or the enforcement of the provisions hereof.

8.3. Procedure for Claims. Any claim, in respect of which the Investor(s) proposes to demand indemnification by the Company under this Article 8, must be asserted by written notice given by the Investor to the Company and, which notice shall set forth in reasonable detail the basis for the claim and a reasonable, good faith estimate of such claim (each a "**Claim Notice**"). The Company shall have a period of twenty one (21) days from the date of receipt of the Claim Notice (the "**Claim Notice Period**") within which to respond to a Claim Notice.

8.4. Duty to Mitigate. The Investors hereby agree to make best efforts to mitigate any losses, claims, costs, expenses or liabilities that form the basis of any claim for indemnification under this Article 8.

8.5. Survival of Representations. All representations, warranties and agreements made by any party in this Agreement or pursuant hereto shall survive the Closing for a period of 30 months following the Closing, other than for a claim based on intentional, fraudulent or willful misrepresentation, in which case such representations shall survive for the applicable limitation period provided under the applicable law. The representations and warranties set forth in Section 3 are cumulative.

8.6. Good Faith Efforts to Settle Disputes. The Parties agree that, prior to commencing any litigation against the other concerning any matter with respect to which such party intends to claim a right of indemnification in such proceeding, representatives of such parties shall meet in a timely manner and attempt in good faith to negotiate a settlement of such dispute during which time such officers shall disclose to the others all relevant information relating to such dispute.

8.7. Equitable Relief. Notwithstanding the foregoing, each Party hereto shall be entitled to seek (a) any available remedy of law or equity (including rescission or restitution) with respect to fraud committed by the other party hereto, (b) injunctive relief to enjoin the intentional breach of any provision of this Agreement, and (c) the equitable remedy of specific performance in connection with this Agreement.

8.8. Duty to Mitigate. The Investors hereby agree to make efforts to mitigate any losses, claims, costs, expenses or liabilities that form the basis of any claim against the Company in respect of this Agreement or the Transaction Agreements.

8.9. Limitation on Liability. The Parties hereto hereby agree that each Party's liability in connection with any Agreement or Transaction Agreement for any indirect, consequential and special damages of any kind, under any theory of law or cause of action, is hereby excluded and waived by all other parties hereto. It is further agreed that the aggregate liability of the Company and any parties affiliated therewith in connection with the Agreement or any Transaction Agreement shall not exceed the Purchase Price plus an amount equal to eight percent (8%) interest compounded annually, in the aggregate, and no claim may be brought for an amount less than $100,000.

9. **Miscellaneous.**

9.1. Governing Law. This Agreement shall be governed by the laws of the laws of the State of Israel or Delaware excluding that body of law pertaining to conflict of law. Each of the parties hereby submits irrevocably to the exclusive jurisdiction of the competent courts located Tel Aviv, Israel.

9.2. Successors and Assigns. Except as otherwise provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors, and administrators of the parties hereto. The Company may not assign its rights and obligations hereunder without the prior written consent of the Investor's Representative.

9.3. Entire Agreement; Amendment. This Agreement and the other documents delivered pursuant hereto at the Closing constitute the full and entire understanding and agreement between the parties with regard to the subjects hereof and thereof. Except as expressly provided herein, neither this Agreement nor any term hereof may be amended, waived, discharged or terminated other than by a written instrument signed by the Company and the Investors holding the majority of the Purchased Shares purchased under this Agreement.

9.4. Notices. All notices and other communications required or permitted hereunder shall be in writing and shall be telecopied or mailed by registered or certified mail, postage prepaid, or otherwise delivered by hand or by messenger, addressed to such party's address as set forth in **Schedule 9.4** or at such other address as the parties shall have furnished to each other in writing in accordance with this provision. Any notice sent in accordance with this Section 10.4. shall be effective (i) if mailed, seven (7) business days after mailing, (ii) if sent by messenger, upon delivery, (iii) if sent via telecopier, upon transmission and electronic confirmation of receipt or (if transmitted and received on a non-business day) on the first business day following transmission and electronic confirmation of receipt (provided, however, that any notice of change of address shall only be valid upon receipt), and (iv) if sent by electronic mail, upon transmission.

9.5. Delays or Omissions. Except as expressly provided herein, no delay or omission to exercise any right, power or remedy accruing to any party to this Agreement upon any breach or default of any other party under this Agreement, shall impair any such right, power or remedy of such non-defaulting party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default therefore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law or otherwise afforded to any party to this Agreement, shall be cumulative and not alternative.

9.6. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be enforceable against the parties actually executing such counterparts, and all of which together shall constitute one instrument.

9.7. Severability. In the event that any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision; provided that no such severability shall be effective or binding on the parties if it materially changes the economic benefit of this Agreement to any party.

9.8. Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not considered in construing or interpreting this Agreement.

9.9. Confidentiality. Each party hereto agrees, in addition to any other existing confidentiality obligation, that it shall at all times keep confidential and not divulge or make accessible or use any nonpublic material information concerning or relating to the business or financial affairs of the other parties to the Transaction Agreements, to which such party has been or will become privy by reasons relating to the Transaction Agreements, to anyone, except (i) to its employees, consultants, directors, officers, potential investors and advisors in such capacity as required to perform its obligations hereunder, (ii) if required by law, (iii) its limited partners or investors, or (iv) with the prior written consent of the other Party.

[Remainder of page intentionally left blank]

[Company Signature Page]

IN WITNESS WHEREOF the parties have signed this Series A Preferred Stock Purchase Agreement as of the date first hereinabove set forth.

ACTELIS NETWORKING INC.

By: ______________________________
Name: Tuvia Barlev
Title: CHIEF EXECUTIVE OFFICER

[Investor Signature Page]

IN WITNESS WHEREOF the parties have signed this Series A Preferred Stock Purchase Agreement as of the date first hereinabove set forth.

INVESTOR:

NAME: RAM VROMEN

By: ______________________________

Full Address for Correspondence (including fax and email):

The above Investor has subscribed for the following amount under this Series A Preferred Stock Purchase Agreement:

US$ 50,000

Total Shares 3,821,440

Percentage of Total Voting Stock (at $2.5 million investment) 1.20%

Percentage of Total Voting Stock (at $3.0 million investment) 1.07%

[Investor Signature Page]

IN WITNESS WHEREOF the parties have signed this Series A Preferred Stock Purchase Agreement as of the date first hereinabove set forth.

INVESTOR:

NAME: ISARD DUNIETZ (OR HIS SUCCESSOR), AS TRUSTEE OF THE ISARD DUNIETZ 2006 TRUST, CREATED BY A DECLARATION OF TRUST DATED JULY 19,2006 AS IT MAY BE AMENDED OR RESTATED FROM TIME TO TIME THEREAFTER

By: ____________________

Signatory Name: Isard Dunietz

Title: Trustee

Full Address for Correspondence (including fax and email):

The above Investor has subscribed for the following amount under this Series A Preferred Stock Purchase Agreement:

US$ 400,000

Total Shares 30,571,517

Percentage of Total Voting Stock (at $2.5 million investment) 9.60%

Percentage of Total Voting Stock (at $3.0 million investment) 8.57%

[Investor Signature Page]

IN WITNESS WHEREOF the parties have signed this Series B Preferred Stock Purchase Agreement as of the date first hereinabove set forth.

INVESTOR:

NAME: ARIK STEINBERG

By: ____________________

Full Address for Correspondence (including fax and email):

The above Investor has subscribed for the following amount under this Series A Preferred Stock Purchase Agreement:

US$ 200,000

Total Shares 15,285,759

Percentage of Total Voting Stock (at $2.5 million investment) 4.80%

Percentage of Total Voting Stock (at $3.0 million investment) 4.29%

[Investor Signature Page]

IN WITNESS WHEREOF the parties have signed this Series A Preferred Stock Purchase Agreement as of the date first hereinabove set forth.

INVESTOR:

NAME: ZEEV BREGMAN

By: ____________________

Full Address for Correspondence (including fax and email):

The above Investor has subscribed for the following amount under this Series A Preferred Stock Purchase Agreement:

US$ 100,000

Total Shares 7,642,879

Percentage of Total Voting Stock (at $2.5 million investment) 2.40%

Percentage of Total Voting Stock (at $3.0 million investment) 2.14%

[Investor Signature Page]

IN WITNESS WHEREOF the parties have signed this Series A Preferred Stock Purchase Agreement as of the date first hereinabove set forth.

INVESTOR:

NAME: RAMI LIPMAN

By: ______________________________________

Full Address for Correspondence (including fax and email):

The above Investor has subscribed for the following amount under this Series A Preferred Stock Purchase Agreement:

US$ 250,000

Total Shares 19,107,198

Percentage of Total Voting Stock (at $2.5 million investment) 6.00%

Percentage of Total Voting Stock (at $3.0 million investment) 5.36%

[Investor Signature Page]

IN WITNESS WHEREOF the parties have signed this Series A Preferred Stock Purchase Agreement as of the date first hereinabove set forth.

INVESTOR:

NAME: YEMINI ASSET MANAGEMENT LLC

By: ______________________________________

Signatory Name: __________________________

Title: __________________________

Full Address for Correspondence (including fax and email):

The above Investor has subscribed for the following amount under this Series A Preferred Stock Purchase Agreement:

US$ 200,00

Total Shares 15,290,520

Percentage of Total Voting Stock (at $2.5 million investment) 4.80%

Percentage of Total Voting Stock (at $3.0 million investment) 4.29%

[Investor Signature Page]

IN WITNESS WHEREOF the parties have signed this Series A Preferred Stock Purchase Agreement as of the date first hereinabove set forth.

INVESTOR:

NAME: CARMEL VERNIA

By: ______________________________________

Full Address for Correspondence (including fax and email):

The above Investor has subscribed for the following amount under this Series A Preferred Stock Purchase Agreement:

US$ 100,00

Total Shares 7,642,879

Percentage of Total Voting Stock (at $2.5 million investment) 2.40%

Percentage of Total Voting Stock (at $3.0 million investment) 2.14%

[Investor Signature Page]

IN WITNESS WHEREOF the parties have signed this Series A Preferred Stock Purchase Agreement as of the date first hereinabove set forth.

INVESTOR:

NAME: PLADIN LTD.

By: ______________________________

Signatory Name: ______________________

Title: ______________________

Full Address for Correspondence (including fax and email):

The above Investor has subscribed for the following amount under this Series A Preferred Stock Purchase Agreement:

US$ 50,000

Total Shares 3,821,440

Percentage of Total Voting Stock (at $2.5 million investment) 1.20%

Percentage of Total Voting Stock (at $3.0 million investment) 1.07%

[Investor Signature Page]

IN WITNESS WHEREOF the parties have signed this Series A Preferred Stock Purchase Agreement as of the date first hereinabove set forth.

INVESTOR:

NAME: BAUHINIA INVESTMENTS LTD.

By: ______________________________

Signatory Name: ______________________

Title: ______________________

Full Address for Correspondence (including fax and email):

The above Investor has subscribed for the following amount under this Series A Preferred Stock Purchase Agreement:

US$ 145,000

Total Shares 11,085,626

Percentage of Total Voting Stock (at $3,0 million investment) 3.09%

[Investor Signature Page]

IN WITNESS WHEREOF the parties have signed this Series A Preferred Stock Purchase Agreement as of the date first hereinabove set forth.

INVESTOR:

NAME: REINISCH INVESTMENTS & HOLDINGS LTD.

By: ______________________________

Signatory Name: ______________________

Title: ______________________

Full Address for Correspondence (including fax and email):

The above Investor has subscribed for the following amount under this Series A Preferred Stock Purchase Agreement:

US$ 50,000

Total Shares 3,821,440

Percentage of Total Voting Stock (at $2.5 million investment) 1.20%

Percentage of Total Voting Stock (at $3.0 million investment) 1.07%

[Investor Signature Page]

IN WITNESS WHEREOF the parties have signed this Series A Preferred Stock Purchase Agreement as of the date first hereinabove set forth.

INVESTOR:

NAME: YARVI GILAT

By: ______________________________

Full Address for Correspondence (including fax and email):

The above Investor has subscribed for the following amount under this Series A Preferred Stock Purchase Agreement:

US$ 500,000

Total Shares 38,214,396

Percentage of Total Voting Stock (at $2.5 million investment) 12.0%

Percentage of Total Voting Stock (at $3.0 million investment) 10.72%

[Investor Signature Page]

IN WITNESS WHEREOF the parties have signed this Series A Preferred Stock Purchase Agreement as of the date first hereinabove set forth.

INVESTOR:

NAME: THE NIV FAMILY TRUST- JANUARY 18, 2002

By: ______________________________

Signatory Name: ______________________________
Title: ______________________________

By: ______________________________

Noga Niv
Trustee

Full Address for Correspondence (including fax and email):

The above Investor has subscribed for the following amount under this Series A Preferred Stock Purchase Agreement:

US$ 100,000

Total Shares 7,642,879

Percentage of Total Voting Stock (at $2.5 million investment) 2.40%

Percentage of Total Voting Stock (at $3.0 million investment) 2.14%

[Investor Signature Page]

IN WITNESS WHEREOF the parties have signed this Series A Preferred Stock Purchase Agreement as of the date first hereinabove set forth.

INVESTOR:

NAME: GIGI LEVY-WEISS

By: ______________________________

Full Address for Correspondence (including fax and email):

The above Investor has subscribed for the following amount under this Series A Preferred Stock Purchase Agreement:

US$ 25,000

Total Shares 1,910,720

Percentage of Total Voting Stock (at $2.5 million investment) 0.60%

Percentage of Total Voting Stock (at $3.0 million investment) 0.54%

[Investor Signature Page]

IN WITNESS WHEREOF the parties have signed this Series A Preferred Stock Purchase Agreement as of the date first hereinabove set forth.

INVESTOR:

NAME: KEDMA CAPITAL S.H.E. LTD.

By: ______________________

Signatory Name: ______________________

Title: ______________________

Full Address for Correspondence (including fax and email):

The above Investor has subscribed for the following amount under this Series A Preferred Stock Purchase Agreement:

US$ 75,000

Total Shares 5,732,159

Percentage of Total Voting Stock (at $2.5 million investment) 1.80%

Percentage of Total Voting Stock (at $3.0 million investment) 1.61%

[Investor Signature Page]

IN WITNESS WHEREOF the parties have signed this Series A Preferred Stock Purchase Agreement as of the date first hereinabove set forth.

INVESTOR:

NAME: THE NIV FAMILY TRUST- JANUARY 18, 2002

By: ______________________
Joseph Perl

By: ______________________
Judith Perl

Full Address for Correspondence (including fax and email):

The above Investor has subscribed for the following amount under this Series A Preferred Stock Purchase Agreement:

US$ 100,000

Total Shares 7,645,260

Percentage of Total Voting Stock (at $2.5 million investment) 2.40%

Percentage of Total Voting Stock (at $3.0 million investment) 2.14%

[Investor Signature Page]

IN WITNESS WHEREOF the parties have signed this Series A Preferred Stock Purchase Agreement as of the date first hereinabove set forth.

INVESTOR:

NAME: ALAN BARKAT

By: ______________________

Signatory Name: ______________________

Title: ______________________

Full Address for Correspondence (including fax and email):

The above Investor has subscribed for the following amount under this Series A Preferred Stock Purchase Agreement:

US$ 75,000

Total Shares 5,732,159

Percentage of Total Voting Stock (at $2.5 million investment) 1.80%

Percentage of Total Voting Stock (at $3.0 million investment) 1.61%

[Investor Signature Page]

IN WITNESS WHEREOF the parties have signed this Series A Preferred Stock Purchase Agreement as of the date first hereinabove set forth.

INVESTOR:

NAME: THE SCHWARTZ FAMILY TRUST

By: Hagi Schwartz

Full Address for Correspondence (including fax and email):

The above Investor has subscribed for the following amount under this Series A Preferred Stock Purchase Agreement:

US$ 50,000

Total Shares 3,822,630

Percentage of Total Voting Stock (at $2.5 million investment) 1.20%

Percentage of Total Voting Stock (at $3.0 million investment) 1.07%

[Investor Signature Page]

IN WITNESS WHEREOF the parties have signed this Series A Preferred Stock Purchase Agreement as of the date first hereinabove set forth.

INVESTOR:

NAME:

By: ______________________

Signatory Name: HATCH GRAHAM

Title: Managing Director

Full Address for Correspondence (including fax and email):

US$: 500,000

To be filled in by Company

Number of Shares of Series B Preferred Stock __________________ (the "**Purchase Shares**")

Percentage at Closing of Voting Share Capital of Purchased Shares on a Fully Diluted Basis.

[Investor Signature Page]

IN WITNESS WHEREOF the parties have signed this Series A Preferred Stock Purchase Agreement as of the date first hereinabove set forth.

INVESTOR:

NAME: THE ROAD GROUP VENTURE DEVELOPMENT COMPANY, LLC

By: ______________________________

Signatory Name: Daniel H. Miller

Title: Managing Director

Full Address for Correspondence (including fax and email):

US$: 30,000

To be filled in by Company

Number of Shares of Series B Preferred Stock __________________ (the "**Purchase Shares**")

Percentage at Closing of Voting Share Capital of Purchased Shares on a Fully Diluted Basis.

Exhibit A

Name of Investor		Investment Amount	Number of Purchased Shares Purchased at Closing
ATA Affiliates Fund I, L.P.	$	9,037.50	690,940
ATA Affiliates Fund II, L.P.	$	3,595.00	274,847
ATA Investment Fund I, L.P.	$	2,272.51	173,739
ATA Investment Fund II, L.P.	$	712.51	54,473
ATA Ventures I, L.P.	$	238,690	18,248,470
ATA Ventures II, L.P.	$	245,692.50	18,783,830
Yariv Gilat	$	500,000	38,226,299
Isard Dunietz (or his successor), as Trustee of the Isard Dunietz 2006 Trust, created by a Declaration of Trust dated July 19, 2006 as it may be amended or restated from time to time thereafter	$	400,000	30,581,039
Rami Lipman	$	250,000	19,113,149
Arik Steinberg	$	200,000	15,290,519
Yemini Asset Management LLC	$	200,000	15,290,519
Joseph Perl and Judith Perl	$	100,000	7,645,259
Zeev Bregman	$	100,000	7,645,259
Carmel Vernia	$	100,000	7,645,259
Bauhinia Investments Ltd.	$	145,000	11,085,626
The Niv Family Trust - January 18, 2002	$	100,000	7,645,259
Alan Barkat	$	75,000	5,733,944
Kedma Capital S.H.E. Ltd.	$	75,000	5,733,944
Ram Vromen	$	50,000	3,822,629
Reinisch Investments & Holdings Ltd.	$	50,000	3,822,629
Paladin Ltd.	$	50,000	3,822,629
The Schwartz Family Trust	$	50,000	3,822,629
The Roda Group Venture Development Company, LLC	$	30,000	2,293,577
Gigi Levy-Weiss	$	25,000	1,911,314

Addresses:

Name of Investor	Address	Copy
		Zemah Schneider & Partners, Advocates. 2 Raul Wallenberg St. Tel Aviv 69719, Israel Attn: Adv. Mimi Zemah

ACTELIS NETWORKS INC.

SERIES B PREFERRED STOCK PURCHASE AGREEMENT

THIS SERIES B PREFERRED STOCK PURCHASE AGREEMENT (the "**Agreement**") is made as of February 2, 2016 by and between Actelis Networks Inc., a Delaware corporation (the "**Company**") and the investors (including certain existing stockholders of the Company) listed on**Exhibit A** hereto (the "**Investors**"). The Company and the Investors are referred to, collectively herein as the "**Parties**" and separately as a "**Party**".

BACKGROUND

WHEREAS, the Board of Directors of the Company (the "**Board**") has determined that it is in the best interests of the Company to raise capital or up to US3,000,000 by means of the issuance of newly authorized Series B Convertible Preferred Stock of the Company, par value US$0.000001 ("**Preferred B Shares**") ; and

WHEREAS, each of the Investors desires to purchase, and the Company desires to issue and sell, such number of Preferred B Shares as set forth opposite to each such Investor's name in **Exhibit A**, under the terms and conditions of this Agreement; and

NOW THEREFORE, in consideration of the premises and the mutual promises herein made, and in consideration of the representations, warranties, and covenants herein contained, and intending to be legally bound hereby, the Parties agree as follows:

1. Sale and Purchase of the Preferred B Shares.

1.1. Authorization. The Company will, prior to the Closing (as defined below), authorize the sale and issuance of the Purchased Shares (as defined below), having the rights, privileges and preferences as set forth in the Company's Amended Certificate of Incorporation (the " **Amended Certificate**") in the form attached hereto as **Schedule 1.1**.

1.2. Sale of Shares. Subject to the terms and conditions of this Agreement, at the Closing the Company shall issue and allot to the Investors, and the Investors shall purchase from the Company, an aggregate number of up to 138,121,537 Preferred B Shares, according to the allocation set forth in **Exhibit A** (the "**Purchased Shares**"), at an aggregate purchase price for the Preferred B Shares not to exceed US$ 3,000,000 (the "**Purchase Price**") at a price per share equal to US$0.02172 (the "**PPS**") reflecting a pre-money valuation of the Company (on a fully-diluted basis excluding any and all shares of Non-Voting Common Stock of the Company of US$8,000,000 and constituting immediately after the Closing (assuming the maximum Purchase Price was paid) 27.27% of the Company's capital Stock, on an as converted and fully diluted basis. The capitalization table of the Company pre-Closing and post-Closing (on a fully diluted basis) is attached hereto as **Schedule 1.2** (the "**Capitalization Table**").

1.3. Payment of Purchase Price. The Purchase Price shall be transferred to the Company on the Closing (as defined below) by all Investors in accordance with their portion of the Investment.

2. Closing and Subsequent Closings.

Subject to the satisfaction of the closing conditions and deliveries set forth in Sections 2.1, 2.2 and 5 hereof, the purchase and sale of the Purchased Shares hereunder, shall take place at the offices of Pearl Cohen Zedek Latzer Baratz, LLP, or at such other location, date and time as may be agreed upon between the Parties (the "**Closing**" and the "**Closing Date**").

At the Closing, the following transactions shall occur, which transactions shall be deemed to take place simultaneously and no transaction shall be deemed to have been completed or any document delivered until all such transactions have been completed and all required documents delivered.

2.1. Investors' Actions at the Closing. At the Closing, the Investors shall deliver, or cause to be delivered, to the Company

2.1.1. the respective Consideration (as listed opposite to each Investor's name on **Exhibit A**), by way of a bank transfer to the Company's bank account designated by the Company or by such other form of payment as mutually agreed by the Company and the Investors; and

2.1.2. A duly executed copy of the Amended and Restated Stockholders' Agreement, as further detailed in Section 5 below.

2.2. Company's Actions at Closing. At or prior to the Closing, the Company shall deliver, or cause to be delivered, to the Investors the following:

2.2.1. Validly executed stock certificates representing the Purchased Shares being purchased with the Consideration, registered in the name of the Investors in the form attached hereto as **Schedule 2.2.1**;

2.2.2. True and correct copies of resolutions of the Company's stockholders in the form attached hereto as **Schedule 2.2.2** which include, among others (i) approving that the capital stock of the Company shall have been amended; (ii) approving the execution, delivery and performance by the Company of the Transaction Agreements (as hereinafter defined), including without limitation, the performance of the Company's obligations hereunder and thereunder; (iii) adoption of the Amended Certificate as an amendment and restatement of the Certificate of Incorporation of the Company as in effect prior to the Closing; and (iv) a waiver by all non-participating stockholders of the Company of their pre-emptive rights and rights of first refusal, if any, with respect to the issuance of the Preferred B Shares, issuance of the Common Stock issuable upon conversion thereof and issuance of any other shares issued in connection with this Agreement; ;

2.2.3. True and correct copies of resolutions of the Board in the form attached hereto as **Schedule 2.2.3** (i) approving the Company's delivery, execution and performance of the Transaction Agreements and any ancillary agreements referred to herein and therein; (ii) authorizing the issuance and sale of the Purchased Shares to the Investors against payment of the Purchase Price; (iii) reserving a sufficient number of shares of Common Stock to be issued upon conversion of the Purchased Shares and authorizing the issuance of such shares of Common Stock upon such conversion; and (iv) recommending to the stockholders to approve the adoption of the Amended Certificate as an amendment and restatement of the Certificate of Incorporation of the Company as in effect prior to the Closing;

2.2.4. A duly executed copy of each of the agreements detailed in **Section 5** below.

2.2.5. A certificate of the Secretary of State of the State of Delaware with respect to the Company's legal existence and good standing and qualification to do business in the State of Delaware, dated as soon as possible close to the Closing and in no event earlier than the date hereof and three (3) business days prior to the date of the Closing.

2.3. Additional Closings. Following the Closing, at any time and from time to time during and up to a period of forty five (45) days following the Closing (the "**Additional Closing Period**"), the Company may, at one or more additional closings (each an "**Additional Closing**"), without obtaining the signature, consent or permission of any of the Investors in the Closing or any prior Additional Closing, offer and sell to other investors (the "**New Investors**"), up to the Purchase Price at a price per share equal to the PPS and on the same terms and conditions provided herein. The New Investors may include persons or entities who are already stockholders of the Company or Investors under this Agreement and each New Investor shall execute and deliver a signature page to this Agreement and the Transaction Documents to the Company, become a party to, and bound by, this Agreement and the Transaction Documents to the same extent as if the New Investor had been an Investor at the Closing and each such New Investor shall be deemed an Investor for the purposes of this Agreement as of the date of the Additional Closing. The Company, in its sole discretion, may shorten the Additional Closing Period.

3. Representations and Warranties of the Company.

As an inducement to the Investors to purchase the Purchased Shares, the Company hereby represents and warrants to the Investors, as of the Closing, as follows with respect to the Company, except as set forth in the Schedule of Exceptions ("**Schedule of Exceptions**") attached hereto as **Schedule 3** (which exceptions shall be deemed to be an integral part of the representations and warranties made hereunder; the Schedule of Exceptions shall be arranged in sections corresponding to the numbered and lettered sections and subsections contained in this Section 3). For purposes of these representations and warranties (other than those in Sections 3.1, 3.3 and 3.4), the term the "**Company**" shall include Actelis Networks Israel Ltd. (the "**Subsidiary**"), unless otherwise noted herein. For the purpose of this Agreement "best knowledge" means the knowledge of the senior officers of the Company after reasonable inquiry.

3.1. Organization and Standing. The Company is a private corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware and is duly licensed or qualified to transact business as a foreign corporation and is in good standing in each jurisdiction in which the failure to be qualified would have a material adverse effect on the business, assets, financial condition or results of operations of the Company or the Subsidiary (subsequently referred to as a "**Material Adverse Effect**"). The Company has requisite corporate power and authority to own and operate its properties and assets, and to carry on its business as presently conducted and as proposed to be conducted.

3.2. Corporate Power. The Company has all requisite legal and corporate power and authority (i) to execute and deliver this Agreement, the Amended and Restated Stockholders' Agreement and the other agreements, certificates or other instruments contemplated hereby or thereby, which are ancillary hereto or thereto (collectively, the "**Transaction Agreements**"), and to consummate the transactions contemplated hereby and thereby; (ii) to sell and issue the Preferred B Shares hereunder and to issue shares of Common Stock issuable upon conversion of the Preferred B Shares, and (iii) to carry out and perform its obligations under the Transaction Agreements. The Company is duly qualified to do business and is in good standing as a foreign corporation in all jurisdictions in which the nature of its activities and of its properties (both owned and leased) makes such qualification necessary, if at all, except for those jurisdictions in which failure to do so would not have a Material Adverse Effect on the Company or its business.

3.3. Subsidiaries.

3.3.1. Except for the Subsidiary, the Company has not owned or controlled and does not presently own any other subsidiaries, does not otherwise own or control, directly or indirectly, any equity interest in any corporation, association or business entity and is not and has not been a participant in any partnership or joint venture. The Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of Israel; has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted, and is duly qualified as a foreign corporation in all jurisdictions in which it is required to be so qualified except where the failure to be so qualified would not have a Material Adverse Effect on the business operations of the Subsidiary. The Subsidiary is wholly owned by the Company and no person has any right to participate in, or receive any payment based on any amount relating to, the revenue, income, value or net worth of the Subsidiary or any component or portion thereof, or any increase or decrease in any of the foregoing.

3.3.2. The Company is the sole legal and beneficial owner of the entire outstanding share capital of the Subsidiary and holds such share capital free and clear of all liens, claims, charges, encumbrances, restrictions, rights, options to purchase, proxies, voting trusts and other voting agreements, calls or commitments of every kind. No person other than the Company owns any other shares, options or other rights to subscribe for, purchase or acquire any share capital of the Subsidiary. All outstanding shares of the Subsidiary are duly and validly authorized and issued and fully paid, and were issued in compliance with all applicable securities laws, rules and regulations.

3.3.3. Except as set forth in **Schedule 3.3.3** of the Schedule of Exceptions, there are no liabilities of the Company or its Subsidiary, including but not limited to taxes, arising out of any prior transfer of property, of any sort, between the Company and its Subsidiary.

3.4. Capitalization.

3.4.1. The authorized capital stock of the Company immediately prior to the Closing consists of 138,121,537 shares of Series B Preferred Stock, $0.000001 par value, none of which are issued and outstanding immediately prior to the Closing and 229,357,781 shares of Series A Preferred Stock, $0.000001 par value, all of which are issued and outstanding immediately prior to the Closing and 506,428,470 shares of Voting Common Stock, $0.000001 par value, at least 93,517,911 of which are issued and outstanding immediately prior to the Closing and 128,973,558 shares of Non-Voting Common Stock, $0.000001 par value all of which are issued and outstanding immediately prior to the Closing. The Company has reserved 45,431,241 shares of Common Stock for the issuance to officers, directors, employee s and consultants of the Company pursuant to its 2015 Stock Incentive Plan, duly adopted by the Board of Directors and approved by the Company's stockholders (the "**Plan**"). Of such reserved shares of Common Stock, options to purchase 9,674,934 shares have been granted and currently outstanding and 35,756,307 shares of Common Stock remain available for issuance to officers, directors, employees and consultants pursuant to the Plan. The outstanding shares of the Company have been duly authorized and validly issued in compliance with all applicable laws. The Purchased Shares, when issued and sold in accordance with this Agreement, and the shares of Common Stock issued upon conversion of the Purchased Shares, (i) will be duly authorized, validly issued, and free of any preemptive rights; (ii) will have the rights, preferences, privileges and restrictions set forth in the Amended Certificate and the Transaction Agreements; (iii) will be free and clear of any liens, claims, encumbrances or third party rights of any kind (except as specified in the Transaction Agreements and in the Amended Certificate) and (iv) duly registered in the name of the Investors in the Company's stockholders register. The shares of Common Stock the shares of Series A Convertible Preferred Stock and the Preferred B Shares have the rights, preferences, privileges and restrictions set forth in the Amended Certificate and the Amended and Restated Stockholders' Agreement.

3.4.2. It is hereby acknowledged, confirmed and agreed that the Company has 128,973,558 issued and outstanding shares of Non-Voting Common Stock, $0.000001 par value per share, which have certain distribution rights pursuant to that certain Plan of Distribution annexed as Annex I to the Amended Certificate, as may be amended and/or restated from time to time and filed with the Secretary of State of the State of Delaware.

3.4.3. Since its date of incorporation, there has been no declaration or payment by the Company of dividends, or any distribution of any assets of any kind to any of its stockholders in redemption of or as the purchase price for any of the Company's securities.

3.4.4. A complete and correct list of the stockholders of the Company, on a fully diluted basis immediately prior to the Closing, and post the Closing is set forth in the Capitalization Table. The Capitalization Table sets forth the number and class of shares held by each stockholder of the Company, and the total number of reserved and granted options, warrants, and all other rights to subscribe for, purchase or acquire from the Company any capital stock of the Company following the Closing.

3.5. Authorization. All corporate action on the part of the Company necessary for the authorization, execution, delivery and performance of the Transaction Agreements, the authorization, reservation, sale, issuance and delivery of the Purchased Shares, the shares of Common Stock issuable upon conversion of the Purchased Shares and the performance of all of the Company's obligations under the Transaction Agreements have been taken or will be taken prior to the Closing. The Transaction Agreements, when executed and delivered by the Company, shall constitute valid and binding obligations of the Company, enforceable in accordance with their terms, subject to laws of general application relating to bankruptcy, insolvency and the relief of debtors and rules of law governing specific performance, injunctive relief or other equitable remedies. The Purchased Shares, when issued in compliance with the provisions of this Agreement, will be validly issued, fully paid and non-assessable, and will have the rights, preferences and privileges described in the Amended Certificate; the shares of Common Stock issuable upon conversion of the Purchased Shares have been duly and validly reserved and, when issued in compliance with the provisions of this Agreement and the Amended Certificate, will be validly issued, fully paid and non-assessable. The Purchased Shares and the shares of Common Stock issued upon conversion of the Purchased Shares will be, upon their issuance, free and clear of any liens or encumbrances or other rights of third parties (including but not limited to, rights for preemptive and anti dilution protection), other than any liens or encumbrances created by or imposed upon the Investors. Except as set forth in the Amended and Restated Stockholders' Agreement and the Amended Certificate, the Purchased Shares are not and the shares of Common Stock issuable upon conversion of the Purchased Shares will not be subject to any preemptive rights, rights of first refusal or other restrictions of transferability.

3.6. Registration Rights. Except as set forth in the Amended and Restated Stockholders' Agreement, the Company is not under any contractual obligation to register any of its presently outstanding securities or any of its securities that may hereafter be issued.

3.7. Governmental Consent. No consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any federal, state or local governmental authority on the part of the Company or the Subsidiary is required in connection with the consummation of the transactions contemplated by this Agreement, except for (i) the filing of the Amended Certificate with the Secretary of State of Delaware, (ii) the filing pursuant to Regulation D, promulgated by the Commission under the Securities Act and (iii) the filings required by applicable state "blue sky" securities laws, rules and regulations.

3.8. Government Incentives. The Company has obtained grants from the Office of the Chief Scientist in Israel ("**OCS**"), and the material terms of such grants are listed in in the approvals granted by the OCS which were provided to the Investors (the "**Approved Grants**"). Except for the Approved Grants, the Company has not received and, there is no active application for, any grants, incentives, benefits (including tax benefits), financial support, or subsidies from any Israeli or foreign governmental or regulatory authority or any agency thereof, including without limitation the Investment Center and the OCS. The Approved Grants do not impose any limitations on the Company Intellectual Property, on the Company's products, or on the sale of the shares of the Company or any of the Company's property and assets. To the Company's knowledge, the Company is (as far as it is in its power) in compliance, in all material respects, with all the terms and provisions of all Approved Grants and applicable laws and regulations and has duly fulfilled, in all respects, all the undertakings relating thereto, including any regulations, directives, procedures and rules that have been promulgated thereunder and/or by virtue thereof, including the Company's obligation to file certain reports and to pay expenses and royalties. The Company is not aware of any existing event or other set of circumstances that will cause the revocation or material and adverse modification of the Approved Grants (including the entry into or completion of this Agreement).

3.9. No Third Party Consents. The execution and delivery of this Agreement does not, and the consummation of the transactions contemplated hereby will not, require any consent, approval, order or authorization of any individual, corporation, partnership, joint venture, trust, business association or other entity that has not been, or will not have been obtained by the Company prior to the Closing.

3.10. Compliance with Laws. The Company has obtained and to its best knowledge, maintains in good standing, all of its licenses, permits, consents and authorizations required to be obtained by it or them under all applicable laws and regulations, except for those which, individually or in the aggregate, would reasonably not have a Material Adverse Effect on the assets, condition, affairs or prospects of the Company, financially or otherwise (collectively, "**Laws**"), and all such licenses, permits, consents and authorizations remain in full force and effect. To the Company's best knowledge, the Company is in compliance with such Laws, and there is no pending or to the Company's knowledge, threatened, action or proceeding against the Company under any of such Laws.

3.11. Intellectual Property and Other Intangible Assets.

3.11.1. The Company owns all rights, title and interest free of any and all claims or liens the items of Intellectual Property specified in **<u>Section 3.11</u>** of the Schedule of Exceptions and has obtained the right to use the items of Intellectual Property (as defined below) specified in **<u>Section 3.11</u>** of the Schedule of Exceptions, in respect of which the Company has applied for patent protection (the "**Company's Intellectual Property**") which Company Intellectual Property and the use thereof, to the Company's knowledge, does not infringe upon the rights of others or any other Intellectual Property. The Company's Intellectual Property is free and clear of all liens, claims and restrictions. The Company's Intellectual Property is, to the Company's best knowledge, sufficient for the conduct of the Company's business as now conducted and constitutes the principal technology for the Company's business as proposed to be conducted, it being acknowledged that the Company's Intellectual Property requires substantial additional development**.** Other than the Company's Intellectual Property and as described in **<u>Section 3.11(a)</u>** of the Schedule of Exceptions, there is no Intellectual Property), which is used by the Company. To the Company's best knowledge, neither the Company's Intellectual Property nor any product or service marketed or sold (or proposed to be marketed or sold) by the Company infringes upon or violates any right or claim of others, including without limitation Tuvia Barlev (the "**Founder**"), past and present employees of the Company and the Subsidiary and employers of the Founder or the Company's and Subsidiary's past and present employees**.** To the Company's best knowledge (and excluding royalties due to the OCS), neither the Company, the Founder nor the Subsidiary is obligated or under any liability whatsoever to make any payments by way of royalties, fees or otherwise to any owner or licensee of, or other claimant to, any Company's Intellectual Property, with respect to the use thereof or in connection with the conduct of the Company's business as now conducted or as proposed to be conducted or otherwise, other than payments in the ordinary course of business under licenses or agreements arising from the purchase of "off the shelf" or standard products, in respect of which the Company and the Subsidiary are not in default. The Company has obtained and possesses valid licenses to use all of the software programs present on the computers and other software-enabled electronic devices that it owns or leases or that it has otherwise provided to its employees for their use in connection with the Company's business. Except as set forth on **<u>Section 3.11(a)</u>** of the Schedule of Exceptions, the Company represents and warrants that it has not incorporated any Public Software, in whole or in part, into the Company Intellectual Property or used or accessed any Public Software, in whole or in part, as part of or in the operation of the Company Intellectual Property.

3.11.2. (i) all inventions (whether patentable or unpatentable and whether or not reduced to practice), all improvements thereto, and all patents, patent rights, patent applications, and patent disclosures thereof, together with all reissuances, divisional, continuations, continuations-in-part, revisions, extensions, and reexaminations thereof in any jurisdiction; (ii) all trademarks, service marks, trade dress, logos, trade names, product names, domain names and other indications of origin, including all goodwill associated therewith, and all applications, registrations, and renewals in connection therewith in any jurisdiction; (iii) all copyrightable works, all copyrights and works of authorship (whether copyrightable or not), and all applications, registrations, and renewals in connection therewith in any jurisdiction; (iv) all mask works and all applications, registrations, and renewals in connection therewith in any jurisdiction; (v) all trade secrets and confidential business information (including ideas, research and development, know-how, formulas, compositions, manufacturing and production processes and techniques, technical data, designs, drawings, specifications, customer and supplier lists, pricing and cost information, and business and marketing plans and proposals, secret processes and procedures, engineering, production, assembly, design, installation, other technical drawings and specifications, working notes and memos, market studies, consultants' reports, technical and laboratory data, competitive samples, engineering prototypes, and all similar property of any nature, tangible or intangible); and (vi) all other proprietary rights (collectively herein "**Intellectual Property**") of any kind which has been developed is currently being developed by the Founder or any employee of the Company during the course of his employment by the Company is and shall be the property solely of the Company. Any and all Intellectual Property which has been developed, is currently being developed by the past and present employees of the Company and the Subsidiary during the course of their employment by the Company or the Subsidiary is the sole property of the Company. The Company has taken measures to protect the secrecy, confidentiality and value of all the Company's Intellectual Property, which measures are reasonable and customary in the industry in which the Company operates. The Founder and each of the Company's and Subsidiary's existing and to its knowledge (following inquiry by the Company), former employees and all professional consultants have entered into written agreements with the Company or Subsidiary (as applicable) assigning to the Company or Subsidiary all rights in Intellectual Property developed in the course of their employment by the Company or Subsidiary, in the form acceptable to the Company. Except for the Founder and the employees of the Company, and consultants which have entered into agreements with the Company containing intellectual property assignment provisions, no other person or entity has been involved to date in the funding, development, invention, discovery, deriving, programming or design of the Company's Intellectual Property.

3.11.3. The Company has not received any communications alleging that the Company, the Founder or the Subsidiary have violated or by conducting the Company's business as proposed, would violate, any of the rights of any other person or entity, including rights in any Intellectual Property. Neither the Founder nor any of the Company or the Subsidiary's employees is obligated under any contract (including licenses, covenants or commitments of any nature) or other agreement, or subject to any judgment, decree or order of any court or administrative agency, that would interfere with the use of the Founder's or such employee's ability to promote the interests of the Company or the Subsidiary, as the case may be, or that would conflict with the Company's or the Subsidiary's business as conducted and as proposed to be conducted. Neither the execution nor delivery of the Agreement, nor the carrying on of the Company's or the Subsidiary's business by the employees of the Company or the Subsidiary, as the case may be, nor the conduct of the Company's or the Subsidiary's business as proposed to be conducted, will conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under, any contract, covenant or instrument under which the Founder or any of such employees is now obligated. It is not, and will not become, necessary to utilize any inventions of the Founder or the Company's or Subsidiary's employees (or people the Company or the Subsidiary currently intend to hire) made prior to their employment by the Company or the Subsidiary, as the case may be, other than those that have been assigned to the Company pursuant to the Proprietary Information and Non- Competition Agreement signed by such Founder or employee.

3.12. <u>Litigation</u>. Except as set forth in **<u>Section 3.12</u>** of the Schedule of Exceptions, there is no (i) action, suit, claim, proceeding or investigation pending or, to the Company's knowledge, threatened against or affecting the Company, at law or in equity, before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, (ii) arbitration proceeding relating to the Company pending under collective bargaining agreements or otherwise or (iii) governmental inquiry pending or, to the Company's knowledge, threatened against or affecting the Company (including without limitation any inquiry as to the qualification of the Company to hold or receive any license or permit) the Founder or any of their officers, directors, or employees (in their capacity as such). The foregoing includes, without limitation, any action, suit, proceeding, or investigation pending or currently threatened involving the prior employment of any of the employees, their use in connection with the Company's business of any information or techniques allegedly proprietary to any of their former employers, their obligations under any agreements with prior employers, or negotiations by the Company with potential backers of, or investors in, the Company proposed business. The Company is not subject to any order, writ, injunction or decree known to or served upon the Company of any court or of any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign. To the Company's knowledge, there is no action, suit, proceeding or investigation pending or threatened against any of the officers, directors or employees of the Company relating to their activities in connection with the business of the Company. There is no action or suit by the Company pending, threatened or contemplated against others.

3.13. <u>Insurance</u>. The Company has in full force and effect the insurance policies as set forth in **<u>Section 3.13</u>** of the Schedule of Exceptions. To the Company's best knowledge, the Company is in compliance with all the conditions and demands set forth in the insurance policies. The Company represents and warrants that no insurer has denied a request to provide insurance policies to the Company.

3.14. <u>Employees</u>.

3.14.1. **Section 3.14** of the Schedule of Exceptions sets forth a list of (a) all salaried employees of the Company, together with each such employee's position, date of employment, salary, and any other compensation payable to such employee (including, without limitation, compensation payable pursuant to bonus, deferred compensation or commission arrangements), and (b) each contract, commitment, arrangement, whether oral or written, relating to the employment of, or the performance of services by, any employee, consultant, or independent contractor including all benefits payable or which the Company is bound to provide (whether now or in the future) to each officer, employee and consultant of the Company and the foregoing are true and complete.

3.14.2. Except as set forth in **Section 3.14** of the Schedule of Exceptions, neither the Company nor the Subsidiary has any employment contract with any officer or employee or any other consultant or person who is not terminable by it at will without liability, upon thirty (30) days prior notice. Except as set forth in **Section 3.14** of the Schedule of Exceptions, as of the date hereof, neither the Company nor the Subsidiary have any deferred compensation or stock option covering any of their officers or employees. The Company has not made any representations regarding equity incentives to any officer, employees, director or consultant that are inconsistent with the share amounts and terms set forth in the Company's board minutes. Except as set forth in Section 3.14 of the Schedule of Exceptions, the Company and the Subsidiary have complied with all applicable employment laws, policies, procedures and agreements relating to employment, terms and conditions of employment and to the proper withholding and remission to the proper tax and other authorities of all sums required to be withheld from employees or persons deemed to be employees under applicable laws respecting such withholding, except where the failure to so comply would not be expected to have a Material Adverse Effect. Except as set forth in Section 3.14 of the Schedule of Exceptions, the Company and the Subsidiary have paid in full to all of their respective employees, wages, salaries, commissions, bonuses, benefits and other compensation due and payable to such employees on or prior to the date hereof. Neither the Company nor the Subsidiary is bound by or subject to (and none of its assets or properties is bound by or subject to) any written or oral, express or implied, contract, commitment or arrangement with any labor union except, in respect of the Subsidiary, for those provisions of general agreements between the Histadrut and any Employers' Union or Organization which are applicable to all the employees in Israel by Extension Order. The Company's and the Subsidiary's relations with their respective employees are good and, to its knowledge, no such employee has violated any material term of his or her employment agreement. To the Company's knowledge, no employee intends to terminate employment with the Company or is otherwise likely to become unavailable to continue as an employee, nor does the Company have a present intention to terminate the employment of any of the foregoing. Neither the employment by the Company or the Subsidiary of any of their respective employees (including the Founder), nor the engagement by it with any of their respective consultants, constitutes or is likely to constitute, a breach of any of such persons' obligations to third parties, including non-competition or confidentiality obligations. All employees and or consultants of the Company and the Subsidiary executed agreements for assignment of intellectual property, non- competition and confidentiality agreements between the Company or the Subsidiary (as applicable).

3.14.3. During the recent three years, many of the Company's employees have agreed in writing for the reduction of their gross salaries in an approximate rate of 10% or 20%. Of the employees who agreed for a reduction of 10%, some continued to work on a full time basis and of the employees who agreed for a reduction of 20%, some continued to work on a 80% time basis.

3.15. Interested Party Transactions. Except as specified in **Section 3.15** of the Schedule of Exceptions, no officer, director or stockholder of the Company or the Subsidiary or any affiliate of any such person or entity or the Company or the Subsidiary or any member of the immediate family of such person, has or has had, either directly or indirectly, (a) an interest in any person or entity which (i) furnishes or sells services or products which are furnished or sold or are proposed to be furnished or sold by the Company or the Subsidiary, or (ii) purchases from or sells or furnishes to the Company or the Subsidiary any goods or services, or (b) a beneficial interest in any contract or agreement to which the Company or the Subsidiary is a party or by which it may be bound or affected. There are no existing arrangements or proposed transactions between the Company or the Subsidiary and any officer, director, or stockholder of the Company or the Subsidiary, or any affiliate or associate of any such person. No employee, stockholder, officer, or director of the Company or the Subsidiary is indebted to the Company or the Subsidiary, nor, except as set forth in **Section 3.15** of the Schedule of Exceptions, is the Company or the Subsidiary indebted (or committed to make loans or extend or guarantee credit) to any of them. To the Company's knowledge, none of the directors or officers, or any members of their immediate families, has any material commercial, industrial, banking, consulting, legal, accounting, charitable or familial relationship with any of the Company's customers, suppliers, service providers, joint venture partners, licensees and competitors.

3.16. Title to Properties and Assets; Liens, etc. The Company does not own any real property. The real property leased by the Company is described in **Section 3.16**of the Schedule of Exceptions. The Company has good and marketable title to its assets, free and clear of all mortgages, liens, and encumbrances. The Company is in compliance with all of its leases and holds valid leasehold interests, free of any liens, claims or encumbrances other than those of the lessors of such property or assets.

3.17. Taxes. The Company has paid or made adequate provision for the payment of all taxes due. No deficiency assessment or proposed adjustment of any taxes is pending against the Company, and the Company has no knowledge of any proposed liability for any such tax to be imposed. The Company has not made any elections under applicable laws or regulations (other than elections that related solely to methods of accounting, depreciation or amortization) that would have a Material Adverse Effect on the Company, its financial condition, its business as presently conducted or proposed to be conducted or any of its properties or assets. Except as set forth in **Section 3.17** of the Schedule of Exceptions, the Company is not currently liable for any tax (whether income tax, capital gains tax, or otherwise). The Company has withheld and paid to the proper tax authorities all amounts required to be withheld under applicable law from payments to their employees for all periods with respect to tax, social security and any employment withholding provisions of applicable federal and state law. There have been no audits or formal examinations of any tax returns or reports by any applicable federal, state, local or foreign governmental agency. The Company has filed proper and accurate federal, state and foreign income tax and other returns for all periods for which returns were due, including with respect to employee income tax withholding, social security and unemployment taxes, and has paid the amounts shown thereon to be due and payable.

3.18. Contracts.

3.18.1. (a) The Company has not received any information or communications from the counterparty to such Contract, demanding that the Contract might be cancelled or materially and adversely amended, or is otherwise reasonably expects such demand; or (b) the Company has not received information or communications from the counterparty to such Contract, indicating that there is a claim or existing liability of the Company under such Contract which would have a Material Adverse Effect on the Company. Each of the Contracts is, to the Company's best knowledge, valid, is in full force and effect, and is binding upon the Company, as applicable, and neither the Company nor any other party thereto is in breach thereof. For the purposes of this Section 3.18, "**Contract**" shall mean all material contracts, agreements and purchase orders currently in effect to which the Company is a party, with customers, distributors, channels or other similar entities to the foregoing which is expected to generate under the terms thereof, over one million United States dollars (US$1,000,000) in 2016. Except as set forth on **Section 3.18** hereto, the Company does not have any employment or consulting contracts, deferred compensation agreements or bonus, incentive, profit-sharing, or pension plans currently in force and effect, or any understanding with respect to any of the foregoing.

3.18.2. The Company has not received any written notice or other written communication from any party to a Contract or other material customer or supplier relating to such party's intent to modify, terminate or fail to renew the arrangements and relationships set forth therein.

3.19. Foreign Corrupt Practices Act. The Company has not violated the United States Foreign Corrupt Practices Act or, to its knowledge, any other similar laws, statues, rules or regulations of any country in which it regularly conducts its business.

3.20. Compliance with Other Instruments. The Company is neither in violation or default of any term of its currently existing Certificate of Incorporation and its By-Laws, nor in violation or default of, nor is the Company aware of any violation or default of any provision of any mortgage, indenture, contract, agreement, instrument or contract to which it is party or, by which it is bound or, to the Company's knowledge, of any judgment, decree, order, writ or any statute, rule or regulation and law applicable to the Company. The execution, delivery, and performance of and compliance with the Transaction Agreements, the issuance and sale of the Purchased Shares pursuant hereto, will not, with or without the passage of time or giving of notice, result in any such violation, or be in conflict with or constitute a default under any such term, or result in the creation of any mortgage, pledge, lien, encumbrance or charge upon any of the properties or assets of the Company or the suspension, revocation, impairment, forfeiture or non-renewable of any permit license, authorization or approval applicable to the Company, its business or operations or any of its assets or properties. All of the agreements to which the Company is a party are, in its knowledge, in compliance with all applicable laws. Since inception of the Company, the Company has not received any written notices, citations or decisions by any governmental or regulatory body that (i) any product or content produced, developed, manufactured, marketed or distributed at any time by the Company and/or (ii) any service provided, developed, marketed or distributed at any time by the Company fails to meet any applicable product or content regulations promulgated by any such governmental or regulatory body.

3.21. Records. The corporate records of the Company which have been made available to the Investors have been maintained in accordance with all applicable statutory requirements and are complete and accurate in all material respects. No resolutions have been passed, enacted, consented to or adopted by the directors (or any committee thereof) or stockholders of the Company, except for those contained in such corporate records, which would materially affect the other representations herein.

3.22. No Public Offer. None of the Company or anyone acting on its behalf has offered or will offer securities of the Company or any part thereof or any similar securities for issuance or sale to, or solicit any offer to acquire any of the same from, anyone so as to make issuance and sale of the Shares hereunder not exempt from the registration requirements of Section 5 of the Securities Act of 1933, as amended (the "**Securities Act**") or the prospectus requirements of the Israeli Securities Law, 1968. None of the shares of the Company's capital stock issued and outstanding has been offered or sold in such a manner as to make the issuance and sale of such shares not exempt from such registration and prospectus requirements, and all such shares of capital stock have been offered and sold in compliance with all applicable federal and state securities laws.

3.23. 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. The Company agrees to indemnify and hold the Investors harmless from and against any claim or liability resulting from any party claiming any such commission or fee, if such claims shall be contrary to the foregoing statement.

3.24. Environmental and Safety Laws. Except as could not reasonably be expected to have a Material Adverse Effect (a) the Company is and has been in compliance with all Environmental Laws; and (b) there has been no release or threatened release of any pollutant, contaminant or toxic or hazardous material, substance or waste, or petroleum or any fraction thereof, (each a "**Hazardous Substance**") on, upon, into or from any site currently or heretofore owned, leased or otherwise used by the Company. The Company has made available to the Investors true and complete copies of all material environmental records, reports, notifications, certificates of need, permits, pending permit applications, correspondence, engineering studies, and environmental studies or assessments.

For purposes of this Section 3.27, "**Environmental Laws**" means any law, regulation, or other applicable requirement relating to (a) releases or threatened release of Hazardous Substance; (b) pollution or protection of employee health or safety, public health or the environment; or (c) the manufacture, handling, transport, use, treatment, storage, or disposal of Hazardous Substances.

3.25. Customers and Suppliers.

3.25.1. To the Company's best knowledge, none of its ten largest customers or ten largest suppliers (both largest by revenue), has terminated, materially reduced or materially altered the terms of, or threatened to terminate, materially reduce or materially alter the term of purchases from, the Company.

3.25.2. Since December 31, 2014, no material supplier or distributor of the Company, has materially reduced or materially altered the terms of, or threatened to terminate, materially reduce or materially alter the term of its business relationship with the Company.

3.26. Accounts Receivables. All accounts receivable, including without limitation, all trade amounts receivable and other obligations from customers, are bona fide receivables incurred in the ordinary course of business and are properly reflected on the books and records of the Company in accordance with GAAP. The Company believes that it reserve for bad debts recorded on the Company financial statements is sufficient to accurately reflect the risk of non-payment, and the Company is unaware of any facts which are reasonably likely to cause any write-offs of receivables (whether as a result of defaults, counterclaims, chargebacks, deduction, credit, set off or otherwise materially in excess of the amount so reserved.

3.27. Full Disclosure. The Company has provided to the Investors or their representatives all requested documents in their possession relating specifically to the Company, in each case, regarding facts or circumstances that have a Material Adverse Effect on the Company or that could reasonably be expected to have a Material Adverse Effect on the Company. Neither this Agreement (including the Schedules hereto) nor any certificates made or delivered in connection herewith contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements herein or therein not misleading, in view of the circumstances in which they were made. To the best of the Company's knowledge, there is no fact or information relating to the business, prospects, condition (financial or otherwise), affairs, operations, or assets of the Company that has not been disclosed to the Investors in writing by the Company, which has had a Material Adverse Effect on the Company.

4. **Representations and Warranties of the Investors**. Each Investor hereby represents and warrants to the Company, severally and not jointly, as of the Closing, as follows:

4.1. Experience; Speculative Nature of Investment. Each of the Investors has experience in evaluating and investing in private placement transactions of securities in companies similar to the Company so that it is capable of evaluating the merits and risks of its investment in the Company and has the capacity to protect its own interests. The Investors further acknowledge that this Agreement and the issuance of the Purchased Shares hereunder do not constitute a promise or guaranty by the Company or its stockholders or directors as to the financial or commercial success of the Company or the future value of its shares.

4.2. Investment. Each Investor is acquiring the Purchased Shares and the underlying shares of Common Stock for investment for its own account, not as a nominee or agent, and not with the view to, or for resale in connection with, any distribution thereof. No Investor has a present intention of selling, granting any participation in, or otherwise distributing the same.

4.3. Authorization. The Transaction Agreements, when executed and delivered by the Investors, will constitute valid and legally binding obligations of the Investors, enforceable in accordance with their terms, subject to laws of general application relating to bankruptcy, insolvency and the relief of debtors and rules of law governing specific performance, injunctive relief or other equitable remedies.

4.4. No Public Market. Such Investor understands that no public market now exists for any of the securities issued by the Company and that the Company has made no assurances that a public market will ever exist for the Company's securities.

4.5. Availability of Information. Without in any manner derogating from the representations and warranties of the Company set forth in Section 3 above, each Investor represents that it has been afforded the opportunity to ask questions of officers or other representatives of the Company concerning the business of the Company.

4.6. Restricted Securities. The Investor understands that the Purchased Shares have not been, and will not be, registered under the Securities Act, by reason of a specific exemption from the registration provisions of the Securities Act which depends upon, among other things, the bona fide nature of the investment intent and the accuracy of the Investor's representations as expressed herein. The Investor understands that the Purchased Shares are "restricted securities" under applicable United States federal and state securities laws and that, pursuant to these laws, the Investor must hold the Purchased Shares indefinitely unless they are registered with the Securities and Exchange Commission and qualified by state authorities or an exemption from such registration and qualification requirements is available. The Investor acknowledges that the Company has no obligation to register or qualify the Purchased Shares, or the Common Stock into which it may be converted, for resale. The Investor further acknowledges that if an exemption from registration or qualification is available, it may be conditioned on various requirements including, but not limited to, the time and manner of sale, the holding period for the Purchased Shares, and on requirements relating to the Company which are outside of the Investor's control, and which the Company is under no obligation and may not be able to satisfy.

4.7. Accredited and Sophisticated Investor. The Investor is an accredited investor as defined in Rule 501(a) of Regulation D promulgated under the Securities Act. The Investor is an investor in securities of companies in early and development stages and acknowledges that Investor is able to fend for itself, can bear the economic risk of its investment, and has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of the investment in the Purchased Shares. If other than an individual, Investor also represents it has not been organized for the purpose of acquiring the Purchased Shares. No "bad actor" disqualifying event described in Rule 506(d)(1)(i)-(viii) of the Securities Act (a "Disqualification Event") is applicable to the Investor.

4.8. No General Solicitation. Neither the Investor nor any of its officers, directors, employees, agents, stockholders or partners has either directly or indirectly, including through a broker or finder (a) engaged in any general solicitation with respect to the offer and sale of the Purchased Shares, or (b) published any advertisement in connection with the offer and sale of the Purchased Shares.

4.9. Exculpation among Investors. The Investor acknowledges that it is not relying upon any person, other than the Company, in making its investment or decision to invest in the Company. The Investor agrees that neither any Investor nor the respective controlling persons, officers, directors, partners, agents, or employees of any Investor shall be liable to any other Investor for any action heretofore taken or omitted to be taken by any of them in connection with the purchase of the Purchased Shares.

5. **Conditions of Closing of the Investors**. The Investors' obligations to consummate the transactions contemplated hereunder and to purchase the Purchased Shares at the Closing are subject to the fulfillment of the following conditions, any one or more of which may be waived in whole or in part by the Investor's Representative.

5.1. Representations and Warranties Correct**.** The representations and warranties made by the Company in Section 3 hereof, shall be true and correct when made and shall be true and correct as of the Closing Date.

5.2. Covenants. All covenants, agreements and conditions contained in the Transaction Agreements to be performed or complied with or delivered by the Company on or prior to the Closing shall have been performed or complied with in all material on or prior to the Closing.

5.3. Consents, etc. The Company shall have secured all permits, consents and authorizations that shall be necessary or required lawfully to consummate this Agreement and to issue the Purchased Shares to be purchased by the Investors at the Closing.

5.4. Amended Certificate . The Amended Certificate shall have been duly authorized and executed by the Company.

5.5. Amended and Restated Stockholders' Agreement. The Company and the existing stockholders of the Company shall have executed and delivered an Amended and Restated Stockholders' Agreement in the form of **Schedule 5.5** (the "**Amended and Restated Stockholders' Agreement**").

5.6. Corporate Proceedings. All corporate and other proceedings in connection with the transactions contemplated by the Transaction Agreements and all documents and instruments incident to such transactions shall be satisfactory in substance and form to the Investors and their counsels, and the Investors and their counsels shall have received all such counterpart copies of such documents as the Investors and their counsels may reasonably request.

5.7. Reservation of Shares. The appropriate number of shares of Common Stock shall have been duly authorized and reserved for issuance upon conversion of the Purchased Shares.

5.8. Qualifications. All authorizations, approvals, or permits, if any, of any governmental authority or regulatory body of any state that are required in connection with the consummation of the transactions contemplated by this Agreement at the Closing will have been obtained by the Company as of the Closing.

5.9. No Change. From the date hereof until the Closing, there has been no material adverse change in the financial or business condition or prospects of the Company, having a Material Adverse Effect.

5.10. Closing Date. The Closing Date of this Agreement shall not be later than February 2, 2016, unless otherwise agreed by the Investors holding the majority of the Purchased Shares purchased under this Agreement. In the event that no Closing has occurred on or prior to said date, then this Agreement shall not be in effect, including without limitation obligation by Investors to pay the Purchase Price or any part thereof and the obligation of the Company to issue shares under this Agreement.

6. **Conditions of Closing of the Company**. The Company's obligation to sell and issue the Purchased Shares at the Closing is subject to the fulfillment of the following conditions:

6.1. Representations. The representations and warranties made by the Investors in Section 4 hereof shall be true and correct as of the Closing Date.

6.2. Covenants. All covenants, agreements and conditions contained in the Transaction Agreements to be performed by the Investors on or prior to the Closing Date shall have been performed or complied with in all material respects.

6.3. Amended and Restated Stockholders' Agreement. The Investors shall have executed and delivered the Amended and Restated Stockholders' Agreement.

6.4. Payment of the Consideration. All Investors have paid the Consideration (as listed opposite to Investor's name on **Exhibit A**).

7. **Liability**.

7.1. Reliance on Representations. The Investors shall have the right to rely fully upon all representations, warranties and covenants of the Company contained in this Agreement subject to this Section 7.

7.2. Indemnification by the Company. The Company shall indemnify the Investors (including their directors, officers, employees and agents) against, and hold the Investors harmless from all claims, actions, suits, deficiencies, judgments, settlements, damages, expenses, losses, costs, liabilities, and/or other expenses resulting from, or arising out of, or in connection with, a breach or misrepresentations of any Company's representations, warranties or covenants made in this Agreement, and all actions, suits, proceedings, judgments, costs and legal or other expenses incident to any of the foregoing or the enforcement of the provisions hereof.

7.3. Procedure for Claims. Any claim, in respect of which the Investor(s) proposes to demand indemnification by the Company under this Article 8, must be asserted by written notice given by the Investor to the Company and, which notice shall set forth in reasonable detail the basis for the claim and a reasonable, good faith estimate of such claim (each a "**Claim Notice**"). The Company shall have a period of twenty one (21) days from the date of receipt of the Claim Notice (the "**Claim Notice Period**") within which to respond to a Claim Notice.

7.4. Duty to Mitigate. The Investors hereby agree to make best efforts to mitigate any losses, claims, costs, expenses or liabilities that form the basis of any claim for indemnification under this Article 7.

7.5. Survival of Representations. All representations, warranties and agreements made by any party in this Agreement or pursuant hereto shall survive the Closing for a period of 30 months following the Closing, other than for a claim based on intentional, fraudulent or willful misrepresentation, in which case such representations shall survive for the applicable limitation period provided under the applicable law. The representations and warranties set forth in Section 3 are cumulative.

7.6. Good Faith Efforts to Settle Disputes. The Parties agree that, prior to commencing any litigation against the other concerning any matter with respect to which such party intends to claim a right of indemnification in such proceeding, representatives of such parties shall meet in a timely manner and attempt in good faith to negotiate a settlement of such dispute during which time such officers shall disclose to the others all relevant information relating to such dispute.

7.7. Equitable Relief. Notwithstanding the foregoing, each Party hereto shall be entitled to seek (a) any available remedy of law or equity (including rescission or restitution) with respect to fraud committed by the other party hereto, (b) injunctive relief to enjoin the intentional breach of any provision of this Agreement, and (c) the equitable remedy of specific performance in connection with this Agreement.

7.8. Duty to Mitigate. The Investors hereby agree to make efforts to mitigate any losses, claims, costs, expenses or liabilities that form the basis of any claim against the Company in respect of this Agreement or the Transaction Agreements.

7.9. Limitation on Liability. The Parties hereto hereby agree that each Party's liability in connection with any Agreement or Transaction Agreement for any indirect, consequential and special damages of any kind, under any theory of law or cause of action, is hereby excluded and waived by all other parties hereto. It is further agreed that the aggregate liability of the Company and any parties affiliated therewith in connection with the Agreement or any Transaction Agreement shall not exceed the Purchase Price plus an amount equal to eight percent (8%) interest compounded annually, in the aggregate, and no claim may be brought for an amount less than $100,000.

8. **Miscellaneous**.

8.1. Governing Law. This Agreement shall be governed by the laws of the laws of the State of Israel or Delaware excluding that body of law pertaining to conflict of law. Each of the parties hereby submits irrevocably to the exclusive jurisdiction of the competent courts located Tel Aviv, Israel.

8.2. Successors and Assigns. Except as otherwise provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors, and administrators of the parties hereto. The Company may not assign its rights and obligations hereunder without the prior written consent of the Investor's Representative.

8.3. Entire Agreement; Amendment. This Agreement and the other documents delivered pursuant hereto at the Closing constitute the full and entire understanding and agreement between the parties with regard to the subjects hereof and thereof. Except as expressly provided herein, neither this Agreement nor any term hereof may be amended, waived, discharged or terminated other than by a written instrument signed by the Company and the Investors holding the majority of the Purchased Shares purchased under this Agreement.

8.4. Notices. All notices and other communications required or permitted hereunder shall be in writing and shall be telecopied or mailed by registered or certified mail, postage prepaid, or otherwise delivered by hand or by messenger, addressed to such party's address as set forth in **Exhibit A** or at such other address as the parties shall have furnished to each other in writing in accordance with this provision. Any notice sent in accordance with this Section 8.4. shall be effective (i) if mailed, seven (7) business days after mailing, (ii) if sent by messenger, upon delivery, (iii) if sent via telecopier, upon transmission and electronic confirmation of receipt or (if transmitted and received on a non-business day) on the first business day following transmission and electronic confirmation of receipt (provided, however, that any notice of change of address shall only be valid upon receipt), and (iv) if sent by electronic mail, upon transmission.

8.5. Delays or Omissions. Except as expressly provided herein, no delay or omission to exercise any right, power or remedy accruing to any party to this Agreement upon any breach or default of any other party under this Agreement, shall impair any such right, power or remedy of such non-defaulting party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default therefore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law or otherwise afforded to any party to this Agreement, shall be cumulative and not alternative.

8.6. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be enforceable against the parties actually executing such counterparts, and all of which together shall constitute one instrument.

8.7. Severability. In the event that any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision; provided that no such severability shall be effective or binding on the parties if it materially changes the economic benefit of this Agreement to any party.

8.8. Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not considered in construing or interpreting this Agreement.

8.9. Confidentiality. Each party hereto agrees, in addition to any other existing confidentiality obligation, that it shall at all times keep confidential and not divulge or make accessible or use any nonpublic material information concerning or relating to the business or financial affairs of the other parties to the Transaction Agreements, to which such party has been or will become privy by reasons relating to the Transaction Agreements, to anyone, except (i) to its employees, consultants, directors, officers, potential investors and advisors in such capacity as required to perform its obligations hereunder, (ii) if required by law, (iii) its limited partners or investors, or (iv) with the prior written consent of the other Party.

[Remainder of page intentionally left blank]

[Company Signature Page]

IN WITNESS WHEREOF the parties have signed this Series B Preferred Stock Purchase Agreement as of the date first hereinabove set forth.

ACTELIS NETWORKING INC.

By: ______________________
Name: Tuvia Barlev
Date: ______________________

[Investor Signature Page]

IN WITNESS WHEREOF the parties have signed this Series B Preferred Stock Purchase Agreement as of the date first hereinabove set forth.

INVESTOR:

NAME: KEDMA CAPITAL S.H.E. LTD.

By: ______________________
Signatory Name: ______________________
Title: ______________________

Full Address for Correspondence (including fax and email):

The above Investor has subscribed for the following amount under this Series B Preferred Stock Purchase Agreement:

US$: ______________________

To be filled in by Company

Number of Shares of Series B Preferred Stock __________________ (the "**Purchase Shares**")

Percentage at Closing of Voting Share Capital of Purchased Shares on a Fully Diluted Basis.

[Investor Signature Page]

IN WITNESS WHEREOF the parties have signed this Series B Preferred Stock Purchase Agreement as of the date first hereinabove set forth.

INVESTOR: Advanced Circuit Engineers, LLC

NAME: Advanced Circuit Engineers, LLC

By: ______________________________
Signatory Name: Rajesh Jain
Title: Owner/Partner

Full Address for Correspondence (including fax and email):

Rajesh Jain

c/o Advanced Circuit Engineers

308 S. Abbott Ave.

Milpitas, CA 95035

email: jain_rajesh@yahoo.com; Ph (408) 719 1617; Fx (408) 719 1278

The above Investor has subscribed for the following amount under this Series B Preferred Stock Purchase Agreement:

US$: 150,000

To be filled in by Company

Number of Shares of Series B Preferred Stock __________________ (the "**Purchase Shares**")

Percentage at Closing of Voting Share Capital of Purchased Shares on a Fully Diluted Basis.

[Investor Signature Page]

IN WITNESS WHEREOF the parties have signed this Series B Preferred Stock Purchase Agreement as of the date first hereinabove set forth.

INVESTOR: Amit J. Ronen and Talya Ronen as trustees of the Ronen Family Trust U/T/A/D 12/21/05

NAME: Amit J. Ronen

By: ______________________________
Signatory Name: Amit J. Ronen
Title: Trustee

Full Address for Correspondence (including fax and email):

Amit Ronen
1415 Todd Street, Mountain View, CA 94040
Email: amit.j.ronen@gmail.com

The above Investor has subscribed for the following amount under this Series B Preferred Stock Purchase Agreement:

US$: 100,000.00

To be filled in by Company

Number of Shares of Series B Preferred Stock __________________ (the "**Purchase Shares**")

Percentage at Closing of Voting Share Capital of Purchased Shares on a Fully Diluted Basis.

[Investor Signature Page]

IN WITNESS WHEREOF the parties have signed this Series B Preferred Stock Purchase Agreement as of the date first hereinabove set forth.

INVESTOR:

NAME:

By: ______________________________
Signatory Name: ______________________________
Title: ______________________________

Full Address for Correspondence (including fax and email):

The above Investor has subscribed for the following amount under this Series B Preferred Stock Purchase Agreement:

US$: ______________________________

To be filled in by Company

Number of Shares of Series B Preferred Stock __________________ (the "**Purchase Shares**")

Percentage at Closing of Voting Share Capital of Purchased Shares on a Fully Diluted Basis.

[Investor Signature Page]

IN WITNESS WHEREOF the parties have signed this Series B Preferred Stock Purchase Agreement as of the date first hereinabove set forth.

INVESTOR:

NAME:

By: ______________________________
Signatory Name: ______________________________
Title: ______________________________

Full Address for Correspondence (including fax and email):

The above Investor has subscribed for the following amount under this Series B Preferred Stock Purchase Agreement:

US$: ______________________________

To be filled in by Company

Number of Shares of Series B Preferred Stock __________________ (the "**Purchase Shares**")

Percentage at Closing of Voting Share Capital of Purchased Shares on a Fully Diluted Basis.

[Investor Signature Page]

IN WITNESS WHEREOF the parties have signed this Series B Preferred Stock Purchase Agreement as of the date first hereinabove set forth.

INVESTOR:

NAME:

By: ______________________________
Signatory Name: ______________________________
Title: ______________________________

Full Address for Correspondence (including fax and email):

The above Investor has subscribed for the following amount under this Series B Preferred Stock Purchase Agreement:

US$: ______________________________

To be filled in by Company

Number of Shares of Series B Preferred Stock __________________ (the "**Purchase Shares**")

Percentage at Closing of Voting Share Capital of Purchased Shares on a Fully Diluted Basis.

[Investor Signature Page]

IN WITNESS WHEREOF the parties have signed this Series B Preferred Stock Purchase Agreement as of the date first hereinabove set forth.

INVESTOR:

NAME:

By: ______________________________
Signatory Name: ______________________________
Title: ______________________________

Full Address for Correspondence (including fax and email):

The above Investor has subscribed for the following amount under this Series B Preferred Stock Purchase Agreement:

US$: ______________________________

To be filled in by Company

Number of Shares of Series B Preferred Stock __________________ (the "**Purchase Shares**")

Percentage at Closing of Voting Share Capital of Purchased Shares on a Fully Diluted Basis.

[Investor Signature Page]

IN WITNESS WHEREOF the parties have signed this Series B Preferred Stock Purchase Agreement as of the date first hereinabove set forth.

INVESTOR:

NAME: KETAN J. SHAH

By: ______________________________
Signatory Name: KETAN J. SHAH
Title: ______________________________

Full Address for Correspondence (including fax and email):

10162 FIRWOOD DR

CUPERTINO, CA 95014 USA.

The above Investor has subscribed for the following amount under this Series B Preferred Stock Purchase Agreement:

US$: ______________________________

To be filled in by Company

Number of Shares of Series B Preferred Stock __________________ (the "**Purchase Shares**")

Percentage at Closing of Voting Share Capital of Purchased Shares on a Fully Diluted Basis.

[Investor Signature Page]

IN WITNESS WHEREOF the parties have signed this Series B Preferred Stock Purchase Agreement as of the date first hereinabove set forth.

INVESTOR:

NAME:

By: ______________________________
Signatory Name: ______________________________
Title: ______________________________

Full Address for Correspondence (including fax and email):

The above Investor has subscribed for the following amount under this Series B Preferred Stock Purchase Agreement:

US$: ______________________________

To be filled in by Company

Number of Shares of Series B Preferred Stock __________________ (the “**Purchase Shares**”)

Percentage at Closing of Voting Share Capital of Purchased Shares on a Fully Diluted Basis.

[Investor Signature Page]

IN WITNESS WHEREOF the parties have signed this Series B Preferred Stock Purchase Agreement as of the date first hereinabove set forth.

INVESTOR:

NAME:

By: ______________________________
Signatory Name: ______________________________
Title: ______________________________

Full Address for Correspondence (including fax and email):

The above Investor has subscribed for the following amount under this Series B Preferred Stock Purchase Agreement:

US$: ______________________________

To be filled in by Company

Number of Shares of Series B Preferred Stock __________________ (the “**Purchase Shares**”)

Percentage at Closing of Voting Share Capital of Purchased Shares on a Fully Diluted Basis.

[Investor Signature Page]

IN WITNESS WHEREOF the parties have signed this Series B Preferred Stock Purchase Agreement as of the date first hereinabove set forth.

INVESTOR:

NAME:

By: ______________________________
Signatory Name: ______________________________
Title: ______________________________

Full Address for Correspondence (including fax and email):

The above Investor has subscribed for the following amount under this Series B Preferred Stock Purchase Agreement:

US$: ______________________________

To be filled in by Company

Number of Shares of Series B Preferred Stock __________________ (the “**Purchase Shares**”)

Percentage at Closing of Voting Share Capital of Purchased Shares on a Fully Diluted Basis.

[Investor Signature Page]

IN WITNESS WHEREOF the parties have signed this Series B Preferred Stock Purchase Agreement as of the date first hereinabove set forth.

INVESTOR:

NAME:

By: ______________________________
Signatory Name: ______________________________
Title: ______________________________

Full Address for Correspondence (including fax and email):

The above Investor has subscribed for the following amount under this Series B Preferred Stock Purchase Agreement:

US$: ______________________________

To be filled in by Company

Number of Shares of Series B Preferred Stock __________________ (the "**Purchase Shares**")

Percentage at Closing of Voting Share Capital of Purchased Shares on a Fully Diluted Basis.

[Investor Signature Page]

IN WITNESS WHEREOF the parties have signed this Series B Preferred Stock Purchase Agreement as of the date first hereinabove set forth.

INVESTOR:

NAME: BAUHINIA INVESTMENTS LTD.

By: ______________________________
Signatory Name: ______________________________
Title: ______________________________

Full Address for Correspondence (including fax and email):

The above Investor has subscribed for the following amount under this Series B Preferred Stock Purchase Agreement:

US$: ______________________________

To be filled in by Company

Number of Shares of Series B Preferred Stock __________________ (the "**Purchase Shares**")

Percentage at Closing of Voting Share Capital of Purchased Shares on a Fully Diluted Basis.

[Investor Signature Page]

IN WITNESS WHEREOF the parties have signed this Series B Preferred Stock Purchase Agreement as of the date first hereinabove set forth.

INVESTOR: ROGER NICHOLSON

NAME: ROGER NICHOLSON

By: ______________________________
Signatory Name: ROGER NICHOLSON
Title: ______________________________

Full Address for Correspondence (including fax and email):

34742 WILLIAMS WAY

UNION CITY, CA 94587

The above Investor has subscribed for the following amount under this Series B Preferred Stock Purchase Agreement:

US$: 125.00

To be filled in by Company

Number of Shares of Series B Preferred Stock __________________ (the "**Purchase Shares**")

Percentage at Closing of Voting Share Capital of Purchased Shares on a Fully Diluted Basis.

[Investor Signature Page]

IN WITNESS WHEREOF the parties have signed this Series B Preferred Stock Purchase Agreement as of the date first hereinabove set forth.

INVESTOR:

NAME: SAURABH AGARWAL

By: ______________________________
Signatory Name: SAURABH AGARWAL
Title: ______________________________

Full Address for Correspondence (including fax and email):

The above Investor has subscribed for the following amount under this Series B Preferred Stock Purchase Agreement:

US$: ______________________________

To be filled in by Company

Number of Shares of Series B Preferred Stock __________________ (the "**Purchase Shares**")

Percentage at Closing of Voting Share Capital of Purchased Shares on a Fully Diluted Basis.

[Investor Signature Page]

IN WITNESS WHEREOF the parties have signed this Series B Preferred Stock Purchase Agreement as of the date first hereinabove set forth.

INVESTOR:

NAME:

By: ______________________________
Signatory Name: ______________________________
Title: ______________________________

Full Address for Correspondence (including fax and email):

The above Investor has subscribed for the following amount under this Series B Preferred Stock Purchase Agreement:

US$: ______________________________

To be filled in by Company

Number of Shares of Series B Preferred Stock __________________ (the "**Purchase Shares**")

Percentage at Closing of Voting Share Capital of Purchased Shares on a Fully Diluted Basis.

[Investor Signature Page]

IN WITNESS WHEREOF the parties have signed this Series B Preferred Stock Purchase Agreement as of the date first hereinabove set forth.

INVESTOR:

NAME: THE ISARD DUNIETZ 2006 TRUST, CREATED BY A DECLARATION OF TRUST DATED JULY 19, 2006, AS IT MAY BE AMENDED OR RESTARTED FROM TIME TO TIME THEREAFTER

By: ______________________________
Signatory Name: Isard Dunietz (or his successor)
Title: Trustee

Full Address for Correspondence (including fax and email):

The above Investor has subscribed for the following amount under this Series B Preferred Stock Purchase Agreement:

US$: ______________________________

To be filled in by Company

Number of Shares of Series B Preferred Stock __________________ (the "**Purchase Shares**")

Percentage at Closing of Voting Share Capital of Purchased Shares on a Fully Diluted Basis.

[Investor Signature Page]

IN WITNESS WHEREOF the parties have signed this Series B Preferred Stock Purchase Agreement as of the date first hereinabove set forth.

INVESTOR:

NAME:

By: ______________________________
Signatory Name: ______________________________
Title ______________________________

Full Address for Correspondence (including fax and email):

The above Investor has subscribed for the following amount under this Series B Preferred Stock Purchase Agreement:

US$: ______________________________

To be filled in by Company

Number of Shares of Series B Preferred Stock __________________ (the "**Purchase Shares**")

Percentage at Closing of Voting Share Capital of Purchased Shares on a Fully Diluted Basis.

Exhibit A

Name of Investor	Address	Investment Amount	Number of Purchased Shares Purchased at Closing
Ram Vromen	6 Reading Street Tel Aviv, 69022 Israel	$20,000.00	920,810
Yariv Gilat	9 Hagolan Street Tel Aviv, 6971812 Israel	$200,000.00	9,208,103
Isard Dunietz (or his successor), as Trustee of the Isard Dunietz 2006 Trust, created by a Declaration of Trust dated July 19, 2006 as it may be amended or restated from time to time thereafter		$200,000.00	9,208,103
Rami Lipman		$125,000.00	5,755,064
Arik Steinberg	8 Yiftach Street, Entrance B Ramat Hasharon 471082, Israel	$130,000.00	5,985,267
Yemini Asset Management LLC		$50,000.00	2,302,025
Carmel Vernia	36 Benayahu Tel Aviv, Israel	$40,000.00	1,841,620
Bauhinia Investments Ltd.	c/o Excaliber Capital 11 Menachem Begin Road Ramat Gan 52522, Israel	$105,000.00	4,834,254
The Niv Family Trust - January 18, 2002	27240 Natoma Road Los Altos Hills, CA 94022	$150,000.00	6,906,077
Kedma Capital S.H.E. Ltd.	Azrieli Center, Round Tower 132 Menachem Begin Blvd., Tel Aviv 67021	$15,000.00	690,607
Reinisch Investments & Holdings Ltd.	Excaliber Capital Ltd Attention – Jennifer Kessler 11 Derech Menahem Begin, 11th floor Ramat Gan 5268104	$25,000.00	1,151,012
Paladin Ltd.	Excaliber Capital Ltd Attention – Jennifer Kessler 11 Derech Menahem Begin, 11th floor Ramat Gan 5268104	$20,000.00	920,810
Zeev Bregman	Kfar Saba 3 Tel Aviv 65147	$40,000.00	1,841,620

Roger Nicholson	34742 Williams Way Union City, CA 94587	$125,000.00	5,755,064
Ronen Family Trust U/T/A/D 12/21/05	C/O Amit Ronen, Trustee 1415 Todd Street Mountain View, CA 94040	$100,000.00	4,604,051
Tameyasu Anayama		$300,000.00	13,812,154
The Beinglass Revocable Trust, August 2000	1330 Elsona Ct Sunnyvale, CA 94087	$50,000.00	2,302,025
Saurabh Argwal	36928 Montecito Drive Fremont, CA 94536	$50,000.00	2,302,025
Ketan J. Shah	10162 Firwood Drive Cupertino, CA 95014	$50,000.00	2,302,025
Advanced Circuit Engineers, LLC	C/O Rajesh Jain 308 S. Abott Avenue Milpitas, CA 95035	$150,000.00	6,906,077
TOTALS		**$1,945,000**	**89,548,793**

Exhibit 10.9

February 15, 2015

Tuvia Barlev

Re: Offer of Employment

Dear Tuvia:

Actelis, Inc. (the "Company") is pleased to offer you the position of CEO and President of the Company on the following terms.

1. **Duties.** As CEO and President of the Company, you will be responsible for all aspects of the Company and shall perform such duties as are ordinary, customary and necessary in your role. You will report directly to the Board of Directors of the Company (the "Board"). You will serve as a director on the Board of the Company. You will devote your full business time and effort to the Company. Notwithstanding the above, (i) you will continue to serve as a director of Superfish.com and to actively be involved in SafePeak.com and to perform other business activities provided that the scope of all such business activities will not exceed 10 working hours per month, and that (ii) any long term engagement with another corporation (including without limitation serving as a chairman, board member, advisory board member, advisor or consultant or such corporation) will be presented for approval of the Board.

2. **Compensation**. Your base compensation will be $200,000 per year, less payroll deductions and all required withholdings ("Base Salary"). You will be paid semi-monthly and you will be eligible for the standard Company benefits. You will be entitled to three (3) weeks of vacation per year. By the end of each calendar year, a discussion between you and the Board will take place regarding your next years' compensation.

3. **Bonus**. Your annual bonus plan for 2015 will be as follows:

(i) 0.25% of annual shipments above $20M and

(ii) 0.5% of the annual EBITDA);

(iii) you will be entitled to such bonus payments only if annual shipments are above $25M (in respect of (i)) and annual EBITDA is above $3.5M (in respect of (ii)) For subsequent years, the Board and you will determine at year end a bonus plan for the following calendar year.

4. **Rules and Policies.** As a Company employee, you will be expected to abide by Company rules and policies as they are adopted and amended from time to time and sign and comply with the attached Proprietary Information and Inventions Agreement which prohibits unauthorized use or disclosure of the Company' s proprietary information and solicitation of its employees and customers.

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5. **Proprietary Information.** In your work for the Company, you will be expected not to use or disclose any confidential information, including trade secrets, of any former employer or other person to whom you have an obligation of confidentiality. Rather, you will be expected to use only that information which is generally known and used by persons with training and experience comparable to your own, which is common knowledge in the industry or otherwise legally in the public domain, or which is otherwise provided or developed by the Company. You agree that you will not bring onto the Company' s premises any unpublished documents or property belonging to any former employer or other person to whom you have an obligation of confidentiality.

6. **At-Will Employment.** The Company is excited about your joining and looks forward to a beneficial and productive relationship. Nevertheless, you should be aware that your employment with the Company is for no specified period and constitutes at-will employment. As a result, you are free to resign at any time, for any reason or for no reason. Similarly, the Company is free to conclude its employment relationship with you at any time, with or without cause, and with or without notice. We request that, in the event of resignation, you give the Company at least two weeks' notice.

7. **Verification.** For purposes of federal immigration law, you will be required to provide to the Company documentary evidence of your identity and eligibility for employment in the United States. Such documentation must be provided to us within 3 business days of your date of hire, or our employment relationship with you may be terminated.

8. **No Conflicts.** We also ask that, if you have not already done so, you disclose to the Company any and all agreements relating to your prior employment that may affect your eligibility to be employed by the Company or limit the manner in which you may be employed . It is the Company's understanding that any such agreements will not prevent you from performing the duties of your position and you represent that such is the case. Moreover, you agree that, during the term of your employment with the Company, you will not engage in any other employment, occupation, consulting or other business activity directly related to the business in which the Company is now involved or becomes involved during the term of your employment, nor will you engage in any other activities that conflict with your obligations to the Company. Similarly, you agree not to bring any third party confidential information to the Company, including that of your former employer, and that in performing your duties for the Company you will not in any way utilize any such information .

9. **Arbitration.** As a condition of your employment, you are also required to sign and comply with an At-Will Employment, Confidential Information, Invention Assignment and Arbitration Agreement which requires, among other provisions, the assignment of patent rights to any invention made during your employment at the Company, and non-disclosure of Company proprietary information. In the event of any dispute or claim relating to or arising out of our employment relationship, you and the Company agree that (i) any and all disputes between you and the Company shall be fully and finally resolved by binding arbitration, (ii) you are waiving any and all rights to a jury trial but all court remedies will be available in arbitration, (iii) all disputes shall be resolved by a neutral arbitrator who shall issue a written opinion, (iv) the arbitration shall provide for adequate discovery. Please note that we must receive your signed Agreement before your first day of employment.

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10. **Severance.** If your employment with the Company terminates due to (i) a voluntary termination for "Good Reason" (as defined herein), or (ii) an involuntary termination by the Company other than for "Cause" (as defined herein), death or disability (as defined in Section 22(e)(3) of the Code ("Disability"), then, subject to your executing and not revoking a standard form of separation agreement in the time and manner set forth in Section 13 below that releases the Company from any and all claims related to your employment with the Company, and its termination (the "Release"), and not breaching the terms of Sections 6 and 7 hereof, then:

(i) you shall receive continued payments of your then-existing Base Salary for a period of: 6 months less applicable withholding, in accordance with the Company's standard payroll practices (provided however that in the event that the Company agrees with you on your continued employment with the Company following the termination notice for a limited period, including for the purpose of transferring your role to your successor, you will be entitled to any bonus earned during such period of extended employment); and

(ii) i f you timely elect continuation coverage pursuant to the Consolidated Budget Reconciliation Act of 1985, as amended ("COBRA") for you and your dependents, within the time period prescribed by COBRA, the Company will reimburse you for the COBRA premiums for such coverage for 6 months from the date of your termination of employment or such earlier date if you no longer constitute a "Qualified Beneficiary" (as such term is defined in Section 4980B(g) of the Code).

For purposes of this agreement, "Cause" shall mean (i) an act of personal dishonesty taken by you in connection with your responsibilities as an employee and intended to result in your personal enrichment, (ii) a willful act by you that constitutes gross misconduct and which is materially injurious to the Company, (iii) performance of any material act of theft, embezzlement, fraud or malfeasance in connection with the performance of the duties to the Company; (iv) willful failure to perform your duties hereunder to the Company or repeated failure to follow the lawful directives of the Board (other than as a result of death or a physical or mental incapacity); (v) indictment for, conviction of, or pleading of guilty or nolo contendere to, a felony or any crime involving moral turpitude, or (vi) repeated material breach of any of the provisions or covenants of this Agreement, uncured (if curable) after thirty (30) days' notice.

For purposes of this agreement, "Good Reason" shall mean your resignation within 30 days following the expiration of any Company cure period (discussed below) following the occurrence of any of the following without your express consent: (i) a material reduction of your duties, authority or responsibilities, relative to your duties, authority or responsibilities as in effect immediately prior to such reduction, or your assignment of such materially reduced duties, authority or responsibilities or (ii) a material reduction by the Company in your compensation in effect immediately prior to such reduction unless such reduction is made in conjunction with a general reduction in payments to all the employees of the Company or (iii) if the Board resolves that you are required to make a material geographic relocation of your home and family location from your then present home and family location and you do not agree to such relocation. You will not resign for Good Reason without first providing the Company with written notice of the acts of omissions constituting grounds for Good Reason within 90 days of the initial existence of the grounds for Good Reason and a reasonable cure period of not less than 15 days following the date of such notice.

In the event that you terminate your employment voluntarily other than for Good Reason or you are involuntarily terminated by the Company for Cause, whether or not such termination is before, on, or following a Change in Control, then all payments of compensation by the Company to you hereunder shall immediately terminate (except as to amounts already earned). Upon your death or Disability during your employment with the Company, then your employment hereunder shall automatically terminate and all payments of compensation by the Company to Executive hereunder shall immediately terminate (except as to amounts already earned). Bonus payments which are calculated at year-end, a pro-rated payment will be made to you for your service that year.

11. **Release.** The receipt of any severance pursuant to Section 12 will be subject to your signing a Release and provided that such Release becomes effective and irrevocable no later than 60 days following the termination date (such deadline, the "Release Deadline"). If the Release does not become effective and irrevocable by the Release Deadline, you will forfeit any rights to severance or benefits under this letter. In no event will severance payments or benefits be paid or provided until the Release becomes effective and irrevocable.

12. **Miscellaneous.** To accept the Company's offer, please sign and date this letter in the space provided below. A duplicate original is enclosed for your records. If you accept our offer, your first day of employment will be February 15st 2015. This letter, along with any agreements relating to proprietary rights between you and the Company, set forth the terms of your employment with the Company and supersede any prior representations or agreements including, but not limited to, any representations made during your recruitment, interviews or pre-employment negotiations, whether written or oral.

We look forward to your favorable reply and to working with you at Actelis Networks, Inc.

Sincerely,

ACTELS NETWORKS, INC.

____

By:
Title:

Agreed to and accepted:

Signature: ____________________________

Printed Name: Tuvia Barley

Date: ____________________________

[Signature Page to Employment Agreement — Tuvia Barley]

November 30, 2017

Yoav Efron
46 Karen Way
Summit, NJ 07901

Dear Yoav,

It is a pleasure to welcome you to Actelis Networks (the "Company"). We have attached a copy of our Mission and Values Statement for your review. This is our company constitution and the guidelines by which we expect our teammates to live and follow. We want you to understand what values we hold in high regard in advance of accepting our offer. We invite you to share this corporate culture with us.

This letter is to confirm our offer of employment for the position CFO, reporting to Tuvia Barlev, Actelis' CEO. In this position, you will be expected to devote your full business time, attention and energies to the performance of your duties with the Company. We would like the effective date of your employment to be December 5, 2017.

The terms of this offer are as follows:

1. **Compensation**.

1.1 Base Monthly salary: $74,000 base annualized in accordance with the Company's standard payroll policies. Your salary will begin as of the effective date of employment. The first and last payment by the Company to you will be adjusted, if necessary, to reflect a commencement of termination date other than the first and last working day of any period.

Your compenstion will include an allowance of $570/ month he can elect to use for medical benefits or draw as cash

1.2 You will have the right to participate in management MBO plan for 2018 and beyond, per the plan to be defined by the company.

2. **Benefits**. During the term of your employment, you will be entitled to 50% of the Company's standard vacation and benefits covering employees, as may be in effect from time to time. Benefits coverage begins the first day of the month following employment.

3 . **Proprietary Information Agreement** As a condition of accepting this offer of employment, you will be required to complete, sign and return to the Company the confidential information agreement attached hereto, along with a signed copy of this offer letter.

4 . **At Will Employment.** Your acceptance of this offer represents the sole agreement between you and Actelis Networks Inc., no prior promises, representations, or understandings relative to any terms or conditions of your employment are to be considered as part of this agreement unless expressed in writing in this letter. Actelis Networks is an "at-will" employer which means that this employment relationship may be termination at any time, with or without good causes or for any or no cause, at the option either of the Company or employee, with or without a notice.

5. **Travel.** Periodic travel is a requirement of this position based on business needs.

6. **General.** This offer letter, the Employee Proprietary Information Agreement, when signed by you set forth theterms of your employment with the Company. This agreement can only be amended in writing signed and dated by you and by an Officer of the Company. Any waiver of a right under this agreement must be in wiring. California Law will govern this agreement. As required by immigration law, this offer of employment is subject to satisfactory proof of your right to work in the United States.

We are delighted that you are joining Actelis Networks. Please verify your acceptance of our offer by signing and dating the enclosed copy of this letter in the space provided below and send a scanned copy of the letter and the signed Confidential Information, Invention Assignment and Arbitration Agreement (all pages) to Lea Crisp, Human Resources, at lcrisp@actelis.com / carmel@actelis.com.

Please follow by mailing us the hard copies. All terms of this agreement are subject to approval of the Company's Board of Directors.

We look forward to great success and enjoyable teamwork.

Sincerely,

Tuvia Barlev
CEO

ACCEPTED:

/s/ Yoav Efron ______________________ Date: ______________________
Yoav Efron

Exhibit 10.12

ACTELIS NETWORKS, INC.

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT (this "Agreement") is made and entered into on February , 2015 (the 'Effective Date"), by and between Actelis Networks, Inc. , a company incorporated under the laws of the State of Delaware (the "Company"), and Barlev Enterprises, Inc. , a company incorporated under the laws of California("Consultant").

WITNESSETH:

WHEREAS, the Company and Consultant wish that Consultant will provide the Company with certain services as an independent consultant; and

WHEREAS, Consultant is ready, qualified, willing and able to carry out his obligations and undertakings towards the Company pursuant hereto; and

WHEREAS, the parties hereto wish to regulate their relationship in accordance with the terms and conditions set forth herein;

NOW, THEREFORE, the parties do hereby mutually agree as follows:

1. The Consulting Services

1.1 Consultant shall provide the Company with the consulting services set forth inExhibit A attached hereto, as may be amended and/or updated from time to time by a mutual agreement of the parties (the "Consulting Services").

1.2 Consultant shall report to the Board of Directors of the Company, or to any party designated by the Company with respect to all matters relating to the Consulting Services.

1.3 The Consulting Services shall be performed on a partial time basis, in a scope as determined by the Board of Directors of the Company, as well as any other additional scope reasonably required by the Company.

1.4 The Consultant shall exclusively perform the Consulting Services and shall not assign, subcontract or delegate the performance of the Consulting Services or any part thereof to any other person or entity, unless specifically approved by the Board of Directors of the Company in advance.

2. Representations and Warranties. Consultant represents and warrants that (i) he has the requisite knowledge, skills and experience for providing the Consulting Services (ii) he is authorized to enter into this Agreement according to its terms, (ii) the execution and delivery of this Agreement will not constitute a default under or conflict with any agreement or other instrument to which the Consultant is a party including without limitation, any confidentiality or non-competition agreement, or to which the Consultant is bound and do not require the consent of any person or entity, and (iii) he will not unlawfully use, during the performance of the Consulting Services, any confidential or proprietary information of any third party whatsoever. Consultant undertakes to perform his duties and obligations under this Agreement with professionalism. Consultant shall advise the Company in the event that he becomes aware of a new restriction with respect Consultant's involvement in the provision of the Consulting Services, including, without limitation, a conflict with any agreement or other instrument to which the Consultant shall become a party, any confidentiality or non-competition agreements, or any other possible conflict of interest that may arise. In such event the Company shall have the right to terminate this Agreement immediately.

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3. Compensation. As consideration for the fulfillment of Consultant's tasks and obligations under this Agreement for the full Term, the Company shall pay Consultant a monthly retainer of $2,083 (the "Compensation"). Consultant is aware that the Compensation constitutes the Company's sole obligation towards Consultant in consideration for the Consulting Services and that he shall not be entitled to any other remuneration or other payment whatsoever. On the basis of his status as an independent contractor, Consultant will file and be liable for his own tax reports including all income, social security, capital gain and other taxes, whether federal, state, municipal or other, due and owing on the consideration received by him under this Agreement.

4. Status of Parties

4.1 Consultant is an independent contractor and is elected to provide the Consulting Services to the Company as an independent contractor. Nothing in this Agreement shall be interpreted or construed as creating or establishing any partnership, joint venture, employment relationship, franchise or agency or any other similar relationship between the Company and Consultant.

4.2 The parties hereby deny and waive any demand, claim and/or allegation that an employment relationship of any kind has resulted from this Agreement or from the rendering of the Consulting Services.

4.3 The Consultant hereby agrees to indemnify Company and hold it harmless against any and all claims, actions, suits, deficiencies, judgments, settlements, damages, expenses, losses, costs, liabilities, and/or other expenses, including without limitation, reasonable legal expenses (collectively, "Losses") resulting from, or arising out of, or in connection with an initiative of the Consultant or anyone acting on his behalf that the Consulting Services provided herein should be part of his salary as an employee of the Company.

5. Term and Termination of the Agreement

5.1 This Agreement shall commence and enter into effect on the Effective Date and shall continue to be in full force and effect unless otherwise terminated as set forth in this Section 5 (the "Term").

5.2 Each party may terminate this Agreement, with or without cause, at any time upon six (6) months advance written notice to the other party (the "Notice Period" and the "Termination Notice", respectively).

5.3 During the Notice Period, and only if the Company so requires and the Consultant agrees, Consultant shall continue to provide the Consulting Services and shall continue to receive the monthly Compensation determined under this Agreement for such Notice Period. In the event that the Company elects that the Consultant shall not provide Consulting Services during the Notice Period and the termination shall take place with an immediate effect, then the Company shall pay the Consultant the monthly Compensation for the Notice Period.

5.4 Notwithstanding anything to the contrary, in the event of Cause (as defined below and subject to any applicable law), the Company shall be entitled to terminate this Agreement immediately without being subject to the Notice Period and this Agreement and the relationship shall be deemed effectively terminated as of the time of delivery of such notice. The term "Cause" shall mean (i) an act of personal dishonesty taken by you in connection with your responsibilities as an employee and intended to result in your personal enrichment, (ii) a willful act by you that constitutes gross misconduct and which is materially injurious to the Company, (iii) performance of any material act of theft, embezzlement, fraud or malfeasance in connection with the performance of the duties to the Company; (iv) willful failure to perform your duties hereunder to the Company or repeated failure to follow the lawful directives of the Board (other than as a result of death or a physical or mental incapacity); (v) indictment for, conviction of, or pleading of guilty or nolo contendere to, a felony or any crime involving moral turpitude (vi) repeated material breach of any of the provisions or covenants of this Agreement, uncured (if curable) after thirty (30) days' notice The foregoing definition shall not be deemed to be inclusive of all the acts or omissions which the Company (or its affiliated companies) may consider as grounds for the dismissal or discharge of Consultant.

5.5 Notwithstanding anything to the contrary, in the event of Good Reason (as defined below and subject to any applicable law), the Consultant shall be entitled to terminate this Agreement immediately without being subject to the Notice Period and this Agreement and the relationship shall be deemed effectively terminated as of the time of delivery of such notice. For purposes of this agreement, "Good Reason" shall mean Consultant's termination within 30 days following the expiration of any Company cure period (discussed below) following the occurrence of any of the following without Consultant's express consent: (i) a material reduction of duties, authority or responsibilities, relative to duties, authority or responsibilities as in effect immediately prior to such reduction, or assignment of materially reduced duties, authority or responsibilities or (ii) a material reduction by the Company in compensation in effect immediately prior to such reduction or (iii) if the Board resolves that the Consultant is required to make a material geographic relocation of Consultant's home and family location from Consultant's then present home and family location and the Consultant does not agree to such relocation).

5.6 Without derogating from the Company's rights pursuant to any applicable law, in the event that Consultant terminates this Agreement with immediate effect or upon shorter notice than the Notice Period, the Company shall have the right to offset any payments to which Consultant shall be otherwise entitled for his Consulting Services hereunder during the Notice Period, or any part thereof, as the case may be, from any other payments payable to Consultant.

5.7 Sections 2,5, 6.1 and 7 will survive any termination or expiration of this Agreement.

6. General

6.1 The provisions of the Non-Disclosure, IP Assignment and Non Compete Agreement (the 'NDA") executed by the Consultant and the Company, attached hereto as Schedule A, is hereby incorporated by reference.

6.2 This Agreement shall be binding upon and inure to the benefit of the parties and their respective legal representatives, successors and permitted assigns. Neither party hereto shall assign any of its rights and obligations hereunder without the prior written consent of the other party. The Company, however, may assign this Agreement to its parent, subsidiary or affiliate, or to a purchaser of all or part of the Company's assets or shares.

6.3 Either party's failure at any time to require strict compliance by the other party of the provisions of this Agreement shall not diminish such party's right thereafter to demand strict compliance therewith or with any other provision. Waiver of any particular default shall not waive any other default.

6.4 In the event that any provision of this Agreement shall be deemed unlawful or otherwise unenforceable, such provision shall be severed from this Agreement and the balance of the Agreement shall continue in full force and effect.

6.5 This Agreement, together with its Exhibits, contains and sets forth the entire agreement and understanding between the parties with respect to the subject matter contained herein, and it supersedes all prior discussions, agreements, representations and understandings in this regard. This Agreement shall not be modified except by a written instrument signed by both parties.

6.6 The captions contained herein are for the convenience of the parties only and shall not affect the construction or interpretation of any provision hereof.

6.7 All notices, requests, reports, consents and other communications hereunder shall be in writing, and shall be delivered either (i) by hand, (ii) by e-mail or facsimile transmission, with a written acknowledgement of the recipient, (iii) by courier, or (iv) by registered mail, return receipt requested. Until changed by a written notice given by either party to the other party, the addresses of the parties shall be as set forth above.

6.8 This Agreement shall be governed by the laws of the Commonwealth of Massachusetts. Any controversy or claim arising out of, or relating to, this Agreement or the breach hereof, shall be brought before the competent court in Suffolk County in the Commonwealth of Massachusetts.

[Signature Page to Follow]

IN WITNESS WHEREOF, the duly authorized representative of the Company and Consultant have executed this Agreement as of the date stated below.

THE COMPANY ACTELIS NETWORK, INC.	**THE CONSULTANT** BARLEV ENTERPRISE INC.
By: /s/ Tuvia Barlev	By: /s/ Tuvia Barlev
Title:	Title:
Date:	Date:

EXHIBIT A

The Consulting Services

Consulting Services shall be defined by the Company’s management and Board from time to time as customary in the industry.

Exhibit 10.13

ACTELIS NETWORKS, INC.

2015 EQUITY INCENTIVE PLAN

1. Purposes of the Plan. The purposes of this Plan are:

- to attract and retain the best available personnel for positions of substantial responsibility,
- to provide additional incentive to Employees, Directors and Consultants, and
- to promote the success of the Company's business.

The Plan permits the grant of Incentive Stock Options, Nonstatutory Stock Options, Stock Appreciation Rights, Restricted Stock and Restricted Stock Units. Appendix A to this Plan shall apply only to participants in the Plan who are residents of the State of California.Appendix B to this Plan shall apply only to participants in the Plan who are residents of the State of Israel.

2. Definitions. As used herein, the following definitions will apply:

(a) "Administrator" means the Board or any of its Committees as will be administering the Plan, in accordance with Section 4 of the Plan.

(b) "Applicable Laws" means the requirements relating to the administration of equity- based awards under U.S. state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws of any foreign country or jurisdiction where Awards are, or will be, granted under the Plan.

(c) "Award" means, individually or collectively, a grant under the Plan of Options, Stock Appreciation Rights, Restricted Stock, or Restricted Stock Units.

(d) "Award Agreement" means the written or electronic agreement setting forth the terms and provisions applicable to each Award granted under the Plan. The Award Agreement is subject to the terms and conditions of the Plan.

(e) "Board" means the Board of Directors of the Company.

(f) "Cause" shall mean (a) any material breach by the Participant of any agreement to which the Participant and the Company are both parties, (b) any act (other than retirement) or omission to act by the Participant which may have a material and adverse effect on the Company's business or on the Participant's ability to perform services for the Company, including, without limitation, the commission of any crime (other than minor traffic violations), or (c) any material misconduct or material neglect of duties by the Participant in connection with the business or affairs of the Company. Notwithstanding the foregoing definition, with respect to any particular Award and/or Award Agreement, if the Award Agreement includes another definition of Cause, then such definition, and not the definition contained herein, shall govern and control.

(g) "Change in Control" means the occurrence of any of the following events:

(i) Change in Ownership of the Company. A change in the ownership of the Company which occurs on the date that any one person, or more than one person acting as a group ("Person"), acquires ownership of the stock of the Company that, together with the stock held by such Person, constitutes more than 50% of the total voting power of the stock of the Company, except that any change in the ownership of the stock of the Company as a result of a private financing of the Company that is approved by the Board will not be considered a Change in Control; or

(ii) Change in Effective Control of the Company. If the Company has a class of securities registered pursuant to Section 12 of the Exchange Act, a change in the effective control of the Company which occurs on the date that a majority of members of the Board is replaced during any twelve (12) month period by Directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election. For purposes of this clause (ii), if any Person is considered to be in effective control of the Company, the acquisition of additional control of the Company by the same Person will not be considered a Change in Control; or

(iii) Change in Ownership of a Substantial Portion of the Company's Assets. A change in the ownership of a substantial portion of the Company's assets which occurs on the date that any Person acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 50% of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions. For purposes of this subSection (iii), gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

For purposes of this Section 2(f), persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company.

Notwithstanding the foregoing, a transaction will not be deemed a Change in Control unless the transaction qualifies as a change in control event within the meaning of Code Section 409A, as it has been and may be amended from time to time, and any proposed or final Treasury Regulations and Internal Revenue Service guidance that has been promulgated or may be promulgated thereunder from time to time.

Further and for the avoidance of doubt, a transaction will not constitute a Change in Control if: (i) its sole purpose is to change the state of the Company's incorporation, or (ii) its sole purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

(h) "Code" means the Internal Revenue Code of 1986, as amended. Any reference to a Section of the Code herein will be a reference to any successor or amended Section of the Code.

(i) "Committee" means a committee of Directors or of other individuals satisfying Applicable Laws appointed by the Board, or by the compensation committee of the Board, in accordance with Section 4 hereof.

(j) "Common Stock" means the common stock of the Company.

(k) "Company" means Actelis Networks, Inc., a Delaware corporation, or any successor thereto.

(l) "Consultant" means any person, including an advisor, engaged by the Company or a Parent or Subsidiary to render services to such entity.

(m) "Director" means a member of the Board.

(n) "Disability" means total and permanent disability as defined in Code Section 22(e)(3), provided that in the case of Awards other than Incentive Stock Options, the Administrator in its discretion may determine whether a permanent and total disability exists in accordance with uniform and non-discriminatory standards adopted by the Administrator from time to time.

(o) "Employee" means any person, including officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. Neither service as a Director nor payment of a director's fee by the Company will be sufficient to constitute "employment" by the Company.

(p) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(q) "Exchange Program" means a program under which (i) outstanding Awards are surrendered or cancelled in exchange for Awards of the same type (which may have higher or lower exercise prices and different terms), Awards of a different type, and/or cash, (ii) Participants would have the opportunity to transfer any outstanding Awards to a financial institution or other person or entity selected by the Administrator, and/or (iii) the exercise price of an outstanding Award is reduced or increased. The Administrator will determine the terms and conditions of any Exchange Program in its sole discretion.

(r) "Fair Market Value" means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq Global Select Market, the Nasdaq Global Market or the Nasdaq Capital Market of The Nasdaq Stock Market, its Fair Market Value will be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system on the day of determination, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share will be the mean between the high bid and low asked prices for the Common Stock on the day of determination (or, if no bids and asks were reported on that date, as applicable, on the last trading date such bids and asks were reported), as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable; or

(iii) In the absence of an established market for the Common Stock, the Fair Market Value will be determined in good faith by the Administrator.

(s) "Incentive Stock Option" means an Option that by its terms qualifies and is otherwise intended to qualify as an incentive stock option within the meaning of Code Section 422 and the regulations promulgated thereunder.

(t) "Nonstatutory Stock Option" means an Option that by its terms does not qualify or is not intended to qualify as an Incentive Stock Option.

(u) "Option" means a stock option granted pursuant to the Plan.

(v) "Parent" means a "parent corporation," whether now or hereafter existing, as defined in Code Section 424(e).

(w) "Participant" means the holder of an outstanding Award.

(x) "Period of Restriction" means the period during which the transfer of Shares of Restricted Stock are subject to restrictions and therefore, the Shares are subject to a substantial risk of forfeiture. Such restrictions may be based on the passage of time, the achievement of target levels of performance, or the occurrence of other events as determined by the Administrator.

(y) "Plan" means this 2015 Equity Incentive Plan.

(z) "Restricted Stock" means Shares issued pursuant to an Award of Restricted Stock under Section 8 of the Plan, or issued pursuant to the early exercise of an Option.

(aa) "Restricted Stock Unit" means a bookkeeping entry representing an amount equal to the Fair Market Value of one Share, granted pursuant to Section 9. Each Restricted Stock Unit represents an unfunded and unsecured obligation of the Company.

(bb) "Service Provider" means an Employee, Director or Consultant.

(cc) "Share" means a share of the Common Stock, as adjusted in accordance with Section 13 of the Plan.

(dd) "Stock Appreciation Right" means an Award, granted alone or in connection with an Option, that pursuant to Section 7 is designated as a Stock Appreciation Right.

(ee) "Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Code Section 424(f).

3. Stock Subject to the Plan.

(a) Stock Subject to the Plan. Subject to the provisions of Section 13 of the Plan, the maximum aggregate number of Shares that may be subject to Awards and sold under the Plan is 128,999,152 Shares. The Shares may be authorized but unissued, or reacquired Common Stock.

(b) Lapsed Awards. If an Award expires or becomes unexercisable without having been exercised in full, is surrendered pursuant to an Exchange Program, or, with respect to Restricted Stock or Restricted Stock Units, is forfeited to or repurchased by the Company due to the failure to vest, the unpurchased Shares (or for Awards other than Options or Stock Appreciation Rights the forfeited or repurchased Shares) which were subject thereto will become available for future grant or sale under the Plan (unless the Plan has terminated). With respect to Stock Appreciation Rights, only Shares actually issued pursuant to a Stock Appreciation Right will cease to be available under the Plan; all remaining Shares under Stock Appreciation Rights will remain available for future grant or sale under the Plan (unless the Plan has terminated). Shares that have

actually been issued under the Plan under any Award will not be returned to the Plan and will not become available for future distribution under the Plan; provided, however, that if Shares issued pursuant to Awards of Restricted Stock or Restricted Stock Units are repurchased by the Company or are forfeited to the Company due to the failure to vest, such Shares will become available for future grant under the Plan. Shares used to pay the exercise price of an Award or to satisfy the tax withholding obligations related to an Award will become available for future grant or sale under the Plan. To the extent an Award under the Plan is paid out in cash rather than Shares, such cash payment will not result in reducing the number of Shares available for issuance under the Plan. Notwithstanding the foregoing and, subject to adjustment as provided in Section 13, the maximum number of Shares that may be issued upon the exercise of Incentive Stock Options will equal the aggregate Share number stated in Section 3(a), plus, to the extent allowable under Code Section 422 and the Treasury Regulations promulgated thereunder, any Shares that become available for issuance under the Plan pursuant to Section 3(b).

(c) Share Reserve. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of the Plan.

4. Administration of the Plan.

(a) Procedure.

(i) Multiple Administrative Bodies. Different Committees with respect to different groups of Service Providers may administer the Plan.

(ii) Other Administration. Other than as provided above, the Plan will be administered by (A) the Board or (B) a Committee, which Committee will be constituted to satisfy Applicable Laws.

(b) Powers of the Administrator. Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator will have the authority, in its discretion:

(i) to determine the Fair Market Value;

(ii) to select the Service Providers to whom Awards may be granted hereunder;

(iii) to determine the number of Shares to be covered by each Award granted hereunder;

(iv) to approve forms of Award Agreements for use under the Plan;

(v) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Awards may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Award or the Shares relating thereto, based in each case on such factors as the Administrator will determine;

(vi) to institute and determine the terms and conditions of an Exchange Program;

(vii) to construe and interpret the terms of the Plan and Awards granted pursuant to the Plan;

(viii) to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of satisfying applicable foreign laws or for qualifying for favorable tax treatment under applicable foreign laws;

(ix) to modify, amend or add additional terms to each Award (subject to Section 18(c) of the Plan), including but not limited to, the discretionary authority to extend the post- termination exercisability period of Awards and to extend the maximum term of an Option (subject to Section 6(d)), as well as restrictions on transfer, rights of the Company to repurchase shares of Restricted Stock or Shares acquired upon exercise of Options;

(x) to allow Participants to satisfy withholding tax obligations in a manner prescribed in Section 14;

(xi) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Award previously granted by the Administrator;

(xii) to allow a Participant to defer the receipt of the payment of cash or the delivery of Shares that otherwise would be due to such Participant under an Award; and

(xiii) to make all other determinations deemed necessary or advisable for administering the Plan.

(c) Effect of Administrator's Decision. The Administrator's decisions, determinations and interpretations will be final and binding on all Participants and any other holders of Awards.

5. Eligibility. Nonstatutory Stock Options, Stock Appreciation Rights, Restricted Stock, and Restricted Stock Units may be granted to Service Providers. Incentive Stock Options may be granted only to Employees.

6. Stock Options.

(a) Grant of Options. Subject to the terms and provisions of the Plan, the Administrator, at any time and from time to time, may grant Options in such amounts as the Board, in its sole discretion, will determine.

(b) Option Agreement. Each Award of an Option will be evidenced by an Award Agreement that will specify the exercise price, the term of the Option, the number of Shares subject to the Option, the exercise restrictions, if any, applicable to the Option, and such other terms and conditions as the Administrator, in its sole discretion, will determine.

(c) Limitations. Each Option will be designated in the Award Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option.

Notwithstanding such designation, however, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds one hundred thousand dollars ($100,000), such Options will be treated as Nonstatutory Stock Options. For purposes of this Section 6(c), Incentive Stock Options will be taken into account in the order in which they were granted, the Fair Market Value of the Shares will be determined as of the time the Option with respect to such Shares is granted, and calculation will be performed in accordance with Code Section 422 and Treasury Regulations promulgated thereunder.

(d) Term of Option. The term of each Option will be stated in the Award Agreement; provided, however, that the term will be no more than ten (10) years from the date of grant thereof. In the case of an Incentive Stock Option granted to a Participant who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Incentive Stock Option will be five (5) years from the date of grant or such shorter term as may be provided in the Award Agreement.

(e) Option Exercise Price and Consideration.

(i) Exercise Price. The per Share exercise price for the Shares to be issued pursuant to the exercise of an Option will be determined by the Administrator, but will be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant, unless otherwise determined by the Administrator in accordance with applicable law and regulations. In addition, in the case of an Incentive Stock Option granted to an Employee who owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price will be no less than one hundred ten percent (110%) of the Fair Market Value per Share on the date of grant. Notwithstanding the foregoing provisions of this Section 6(e)(i), Options may be granted with a per Share exercise price of less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant pursuant to a transaction described in, and in a manner consistent with, Code Section 424(a).

(ii) Waiting Period and Exercise Dates. At the time an Option is granted, the Administrator will fix the period within which the Option may be exercised and will determine any conditions that must be satisfied before the Option may be exercised.

(iii) Form of Consideration. The Administrator will determine the acceptable form of consideration for exercising an Option, including the method of payment. In the case of an Incentive Stock Option, the Administrator will determine the acceptable form of consideration at the time of grant. Such consideration may consist entirely of: (1) cash; (2) check; (3) promissory note, to the extent permitted by Applicable Laws, (4) other Shares, provided that such Shares have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which such Option will be exercised and provided further that accepting such Shares will not result in any adverse accounting consequences to the Company, as the Administrator determines in its sole discretion; (5) consideration received by the Company under cashless exercise program (whether through a broker or otherwise) implemented by the Company in connection with the Plan; (6) by net exercise, (7) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws, or (8) any combination of the foregoing methods of payment. In making its determination as to the type of consideration to accept, the Administrator will consider if acceptance of such consideration may be reasonably expected to benefit the Company.

(f) Exercise of Option.

(i) Procedure for Exercise; Rights as a Stockholder. Any Option granted hereunder will be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Award Agreement. An Option may not be exercised for a fraction of a Share.

An Option will be deemed exercised when the Company receives: (i) notice of exercise (in such form as the Administrator may specify from time to time) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised (together with applicable tax withholding). Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Award Agreement and the Plan. Shares issued upon exercise of an Option will be issued in the name of the Participant or, if requested by the Participant, in the name of the Participant and his or her spouse. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder will exist with respect to the Shares subject to an Option, notwithstanding the exercise of the Option. The Company will issue (or cause to be issued) such Shares promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 13 of the Plan.

Exercising an Option in any manner will decrease the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(ii) Termination of Relationship as a Service Provider. If a Participant ceases to be a Service Provider, other than upon the Participant's termination as the result of the Participant's death or Disability, the Participant may exercise his or her Option within ninety (90) days of termination, or such longer period of time as is specified in the Award Agreement (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement) to the extent that the Option is vested on the date of termination. Unless otherwise provided by the Administrator, if on the date of termination the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will revert to the Plan. If after termination the Participant does not exercise his or her Option within the time specified by the Administrator, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

(iii) Disability of Participant. If a Participant ceases to be a Service Provider as a result of the Participant's Disability, the Participant may exercise his or her Option within twelve (12) months of termination, or such longer period of time as is specified in the Award Agreement (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement) to the extent the Option is vested on the date of termination. Unless otherwise provided by the Administrator, if on the date of termination the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will revert to the Plan. If after termination the Participant does not exercise his or her Option within the time specified herein, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

(iv) Death of Participant. If a Participant dies while a Service Provider, the Option may be exercised within twelve (12) months following the Participant's death, or within such longer period of time as is specified in the Award Agreement (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement) to the extent that the Option is vested on the date of death, by the Participant's designated beneficiary, provided such beneficiary has been designated prior to the Participant's death in a form acceptable to the Administrator. If no such beneficiary has been designated by the Participant, then such Option may be exercised by the personal representative of the Participant's estate or by the person(s) to whom the Option is transferred pursuant to the Participant's will or in accordance with the laws of descent and distribution. Unless otherwise provided by the Administrator, if at the time of death Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will immediately revert to the Plan. If the Option is not so exercised within the time specified herein, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

(g) Vesting Schedule. Unless otherwise determined by the Board, the vesting schedule of each Option shall be as follows: four (4) year total vesting for each Option, where 25% of the underlying Shares for such Option shall vest after one (1) year from the vesting commencement date, and the remaining 75% of the underlying Shares for such Option shall vest in equal portions, on a quarterly basis, over the remaining three (3) year period.

7. Stock Appreciation Rights.

(a) Grant of Stock Appreciation Rights. Subject to the terms and conditions of the Plan, a Stock Appreciation Right may be granted to Service Providers at any time and from time to time as will be determined by the Administrator, in its sole discretion.

(b) Number of Shares. The Administrator will have complete discretion to determine the number of Shares subject to any Award of Stock Appreciation Rights.

(c) Exercise Price and Other Terms. The per Share exercise price for the Shares that will determine the amount of the payment to be received upon exercise of a Stock Appreciation Right as set forth in Section 7(f) will be determined by the Administrator and will be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant. Otherwise, the Administrator, subject to the provisions of the Plan, will have complete discretion to determine the terms and conditions of Stock Appreciation Rights granted under the Plan.

(d) Stock Appreciation Right Agreement. Each Stock Appreciation Right grant will be evidenced by an Award Agreement that will specify the exercise price, the term of the Stock Appreciation Right, the conditions of exercise, and such other terms and conditions as the Administrator, in its sole discretion, will determine.

(e) Expiration of Stock Appreciation Rights. A Stock Appreciation Right granted under the Plan will expire upon the date determined by the Administrator, in its sole discretion, and set forth in the Award Agreement. Notwithstanding the foregoing, the rules of Section 6(d) relating to the maximum term and Section 6(f) relating to exercise also will apply to Stock Appreciation Rights.

(f) Payment of Stock Appreciation Right Amount. Upon exercise of a Stock Appreciation Right, a Participant will be entitled to receive payment from the Company in an amount determined by multiplying:

(i) The difference between the Fair Market Value of a Share on the date of exercise over the exercise price; times

(ii) The number of Shares with respect to which the Stock Appreciation Right is exercised.

At the discretion of the Administrator, the payment upon Stock Appreciation Right exercise may be in cash, in Shares of equivalent value, or in some combination thereof.

8. Restricted Stock.

(a) Grant of Restricted Stock. Subject to the terms and provisions of the Plan, the Administrator, at any time and from time to time, may grant Shares of Restricted Stock to Service Providers in such amounts as the Administrator, in its sole discretion, will determine.

(b) Restricted Stock Agreement. Each Award of Restricted Stock will be evidenced by an Award Agreement that will specify the Period of Restriction, the number of Shares granted, and such other terms and conditions as the Administrator, in its sole discretion, will determine. Unless the Administrator determines otherwise, the Company as escrow agent will hold Shares of Restricted Stock until the restrictions on such Shares have lapsed.

(c) Transferability. Except as provided in this Section 8 or as the Administrator determines, Shares of Restricted Stock may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction.

(d) Other Restrictions. The Administrator, in its sole discretion, may impose such other restrictions on Shares of Restricted Stock as it may deem advisable or appropriate.

(e) Removal of Restrictions. Except as otherwise provided in this Section 8, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan will be released from escrow as soon as practicable after the last day of the Period of Restriction or at such other time as the Administrator may determine. The Administrator, in its discretion, may accelerate the time at which any restrictions will lapse or be removed.

(f) Voting Rights. During the Period of Restriction, Service Providers holding Shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those Shares, unless the Administrator determines otherwise.

(g) Dividends and Other Distributions. During the Period of Restriction, Service Providers holding Shares of Restricted Stock will be entitled to receive all dividends and other distributions paid with respect to such Shares, unless the Administrator provides otherwise. If any such dividends or distributions are paid in Shares, the Shares will be subject to the same restrictions on transferability and forfeitability as the Shares of Restricted Stock with respect to which they were paid.

(h) Return of Restricted Stock to Company. On the date set forth in the Award Agreement, the Restricted Stock for which restrictions have not lapsed will revert to the Company and again will become available for grant under the Plan.

9. Restricted Stock Units.

(a) Grant. Restricted Stock Units may be granted at any time and from time to time as determined by the Administrator. After the Administrator determines that it will grant Restricted Stock Units, it will advise the Participant in an Award Agreement of the terms, conditions, and restrictions related to the grant, including the number of Restricted Stock Units.

(b) Vesting Criteria and Other Terms. The Administrator will set vesting criteria in its discretion, which, depending on the extent to which the criteria are met, will determine the number of Restricted Stock Units that will be paid out to the Participant. The Administrator may set vesting criteria based upon the achievement of Company-wide, business unit, or individual goals (including, but not limited to, continued employment or service), or any other basis determined by the Administrator in its discretion.

(c) Earning Restricted Stock Units. Upon meeting the applicable vesting criteria, the Participant will be entitled to receive a payout as determined by the Administrator. Notwithstanding the foregoing, at any time after the grant of Restricted Stock Units, the Administrator, in its sole discretion, may reduce or waive any vesting criteria that must be met to receive a payout.

(d) Form and Timing of Payment. Payment of earned Restricted Stock Units will be made as soon as practicable after the date(s) determined by the

Administrator and set forth in the Award Agreement. The Administrator, in its sole discretion, may settle earned Restricted Stock Units in cash, Shares, or a combination of both.

(e) Cancellation. On the date set forth in the Award Agreement, all unearned Restricted Stock Units will be forfeited to the Company.

10. Compliance With Code Section 409A. Awards will be designed and operated in such a manner that they are either exempt from the application of, or comply with, the requirements of Code Section 409A, except as otherwise determined in the sole discretion of the Administrator. The Plan and each Award Agreement under the Plan is intended to meet the requirements of Code Section 409A and will be construed and interpreted in accordance with such intent, except as otherwise determined in the sole discretion of the Administrator. To the extent that an Award or payment, or the settlement or deferral thereof, is subject to Code Section 409A the Award will be granted, paid, settled or deferred in a manner that will meet the requirements of Code Section 409A, such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under Code Section 409A.

11. Leaves of Absence/Transfer Between Locations. Unless the Administrator provides otherwise, vesting of Awards granted hereunder will be suspended during any unpaid leave of absence. A Participant will not cease to be an Employee in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, or any Subsidiary. For purposes of Incentive Stock Options, no such leave may exceed three (3) months, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, then six (6) months following the first (1st) day of such leave, any Incentive Stock Option held by the Participant will cease to be treated as an Incentive Stock Option and will be treated for tax purposes as a Nonstatutory Stock Option.

12. Limited Transferability of Awards.

(a) Unless determined otherwise by the Administrator, Awards may not be sold, pledged, assigned, hypothecated, or otherwise transferred in any manner other than by will or by the laws of descent and distribution, and may be exercised, during the lifetime of the Participant, only by the Participant. If the Administrator makes an Award transferable, such Award may only be transferred (i) by will, (ii) by the laws of descent and distribution, or (iii) as permitted by Rule 701 of the Securities Act of 1933, as amended (the "Securities Act").

(b) Further, until the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, or after the Administrator determines that it is, will, or may no longer be relying upon the exemption from registration under the Exchange Act as set forth in Rule 12h-1(f) promulgated under the Exchange Act, an Option, or prior to exercise, the Shares subject to the Option, may not be pledged, hypothecated or otherwise transferred or disposed of, in any manner, including by entering into any short position, any "put equivalent position" or any "call equivalent position" (as defined in Rule 16a-1(h) and Rule 16a-1(b) of the Exchange Act, respectively), other than to (i) persons who are "family members" (as defined in Rule 701(c)(3) of the Securities Act) through gifts or domestic relations orders, or (ii) to an executor or guardian of the Participant upon the death or disability of the Participant. Notwithstanding the foregoing sentence, the Administrator, in its sole discretion, may determine to permit transfers to the Company or in connection with a Change in Control or other acquisition transactions involving the Company to the extent permitted by Rule 12h-1(f).

13. Adjustments; Dissolution or Liquidation; Merger or Change in Control.

(a) Adjustments. In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares occurs, the Administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the Plan, will adjust the number and class of Shares that may be delivered under the Plan and/or the number, class, and price of Shares covered by each outstanding Award; provided, however, that the Administrator will make such adjustments to an Award required by Section 25102(o) of the California Corporations Code to the extent the Company is relying upon the exemption afforded thereby with respect to the Award.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator will notify each Participant as soon as practicable prior to the effective date of such proposed transaction. To the extent it has not been previously exercised, an Award will terminate immediately prior to the consummation of such proposed action.

(c) Merger or Change in Control. In the event of a merger or Change in Control, each outstanding Award will be treated as the Administrator determines without a Participant's consent, including, without limitation, that either (i) Awards will be assumed, or substantially equivalent Awards will be substituted, by the acquiring or succeeding corporation (or an affiliate thereof) with appropriate adjustments as to the number and kind of shares and prices; (ii) upon written notice to a Participant, that the Participant's Awards will terminate upon or immediately prior to the consummation of such merger or Change in Control (subject to the provisions of the proceeding paragraph); (iii) outstanding Awards will vest and become exercisable, realizable, or payable, or restrictions applicable to an Award will lapse, in whole or in part prior to or upon consummation of such merger or Change in Control, and, to the extent the Administrator determines, terminate upon or immediately prior to the effectiveness of such merger of Change in Control; (iv) (A) the termination of an Award in exchange for an amount of cash and/or property, if any, equal to the amount that would have been attained upon the exercise of such Award or realization of the Participant's rights as of the date of the occurrence of the transaction (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction the Administrator determines in good faith that no amount would have been attained upon the exercise of such Award or realization of the Participant's rights, then such Award may be terminated by the Company without payment), or (B) the replacement of such Award with other rights or property selected by the Administrator in its sole discretion; or (v) any combination of the foregoing or other alternative not listed hereinabove. In taking any of the actions permitted under this subsection 13(c), the Administrator will not be obligated to treat all Awards, all Awards held by a Participant, or all Awards of the same type, similarly.

For the purposes of this subsection 13(c), an Award will be considered assumed if, following the merger or Change in Control, the Award confers the right to purchase or receive, for each Share subject to the Award immediately prior to the merger or Change in Control, the consideration (whether stock, cash, or other securities or property) received in the merger or Change in Control by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the merger or Change in Control is not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of an Option or Stock Appreciation Right or upon the payout of a Restricted Stock Unit, for each Share subject to such Award, to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the merger or Change in Control.

Notwithstanding anything in this Section 13(c) to the contrary, an Award that vests, is earned or paid-out upon the satisfaction of one or more performance goals will not be considered assumed if the Company or its successor modifies any of such performance goals without the Participant's consent; provided, however, a modification to such performance goals only to reflect the successor corporation's post- Change in Control corporate structure will not be deemed to invalidate an otherwise

valid Award assumption.

Notwithstanding anything in this Section 13(c) to the contrary, if a payment under an Award Agreement is subject to Code Section 409A and if the change in control definition contained in the Award Agreement does not comply with the definition of "change of control" for purposes of a distribution under Code Section 409A, then any payment of an amount that is otherwise accelerated under this Section will be delayed until the earliest time that such payment would be permissible under Code Section 409A without triggering any penalties applicable under Code Section 409A.

14. Tax Withholding.

(a) Withholding Requirements. Prior to the delivery of any Shares or cash pursuant to an Award (or exercise thereof), the Company will have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, local, foreign or other taxes (including the Participant's FICA obligation) required to be withheld with respect to such Award (or exercise thereof).

(b) Withholding Arrangements. The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit a Participant to satisfy such tax withholding obligation, in whole or in part by (without limitation) (i) paying cash, (ii) electing to have the Company withhold otherwise deliverable Shares having a Fair Market Value equal to the minimum statutory amount required to be withheld, (iii) delivering to the Company already-owned Shares having a Fair Market Value equal to the statutory amount required to be withheld, provided the delivery of such Shares will not result in any adverse accounting consequences, as the Administrator determines in its sole discretion, or (iv) selling a sufficient number of Shares otherwise deliverable to the Participant through such means as the Administrator may determine in its sole discretion (whether through a broker or otherwise) equal to the amount required to be withheld. The amount of the withholding requirement will be deemed to include any amount which the Administrator agrees may be withheld at the time the election is made, not to exceed the amount determined by using the maximum federal, state or local marginal income tax rates applicable to the Participant with respect to the Award on the date that the amount of tax to be withheld is to be determined. The Fair Market Value of the Shares to be withheld or delivered will be determined as of the date that the taxes are required to be withheld.

15. No Effect on Employment or Service. Neither the Plan nor any Award will confer upon a Participant any right with respect to continuing the Participant's relationship as a Service Provider with the Company, nor will they interfere in any way with the Participant's right or the Company's right to terminate such relationship at any time, with or without Cause, to the extent permitted by Applicable Laws.

16. Date of Grant. The date of grant of an Award will be, for all purposes, the date on which the Administrator makes the determination granting such Award, or such other later date as is determined by the Administrator. Notice of the determination will be provided to each Participant within a reasonable time after the date of such grant.

17. Term of Plan. Subject to Section 21 of the Plan, the Plan will become effective upon its adoption by the Board. Unless sooner terminated under Section 18, it will continue in effect for a term of ten (10) years from the later of (a) the effective date of the Plan, or (b) the earlier of the most recent Board or stockholder approval of an increase in the number of Shares reserved for issuance under the Plan.

18. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Board may at any time amend, alter, suspend or terminate the Plan.

(b) Stockholder Approval. The Company will obtain stockholder approval of any Plan amendment to the extent necessary and desirable to comply with Applicable Laws.

(c) Effect of Amendment or Termination. No amendment, alteration, suspension or termination of the Plan will impair the rights of any Participant, unless mutually agreed otherwise between the Participant and the Administrator, which agreement must be in writing and signed by the Participant and the Company. Termination of the Plan will not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Awards granted under the Plan prior to the date of such termination.

19. Conditions Upon Issuance of Shares.

(a) Legal Compliance. Shares will not be issued pursuant to the exercise of an Award unless the exercise of such Award and the issuance and delivery of such Shares will comply with Applicable Laws and will be further subject to the approval of counsel for the Company with respect to such compliance.

(b) Investment Representations. As a condition to the exercise of an Award, the Company may require the person exercising such Award to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

(c) Proxy. Each Participant, upon receipt of an Award, shall be deemed to have authorized the Company and each of its officers and to have granted the Company and each of its officers an irrevocable power of attorney and voting proxy, and shall execute written testament of such in such written form as may be prescribed by the Board. By this proxy, the Participant's right to vote any acquired Shares shall be assigned to the proxy holder whose identity shall be determined by the Board, and who shall vote such shares on any issue brought before the stockholders of the v in accordance with the majority vote of the stockholders of the Company (as voted by the stockholders without taking such acquired shares in consideration). Such power of attorney and voting proxy shall expire and be of no further force and effect upon the consummation of an an initial underwritten public offering of the shares of the Company), an irrevocable power of attorney to execute in his/her behalf such instruments and documents. The Company and its stockholders shall each be deemed as a third party beneficiary of this paragraph with rights to enforce same against the Participant.

20. Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, will relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority will not have been obtained.

21. Stockholder Approval. The Plan will be subject to approval by the stockholders of the Company within twelve (12) months after the date the Plan is adopted by the Board. Such stockholder approval will be obtained in the manner and to the degree required under Applicable Laws.

22. Information to Participants. Beginning on the earlier of (i) the date that the aggregate number of Participants under this Plan is five hundred (500) or more and the Company is relying on the exemption provided by Rule 12h-1(f)(1) under the Exchange Act and (ii) the date that the Company is required to deliver information to Participants pursuant to Rule 701 under the Securities Act, and until such time as the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, is no longer relying on the exemption provided by Rule 12h-1(f)(1) under the Exchange Act, or is no longer required to deliver information to Participants pursuant to Rule 701 under the Securities Act, the Company will provide to each Participant the information described in paragraphs (e)(3), (4), and (5) of Rule 701 under the Securities Act, not less frequently than every six (6) months with the financial statements being not more than 180 days old and with such information provided either by physical or electronic delivery to the Participants or by written notice to the Participants of the availability of the information on an Internet site that may be password-protected and of any password needed to access the information. The Company may request that Participants agree to keep the information to be provided pursuant to this Section confidential. If a Participant does not agree to keep the information to be provided pursuant to this Section confidential, then the Company will not be required to provide the information unless otherwise required pursuant to Rule 12h- 1(f)(1) under the Exchange Act or Rule 701 of the Securities Act.

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APPENDIX A

ACTELIS NETWORKS, INC.

2015 EQUITY INCENTIVE PLAN

FOR CALIFORNIA RESIDENTS ONLY

This Appendix to the Actelis Networks, Inc. 2015 Equity Incentive Plan (the "Plan") shall have application only to participants in the Plan who are residents of the State of California. Capitalized terms contained herein shall have the same meanings given to them in the Plan, unless otherwise provided in this Appendix.

Notwithstanding any provision contained in the Plan to the contrary and to the extent required by applicable law, the following terms and conditions shall apply to all Options and Restricted Stock Awards (collectively "Awards") granted to residents of the State of California, until such time as the Common Stock becomes subject to registration under the Securities Act of 1933:

1. Awards shall be nontransferable other than by will or the laws of descent and distribution. Notwithstanding the foregoing, and to the extent permitted by Section 422 of the Code, the Board, in its discretion, may permit distribution of an Award to an inter vivos or testamentary trust in which the Award is to be passed to beneficiaries upon the death of the trustor (settlor), or by gift to "immediate family" as that term is defined in Rule 16a-1(e) of the United States Exchange Act of 1934.

2. Unless employment is terminated for Cause, the right to exercise any vested part of an Option in the event of termination of employment, to the extent that the optionee is otherwise entitled to exercise an Option on the date employment terminates, shall be

   (a) at least six months from the date of termination of employment if termination was caused by death or permanent disability; and

   (b) at least 30 days from the date of termination if termination of employment was caused by other than death or permanent disability;

   (c) but in no event later than the remaining term of the Option.

3. Any Award exercised before stockholder approval is obtained shall be rescinded if stockholder approval is not obtained within 12 months of the Board's adoption of the Plan.

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APPENDIX A

ACTELIS NETWORKS, INC.

2015 STOCK INCENTIVE PLAN

SUB-PLAN FOR GRANTEES SUBJECT TO ISRAELI TAXATION

This Sub-Plan ("Sub-Plan") to the 2015 Actelis Networks, Inc. Equity Incentive Plan (the "Plan") is hereby established effective as of May 10, 2015.

1. Definitions

As used herein, the following terms shall have the meanings hereinafter set forth, unless the context clearly indicates to the contrary. Any capitalized term used herein which is not specifically defined in this Sub-Plan shall have the meaning set forth in the Plan.

1.1 "Additional Rights" means any distribution of rights, including an issuance of bonus shares and stock dividends (but excluding cash dividends), in connection with 102 Trustee Awards (as defined below) and/or the Exercised Shares (as defined below).

1.2 "Affiliated Company" for purposes of eligibility under the Sub-Plan shall mean a Parent, Subsidiary, sister or other affiliated company of the Company, provided however that any affiliated entity shall be an "employing company" within the meaning of such term in Section 102 of the Ordinance.

1.3 "Controlling Shareholder" - shall have the same meaning ascribed to it in Section 32(9) of the Ordinance (as defined below).

1.4 "Election" – the right of the Company, with respect to grant of 102 Trustee Awards, to choose either one of the following tax tracks – "Capital Gains Tax Track" or "Ordinary Income Tax Track", as provided in and in accordance with the Section 102.

1.5 "Employee" - shall have the same meaning ascribed to it in the Plan, provided however, with regard to 102 Trustee Awards and 102 Non-Trustee Awards (as defined below), "Employee" includes directors and office holders ("Nosei Misra" as such term is defined in the Israeli Companies Law), and excludes any person who is a Controlling Shareholder prior to and/or after the issuance of the Options.

1.6 "Fair Market Value" - solely for the purposes of 102 Trustee Awards, if and to the extent Section 102 prescribes a specific mechanism for determining the Fair Market Value of shares issued pursuant to the exercise of Options or Restricted Stock Awards ("Exercised Shares"), then notwithstanding the definition in the Plan, the Fair Market Value of 102 Trustee Awards shall be as prescribed in Section 102, if applicable.

1.7 "102 Non-Trustee Award" – 102 Non-Trustee Option and/or a 102 Non-Trustee RSA.

1.8 "102 Non-Trustee Option" – an Option granted not through a Trustee in accordance with and pursuant to Section 102.

1.9 102 Non-Trustee RSA" – a Restricted Stock Award granted not through a Trustee in accordance with and pursuant to Section 102.

1.10 "3(i) Award" – 3(i) Option and/or 3(i) RSA.

1.11 "3(i) Option" – an Option granted pursuant to Section 3(i) of the Ordinance.

1.12 "3(i) RSA" – a Restricted Stock Award granted pursuant to Section 3(i) of the Ordinance.

1.13 "Lock-up Period" means the period during which the 102 Trustee Awards granted to a Participant or, the Exercised Shares, as well as any Additional Rights distributed in connection therewith are to be held by the Trustee (as defined below) on behalf of the Participant, in accordance with Section 102 (as defined below) and pursuant to the tax track which the Company elects.

1.14 "Ordinance" - the Israeli Income Tax Ordinance [New Version], 1961, and the rules and regulations promulgated thereunder, as are in effect from time to time, and any similar successor rules and regulations.

1.15 "Restricted Stock Award" – means an Award of Restricted Stock.

1.16 "Section 102" – Section 102 of the Ordinance and the rules and regulations promulgated thereunder, as are in effect from time to time, and any similar successor rules and regulations.

1.17 "Trustee" - the trustee designated or replaced by the Company and/or applicable Affiliated Company for the purposes of the Plan and approved by the Israeli Tax Authorities all in accordance with the provisions of Section 102.

1.18 "Trust Note" means a written agreement between the Company and the Trustee, which sets forth the terms and conditions of the trust and is in accordance with the provisions of Section 102.

1.19 "102 Trustee Award" – 102 Trustee Option and/or 102 Trustee RSA.

1.20 "102 Trustee Option" – an Option granted through a Trustee in accordance with and pursuant to Section 102.

1.21 "102 Trustee RSA" – a Restricted Stock Award granted through a Trustee in accordance with and pursuant to Section 102.

2. General

2.1 The purpose of this Sub-Plan is to establish certain rules and limitations applicable to Options and/or Restricted Stock Awards granted to Participants, the grant of Restricted Stock Awards and/or Options to whom (or the exercise thereof by whom) are subject to taxation by the Israeli Income Tax (" Israeli Grantees"), in order that such Restricted Stock Awards and/or Options may comply with the requirements of Israeli law, including, if applicable, Section 102.

2.2 The Plan and this Sub-Plan are complementary to each other and shall be read and deemed as one. In the event of any contradiction, whether explicit or implied, between the provisions of this Sub-Plan and the Plan, the provisions of this Sub-Plan shall prevail with respect to Options and/or Restricted Stock Awards granted to Israeli Grantees.

2.3 Options and/or Restricted Stock Awards may be granted pursuant to this Sub-Plan under any tax track as applicable under the Ordinance and the rules and regulation thereunder to Israeli Grantees.

3. Eligibility

Subject to the terms and conditions of the Plan, 102 Trustee Awards and 102 Non-Trustee Awards may be granted only to Employees of the Company or any Affiliated Company, provided that such Affiliated Company is an "employing company" within the meaning of Section 102(a) of the Ordinance. Section 3(i) Options may be granted only to Non-Employees and/or Employees who are Controlling Shareholders prior to and/or after the issuance of the Awards.

4. Administration

Without derogating from the powers and authorities of the Board detailed in the Plan, the Board shall have the sole and full discretion and authority, without the need to submit its determinations or actions to the stockholders of the Company for their approval or authorization, unless such approval is required to comply with applicable mandatory law, to administer this Sub-Plan and to take all actions related hereto and to such administration, including without limitation the performance, from time to time and at any time, of any and all of the following:

a. the determination of the specific tax track per each Options and/or Restricted Stock Awards under the Plan.

b. the Election;

c. the appointment of the Trustee;

d. the adoption of forms of Option Agreements and/or Restricted Stock Agreements to be applied with respect to Israeli Grantees (respectively, the "Israeli Option Agreement" and the "Israeli Restricted Stock Agreement"), incorporating and reflecting, *inter alia*, relevant provisions regarding the grant of Options or Restricted Stock Awards, as the case may be, in accordance with this Sub-Plan, and the amendment or modification from time to time of the terms of such Israeli Option Agreements and/or Israeli Restricted Stock Agreements.

5. 102 Trustee Awards

5.1 *Grant in the Name of Trustee*:

a. Notwithstanding anything to the contrary in the Plan, 102 Trustee Options and/or 102 Trustee RSAs granted hereunder shall be granted to, and the Exercised Shares and all rights attached thereto (including bonus shares) shall be issued to, the Trustee, and all shall be registered in the name of the Trustee, who shall hold them in trust for the benefit of the Employees at least for the applicable Lock-up Period.

b. Upon the expiration of the Lock-up Period and subject to any further period included in the Plan and/or in Participant's individual agreement, the Trustee may release 102 Trustee Awards or Exercised Shares to Employee only after the Employee's full payment of his or her tax liability in connection therewith due pursuant to the Tax Ordinance and the Rules. Notwithstanding the above, in the event that an Employee shall elect to release 102 Trustee Awards or the Exercised Shares prior to the expiration of the Lock-up Period, the sanctions under Section 102 shall apply to and shall be borne solely by the Employee.

c. Notwithstanding anything to the contrary in the Plan, the date of grant of a 102 Trustee Award shall be the date determined by the Board to be the effective date of the grant of the 102 Trustee Award to an Israeli Grantee, or, if the Board has not determined such effective date, the date of the resolution of the Board approving the grant of such Options and/or Restricted Stock Awards, which in the case of 102 Trustee Awards shall not be before the lapse of 30 days (or such other period which may be determined by the Ordinance from time to time) from the date upon which the Plan is first submitted to the relevant Israeli Tax Authorities, or after a shorter period, if approved by the Israeli Tax Authorities. Notwithstanding the above, if within ninety (90) days' following the delivery of such submission to the Israeli Tax Authorities, the tax officer notifies the Company of its decision not to approve the Plan and/or the Sub-Plan, the Awards, which were intended to be granted as 102 Trustee Awards, shall be deemed to be 102 Non-Trustee Awards, unless otherwise was approved by the tax officer.

d. Upon receipt of a 102 Trustee Award, an Employee will sign an agreement, which shall be deemed as the Employee's undertaking to exempt the Trustee from any liability in respect of any action or decision duly taken and bona fide executed in relation with the Plan, the Sub-Plan and any right received by the Employee in connection therewith.

5.2 *Exercise of Vested 102 Trustee Awards*:

Unless other procedures shall be determined from time to time by the Board and notified to the Israeli Grantees, the mechanism of exercising vested 102 Trustee Awards shall be in accordance with the provisions of the Plan, except that any notice of exercise of 102 Trustee Awards shall be made in such form and method in compliance with the provisions of Section 102 and shall also be delivered in copy to the authorized representative of the Affiliated Company with which the Israeli Grantee is employed and/or engaged, if applicable, and to the Trustee.

5.3 *Restrictions on Transfer*:

a. Except to the extent expressly provided herein, the Exercised Shares shall be subject to the provisions of the Company's Bylaws and the Company's Certificate of Incorporation, as may be amended from time to time.

b. Subject to the provisions of Section 102 and any rules or regulation or orders or procedures promulgated thereunder, the Employee shall provide the Company and the Trustee with a written undertaking and confirmation under which the Israeli Grantee confirms that he/she is aware of the provisions of Section 102 and the Elected tax track and agrees to the provisions of the Trust Note between the Company and the Trustee, and undertakes not to release, by sale or transfer, the 102 Trustee RSAs and/or the 102 Trustee Options, and the Exercised Shares, and any and all Additional Rights attached thereto prior to the lapse of the Lock Up Period. The Israeli Grantee shall not be entitled to sell or release from trust the 102 Trustee RSAs and/or the 102 Trustee Options and the Exercised Shares, nor any Additional Right attached thereto, nor to request the transfer or sale of any of the same to any third party, before the lapse of the Lock Up Period. Notwithstanding the above, if any such sale or transfer occurs during the Lock Up Period, the sanctions under Section 102 of the Ordinance and under any rules or regulation or orders or procedures promulgated thereunder shall apply to and shall be borne by such Israeli Grantee.

c. Without derogating and subject to the above, and to all other applicable restrictions in the Plan, this Sub-Plan, the Israeli Option Agreement and/or the Israeli Restricted Stock Agreement and applicable law, the Trustee shall not release, by sale or transfer, Exercised Shares, and all Additional Rights attached thereto to the Israeli Grantee, or to any third party to whom the Israeli Grantee wishes to sell the Exercised Shares (unless the contemplated transfer is by will or laws of descent) unless and until the Trustee has either (a) withheld payment of all taxes required to be paid upon the sale or transfer thereof, if any, or (b) received confirmation either that such payment, if any, was remitted to the tax authorities or of another arrangement regarding such payment, which is satisfactory to the Company and the Trustee. For the removal of doubt, it is clarified that the Trustee may release by sale or transfer to a third party only Exercised Shares (and not Restricted Stock Awards and/or Options).

5.4 *Rights as Stockholder, Voting*:

Without derogating from the provisions of the Plan, it is hereby further clarified that with respect to Exercised Shares, as long as they are registered in the name of the Trustee, the Trustee shall be the registered owner of such shares. Notwithstanding, the Trustee shall not exercise the voting rights conferred by such Exercised Shares in any way whatsoever. In the event the right to vote such Exercised Shares is held by the Trustee pursuant to Section 102, then upon the deposit of any Exercised with the Trustee, Trustee shall execute a voting proxy in such form as may be prescribed by the Board, subject to the provisions of Section 102.

5.5 *Additional Rights*:

Any Additional Rights distributed, if any, with regard to Exercised Shares and/ or 102 Trustee Awards, while held by the Trustee, shall be deposited with, issued to and/ or registered in the name of (as applicable) the Trustee for the benefit of the Employees, and shall be held by the Trustee for the applicable Lock-up Period in accordance with the

provisions of Section 102 and the Ordinance. All provisions applying to such Exercised Shares shall apply Additional Rights issued by virtue thereof, if any, *mutatis mutandis*.

6. <u>102 Non-Trustee Awards</u>

6.1 102 Non-Trustee Awards granted hereunder shall be granted to, and the Exercised Shares shall be issued to, the Israeli Grantee.

6.2 Without derogating from and subject to the above, and to all other applicable restrictions in the Plan, this Sub-Plan, the Israeli Option Agreement and/or the Israeli Restricted Stock Agreement and applicable law, the Exercised Shares issued pursuant to the exercise of the 102 Non-Trustee Awards, and all rights attached thereto (including bonus shares) shall not be transferred unless and until the Company has either (a) withheld payment of all taxes required to be paid upon the sale or transfer thereof, if any, or (b) received confirmation either that such payment, if any, was remitted to the tax authorities or of another arrangement regarding such payment, which is satisfactory to the Company.

6.3 An Israeli Grantee to whom 102 Non-Trustee Awards are granted must provide, upon termination of his/her employment, a surety or guarantee to the satisfaction of the Company, to secure payment of all taxes which may become due upon the future transfer of his/her Exercised Shares to be issued upon the exercise of his/her outstanding 102 Non-Trustee Awards, all in accordance with the provisions of Section 102.

7. <u>3(i) Awards</u>

7.1 3(i) Awards granted hereunder shall be granted to, and the Exercised Shares shall be issued to, the Israeli Grantee.

7.2 Without derogating and subject to the above, and to all other applicable restrictions in the Plan, this Sub-Plan, the Israeli Option Agreement and/or the Israeli Restricted Stock Agreement and applicable law, the Exercised Shares issued pursuant to the exercise of the 3(i) Awards and all rights attached thereto (including bonus shares) shall not be transferred unless and until the Company has either withheld payment of all taxes required to be paid upon the sale or transfer thereof, if any, or received confirmation either that such payment, if any, was remitted to the tax authorities or of another arrangement regarding such payment, which is satisfactory to the Company.

7.3 The Company may require, as a condition to the grant of the 3(i) Awards, that an Israeli Grantee to whom 3(i) Awards are to be granted, provide a surety or guarantee to the satisfaction of the Company, to secure payment of all taxes which may become due upon the future transfer of his/her Exercised Shares to be issued upon the exercise of his/her outstanding 3(i) Awards.

8. <u>Tax Consequences</u>

Without derogating from and in addition to any provisions of the Plan, any and all tax and/or other mandatory payment consequences arising from the grant or exercise of Options and/or Restricted Stock Awards, the payment for or the transfer or sale of Exercised Shares, or from any other event or act in connection therewith (including without limitation, in the event that the Options and/or the Restricted Stock Awards do not qualify under the tax classification/tax track in which they were intended) whether of the Company, an Affiliated Company, the Trustee or the Israeli Grantee, including without limitation any non-compliance of the Israeli Grantee with the provisions hereof, shall be borne solely by the Israeli Grantee. The Company, any applicable Affiliated Company, and the Trustee, may each withhold (including at source), deduct and/or set-off, from any payment made to the Israeli Grantee, the amount of the taxes and/or other mandatory payments the withholding of which is required with respect to the Options and/or the Restricted Stock Awards and the Exercised Shares. Furthermore, each Israeli Grantee shall indemnify the Company, the applicable Affiliated Company and the Trustee, or any one thereof, and to hold them harmless from any and all liability for any such tax and/or other mandatory payments or interest or penalty thereupon, including without limitation liabilities relating to the necessity to withhold, or to have withheld, any such tax and/or other mandatory payments from any payment made to the Israeli Grantee.

Without derogating from the aforesaid, each Israeli Grantee shall provide the Company and/or any applicable Affiliated Company with any executed documents, certificates and/or forms that may be required from time to time by the Company or such Affiliated Company in order to determine and/or establish the tax liability of such Israeli Grantee.

Without derogating from the foregoing, it is hereby clarified that the Israeli Grantee shall bear and be liable for all tax and other consequences in the event that his/her 102 Trustee Awards, the Exercised Shares and/or the Additional Rights issued pursuant to the exercise thereof are not held for the entire Lock Up Period, all as provided in Section 102.

The Company and or when applicable the Trustee shall not be required to release any Share Certificate to an Israeli Grantee until all required payments have been fully made.

9. <u>Currency Exchange Rates</u>

Except as otherwise determined by the Board, all monetary values with respect to Options and/or Restricted Stock Awards granted pursuant to this Sub-Plan, including without limitation the Fair Market Value and the exercise price of each Option and/or Restricted Stock Award, shall be stated in United States Dollars. In the event that such exercise price is in fact to be paid in New Israeli Shekels, at the sole discretion of the Board, the conversion rate shall be the last known representative rate of the US Dollar to the New Israeli Shekels on the date of payment.

10. <u>Subordination to the Ordinance</u>

The Options, the Restricted Stock Awards, the Plan, this Sub-Plan and any applicable Israeli Option Agreements and/or Israeli Restricted Stock Agreements are subject to the applicable provisions of the Ordinance, which shall be deemed an integral part of each, and which shall prevail over any term that is inconsistent therewith.

11. <u>Governing Tax Law</u>

The provisions in the Plan relating specifically to the tax status of Awards granted in the U.S shall not apply to Awards granted under this Israeli Sub-Plan. This Sub-Plan and all instruments issued thereunder or in connection therewith shall be governed by and construed and enforced in accordance with the tax laws of the State of Israel, without giving effect to the principles of conflict of laws.

12. <u>Effectiveness</u>

This Sub-Plan shall be effective with respect to Options granted prior to or after its adoption by the Company.

***

Exhibit 10.14

AMENDMENT NUMBER 1

TO

ACTELIS NETWORKS, INC.

2015 EQUITY INCENTIVE PLAN

AMENDED: NOVEMBER 4, 2015

The following amendments to 2015 Equity Incentive Plan (the **"Plan"**) of Actelis Networks, Inc. (the **"Company"**) were duly adopted by the Board of Directors of the Company in its meeting held on November 4, 2015, in accordance with the powers and authorities granted to the Administrator under Section 4(b) of the Plan.

Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Plan.

1. A new Section 13(d) will be added to the Plan, right after Section 13(c), and read as follows:

"13(d) Notwithstanding the provisions of Section 13(c) above, in the event of a Change in Control, the vesting schedule of options granted to the Company's (or any of its Affiliated Companies') Employees shall accelerate as follows:

(i) In respect of Employees who are employed for more than ten (10) years by the Company or any Affiliated Company thereof on the date of closing of the Change in Control — (a) 50% of their Awards shall accelerate upon the closing of the Change in Control transaction; and (b) the remaining 50% of their Awards (and 100% in total) shall accelerate if: (1) their employment is terminated within two years from the closing of the Change in Control; or (2) if they remain employees of the Company, an Affiliated Company and/or any successor thereof for at least two years following the date of closing of the Change in Control;

(ii) In respect of Employees who are employed for more than five (5) years but less than ten (10) years by the Company or any Affiliated Company thereof on the date of closing of the Change in Control — (a) 25% of their Awards shall accelerate upon the closing of the Change in Control transaction; and (b) the remaining 75% of their Awards (and 100% in total) shall accelerate if: (1) their employment is terminated within two years from the closing of the Change in Control; or (2) if they remain employees of the Company, an Affiliated Company and/or any successor thereof for at least two years following the date of closing of the Change in Control; and

(iii) In respect of Employees who are employed for less than five (5) years by the Company or any Affiliated Company thereof on the date of closing of the Change in Control — (a) no acceleration upon the closing of the Change in Control transaction; and (b) 100% of their Awards shall accelerate if: (1) their employment is terminated within two years from the closing of the Change in Control; or (2) if they remain employees of the Company, an Affiliated Company and/or any successor thereof for at least two years following the date of closing of the Change in Control.

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Exhibit 10.16

Loan Agreement

dated December 2, 2020

between: **Actelis Networks Israel (Pty) Ltd. Co. No: 512703737**
the address of which for the purposes of this Agreement: 25 Basle St., Petach Tikva, Israel

("**the Borrower**")

The First Party;

and: **Migdalor Business Investment Fund Limited Partnership**
Partnership No: 540279825
of 7 Gazit Street, Petach Tikva, Israel

(hereinafter: "**the Lender**")

The Second Party

Whereas: The Borrower is a company that, inter alia, develops and markets technologies for the fast broadband communications networks (including hybrid communication systems);

and whereas: The Borrower has approached the Lender and requested that it grant it credit (as defined below) subject and pursuant to the provisions detailed in this Agreement and in the other financing documents;

and whereas: After the Lender had conducted a suitable examination to its satisfaction and pursuant to the Borrower's affidavits and its commitments in the framework of the financing documents (as defined below) it has agreed to extend the credit to the Borrower subject and pursuant to the provisions detailed in this Agreement and in the other financing documents;

therefore the Parties have agreed upon, declared and conditioned the following:

1. **Preamble and Interpretation**

1.1 The preamble to this Agreement and its Appendices constitute an integral part hereof.

1.2 The headings to the sections of the Agreement and the division of the Agreement into sections is for convenience sake. They do not constitute a part of the Agreement and they should not be given any meaning for the purposes of interpreting this Agreement and any of its provisions.

1.3 In this Agreement the plural case – also means the singular and vice versa; anything stated in the male gender – means also the female gender and vice versa; everything stated in relation to a person – also means a corporation and vice versa.

1.4 All the Parties' presentations and commitments pursuant to this Agreement are intended to supplement one another and, in any event they do not contain anything to derogate from one another.

1.5 The term " **including**" means: "including but without derogating from the aforementioned generality." The term "and included in this" means: "and included in this, but without derogating from the aforementioned generality."

1.6 Any document or authorization that the Borrower must furnish to the Lender pursuant to the financing documents and that is not attached as an Appendix to this Agreement or to the other financing documents, must only be in the format and content that was approved in advance by the Parties.

1.7 The drafts that preceded signing this Agreement shall not be acceptable as evidence in any litigation or quasi litigation and shall not be heard for interpreting this Agreement or for any other matter.

1.8 Reference to this Agreement or to a specific provision in this Agreement or to any other document whatsoever (including a specific instruction in another document as aforementioned), must be interpreted as reference to this Agreement, the aforementioned instruction or to the said other document (including a specific instruction) as if they are in force at that time and from time to time and as they were amended, changed or supplemented by an addition to them, from time to time, pursuant to their conditions or according to the matter, with the agreement of the relevant Parties, everything subject to the fact that that amendment or change was executed pursuant to the provisions in this Agreement or the instructions of that other document, according to the matter.

1.9 Any reference in this Agreement to any law whatsoever, including the Contracts Law, Companies Law, Pledges Law, Interpretation Law means that law as is when signing this Agreement and as they shall be amended from time to time, including any judgment that replaces it.

1.10 The terms "**day**," "**month**" and "**year**" will be included in a calendar according to the Gregorian calendar, unless explicitly stated otherwise.

2. **Definitions**

Unless any other intention is understood from the content of matters or there link, in this Agreement the following expressions shall have the meaning listed next to them, as follows:

"**Authorization**"	Any authorization, waiver, notice, license, exemption, mandate, permission, right of use, concession or order, and any approval, agreement or permission required and/or that is given by a government authority as defined below (in Israel or overseas), pursuant to any law and/or pursuant to any agreement.
"**Means of control**"	According to the meaning of this term (however used) in the Securities Law.
"**(the) Guarantees** "	as detailed in Section 12 of this Agreement.

"**Bank Mizrahi**" — Bank Mizrahi Tefahot Ltd.

"**Interested Party**" — Pursuant to the meaning of this term (however used) in the Securities Law.

"**Official Officer**" — A Liquidator, Trustee, Receiver, Activating Receiver, Special Manager, Expert or any officer or any other similar office bearer who has been appointed in relation to any dissolution proceedings whatsoever and all whether by temporary appointment or permanent appointment, whether the appointment was made pursuant to this Agreement and whether the appointment was made pursuant to any law, whether the appointment was made by a Court, by a government authority and/or a statutory entity and whether by any other way, whether in Israel or overseas.

"**Withdrawal request**" — A withdrawal request in the phrasing of Appendix 3.1.4 to this Agreement, in the framework of which the Borrower requests extending the credit to it pursuant to this Agreement and subject to its provisions.

"**Entity**" — Any person, company, partnership (whether registered or not), cooperative association, association, corporation, joint venture, business, organization, state, local authority or other governmental authority and any other entity, all whether in Israel or overseas.

"**Associated Entity**" — According to the meaning of the term "Associated Company" (however used) in the Securities Law with the mandatory changes.

"**Financial Statements**" — The audited financial statements as prepared from time to time in relation to any entity whatsoever, prepared pursuant to the generally accepted accounting principles, which, inter alia, include a balance sheet, profit and loss statement, cash flow statement, statement on changes in equity and notes for each of the aforementioned financial statements and any additional report and/or note to report that is required by the competent government authorities and/or by virtue of the generally accepted accounting principles as shall apply from time to time.

"**Law**" — As defined in the Interpretations Law, 5741 – 1981 and any legislation, law, regulation, rule, ordinance, decision, verdict, official order, judgmental order, ordinance, instruction, demand or binding request and in relation to all the aforementioned – of a government authority, all as shall apply to the relevant entity and that shall be in force from time to time and as shall be amended, changed or replaced.

"**Holding**" — According to the meaning of this term (however used) in the Securities Law.

"**(the) Credit**" — The loan in the principal sum of NIS 16,750,000 (sixteen million seven hundred and fifty thousand new shekels) (hereinafter: "**the first credit**"), subject to the Borrower's option to increase the credit by another NIS 3,350,000 (three million three hundred and fifty thousand new shekels) as detailed in Section 4.2.3 (hereinafter: "**the additional credit**"). Thus, the maximum total of the loan will be NIS 20,100,000 (twenty million one hundred thousand new shekels). (The sum of the credit that will actually be extended to the Borrower shall be called hereinafter: "**the credit principal**"), which will be extended to the Borrower by the Lender on the date of extending the credit as detailed in this Agreement.

"**Owners Loans**" — Any sum given or extended to the Borrower in any manner and way whatsoever, whether directly or indirectly, by any of the Shareholders of the Borrower and/or by any entity associated with the Borrower and/or with the Shareholders in the Borrower and/or by a relative of any of the aforementioned and any of whom have a right to receive it back from the Borrower (whether if the principal sum and whether with the addition of linkage differentials and/or interest), whether currently or in the future, including a loan that was extended to the Borrower by the entity as aforementioned and/or a capital note and/or promissory note that the Borrower made to the order of that entity and/or that was furnished by the Borrower as aforementioned to that entity, including, according to the owners loans documents and/or capital notes.

"**Legal Proceedings**" — Proceedings with any legal force whatsoever, including administrative proceedings, arbitration and mediation proceedings, regulatory proceedings, proceedings adopted by government authorities, realization proceedings, execution Court proceedings, imposing attachments and receivership proceedings, all whether they are conducted in Israel and/or overseas.

"**Agreement**" — Any written and/or oral agreement and/or understanding between any party whatsoever, including in the framework of an agreement, contract, memorandum of understanding, memorandum of principles, written undertaking or any other document whatsoever with any legal relevance whatsoever.

"M**aterial agreement**" — The agreements detailed in Appendix 10.17 to this Agreement.

"**This Agreement**" — This Agreement including all its Appendices, attachments and accompanying documents, as shall be amended and/or changed and/or completed from time to time (subject to its conditions).

"**Expected breach**" — An expected breach will occur if a Party to the Agreement discloses its opinion not to comply with the Agreement, or it appears, under the circumstances of the matter, that it will not be able to or will not want to comply with it, according to the meaning of this expression in the Contracts Law.

"**Linkage differentials**" — Any sum added to another sum as a result of linkage to an Index.

"**Material detrimental effect**" — Any cause or circumstances that have or are likely to have a material detrimental effect on one or more of the following details:

(a) The Borrower's business or financial status;

(b) the Borrower's ability to comply with and execute its commitments pursuant to the financing documents to which it is a Party fully and punctually;

(c) The rights, remedies and reliefs imparted on the Borrower pursuant to the financing documents and any law, including in relation to the guarantee extended to the Lender pursuant to the financing documents; and

(d) The validity and enforceability of any of the financing documents.

“**Collateral Right**” Any encumbrance, whether fixed or floating), lien, bond, mortgage, attachment, right of lien, right of setoff, conditional sale, assignment by way of encumbrance or other arrangements of any kind that guarantee the liability of any entity and/or that are intended to impart collateral for any debt whatsoever on any entity, including a commitment not to create collaterals as aforementioned (negative encumbrance) all whether in Israel or overseas.

“**Financial debt**” Regarding any entity, a liability of that entity that derives from any one of the following, including a contingent debt:

(a) Credit, loan, any financing whatsoever and/or debt balance at a bank or institutional entity or any other entity whatsoever and/or sums that were raised in any other manner whatsoever;

(b) Taking a liability or any financial debt whatsoever, including via extending collateral, extending a guarantee, a commitment to indemnify or similar other commitment, issuing a bond, issuing a note or issuing a similar document or via assignment and/or any other manner whatsoever;

“**Permitted financial debt**” Any one of the following financial liabilities:

(a) Financial indebtedness vis-à-vis the Lender according to and pursuant to the financing documents;

(b) the Borrower’s financial debt vis-à-vis the banks in Israel (hereinafter: ‘**the banks**”) or subject to the fact that no encumbrances were created in favor of the banks for the aforementioned financial indebtedness, apart from the encumbrances existing on the date of signing this Agreement pursuant to the details in the Lender’s Registrar of Companies report.

“**Subsidiary**” Any entity over which the relevant entity is a controlling shareholder, whether directly or indirectly.

“**Breaching Company**” According to the meaning of this term (however used) in the Companies Law.

“**The debt**” The unpaid balance of the credit (principal) with the addition of the interest that it bears and any other payment that the Borrower shall owe to the Lender pursuant to the financing documents, as shall be from time to time, including arrears interest, linkage differentials, payment for the auditing and inspection, rate differentials, commissions, additional payments and rights to the Lender as detailed in this Agreement, refund of expenses, expenses of exercising collateral that was given and that shall be given to the Lender, payment for legal fees, consultants pursuant to the provisions in the financing documents, an official functionary pursuant to the instructions in the financing documents and any payment of any kind and type whatsoever that shall be owing to the Lender from the Borrower and all as detailed in the financing documents, whether directly or indirectly, conditionally or in any other manner, including in any event in which reference is to a future debit that is not yet due and/or a contingent debits and the conditional conditions for its payment has not yet occurred.

“**The Companies Law**” The Companies Law, 5759 – 1999 and any regulations, ordinances and rules issued by virtue of it.

“**The Contracts Law**” The Contracts (Remedies in view of Breach of Contract) Law, 5731 – 1970 and any regulations, ordinances and rules issued by virtue of it.

“**The Pledges Law**” The Pledges Law, 5727 – 1967 and any regulations, ordinances and rules issued by virtue of it.

“**The Interpretations Law**” The interpretations Law, 5741 – 1981 and any regulations, ordinances and rules issued by virtue of it.

“The Insolvency Law” The Insolvency and Economic Rehabilitation Law, 5778 – 2018.

“The Securities Law” The Securities Law, 5728 – 1968 and any regulations, ordinances and rules issued by virtue of it.

“Distribution” According to the meaning of that term (however used) in the Companies Law and any payment relating to the owners loans, whether payment of principal, interest, linkage to the Consumer Price Index or other; any payment relating to the Borrower’s equity’ redemption of the Borrower’s capital; extending loans, collateral and any other financing, from the Borrower in favor of its Shareholders; payment of management fees, salaries, consultation fees, commissions or any other payment of any kind and type whatsoever paid by the Borrower to any associated entity, shall be termed as shall be and all whether in Israel or overseas.

“The Borrower’s Account” Details of the Borrower’s account as furnished in writing to the Lender by the Borrower with attachment of confirmation of managing the account.

“The designated Account” A new bank account for the Borrower that will be opened at a bank in Israel in which the only authorized signatories will be the Lender’s representatives and the Borrower’s representative and their signature together will bind the Borrower in any transaction relating to the bank account (including cash transfers)

“The Lender’s Account for Crediting” Any account the details of which will be furnished by the Lender.

“Business Day” Any day excluding: (a) Days established by the Inspector of Banks as days on which there is no banking business which are Saturday, sabbatical days, the two days of New York, Yom Kippur eve and Yom Kippur, the first and Shemini Atzeret od Succoth, Purim, the first and seventh day of Pesach, Independent Day, Shavuoth, the 9th of Av; (b) any other day other than those listed in Section (a) established by the Inspector of Banks as a day in which there is no banking business; (c) A day on which the branches of most of the banks in Israel (or most of them) are closed to the public for business purposes.

“The Basis Index”	The Consumer Price Index for October 2020 (as published on November 15, 2020).
“The Index” or “the Consumer Price Index”	The Price Index known as the Consumer Price Index, which includes fruit and vegetables, published by the Central Bureau of Statistics and Economic Research in Israel and which includes that Index even if it is published by another government Institute and includes any official Index that replaces it, whether structured with the same data according to which the existing Index is structured or not. If it is replaced by another Index that is published by an entity or Institute as aforementioned and that entity or Institute is not establish the ratio between it and the replaced Index, the ratio will be established by the Central Bureau of Statistics and, should that ratio not be established as aforementioned, the Lender, on consultation with economic experts to be appointed by it, the Lender will establish the Index rate (if not published) and/or the ratio between the aforementioned Index and the replaced Index.
“The Date for Extending the Credit”	The date on which the credit will be extended to the Borrower pursuant to the provisions in this Agreement, which will occur after receiving the Lender’s approval of the withdrawal request and the presence of all the conditions precedent specified in this Agreement (should there be any). In the event in which the credit is extended to the Borrower in a number of payments (stages), the date of the first payment (stage A) will be considered as the “credit extending date.
“**The Final Payment Date**”	The date on the termination of 84 (eighty four) months from the date of extending the credit (or the first part of the credit, if the credit is extended in a number of payments) on the day in the month in which the credit extending date occurred.
“**(the) Lender** “	The Lender and any other entity that joins, after the date of signing this Agreement as a Party to this Agreement as a Lender (pursuant to its conditions) and apart from anyone who has ceased to be a Party to this Agreement as a Lender (pursuant to its conditions).

“**The Collateral Documents**”	As this term is defined in Section 12 of this Agreement
“**the Borrower’s Incorporation Documents**”	The certificate of registration, Articles of Association and the other valid and updated incorporation documents of the Borrower as at the date of signing this Agreement.
“**The Financing Documents**”	Any of the following documents: (a) This Agreement, including all its Appendices, attachments and accompanying documents as shall be amended and/or changed and/or completed from time to time; (b) Any of the collateral documents.
“**Breach Event**”	Any one of the events and circumstances detailed in Section 15 of this Agreement.
“**Officer**”	According to the meaning of this term (however used) in the Company’s Law
“**(the) Encumbered Assets**”	Any asset or right that is subject to the collateral from time to time pursuant to the collateral documents.
“**Clear and Released**”	Clear, free and released of any debt, collateral rights, attachment, sequestration, lien, condition for preserving ownership, trust, preference right, joinder right, right of setoff, right of refusal, option and any other or additional third party right, of any kind and type whatsoever.
“**On the basis of full dilution**”	On the basis of an assumption that all the convertible securities and all the guarantees to a security as aforementioned, options, convertible capital notes, convertible debts of any kind and type whatsoever exercised or (according to the matter) fully converted.
“**Personal Interest**”	According to the meaning of this term (however used) in the Companies Law.
“**Transaction**”	According to the meaning of this term (however used) in the Companies Law.
“**Interested Party Transaction**”	Any of the following: (a) Any transaction (according to the meaning of this term (and all its changes) in the Companies Law) that are subject to the Seventh Schedule of the Sixth Part of the Companies Law; and (b) any transaction and/or agreement and/or commitment whatsoever and/or granting of any benefit whatsoever between and/or by any entity whatsoever and/or to the benefit of (according to the matter): (1) Shareholders of the aforementioned entity, interested parties of the aforementioned entity, an entity associated with the aforementioned entity, an officer in the aforementioned entity and a relative of the aforementioned entity, an interested party in the aforementioned entity or officer in the aforementioned entity; (2) A Shareholder and/or interested party and/or associated entity and/or officer and/or relative of any of those detailed in Subsection (b)(1) in this aforementioned definition.
“D**issolution**”	Must be interpreted as including proceedings for dissolution (voluntary or forced) for bankruptcy, liquidation, erasure, a creditors arrangement, receivership, reorganization, freezing of proceedings, convalescence, for a debt arrangement, for granting a management order, for appointing an official functionary, for protection against creditors or other remedies resulting from these, including any other identical or similar proceedings pursuant to the Insolvency and Economic Rehabilitation Law, 5778 – 2018; pursuant to the Companies Ordinance, 5743 – 1983; pursuant to the Companies Law, pursuant to the Pledgors Law, pursuant to the Execution of Court Orders Law, 5727 – 1967, pursuant to the regulations regulated by virtue of these laws and any legal proceedings similar to them, in Israel and overseas.

"**Relative**"	According to the meaning of this term in the Company's Law.
"**Interest**"	As this term is defined in Section 5.1 of this Agreement.
"**Arrears Interest**"	As this term is defined in Section (**Error reference source not found**) of this Agreement.
"**Government Authority**"	Any Authority or government entity whatsoever whether in Israel and overseas, including the Law courts and any other Court, including the following entities: The Commissioner of the Capital Market, Insurance and Savings, the Inspector of Banks, the Bank of Israel, the Restraint and Trade Authority, the Tax Authorities and the Company's Authority and/or any other similar entity overseas.
"**Structure Change**"	In relation to any entity, any of the following actions and transactions, in Israel or overseas: (a) A merger or split (in the sense of these terms in Part e2 Of the Income Tax Ordinance [New Version] or in the Companies Law or in any instruction of the law that replaces them) (including combination and reorganization) and any action, the results of which are similar and executing any action and/or transaction pursuant to any parallel or similar instruction pursuant to any other law; (b) allocation and/or issue of shares and/or means of control and/or securities and/or any other rights whatsoever and/or bonds (capital and/or that arrange financial indebtedness), whether through a private issue or an issue to institutional investors, whether via an initial public offer or an additional public offer and whether via expanding a bond series and changing the rights attached to shares, means of control or securities, splitting shares, means of control or securities and changing the class of shares, means of control or securities and any action the results of which is similar and executing any action and/or transaction pursuant to any parallel or similar instruction pursuant to any other law; (c) Any action (including allocation and/or sale and/or issue of shares) the results of which is a change in control in that entity; (d) The sale and/or transfer and/or acquisition of the major business operations of that entity; (e) Adopting a decision and/or submitting a request and/or adopting proceedings for changing a name and/or erasure from the Registrar Companies register or from any other mandatory official register pursuant to any law and/or for transferring and/or changing the business location and/or for dissolution and/or voluntary dissolution and any action with similar results and executing any action and/or transaction pursuant to any parallel or similar instruction pursuant to any other law; (f) Adopting a decision and/or submitting a request and/or adopting debt arrangement proceedings and/or executing a creditors arrangement and/or compromise and/or freezing of proceedings and/or merger and/or change in the structure and any action with similar results and executing any action international transaction pursuant to any parallel or similar instruction pursuant to any other law; and (g) Adopting a decision and/or making a commitment to execute any of the aforementioned actions and/or transactions.
"**Control**"	However used according to the meaning of this term (however used) in the Banking (Licensing) Law, 5741 – 1981.
"**Conditions Precedent**"	The conditions precedent detailed in Section 3 of this Agreement.
"**Actelis**"	ACTELIS NETWORKS INC.

3. **Conditions Precedent**

3.1 Without derogating from any other conditions in this Agreement, the validity of this Agreement, including the Lender's commitments to extend credit to the Borrower are conditional on the fact that, at the date of extending the credit, all the following conditions precedent exist cumulatively to the Lender's full satisfaction.

3.1.1 all the presentations detailed in the financing documents and their appendices (including those detailed in Section 10 of this Agreement), are correct, accurate and complete to the best of the Borrower's knowledge as at the date of extending the credit and the Borrower must provide the Lender with signed confirmation by the Borrower's CEO as to the correctness and completeness of the presentations detailed in the financing documents and their Appendices as at the date of extending the credit, in the format to be agreed upon between the Parties and which must be to the Lender's satisfaction.

3.1.2 No breach event has occurred, there is no expected breach and extending the credit will not cause any breach event or expected breach to occur.

3.1.3 The collateral documents detailed in Section 12 in the format to be agreed upon between the Parties and which must be to the Lender's satisfaction, have been legally signed by the Parties to them.

3.1.4 The Borrower must furnish the Lender with a Guarantee Letter signed by Actelis in the format to be agreed upon between the Parties and which must be to the Lender's satisfaction.

3.1.5 The Borrower must furnish the Lender with an irrevocable request to extend the credit in the format to be agreed upon between the Parties and which must be to the Lender's satisfaction, signed by the Borrower.

3.1.6 A Letter of Intent was received from Bank Mizrahi, which shall not exceed NIS 10,050,000 (ten million and fifty thousand new shekels) with the addition of a sum for an early settlement commission, in the format that shall be to the Lender's satisfaction (and at the Lender's sole discretion), which has been updated to the date of extending the credit (hereinafter: "**the Letter of Intent**").

3.1.7 The Borrower has received approval for encumbering the Borrower and Actelis' intellectual property (to the extent required) from the Innovations Authority, as detailed in Section 12, in favor of the Lender.

3.1.8 Actelis has received authorization from the Small Business Administration (from which Actelis received and aid loan during the Covid 19 pandemic), if necessary, to register the encumbrances in United States, as detailed in Section 12.

3.1.9 The Borrower must furnish the Lender with a Disclosure Appendix (Appendix 10 to this Agreement) in which the content and details are to the Lender's satisfaction (at the Lender's sole discretion). To obviate any doubt, when signing the Agreement prior to furnishing the Lender with this Appendix and if the disclosure that will be given by the Lender in this Appendix and/or the content in shall not be to the satisfaction of the Lender and is not approved by the Lender, for any reason whatsoever, then this condition precedent shall not be deemed to be a condition precedent that exists.

3.1.10 The Lender has been furnished with confirmation from the bank of the fact that the designated bank account, as defined above, has been opened, when the only authorized signatories in the bank account as aforementioned will be the Borrower's representative and Migdalor's representative.

3.1.11 There are no impediments and/or restrictions and/or prohibitions pursuant to any law and/or agreement and/or imposed by a government authority and/or by virtue of any judicial order or decision whatsoever to extending the credit and to the Lender's engagement in this Agreement and in the other financing documents.

3.1.12 No cause or circumstance have arisen that contain or could contain a material detrimental effect.

3.1.13 Minutes of the Borrower's competent organs have been furnished that authorize the Borrower's engagement in this Agreement and the Borrower's engagement in the collateral documents and executing all the commitments included therein and that authorize the signatories on these documents to sign in the name of the Borrower and, with the attachment of an Atty. at Law's authentication of the legal signature of the Company's authorized signatory on this Agreement and pursuant to the resolutions, as provided at the bottom of this Agreement.

3.1.14 Extending the credit has been approved by the Lender's Board of Directors.

3.1.15 The Borrower furnished the Lender with a standing order signed by the Borrower's bank for arranging the loan repayments payments as detailed in this Agreement and to the Lender's satisfaction.

3.2 Immediately after signing this Agreement, the Parties will adopt all the necessary measures for the existence of the conditions precedent as aforementioned and, each Party will do its utmost for the existence of all the conditions precedent imposed on him., If, despite the Parties' efforts by December 31, 2020, (or any date later than this agreed upon by the Parties), all the conditions precedent do not exist as detailed in Section 3.1 above, and apart from an event in which the Lender notified the Borrower that the Lender waives the existence of any of the conditions detailed in Section 3.1 above, to the full satisfaction of the Borrower – then this Agreement and the other financing documents (apart from Section 19 in this Agreement) will be null and void. If this Agreement and the other financing documents are annulled as aforementioned, in view of circumstances that are not dependent on the Lender and/or anyone on its behalf, the Borrower must pay the Lender on the date of annulling this Agreement as aforementioned half of the legal expenses specified in Section 8 below and neither of the Parties and/or anyone on their behalf shall have any claim, allegation or demand vis-à-vis the second Party, the officers in them, their employees, consultants, representatives and Attorneys and anyone else working on their behalf in relation to this Agreement, the other financing documents and their annulment as aforementioned and the Parties hereby absolutely and finally waive any claim, allegation or demand as aforementioned. On the aforementioned, if a condition as provided in Section 3.1.7 (approval of the Innovations Authority) does not exist by December 31, 2020 (despite the Borrower's efforts) then, up to the existence of all the other conditions precedent (the earlier between the two) the Lender shall be entitled to delay the date for the existence of the aforementioned condition and, in this case, the following provisions shall apply:

a. The credit principal will be extended to the Borrower pursuant to the provisions in this Agreement.

b. The Borrower shall not be entitled to release any sum from the designated account until the existence of the aforementioned condition in Section 3.1.7 and registration of an encumbrance on the intellectual property.

c. The Borrower undertakes to complete the aforementioned condition in Section 3.1.7 (and accordingly registration of an encumbrance on the intellectual property Results, no later than 60 days from the date of signing this Agreement or 30 days from the existence of all the other conditions precedent specified in this Agreement (whichever is the earlier).

3.3 The Lender shall be entitled (but not obligated) to waive the existence of any of the conditions precedent detailed in Section 3.1 and to condition the waiver of any condition whatsoever. It is hereby clarified that providing a waiver as aforementioned contains nothing to obligate the Lender to provide a waiver as aforementioned in other instances.

4. <u>The Credit</u>

4.1 **<u>The Purpose of the Credit</u>**

The Borrower shall be entitled to use the credit in the following manner:

4.1.1 Firstly, for the purposes of settling the unpaid balance of sums that the Borrower owes to Bank Mizrahi pursuant to the Letter of Intent, as detailed in Section 4.2.1.1 below.

4.1.2 The rest for the Borrower's purposes subject to the details in Section 4.2.6 and complying with the financial criteria.

4.1.3 The credit will not be used for the purposes of a distribution in any manner and in any instance.

4.2 **<u>Extending the Credit</u>**

4.2.1 Subject to the fact that all the conditions precedent existed in their entirety pursuant to the provisions in Section 3 of this Agreement to the Lender's satisfaction and subject to the fact that no breach event has occurred, there is no anticipated breach and extending the credit will not result in the occurrence of a breach event or anticipated breach, the Borrower will extend the first credit within 7 business days from the date of furnishing the credit request by the Borrower or within 7 business days from the date of the existence of all the conditions precedent as aforementioned (the laser between the two) and in the following manner:

4.2.1.1 Firstly, the sum specified in the Letter of Intent will be provided, which will be paid directly to Bank Mizrahi pursuant to the bank account details appearing in the Letter of Intent (hereinafter: "**the Stage 1 Payment**").

4.2.1.2 Secondly, within 7 days from the existence of all the conditions mentioned below or within 7 days from the date of the Stage I Payment (whichever is the later), the balance of the credit sum will be extended to the Borrower, in a transfer to the designated account (hereinafter: "**the designated Account Funds**").

a. Removal of all the existing collateral for Bank Mizrahi (in Israel and the US), apart from the deposits encumbered with a specific encumbrance in favor of Bank Mizrahi on the date of signing this Agreement (as detailed in the Registrar of Companies print out on the date of signing this Agreement).

b. Registering all the collateral stated in Section 13 in the relevant registers as detailed below in a manner that, **regarding encumbrances in Israel** – the aforementioned encumbrances were legally submitted for registration at the Registrar of Companies and the Patents Register in Israel and the Borrower furnished the Lender with the signed encumbrances as aforementioned with the attachment of confirmation of submitting them for registration at the Registrar of Companies and the Patents Register in Israel. Regarding the encumbrances in the US – Statute three confirmation was furnished to the Lender that proves registration of the encumbrance in the mandatory relevant registers as aforementioned.

c. The Lender was furnished with confirmation of executing the registration of the encumbrances in the US as aforementioned by an American attorney.

4.2.2 The actual date on which the Lender will extend the Stage 1 Payment as aforementioned in Section (**Error! The reference source not found**) above will be deemed to be the date of extending the credit for the purposes of this Agreement and the other financing documents.

4.2.3 Despite the aforementioned, if the Borrower furnishes the Lender with a full credit request signed as required, in relation to the additional credit (as defined above) and this, by March 1, 2021 and no later than that date), the Lender will extend the additional credit to the Borrower within 7 business days from the date of furnishing the additional credit request (and subject to the full existence of the conditions precedent by that date).

4.2.4 The interest for all the credit (both the Stage I Payment and the designated account funds) must be paid as of the earlier date between the two following dates:

a. The date of extending the Stage I Payment.

b. January 1, 2021 (this even if the Stage I Payment and/or the designated account funds have not yet been extended).

4.2.5 All the costs and commissions that apply for executing the aforementioned payments in Section 4.2, including the costs of transferring the payment etc., shall apply to the Borrower exclusively and they constitute a part of the credit.

4.2.6 Release of Funds from the Designated Account

4.2.6.1 For the purposes of this Section:

"**EBITDA**" – The annual accumulated sum of the net earnings on neutralizing interest expenses, financial expenses, tax expenses, depreciation on fixed property and amortization of other assets.

To obviate any doubt, one-time revenues and expenses, which do not reflect the Borrower's normal course of business, for example but not limited to: gains/losses from evaluating real estate for investment, capital gains/losses and gains/losses from revaluing options to employees, will not be included in the EBITDA.

In 2022, subject to the individual approval of the Lender, the EBITDA used for the purposes of examining the Borrower's compliance with the various conditions detailed below, will be amended so that new expenses that were expended by the Company during that period in order to result in gross (such as employing additional sales personnel etc.) will be added to it (i.e. they will not be neutralized).

"**The cover/debt ratio**" – The result received from dividing the balance of the credit principal as shall be from time to time, by the normalized annual EBITDA (as defined below). Despite the aforementioned for the purposes of calculating the cover/debt ratio, the balance of the funds in the designated account (at that date) and the withdrawal sum for increasing inventory as detailed in Section 4.2.6.3a below, will be deducted from the credit principal balance.

"**Current assets**" – The total of the balance sheet entries – cash and cash equivalents, accounts receivable, trade receivables and inventory as appear in the Company's books.

4.2.6.2 The authorized signatories in the designated account must transfer the designated account funds (or a part of them) to the Borrower's account pursuant to the conditions and dates detailed in this section below.

4.2.6.3 During 2020-2021 –

4.2.6.4 **"Withdrawal for increasing current inventory" –** Pursuant to the Borrower's request, the Lender will not refuse an accumulated withdrawal from the designated account of up to $0.5 million (half a million United States dollars) for the purposes of increasing the Borrower's current inventory based on the following equation:

If the finished product inventory supply forecast from the Borrower's inventory suppliers in each calendar quarter ("**the expected quarterly supply** ") exceeds $700 thousand, the Borrower shall be entitled to withdraw the difference between the expected quarterly supply (as appears in the Borrower's inventory management system reports) and $700,000 from the designated account, up to and accumulated withdrawal of $500 thousand (hereinafter: "**the withdrawal for increasing current inventory**").

If the Borrower has used the withdrawal for increasing current inventory, the Borrower must return the money for the withdrawal for increasing current inventory to the designated account if the expected quarterly supply (as appears in the Borrower's inventory management system reports) (hereinafter: "**repayment of the inventory withdrawal**") is lower than $700 thousand with the addition of the sum of the Borrower's inventory withdrawals up to that date. The Borrower shall be entitled to again withdraw from the designated account in the event in which the Borrower's expected quarterly supply returns to being no less than the current inventory withdrawal (executed up to the examination quarter), if it is withdrawn in addition to $700 thousand..

The aforementioned mechanism in the section must be repeated every quarter.

The Borrower shall be entitled to present an inventory acquisition program at the beginning of each quarter and can, pursuant to it execute inventory

withdrawals pursuant to Section 4.2.6.4 above.

a. "**Withdrawal for backlog orders and deferred revenues**" – The Lender will not refuse a withdrawal from the designated account in the sum equal to 40% of the following sums (1) the Borrower's "open" orders (pursuant to binding agreements of the Borrower with its customers) that have not yet been supplied by the Borrower to its customers (hereinafter: "**the backlog orders**") and (2) the Borrower's deferred revenues pursuant to the Borrower's binding service contracts/agreements with its customers (as detailed in the Borrower's quarterly report (hereinafter: "**the deferred revenues**"). As at September 30, 2020 sum of the Borrower's backlog orders and the deferred revenues were a backlog of $1086 thousand and deferred revenues of $784 thousand.

b. Furthermore, pursuant to the Borrower's request, the Lender will not refuse withdrawal from the designated account in a sum equivalent to an additional 50% of the Borrower's deferred revenues (in addition to the aforementioned – a total of 90% of the deferred revenues) (hereinafter: "**the additional deferred [revenue] withdrawal**").

c. If it becomes clear in the framework of the Borrower's financial statements or its reports in the framework of this Agreement (including the quarterly reports), that the Borrower's quarterly EBITDA (pursuant to the report to be prepared for the last quarter of 2020 and for each of the quarters January-March, April-June, July the and September, October-December, in 2021), is lower than $250,000 (two hundred and fifty thousand US dollars) per quarter as aforementioned (hereinafter: **"the exceptional quarter**" and "**the exceptional quarter event**") the Borrower undertakes the following:

(1) To return the withdrawal for additional deferred revenue, as detailed in Section b above, to the designated account (hereinafter: **repayment of the deferred revenue withdrawal**").

(2) To return the difference between: (1) the sum of the debt less the sums in the designated account, less the withdrawal for increasing the current inventory and (2) the Borrower's normalized annual EBITDA (as defined below) multiplied by 2 together with 40% of the backlog orders and 40% of the deferred revenues (acts detailed in Section b above), provided that the balance of the sums in the designated account shall not be greater than the lower between: (a) $3 million or $2 million in the event that the additional credit was not taken, according to the matter; and (b) the debt balance to the extent that the debt balance is lower than $2 million (hereinafter: "**the repayment of the difference**").

d. Without derogating from the aforementioned, in the event in which an exceptional quarterly event occurs, but the current purchase as defined above, is higher than the sum of the debt (as defined above) or in the event is higher than 90% of the debt sum, with the Lender's approval, in both the exceptional quarter and during any quarters thereafter, then the Lender will not be required to refund the withdrawal for the deferred revenues and the refund of the difference. However, if at the end of the calendar year, in its framework of which there was a quarter in which the exception occurred, the EBITDA of the Borrower shall not exceed $1 million in four current quarters of the year or exceeds $1.25 million for 5/4 that also include the first quarter after the calendar year (the calendar year with addition of the first quarter after the end of the calendar year) the Borrower must repay the refund money for the withdrawal for deferred revenues and the money of the repayment of the difference to the designated account, no later than the date on which it becomes clear that one of the conditions as aforementioned was not met.

4.2.6.5 During and after 2022

a. Pursuant to the Borrower's request, the Lender will not refuse withdrawing sums from the designated account at the beginning of each quarter and based on the accumulated data during the year, this if the cover/debt ratio, in the annual calculation, was a **ratio that is not lower than 2.** (For example, if the debt is $4 million, the Borrower's EBITDA shall not be lower than $2 million in a quarterly calculation). The cover/debt ratio calculation must be executed every quarter (when the annual EBITDA is calculated pursuant to the quarterly and accumulated EBITDA during the year when it is normalized to the annual terms ("**the normalized annual EBITDA**"). For example: the Q1 EBITDA will be multiplied by four. The main EBITDA of the median (Q1 and Q2) it will be multiplied by two etc.) (hereinafter: " **the required cover/debt ratio**"). The permitted withdrawal some from the designated account, to be approved by the Lender, will be the level of the **normalized annual EBITDA** when it is multiplied by 2 (with the addition of the withdrawal for increasing the current inventory).

Despite the aforementioned, in the event in which: (1) the EBITDA in four quarters that preceded the date of the measure, is higher than the results of the normalized annual EBITDA (that was obtained as detailed above) and (2) the EBITDA of Q1 that preceded the date of the measuring is positive, then the EBITDA in the four quarters that preceded the date of measuring will be calculated for the purposes of this Agreement as "the normalized annual EBITDA."

b. Despite the aforementioned, if and in the framework of the quarterly financial statements, it becomes clear that the Borrower's current/debt ratio is actually less than the cover/debt ratio required (pursuant to the Borrower's reports) (hereinafter: "**the cover of debt exception quarter**" and **"the cover of debt exception event**"), the Borrower must return the sums required to the designated account until the occurrence of the required cover/debt ratio (hereinafter: " **repayment of the cover/debt difference**"). To obviate any doubt, repaying the cover/debt difference will be calculated less (neutralizing) the withdrawal for increasing the current inventory.

The Borrower shall be entitled to once again withdraw, including a repeat withdrawal of the sums (or some of them) that were returned by it in the framework of the repayment of the cover/death difference, this if it once again meets the required cover/debt ratio.

c. The aforementioned mechanism in the section must be repeated every quarter.

d. Without derogating from the aforementioned, in the event in which it becomes clear in the quarterly examination that there is a cover of debt exception event, but the current assets as defined above are higher than the sum of the debt (as defined above) or in the event that it is higher than 90% of the debt sum, with the Lender's approval and this for both the cover of debt exception quarter and during all the quarters thereafter, then the Borrower will not be required to execute the refund of the cover of debt difference. However, the Borrower is required to meet the required cover/debt ratio in the annual examination and refund the cover/debt difference to the designated account even if its current assets exceed the balance of the debt if it does not meet the annual cover/debt ratio. For the purposes of examining the annual cover/debt ratio, data from the four current quarters of the year will be used and, if there is an exception, but the current assets of the Company exceed the debt, it will be possible to execute the calculation based on four quarters including Q1 of the following year (i.e. as of Q2 of the current year and up to the end of Q1 of the following year) for the purposes of examining compliance with the cover ratio.

e. It must be clarified that the withdrawal for increasing the current inventory (as defined above) will also be possible during 2022.

4.2.7 Every refund to the designated account as detailed above, must be executed by the Borrower within 14 days from the date of the end of the quarter in the framework of which a return of the sums to the designated account as aforementioned was required.

4.2.8 Without derogating from the aforementioned, transfers of money from the designated account to the Borrower's account, will be executed subject to receiving the Lender's approval that, according to the documents and data that were furnished to it by the Borrower to the Lender's reasonable satisfaction, no breach event had occurred.

4.2.9 In order to obviate any doubt, if it becomes clear to the Lender that the Borrower did not meet any condition whatsoever for releasing funds from the designated account, funds will not be released to the Borrower from the money in the designated account until the Lender confirms that the Borrower meets the conditions for releasing the funds from the designated account.

4.2.10 Despite the aforementioned, if a breach event or a potential breach has occurred and the Lender informs the Borrower that the breach event or potential breach of this Agreement has occurred, and the Lender placed the debt for immediate settlement pursuant to the provisions in this Agreement (hereinafter: "**the breach notice**"), the Borrower is obligated to transfer the balance of the money in the designated account and/or that is owing to the designated account, as of the date of the breach notice to the Lender's account and/or to any other account that the Lender instructs. It must be clarified that in any event as aforementioned, compensation at the level of the interest rate that is as yet unpaid and/or has accrued for the sums as aforementioned must be added to the compensation sum (four funds in the designated account) for the period as of the date of transferring the funds to the Lender's account until the termination of 18 months from the date on which the designated account funds were placed by the Lender in the designated account as detailed in Section 4.2.1.2.

4.3 **The Designated Account**

4.3.1 Within 7 business days from the date of signing this Agreement, the Borrower must open the designated account.

4.3.2 The only authorized signatories in the designated account will be a representative on behalf of the Borrower and a representative on behalf of the Lender – jointly. The Lender's representative will not refuse withdrawal of funds from the designated account as long as the Lender meets the financial criteria as defined in Section 4.2.6 and Section 14 below.

4.3.3 The Borrower and/or anyone on its behalf shall not be entitled in any event whatsoever and for any reason whatsoever to change the authorized signatory in the designated account, unless with the Lender's prior written approval.

4.3.4 In the event of the Lender's written notice to the Borrower of the existence of a breach event or expected breach of this Agreement, while detailing the event, the Lender is entitled to execute the following actions relating to the designated account, without derogating from the provisions in Section 4.2.10.

4.3.4.1 Two notify the bank that the signatory rights have been changed in a manner that the signatory rights in the new bank account shall be solely is that of the Lender (alone without the joint signature of the Lender being required).

4.3.4.2 To give the bank an instruction relating to management of the account, including an instruction to the bank to transfer the funds in the designated account to the Lender's account and/or to any other account as instructed by the Lender.

To this purpose and subject to the provisions in this Agreement, the Borrower hereby irrevocably consents to the Lender executing any action required for the purposes of implementing the provisions in this section and, to this purpose, to give any instruction to the bank accordingly.

Without derogating from the aforementioned, the Lender shall be entitled to approach the competent Court to receive orders to comply with the provisions in Section 4.3.4 to the Lender's satisfaction,

The Lender (and the trustee on behalf of the Lender) shall be entitled to observation rights in the designated account and to receive information and full details from the bank regarding the designated account, including its balance, details of the transactions that the Borrower executed in it and the Borrower hereby waives any claim of confidentiality whatsoever in relation to the designated account.

5. **Interest**

5.1 The Interest Rate

The credit bears annual interest at a rate of 9.6% (above and below: "**the interest**").

5.2 Arrears Interest

5.2.1 In any event of (a) arrears exceeding one week in any of the payments that the Borrower must pay to the Lender pursuant to this Agreement; or (b) the debt is placed for immediate settlement by the Lender pursuant to the provisions in this Agreement and, without derogating from any rights, remedies and reliefs of the Lender pursuant to the financing documents, any other agreement and pursuant to any law, as long as the Company is in arrears in making payment as aforementioned or as of the date on which the Lender placed the debt for immediate settlement as provided in Section (b) above (hereinafter: "**the breach period**"), additional arrears interest at a rate of 3.5% (three and a half percent) per annum will be added to the credit (in addition to the interests specified in Section 5.1), during the breach period. Thus, the total annual interest during the breach period will be 13.1% (hereinafter: "**the arrears interest**").

5.2.2 The aforementioned arrears interest which will increase during each month – will be added to the credit principal and will also bear arrears interest.

5.3 Sundries

If the payment date of any sum whatsoever that the Borrower has to pay for the debt (including principal and interest) falls on a day that is not a business day, the payment must be made on the first business day thereafter. It is hereby clarified that the sum for which payment was delayed, as aforementioned, will

continue to bear interest pursuant to the provisions in this Agreement until the date of its payment as aforementioned, all pursuant and subject to the provisions in this Agreement.

6. **Settlement of the Loan**

6.1

6.1.1 The interest sums must be paid in 84 monthly payments on the first of each month. The first payment must be made on January 1, 2021.

6.1.2 The credit principal must be paid in 72 monthly payments as follows:

1. The first 12 months as of the date of extending the credit, will be deemed as a grace period, during which the credit principal will not be repaid (hereinafter: "**the grace period**").

2. After the grace period, the credit principal must be settled in 72 monthly payments (pursuant to the Spitzer Table), when the first payment must be made on January 1, 2022 and the following payments must be made on the first day of each month thereafter (hereinafter: "**the credit repayment period**").

3. To obviate any doubt, if the Lender has extended the additional credit as detailed above, to the Borrower, the grace regarding the additional credit period will only apply up to the end of the grace period specified in Subsection 1 (i.e. within the 12 months from the date of extending the first credit).

The loan Spitzer Table is attached as **Appendix 6.1a**. If the Lender extends the additional credit to the Borrower as detailed above, the settlement schedule will be updated accordingly (the settlement schedule that includes the additional credit under the assumption that it was extended on March 1, 2021 is attached to the Agreement as **Appendix 6.1b**).

6.2 If the payment date of any of the payments does not fall on the business day, the payment must be made on the first business day thereafter (hereinafter: "**the payment date** ") when the interest sum for that payment will be calculated and executed pursuant to the **actual** payment date.

6.3 On the date of making any payment by the Borrower to the Lender, pursuant to the financing documents, the Borrower must pay the Lender all the applicable VAT, should any apply, for the payment as aforementioned.

6.4 Payment must be made via a standing order in favor of the Lender from the Borrower's bank.

7. **Early Settlement and Annulment of the Lender's Commitments**

7.1 Voluntarily Early Settlement

7.1.1 The Borrower shall not be entitled to make early settlement of the credit until the termination of 36 months from the date of extending the credit as provided in Section 7.1.3.

7.1.2 Despite the aforementioned, if the Borrower settles the credit – in a period after 24 months and pays the Lender the following sums (detailed below in Sections a - c), this shall be deemed to be early settlement of the credit authorized by the Lender and the Borrower must pay the Lender for this:

a. Half of the interest payments that should have been paid to the Lender from the date of early settlement until the termination of the aforementioned 36 months, pursuant to the settlement schedule attached to this Agreement.

b. Half of the auditing and inspection payments that should have been paid to the Lender from the date of early settlement until the termination of the 36 months as aforementioned.

c. Arrears interest payments, commissions, expenses and applicable additional charges, pursuant to the financing documents if they were consolidated on the date of settling the credit or prior to this.

To obviate any doubt the early payment of the credit as aforementioned contains nothing to derogate from the Lender's rights in all relating to the accompanying payments and rights for the Lender as detailed in Section 9 below.

7.1.3 As of the termination of the 636 months from the date of extending the credit, the Borrower shall be entitled, subject and pursuant to the provisions in this Agreement to make early settlement of the loan, entirely or partially, pursuant to the debt that shall be on that date, without any additional payment for early settlement apart from interest and additional payments pursuant to this Agreement that accumulated up to the date of early settlement as aforementioned and subject to the provisions in Section 9.

7.1.4 Early settlement of the credit will only be possible on a payment date and must be made in the sum of the minimal principle of NIS 1 million (one million new shekels), unless the debt will be lower than that some when the Borrower shall be entitled to make early settlement of the full debt.

7.1.5 If the Borrower requested making early settlement of the credit, it must furnish the Lender with an irrevocable letter at least 10 business days prior to the early settlement date requested, which includes the date of making the early settlement and the settlement sum in the early settlement (provided that all these meets the provisions in this Section 7.1).

7.1.6 Despite the provisions in this Section 7.1, every calendar year, the Borrower shall be entitled to make early settlement of a sum of up to one million US dollars ($1 million) without any additional payment for early settlement, apart from the interest and additional payments pursuant to this Agreement that accumulated up to the date of early settlement as aforementioned. In the event of early settlement, as aforementioned, the credit principal will be reduced by the sum made in the early settlement as provided in this Agreement and the Parties must update the settlement schedule accordingly. To obviate any doubt, this right of the Borrower exists every calendar year provided and if, during the calendar year, it was not exploited, it cannot be dragged into another year.

7.2 The Obligation of Mandatory Settlement in view of Illegality

If, on any date whatsoever after the date of signing this Agreement, execution of any of the Lender's obligations pursuant to the financing documents or

continuing to extend the credit to the Borrower becomes illegal pursuant to Israeli law and/or if, after the date of signing this Agreement there is a change in Israeli law, in the application, interpretation or enforcement of the law (whether they have the force of law or not and, provided that, in the event that they do not have the force of law, lenders of the Lender's type are custom to comply with them), or the legislation of the new Israeli law (which includes a binding instruction, demand or circular of the Commissioner of the Capital Market Insurance and Savings at the Ministry of Finance), or a change made by an authority and, as a result of which continuing to extend the credit to the Borrower becomes illegal according to the law (hereinafter: "**a change of the law**" and "**an event of illegality**," respectively), then the following instructions shall apply:

7.2.1 The Lender and/or Borrower must inform the second Party of the event of illegality soon after being informed about the occurrence of the event for the first time.

7.2.2 The Borrower undertakes that it will do everything in its power in order to fully settle the part that is affected by the aforementioned event of illegality in the credit, up to the date on which the event of illegality comes into force as provided in Section 7.2.1 of this Agreement. In any event, settlement as aforementioned in this section will not be deemed to be a breach by the Borrower and/or early settlement by the Borrower.

7.2.3 The Lender's commitment affected by the illegality will be annulled immediately.

7.3 Sundries

7.3.1 Any notice of the Borrower of early settlement is irrevocable.

7.3.2 It will not be possible to borrow the sums that were settled in and early settlement pursuant to this Agreement again.

7.3.3 Early settlement is impossible, unless pursuant to the provisions of this Agreement

7.3.4 Early settlement of the credit is subject to the provisions in Section 9 regarding continuing the eligibility periods of the Lender to receive additional payments and rights as detailed in Section 9.

8. Payment for Auditing and Inspection Services and Expenses Payment

8.1 In addition to any payment provided in this Agreement, the Borrower must pay Migdalor Investment Fund – Management Services Ltd. (Hereinafter: "**Migdalor**") a monthly payment for credit auditing and inspection services of the loan in the sum of NIS 16,750 (sixteen thousand seven hundred and fifty new shekels) with the addition of legal VAT (hereinafter: " **the auditing and inspection payment**"). The auditing and inspection payment must be paid as long as the loan principal has not been repaid in full (hereinafter: "**the payment for auditing and inspection**"). The payment for auditing and inspection must be made every month into Migdalor's account as furnished to the Borrower (or the Lender's account – according to the Lender's determination). The payment dates for the auditing and inspection are detailed in the settlement schedule attached to this Agreement.

8.2 In addition to the aforementioned in Section 8.1, on the date of signing this Agreement, the Borrower must return and pay the Lender or directly to the Lender's Attorney, a sum of USD 25,000 with addition of VAT as the Borrower's participation in a part of the Lender's expenses relating to preparing the financing documents against a tax invoice. The aforementioned payment in this section will not be made to the Lender in any event whatsoever (including in the event of failure to comply with the conditions precedent).

8.3 In addition, the Borrower must repay the Lender on its first demand, all the reasonable expenses involved in adopting any enforcement, realization action and preserving the rights and remedies pursuant to this Agreement, including adapting debt collection proceedings and realizing the collateral and the legal fees relating to this, with the addition of VAT, should any apply for the expenses as aforementioned. The aforementioned payments must be made by the Borrower to the Lender or to the Lender's Attorney according to the matter, within 14 days from the date of receiving the Lender's payment demand. The sums of the aforementioned expenses will constitute an integral part of the debt and will be guaranteed by collateral.

8.4 All the aforementioned auditing and inspection and expenses payment sums which are not paid timely, as aforementioned, must be paid with the addition of linkage differentials to the Index and arrears interest at the rate specified in this Agreement, up to the actual date of their repayment by the Borrower to the Lender (and/or to Migdalor, according to the matter) and, without derogating from any other remedy available to the Borrower and/or Migdalor pursuant to this Agreement and/or pursuant to the law.

8.5 To obviate any doubt, all the costs of registering and issuing the collateral specified in this Agreement (including levies/deliveries etc.) shall apply to and must be paid by the Borrower.

9. Additional Payments and Rights for the Borrower

Rights Relating to Receipt of Consideration in the Event of a Sale of Actelis Networks Inc. Shares ("Actelis")

9.1 For the purposes of Section 9 to this Agreement:

9.1.1 (**Sales event**) means: (1) a sale of Actelis' shares by Actelis' Shareholders to any entity that is not "a subsidiary" (hereinafter: "third party") and/or a merger of Actelis with any third party whatsoever or any similar action, provided that immediately after the sale or merger as aforementioned (or similar other action), the holdings of the third parties as aforementioned (which will be calculated, for the sake of caution with the attachment of any right that they have, should there be any, to increase their holdings in Actelis) will constitute at least 50% of the voting rights in Actelis' General Meeting, or a right to appoint half or more of the members of Actelis' Board of Directors and apart from a reverse merger transaction as defined below; or (2) sale of all Actelis' shares and/or all Actelis' material assets to a third party; or (3) distribution of Actelis' assets to the Shareholders in a volume of at least fifty percent (50%) of the value of Actelis' asset;

Despite the aforementioned, it has hereby been agreed that a merger by way of a share swap only between Actelis and third parties whose shares are not listed for trading on any exchange whatsoever (without any financial payment transfer between the Parties), shall not be deemed as "a sales event." In such an event, the Parties must reach an agreed-upon course in the framework of which the economic rights of the Lender will be preserved in the sales event, in a manner suitable for its aforementioned rights.

9.1.2 "**An issue event**" means: An initial public offer of Actelis' shares on the Israeli Stock exchange and/or on any other exchange overseas or a merger event between Actelis and a company listed on the exchange as aforementioned, after which Actelis' Shareholders hold at least 50% of the voting rights in the General Meeting of the aforementioned traded company (hereinafter: "**the reverse merger transaction**").

9.1.3 The occurrence date of the issue event or sales event according to the matter, will be considered as follows: regarding the sales event – the date of signing the binding agreement that will be signed by Actelis and/or its Shareholders in relation to the sales transaction; and regarding the issue – the date on which Actelis' shares are first listed for trading on any recognized stock exchange whatsoever, or, according to the matter the date of signing the binding agreement to be signed by Actelis and/or its shareholders relating to the reverse merger transaction.

9.1.4 "**Actelis' worth**" means: (1) regarding the sales event – the total value of Actelis, as manifested in the consideration that was paid to Actelis and its Shareholders as a result of the sales transaction as aforementioned (less the transaction expenses, commissions, balance of the loan to the Lender or any other deduction agreed upon between the Parties), including, for the sake of caution – future payments (whether conditioned or not), funds held in trust, payments dependent on targets, stated payments for Actelis' Shareholders that are conditioned on Actelis' targets after the sales event – provided that future and/or conditioned payments will be paid as aforementioned. (2) regarding an issue event – Actelis' worth will be calculated pursuant to the share price established on the date of the public issue (before discounts and/or underwriting commissions) multiplied by the number of Actelis' shares issued on the issue date (less the transaction expenses, commissions, balance of the loan to the Lender or any other deduction agreed upon between the Parties).

9.2 **The option** – the Borrower and Actelis hereby allocate an option to the Lender (hereinafter: "**the option**") to acquire Actelis' Ordinary Shares (hereinafter: "**the option shares**"), for a sum of $1,500,000 (one million five hundred thousand US dollars) (hereinafter: "**the consideration for the option shares**"), with a basis value for Actelis of $36,500,000 (thirty six million five hundred thousand US dollars) (hereinafter: "**the basis value**").

9.3 **The consideration for the Lender** - On the occurrence of a sales event or issue event, the Lender shall be entitled to consideration in a sum equal to the sum that would have been allocated to the Lender had he been a holder of the Borrower's Ordinary Shares in a sum that is obtained as provided in the following equation ("D"):

A = The consideration of the option shares ($1,500,000), as defined above;
B = Actelis' worth, as defined above;
C = the basis value, as defined above;

$$\frac{A \times B}{C} - A = D$$

It must be clarified that, in the case of an issue event, the consideration will be given to the Lender in the Borrower's shares, in a quantity that must be calculated via dividing the sum received from the aforementioned equation (D) by the share price in the framework of the issue.

It must be clarified that, in the case of a sales event in which not all the consideration is received in one payment, the Borrower shall be entitled to pay the Lender the consideration to the Lender (as defined above) in payments pursuant to the payment dates of the sales event as aforementioned (and pursuant to the proportionate share that is paid in the framework of each and every payment).

9.4 the Lender shall be entitled to exercise the option for acquiring the option shares, or any part of the option shares, this during the period beginning on the date of signing this Agreement's and ending up to the elapse of 96 months from the date of extending the credit (hereinafter: "**the option period**"). Despite the aforementioned, in the event of selling shares in stages (in the framework of that transaction) and if it is established in the framework of the sales transaction that some of the stages will commence after the date of the option period, the option exercise period to acquire the balance of the option shares will be extended to a period up to executing the last stage in the sales transaction with addition of 60 days. Exercising the option will be in a written notice by the Lender to the Borrower or to Actelis.

9.5 To obviate any doubt, it is hereby clarified that the option will continue to apply, in any event, until the termination of the option period, including after payment of the credit and/or in the event of early settlement of the credit (for any reason whatsoever).

9.6 The Borrower and Actelis undertake to inform the Lender in writing, at least 21 days prior to the date of the occurrence of the sales event as aforementioned (the date of signing the Agreement) or, at least 21 days prior to the date of the occurrence of an issue event. The Borrower and Actelis must provide the Lender with all the data and documents required by the Lender that relate to the sales and/or issue events, including draft agreements and/or other relevant documents, all pursuant to the Lender's requirements.

9.7 Despite the aforementioned, in the event in which all Actelis' shares (100%) are not sold/issued, the Lender shall be entitled to exercise the proportionate share of the option shares, that can be sold in the framework of the sales event or that can be issued in the framework of the issue event (for example – if 70% of Actelis' shares are sold, the Lender shall be entitled to exercise 70% of the option shares). The balance of the option shares that were not exercise will continue to remain in force (subject to the Lender's rights as provided in Sections 9.8-9.15 below) pursuant to the proportionate share and with the mandatory changes.

Waiver of Exercising the Option

9.8 Despite the aforementioned, the Lender shall be entitled to waive the rights given to it pursuant to Sections 9.1-9.7 of above, for any reason whatsoever and (and at the Lender's sole discretion) this, against receipt of the a financial consideration from the Borrower in the lower sum between (a) USD 1.25 million (one million two hundred and fifty thousand US dollars, or (b) the sum calculated pursuant to Section 9.11 below (hereinafter: "**The consideration for waiving exercising the option**"). The waiver of exercising the option will be executed in a written notice that will be given to the Borrower's by the Lender in the period commencing on the date of signing this Agreement and terminating up to the elapse of 96 months from the date of extending the credit (hereinafter: "**the waiver period**").

9.9 Despite the aforementioned, it has been agreed that, in the event that the Lender execute early settlement of the loan pursuant to the provisions in Section 7.1 of this Agreement, then the consideration for waiving of exercising the option will be calculated proportionately, pro rata, to change the average lifespan of the loan practice (i.e. the grace year is a full year and the years of the principal payments are half years) in relation to the average lifespan of the full loan (4 years)

For example if early settlement of the loan is made after 48 months – the consideration for waiving of exercising the option will be 2.5/4 multiplied by $1.25 million, i.e. a sum of $781,250.

9.10 It has been agreed that, in the event in which the Lender exercises some of the option (this including in the event in which only some of Actelis' shares have been sold or issued for any reason whatsoever) the Lender chose to exercise its right to waiver the other part of the option (that is not yet been exercised) then the Lender shall be entitled to a proportionate share of the consideration of the waiver of exercising the option, proportionately to the part of the option shares that were realized as of the total number of option shares.

9.11 Notice of waiving exercising the option must be given in writing to the Borrower by the Lender in the following phrasing:

"Further to the Loan Agreement dated _____that we signed on, ______, I hereby inform you that we have waived exercising the option."

(Hereinafter: "**the Waiver notice**").

9.12 Despite the aforementioned in Section 9.2-9.10, it is hereby agreed that the consideration for waiving exercising the option shall not exceed 2% of the Borrower's sales and Actelis' sales and any entity associated with the Borrower and/or Actelis (all jointly), in the period of the last 12 months prior to giving the waiver notice (as it is defined in Section 9.12).

9.13 Within 30 days from the date of giving the waiver notice, the Borrower must pay the Lender the consideration for waiving of exercising the option.

If the consideration for waiving exercising the option exceeds 50% of the EBITDA in a joint calculation of the Borrower and Actelis in the last 12 months, then the Borrower shall be entitled to pay the consideration for waiving exercising the option in 12 equal monthly payments.

9.14 Despite the aforementioned, it has been agreed that, in the event that the Lender places the loan for immediate settlement, at any time whatsoever, it shall be entitled to pay the full consideration for the waiving exercising the option and this on the date of placing for immediate settlement, as aforementioned.

9.15 The Borrower and Actelis declare and confirm that there is not any impediment to complying with their commitments as aforementioned in this section and that their commitments, as aforementioned, are not in contradiction to any other third-party right, despite the aforementioned, to the extent required, the Borrower and Actelis undertake that Actelis' Articles of Association will be adapted to the commitment stated in this Section 9 (and all the sub sections).

Grants

In addition to the Lender's aforementioned rights in Sections 9.1-9.15:

9.16 On the termination of the 36 month period from extending the credit, the Lender must pay the Borrower NIS 1,884,375 (one million eight hundred and eighty four thousand three hundred and seventy five new shekels) with the addition of legal VAT (hereinafter: " **the grant**"). The grant must be paid to the Lender in full even in the event of early settlement for any reason whatsoever.

9.17 The Borrower shall be entitled to advance payment of the grant (and to pay it prior to the termination of the aforementioned 36 month period). This on capitalizing the grant sum according to the loan interest level (9.6%).

9.18 Despite the aforementioned, it has been agreed that, in the event that the Lender places the loan for immediate settlement, it shall be entitled to full payment of the grant sum, on the date of placing for immediate settlement as aforementioned.

10. The Borrower and Actelis' Affidavits and Presentations

The Borrower and Actelis declare vis-à-vis the Lender that, to the best of their knowledge and to the best of the knowledge of their Directors and/or anyone on their behalf, each of the presentations, authorizations, affidavits of the Borrower and/or Actelis detailed in this Section 10 below, is correct, full and accurate in all its sections. The Borrower and Actelis hereby confirm that they are aware that the Lender relies on the presentations and affidavits as detailed in this section below (without derogating and/or prejudicing any affidavit and/or presentation and/or commitment of the Borrower and/or Actelis in this Agreement and/or in the other financing documents and/or in any agreement and/or other document furnished and/or that shall be furnished to the Lender in relation to the credit and/or in relation to the collateral).

For the purposes of this section below, both the Borrower and Actelis shall be called – "the Borrower" (thus the following affidavits and presentations will refer to both the Borrower and Actelis).

Appendix 10 (hereinafter: "**the Disclosure Appendix**,") which was not attached when signing this Agreement and was attached to the Agreement and confirmed by the Lender (to its full satisfaction), including confirmation of its content, is a condition precedent to the Agreement (all as detailed in Section 3.1.9 above).

10.1 Status

10.1.1 The Borrower is a private company that was legally incorporated and registered in its country of incorporation and is active and exists and is such, pursuant to the law to be the owner of property and assets and to manage its business.

10.1.2 The Borrower's operations pursuant to this Agreement were executed pursuant to the requirements of the law, authorizations and permits required pursuant to any law.

10.1.3 There is no legal, agreement or other impediment to executing this Agreement by it and its engagement in this Agreement is not in contradiction to and does not constitute a breach of any binding agreement whatsoever or other commitment whatsoever to which it is a party and/or of any judgment whatsoever that applies to it and is not in contradiction to any instruction whatsoever of the incorporation documents and/or of any updated at binding resolution adopted by the Borrower's competent organs.

10.1.4 The Borrower is not a breaching company and has not received any instruction whatsoever from the Registrar Companies of his intention to record it as a breaching company.

10.1.5 The incorporation documents of the Borrower are in the phrasing attached as Section 10.1.5 to the Disclosure Appendix.

10.1.6 The Borrower does not have any associated entity, including an associated company apart from Actelis.

10.2 Dissolution Proceedings

10.2.1 No request has been submitted by the Borrower and/or against it to appoint a receiver or liquidator and/or freezing of proceedings and/or orders for starting of proceedings, for their assets and/or property and any action with a similar results and/or proceedings pursuant to any parallel or similar instruction pursuant to any other law and all whether in Israel or overseas.

10.2.2 No dissolution proceedings are or have been adopted against the Borrower and no notice or warning of any intention to open dissolution proceedings have been received by the Borrower and the Borrower is not aware of any petition whatsoever that has been submitted or, to the best of its knowledge is about to be submitted against it in Court and/or to any other level for appointing a receiver and/or liquidator for the assets and/or a trustee and/or special manager and/or freezing of proceedings and/or petition pursuant to the third part of the seventh Schedule of the Companies Law and/or petition pursuant to the Insolvency and Economic Rehabilitation Law, 5778 – 2018 and/or any similar petition pursuant to any law and no order of a Court and/or competent level has been given and to the best of its knowledge is about to be given, that instructs the appointment of a liquidator and/or receiver and/or trustee and/or manager as aforementioned and/or pursuant to any law and any action the results of which are similar and/or executing any action pursuant to any parallel or similar instruction pursuant to any other law and all whether in Israel or overseas.

10.3 Permits and Agreements

10.3.1 Subject to the existence of the conditions precedent, the Borrower has received all the agreements, decisions, exemptions, permits, licenses and authorizations required pursuant to any law applicable to it and relevant to its operations and assets, pursuant to the incorporation documents and pursuant to any agreement or other document to which it is a party and/or that binds it and/or its assets, in relation to the Borrower's engagement in this Agreement and in the other financing documents to which the Borrower is a party and executing them and complying with its commitments pursuant to them, including for the purposes of creating collateral pursuant to the collateral documents, holding the encumbered assets pursuant to the collateral documents and realizing and transferring the created collateral pursuant to the collateral documents and for the purposes of managing its business and regular operations.

10.3.2 Subject to the existence of the conditions precedent, the Borrower complies with all the commitments and conditions according to the agreements, decisions, exemptions, permits, licenses and authorizations which are fully valid (and no event has occurred that could be a breach of them and/or prejudice their validity), and there is no necessity for obtaining any additional agreements, decisions, exemptions, permits, licenses and/or authorizations whatsoever pursuant to the law and/or the Borrower's incorporation documents and/or pursuant to an agreement in relation to the aforementioned.

10.4 Powers and Authority

10.4.1 Subject to the existence of the conditions precedent, the Borrower has the power and authority to engage in the financing documents and in any actions that must be executed or completed pursuant to any of the aforementioned documents and to execute all its commitments pursuant to the aforementioned documents and/or in relation to the aforementioned actions.

10.4.2 Subject to the existence of the conditions precedent, the Borrower has adopted all the measures and actions necessary for legally confirming their engagement in the aforementioned documents and the aforementioned actions and their execution by them.

10.4.3 Subject to the existence of the conditions precedent, each of the aforementioned documents constitutes a legal, valid, binding and enforceable commitment of the Borrower.

10.5 Validity and Non Impediment

10.5.1 Subject to the existence of the conditions precedent, the Borrower's engagement in any of the financing documents to which it is a partner and executing their commitments pursuant to them and the actions that must be executed and completed pursuant to each of the aforementioned documents, do not contradict nor shall contradict from any aspect whatsoever: (a) any law whatsoever applicable to the Borrower and its assets; (b) the Borrower's incorporation documents and/or any resolutions that were adopted by it; or (c) any agreement and/or other document to which the Borrower is a party and/or that binds the Borrower and that shall not cause a breach of an agreement and/or other document as aforementioned and/or to granting a legal right to any third party whatsoever for executing the changes to the Agreement and/or document as aforementioned, including a right to accelerate rights.

10.5.2 Subject to the existence of the conditions present, the Borrower complies with all the conditions of the financing documents and has fulfilled all the commitments imposed on it pursuant to the financing documents up to the date of signing this Agreement and pursuant to the law (in relation to transactions that are the subject of the financing documents), fully and timely; no breach event or expected breach whatsoever of the financing documents has occurred; the Borrower is not aware of any breach or expected breach event of the financing documents and the Borrower is not aware of any cause or circumstance whatsoever that are likely to constitute grounds for annulling the financing documents; the financing documents will be legally signed by the Borrower and they are legal, valid, enforceable and binding on the Parties to them pursuant to any of the conditions and no waiver whatsoever has been made regarding any condition whatsoever of the Financing Documents.

10.6 Collateral

10.6.1 Subject to the existence of the conditions precedent, the Borrower's engagement in any of the financing documents to which it is a party, executing its commitments pursuant to them, and the actions that it must execute and complete pursuant to any of the aforementioned documents, will not cause disposal and/or exercising of a right in the collateral and/or an encumbrance on the asset and/or right whatsoever of the Borrower's assets of the encumbered assets and/or of any part of them (apart from creating collateral in favor of the Lender pursuant to the collateral documents).

10.6.2 Apart from as detailed in this Agreement and subject to the existence of the conditions precedent, there is no restriction and/or legal, contractual or other impediment to:

10.6.2.1 Creating the collateral pursuant to the collateral documents;

10.6.2.2 Exercising of any collateral created or given pursuant to this Agreement and/or any of the collateral documents;

10.6.2.3 Holding and/or use by the Lender and/or anyone on its behalf (including by an official functionary) the encumbered assets (or any part thereof);

10.6.2.4 Transferring and/or selling and/or assigning the encumbered assets (or any part thereof) pursuant to this Agreement and/or any of the collateral documents; and

10.6.2.5 Holding and exercising for any consideration whatsoever that will be received on exercising, selling, transferring or assigning any of the encumbered assets by the Lender.

10.7 Ownership of the Assets and Rights in the Encumbered Assets

10.7.1 Subject to the provisions in Section 10.2.2, the Borrower is the exclusive and only owner of all its assets and rights.

10.7.2 There are only the encumbrances detailed in Section 10.7.2 of the Disclosure Appendix on the Borrower's rights.

10.7.3 Subject to the provisions in Section 10.7.2 and the existence of the conditions precedent, the Borrower declares that there are not any collaterals and/or other third party rights (apart from the rights of the Innovations Authority as detailed in this Agreement and the rights of the Shareholders pursuant to the Borrower's Articles of Association) on and/or for any of the assets and rights of the Borrower and all its assets and rights (including the encumbered assets) of the Borrower are and shall be clear and free apart from encumbrances created pursuant to the financing documents.

10.8 Litigation and Taxes

10.8.1 To the best of the Borrower's knowledge and/or any of its Directors and/or anyone on its behalf, there are no pending legal proceedings whatsoever or investigations whatsoever against the Borrower and/or officers in the Borrower in relation to his function in the Borrower and the Borrower has not received any written warning from any party whatsoever relating to the opening of legal proceedings as aforementioned.

10.8.2 The Borrower is not in material violation of the results of litigation, and ruling, order, instruction, authorization, judgment or decision or authorization of any other government authority or of any other law that reasonably will prevent and/or restrict it from engaging in this Agreement and the other financing documents and/or from executing and maintaining the transactions and commitments pursuant to those documents and/or that have or are likely to have a material detrimental effect.

10.8.3 The Borrower submitted all the reports that it had to submit to the tax authorities on time pursuant to any law and paid any tax that they had to pay pursuant to any report as aforementioned and pursuant to any tax assessments or similar other documents, which were issued to them or prepared regarding them.

10.8.4 There is no pending litigation whatsoever or interrogations whatsoever and/or tax ordinance (including income tax, National insurance, VAT) against the Borrower and, to the best of the Borrower's knowledge there are no intentions on the part of any entity whatsoever to open proceedings, as aforementioned, apart from a claim of the Manufacturer's Association against the Company for a nonmaterial sum, for payment of annual handling fees.

10.9 Share Capital

10.9.1 The Borrower's Share Capital as shall be on the Date of Extending the Credit:

10.9.1.1 The Borrower's registered share capital is as detailed in Appendix 10.

10.9.1.2 All the Borrower's issued shares are paid up in full and impart full voting rights for them and they are not dormant and are clear and free.

10.9.1.3 The only Shareholders and Directors in the Borrower are those detailed in Section 10.9.1 of the Disclosure Appendix.

10.9.1.4 The Borrower has not issued, allocated or undertaken to issue or allocate any shares, rights, securities and/or other means of control whatsoever in favor of any entity whatsoever (including options and securities convertible into capital), and there are no commitments to allocate and/or other commitments, shareholders' agreements and/or other agreements or arrangements whatsoever, that relate to and/or arrange shares and/or for the issue, sale, transfer and/or encumbrance of shares, securities and/or other means of control, apart from as provided in the Borrower's Articles of Association.

10.10 Financial Statements

10.10.1 The Borrower's financial statements that were furnished to the Lender and those that will be furnished to the Lender from time to time, were prepared pursuant to the generally accepted accounting principles that were applied consistently/or requirements of any law, which properly reflect the Borrower's pecuniary and financial status as at the date of preparing the financial statements, the results of the Borrower's operations as at the date of preparing the financial statements and the changes in the financial status, when the annual financial documents were inspected and audited by accountants.

10.10.2 At any time since the date of the financial statements for the period ending December 31, 2018, which were furnished to the Lender, there was no material detrimental effect.

10.11 The Absence of a Breach Event and a Material Detrimental Effect

No breach event expected breach event whatsoever of the financing documents has occurred and, to the best of the Borrower Parties knowledge no matter or circumstance whatsoever that could have a material detrimental effect has occurred.

10.12 Financial Obligations

The Borrower and/or the associated company do not have any financial obligations of any kind and type whatsoever, apart from a permitted financial obligation.

As of the date of extending the credit (subject to removing the encumbrances in favor of Bank Mizrahi and the existence of the conditions precedent), the Borrower's commitments pursuant to the financing documents vis-à-vis the Lender are and the Borrower will ensure that they continue to be, direct

unconditional and first commitments, compared with all the other financial obligations of the Borrower.

10.13 Transactions with Interested Parties

Apart from as detailed in Section 10.13 of the Disclosure Appendix, the Borrower is not a party to any transaction and/or agreement and/or any commitment whatsoever that constitutes a transaction with an interested party or a transaction in which an interested party in the Borrower and/or in the associated company has a personal interest.

10.14 Information

10.14.1 All the documents furnished to the Lender and/or anyone on its behalf by the Borrower and/or anyone on its behalf were original or, in the event of copies, were a correct, accurate and complete copy of the original and, the aforementioned documents were not amended, changed, supplemented by adding addenda or change in any manner whatsoever, apart from pursuant to the amendments, changes or supplements that were also furnished to the Lender.

10.14.2 Without derogating from the Borrower's responsibility for the affidavits, authorizations and presentations detailed in This Section 10, to the best of the Borrower's knowledge, including its Directors and/or anyone on its behalf, no item whatsoever has been removed from the affidavits, authorizations and presentations, the removal of which makes the declaration, authorization or presentation or any part thereof as misleading or incorrect. The Borrower does not have any additional material information and is not aware of any matter whatsoever that is not given disclosure to the Lender and that could have had an effect on a reasonable Lender's preparedness to extend the credit to the Borrower pursuant to the financing documents.

10.14.3 Any financial model, forecast, budget and financial declaration presented (written or oral) to the Lender and/or anyone on its behalf in relation to the Borrower's engagement in this Agreement and in the other financing documents, were prepared by the Borrower in good faith and with due diligence after suitable thought and investigation on the basis of reasonable preparations, reflect the relevant law on the relevant date.

10.14.4 The Borrower hereby undertakes that it will provide the Lender with the demands for information demanded by them from time to time, as provided in this Agreement, within the reasonable time limitations under the circumstances of the matter.

10.15 The Rights in the Borrower's Assets and in the Collateral

10.15.1 The Borrower is the exclusive and sole owner of all the rights in its assets. Furthermore, no written warning and/or written claim on the part of any person and/or entity has been received in relation to the rights claimed in the encumbered assets, including in relation to the intellectual property rights of the Borrower

10.15.2 The Borrower is the owner of all the agreements, decisions, exemptions, permits, licenses and authorizations required pursuant to any law that apply to it and that are relevant for its operations and assets, in relation to activating them and/or continuing to activate them in the format in which they are executed as at the date of its engagement in this Agreement.

10.15.3 The Borrower has not sold and/or transferred and/or assigned and/or imparted any right in the collateral and/or encumbered and/or undertook to sell and/or transfer and/or assign and/or in part a right in the collateral and/or to encumber its rights and/or commitments (all or some) and/or impart or undertake to impart to any entity (apart from the Lender) any right, directly or indirectly, whatsoever in its material assets, apart from encumbrances detailed in Section 10.7.2 of the Disclosure Appendix.

10.16 Insurances

10.16.1 All the Borrower's material assets are insured at their full value (reinstatement value).

10.16.2 The Borrower has and shall meticulously make all the premium payments fully and on the dates established for their payment.

10.16.3 The Borrower is not aware of any existing circumstances (or that did exist) in the framework of which the Borrower does not comply (or did not comply) with the instructions in the insurance policies.

10.17 Agreement/Customers

10.17.1 The Borrower declares that the material agreements of the Borrower are detailed in Section 10.17 of the Disclosure Appendix (hereinafter: '**the material agreements**").

10.17.2 The Borrower declares that the material agreements are in force and that there is no addition and/or change to these agreements. Furthermore, the Borrower declares that the aforementioned agreements were not breached by it and/or by the Borrower and that no warning/notice from the counterpart to these agreements and/or anyone on his behalf, about a breach of any of the agreements and/or of an intention to annul them and/or shorten their validity has been received.

10.17.3 The Borrower is not aware of any event (including a breach and/or expected breach) for which there is a fear of not exercising the material agreements.

10.17.4 There is no contradiction between the Borrower's commitments pursuant to the material agreements and/or any other of the Borrower's commitments whatsoever and its commitments pursuant to this Agreement.

10.18 Intellectual Property

10.18.1 All the Borrower's intellectual property rights, including copyrights, patents, trademarks, designs, patterns and the products that the Borrower produces and develops and all the applications relating to them (including existing licenses and licenses that will be given in the future), copyrights in models, "neighboring rights," commercial secrets, licenses of any other type of intellectual property rights that are linked and/or derive from and/or relate to, whether directly or indirectly, any invention, development, innovation, product, design, format, as phrasing, of the Borrower whether alone or with others, whether submitted for registration or not (hereinafter: "**the intellectual property**"), are under its full, clear and free ownership without any third party right whatsoever in relation to them, apart from by virtue of the Encouragement of Research and Development and Technological Innovation in Industry Law, 5744 – 1984 and subject to the existence of the conditions precedent, are not pledged, encumbered, attached or assigned to the right of anyone else.

10.18.2 For the entire duration until full payment of the debt by the Borrower, the intellectual property will remain under the full ownership of the Borrower and will remain clear and free of any third-party right whatsoever.

10.18.3 As at the date of signing this Agreement, the Borrower's registered intellectual property rights are detailed in Section 10.18.3 of the Disclosure Appendix.

10.18.4 There is no restriction or condition that apply, according to the essence of the intellectual property or according to the Borrower's incorporation documents or pursuant to any law or agreement whatsoever, to encumbering the intellectual property and holding it and they shall not be any restriction or condition to exercising its and all whether in Israel or overseas.

10.18.5 No action that is detrimental or shall be detrimental to the value of the intellectual property has been executed by the Borrower and/or anyone on its behalf.

10.18.6 There are no claims whatsoever pending against the Borrower in any judicial level whatsoever and it is not involved in any litigation whatsoever whether as a Plaintiff or Defendant or in any form whatsoever linked to the intellectual property and all whether in Israel or overseas.

10.18.7 The intellectual property and its use does not violate any right and/or license of a third-party and does not contradict any commitment should there be any of the Borrower vis-à-vis any third party whatsoever and all whether in Israel or overseas.

10.18.8 To the best of the Borrower's knowledge, it has not breached any property rights whatsoever and it and/or anyone on its behalf has not received any written approach in the framework of which a breach as aforementioned is claimed. All whether in Israel or overseas.

10.18.9 The Borrower undertakes to pay all the taxes, expenses and managed the payment imposed and/or that shall be imposed from time to time on the intellectual property and its registration and/or relating to its (including fees) punctually. Furthermore, the Borrower will act pursuant to the conventional standards in the industry in which it operates for the purposes of protecting its intellectual property.

All the Borrower's affidavits, authorizations and presentations detailed in this Section 10 will remain valid after signing this Agreement as well and the Borrower will be perceived as having repeated the presentations, authorizations and declarations on the date of extending the credit as well.

11. The Lender's Presentations

11.1 Status

11.1.1 The Lender is a limited partnership that was legally incorporated and registered in the State of Israel and is active and exists.

11.1.2 The Lender's operations pursuant to this Agreement are executed pursuant to the requirements of the law, mandatory authorizations and permits pursuant to any law.

11.1.3 There is no legal, contractual or other impediment to executing this Agreement by the Lender and its engagement in this Agreement is not in contradiction and does not constitute a breach of any binding agreement whatsoever or other commitment whatsoever to which it is a party and/or of any judgments whatsoever applicable to it and it is not in contradiction to any instruction whatsoever of the incorporation documents and/or of any binding updated decision that was adopted by the competent organs of the Lender.

11.2 Authority

11.2.1 The Lender is entitled and authorized to engage in the financing documents and execute them.

11.2.2 There is no restriction, prohibition or impediment, including pursuant to any law or agreement or its incorporation documents to its engagement in this Agreement and to executing its commitments pursuant to it.

11.2.3 The Lender has received or the mandatory decisions of its competent organs for the purposes of engaging in this Agreement, for executing it and for approving all the actions by virtue of it and any decision and/or action of the Lender necessary for the purposes of executing the Agreement has been authorized by it and bind it to all intents and purposes.

11.2.4 The signatories on this Agreement and its accompanying documents in the name of the Lender are authorized to sign this document and the accompanying and/or required documents in its name for the purposes of its execution and for binding the Lender with their signature.

11.3 The Lender has the necessary ability and means for the purposes of fully complying with its commitments pursuant to this Agreement.

11.4 The Lender has received details about the Borrower and Actelis, has inspected or has had the opportunity to inspect all the documents as aforementioned and is engaging in this Agreement after considering all the risks involved herein. The aforementioned contains nothing to derogate from the presentations of the Borrower and Actelis under this Agreement.

11.5 Apart from the Borrower and Actelis' presentations and affidavits in this Agreement, in its engagement in this Agreement the Lender does not rely on nor shall there be any force to any presentations, guarantees, statements, information and/or affidavits whatsoever of the Borrower and/or the Members of its Executive and/or anyone on behalf of them, whether written or oral, that is not included explicitly in this Agreement.

11.6 The Lender is aware that the Borrower is engaging with it in this Agreement on the basis of its affidavits and commitments detailed in this Section 11.

12. The Borrower and Actelis' Obligations and Commitments

As of the date of signing this Agreement and as long as there is any debt whatsoever that is as yet unpaid, the Borrowerand Actelis undertake, vis-à-vis the Lender, in the commitments detailed in this Section 12 below. To obviate any doubt, the aforementioned commitments apply vis-à-vis the Borrower and Actelis.]

For the purposes of this section below, both the Borrower and Actelis (so that the obligations and commitments below will relate to both the Borrower and Actelis)

12.1 The Nature of the Borrower's Operations.

12.1.1 The Borrower will not amend and/or change and/or replace the Borrower's incorporation documents and must act so that no decision for executing the aforementioned will be adopted without the Lender's consent. The Lender will not refuse an amendment/change/replacement of the incorporation documents to the extent that they do not prejudice its rights pursuant to this Agreement. The Borrower will not execute any acquisition and/or redemption of its share capital and/or any other action whatsoever that could result in the Borrower's shares being dormant and/or without voting rights and/or without any other rights whatsoever attached to the Borrower's shares and/or those of the associated company and will not change and will work for the fact that the rights attached to its share capital will not be changed.

12.1.2 As at the date of signing this Agreement, the Borrower did not extend and will not receive any owners loans whatsoever.

12.1.3 There are no unpaid loan balances in the owners loans that were extended to the Borrower prior to the date of signing this Agreement and the Borrower and/or associated company are not bound for any owners loans whatsoever, apart from as detailed in this Agreement.

12.1.4 As of the date of signing this Agreement, and as long as the credit sum has not been repaid in full, the Borrower will continue its regular operations.

12.1.5 As of the date of signing this Agreement and as long as the credit sum has not been fully repaid, the Borrower and the Borrower's shareholders shall not be entitled to compete with the Borrower's operations and/or to execute actions that are similar to the Borrower's operations, this through any other entity (whether an entity associated with them or not, whether for consideration or not) and all whether in Israel or overseas.

12.1.6 The Borrower must fully and accurately bear the payments and debts vis-à-vis the Lender and/or vis-à-vis any other entity pursuant to the financing documents, on the dates established in the financing documents.

12.2 Right of Access

12.2.1 To the extent necessary, the Borrower must allow the Lender access to its books, records, accounts, documents, computer software, data or any other information whatsoever of the Borrower and must also allow the Lender to receive copies of aforementioned material to the extent that the Lender deems this fit.

12.2.2 To obviate any doubt, providing access as aforementioned or supplying information and documents pursuant to the instructions in financing documents, contain nothing to release the Borrower from any commitment whatsoever of its commitments pursuant to the financing documents or to impose any liability whatsoever on the Lender.

12.3 Change of Structure and Executing Investments

12.3.1 The Borrower will not execute nor undertake to execute and/or adopt any resolution for the purposes of executing a structural change and/or change of control in the Borrower, without the Lender's prior written consent. The Lender will not refuse the changes aforementioned unless for reasonable reasons.

12.3.2 The Borrower shall not execute and/or undertake to execute and/or adopt any resolution for the purposes of executing an investment in the Borrower, acquisition or any other transaction whatsoever in the Borrower's shares., Furthermore, the Borrower undertakes that any of the Borrower's Shareholders will not execute and/or undertake to execute and/or make a decision for the purposes of executing an investment in the Borrower, acquisition or other transaction whatsoever in the Borrower's shares, without the Lender's consent. Despite the aforementioned, the Lender will not refuse to a capital raising for the Borrower against an allotment of shares.

12.3.3 As of the date of signing, the Borrower will not establish a subsidiary and/or associated entity to the Borrower and/or hold shares or other means of control in any entity whatsoever. Despite the aforementioned, the Lender will not refuse to the establishment of a subsidiary for the Borrower subject to the fact that the subsidiary's shares will be encumbered in a first lien in favor of the Lender and a first floating lien in the subsidiary as aforementioned, will be registered to the benefit of the Lender.

12.4 Financial Obligations

12.4.1 the Borrower shall not take and/or undertake to take and/or receive any resolution for the purposes of taking any financial obligation whatsoever from any third party whatsoever, apart from permitted financial obligations.

12.4.2 The Borrower will not grant any third party whatsoever, a loan and/or credit and/or provide guarantees and/or undertake to indemnify any entity whatsoever for the purposes of guaranteeing commitments and the debts of any third-party entity whatsoever and the third party as aforementioned will not accept any financial obligations whatsoever in favor of the Borrower.

12.5 Compliance with the Provisions of the Law

12.5.1 The Borrower must manage its business and comply with all the commitments and conditions applicable to the Borrower and/or any associated company, essentially, pursuant to the relevant provisions of the law for their operations and the necessary permits and pursuant to all the other material agreements, permits, licenses and authorizations required pursuant to law, to the extent that any shall be required from time to time.

12.5.2 The Borrower must ensure that: (a) none of the aforementioned authorizations, permits, licenses or qualifications will expire, be canceled, be conditional or will terminate (without being renewed) or will cease being fully enforceable for any other reason; and (b) the Borrower will not violate the conditions or instructions of any of the aforementioned authorities, permits, licenses or qualifications.

12.5.3 The Borrower undertakes that its commitments pursuant to the Agreement will not contradict its incorporation documents (as shall be amended from time to time) and the binding resolutions of its competent organs (as shall be adopted from time to time).

12.6 Interested Party Transactions

The Borrower will not engaged and/or execute access undertake to execute and/or adopt a resolution for the purposes of executing exceptional transactions with interested parties, apart from as detailed in this Agreement.

12.7 Distribution

The Borrower shall not declare, execute and/or undertake to execute and/or adopt a resolution for the purposes of executing any distribution.

12.8 Negative Encumbrance

The Borrower shall not create or allow the creation of any collateral right whatsoever on its existing or future assets, apart from the encumbrance of assets that are encumbered in favor of the Lender pursuant to the collateral documents) without the Lender's consent (apart from encumbrances that were permitted in the framework of this Agreement). It must see to the fact that its existing and future assets as aforementioned will remain clear and three at any time (apart from the encumbrance of the encumbered assets in favor of the Borrower pursuant to the collateral documents), all whether in Israel or overseas.

12.9 Collateral

12.9.1 The Borrower must maintain the existence of all the collateral pursuant to the collateral documents and registered the aforementioned collateral legally.

12.9.2 The Borrower must adopt the necessary measures to protect its rights and the rights of the Lender in the encumbered assets against any demand or claim.

12.9.3 The Borrower must prevent (and if this is dependent on it prevent third parties) from adopting any measures whatsoever that could prevent exercising the collateral pursuant to the collateral documents by the Lender and all whether in Israel or overseas.

12.9.4 The Borrower undertakes to inform the Lender immediately of any instance of execution proceedings, attachment, realization, granting any judicial order whatsoever and special demand or claim of any right whatsoever, on or relating to the collaterals or any part thereof (hereinafter: "**the proceedings**"), immediately of it or anyone on its behalf being informed about the proceedings as well as to inform the entity that adopted the proceedings and the relevant judicial level immediately, about the Borrower's rights relating to the collateral that is the subject of the proceedings and to adopt, at its expense, any necessary measures for the purposes of stopping the proceedings and all whether in Israel or overseas.

12.10 Taxes

The Borrower undertakes that it will submit legal returns and reports to the tax authorities punctually, all pursuant to the requirements of the law applicable to it and it will pay all the taxes pursuant to the returns and reports as aforementioned, all pursuant to assessment notices or other similar documents that were prepared regarding it, all pursuant to the requirements of the law applicable to it.

12.11 Insurances

12.11.1 Until full settlement of the date, the Borrower undertakes that it will ensure all its essential property at its full value (reinstatement value).

12.11.2 The Borrower undertakes that it will pay the premiums fully and on the dates established for their payment, up to the full and final settlement of the debt repayment sum and it undertakes to furnish the Lender, pursuant to its first demand, with any confirmation, insurance certificate or receipt regarding payment of the premium for the insurants or any document that confirms the and period of each policy.

12.11.3 The Borrower declares that it is aware that, in the event that it does not present the Lender with the policy and/or in the event that it does not pay the premium or any part thereof or does not renew the validity of the insurance, the Lender shall be entitled (but not obligated) to extract at an insurance company that the Lender establishes, and a policy addition or new policy and to pay the premium for it and to charge the Borrower with all the costs that the Lender bore as well as with arrears interest as aforementioned.

12.11.4 In the event of any damage to the Borrower's assets that are covered in the framework of the insurance policy, the Borrower undertakes that it will inform the insurance company and the Lender of the damage event immediately after its occurrence.

12.11.5 The Borrower undertakes to fulfill all the insurance policy instructions and to prevent any deed or default that could prejudice the Lender's rights pursuant to the law and/or pursuant to this Agreement and/or the possibility of collating insurance payouts by the Lender.

12.12 Additional Actions

The Borrower must sign and confirm all the certificates, forms, affidavits, requests, authorizations and documents and execute and perform any action, the signature on which were (according to the matter) executing its by them, will be required by the Lender in relation to the Borrower's commitments pursuant to the financing documents and to execute the actions that must be executed and to complete them pursuant to the financing documents.

12.13 Annulled

12.14 Information and Reports

The Borrower (to obviate any doubt each of the Borrower's individuals) must furnish the Lender:

12.14.1 Immediately after their authorization and, under no circumstances later than 30 years of March of each year, the drafts of the annual financial statements of the Borrower for the elapsed year.

12.14.2 No later than September 30 of each year, the annual financial statements of the Borrower for the elapsed year, when the aforementioned financial statements are audited by an auditor pursuant to the generally accepted accounting principles as well as a table of the Borrower's shareholders signed and approved by the Borrower's VP Finances.

12.14.3 No later than the termination of 30 (thirty) days from the termination of each of the three first quarters of each year, a trial balance of the Borrower signed by the Borrower's CEO or the Borrower's VP Finances and a report on meeting the sales and costs forecast.

12.14.4 No later than 30 days from the termination of each quarter – the report attached as**Appendix 11.14** when it is full, signed and authorized by the Borrower's VP Finances (hereinafter: "**the quarterly report**").

12.14.5 Furthermore, and at the Borrower's request, once a month, there will be a meeting of a representative of the Lender with the Borrower's CEO. The meeting will take place at the Borrower's business location or via a videoconference, as shall be coordinated between the Parties. Once a year, immediately after the approval of the Board of Directors and or of the competent entities in the Borrower, the Borrower's budget and anticipated cash flow statement.

12.15 Any additional information that the Borrower has (or that the Borrower can furnish reasonably) and that is requested from time to time by the Lender for the purposes of examining the Borrower's financial status, including the quarterly report. Additional information

12.15.1 I Any information regarding the existence of a material detrimental effect or any event whatsoever that could give rise to a material detrimental effect on the Borrower, must be sent to the Lender, as early as possible after it first becomes known to the Borrower and/or anyone on its behalf.

12.15.2 A notice that includes reasonable details about any indictments relating to the encumbered assets and the collateral created pursuant to the collateral documents or to any of them, and about execution proceedings, attachments or injunctions or mandatory injunction or other proceedings that were adopted in relation to the encumbered assets and collateral as aforementioned, all whether in Israel or overseas, must be sent to the Lender as early as possible after first becoming known to the Borrower and/or anyone on its behalf.

12.15.3 Notice of any damage, tangible or intangible, caused or that could be caused to the encumbered assets must be sent to the Lender as early as possible after first becoming known to the Borrower and/or anyone on its behalf.

12.15.4 Notice of any breach or expected breach event of this Agreement or any of the other financing documents must be sent to the Lender as early as possible after first becoming known to the Borrower or anyone on its behalf.

12.15.5 All the documents that will be sent by the Borrower and/or anyone on its behalf to the Shareholders of the Borrower (and/or some of them), including, but not limited relating to any meeting of the Shareholders including an invitation to a meeting and the subjects on the agenda), must be sent to the Lender as well on the same date.

12.15.6 All the documents sent by the Borrower and/or anyone on its behalf to the Borrower's Board of Directors (and/or some of them), including (but not limited) to in relation to any Board meeting (including the invitation to the meeting and the subjects on the agenda), must be sent to the Lender as well on the same date.

12.15.7 Any other reasonable document required by the Lender must be sent to it by the Borrower, as early as possible.

12.16 Agreements/Customers

The Borrower declares the following:

12.16.1 It will furnish an immediate report to the Lender if any written notice is received from the counterparty to an essential agreement with customers and/or from anyone on his behalf, about a breach of any of the essential agreements with the customers and/or of an intention to annul them.

In this regard "**essential agreement**" means ad essential agreement as defined in Section 10.17 above or any other agreement the annual revenues of the company from it constitute more than 7% of the total revenues of the Company in the year preceding the date of the notice/breach as aforementioned, provided that the Company had not engaged simultaneously in another agreement by virtue of which the company is expected to derive revenues of a similar volume to the revenues of the relevant essential agreement.

13. **Collateral**

13.1 the following collateral will be used for securing the full, accurate and complete settlement of the debts (hereinafter: "**the collateral**"):

13.1.1 A general first floating lien unrestricted as to sum, in favor of the Lender on all the Borrower's assets, rights and property of any kind and type whatsoever, whether existing or future and in the framework of the aforementioned encumbrance, a fixed first lien and assignment by way of a first lien of the Borrower's goodwill and its unpaid share capital.

13.1.2 A first lien and assignment by way of a first lien unrestricted as to sum, in favor of the Borrower on all the money and deposits in the designated account, existing and future, as shall be in the account from time to time and on all the rights of any kind and type whatsoever for any relation to the aforementioned account (including funds and depositors held in their framework).

13.1.3 A fixed first lien unrestricted as to sum on all the rights and money owing and/or that shall be owing to the Lender for the essential agreements (as defined in Section 10.17) to the Lender's satisfaction.

13.1.4 A fixed first lien, unrestricted as to sum, on all the Lender's intellectual property rights that will be registered in the Registrar of Company's registered in Israel and the patents register in Israel (to the extent that the aforementioned intellectual property is registered in the patents register).

13.1.5 **In the US** – A general first floating lien unrestricted as to sum in favor of the Lender on all the assets, rights and property of Actelis of any kind and type whatsoever, whether existing or future and, in the framework of the aforementioned encumbrance, a fixed first lien and assignment by way of a first lien on the goodwill of Actelis and on its unpaid share capital.

13.1.6 **In the US** – A fixed first lien unrestricted as to sum on all the rights and money owing to you and/or that shall be owing to Actelis for the essential agreements (as defined in Section 10.17).

13.1.7 **In the US** - A fixed first lien unrestricted as to sum on all the intellectual property rights of Actelis and the Borrower, that will be registered in the statutory registers in the US and in the American patents register (to the extent that the aforementioned intellectual property is registered in the patents register).

13.1.8 **In the US** – A fixed first lien and assignment by way of a first lien unrestricted as to sum on all the issued and paid up share capital of the Borrower under the ownership of Actelis and on all the rights accompanying the aforementioned shares and any right, benefit or title of the Borrower relating to the aforementioned shares, including on all the assets, money, payments and rights that are owing and/or shall be owing to the shareholders pursuant to any law and/or agreement and the right to repayment of the owners loans, subject to the provisions in this Agreement.

13.1.9 A written undertaking and guarantee and a negative encumbrance letter in favor of the Lender from Actelis in the phrasing to be agreed upon between the Parties, which includes Actelis' approval of the presentations and commitments on its part as provided in this Agreement and to be signed by the date of extending the credit and that will be to the satisfaction of the Lender.

13.1.10 Furthermore:

13.1.10.1 Any additional or other collateral (hereinafter: "**additional collateral**") that will be given to the Lender were registered in favor of the Lender from time to time to guarantee the debt with the consent of the Party; and

13.1.10.2 Any other agreement that creates and/or proves the existence of collateral on any asset and/or right whatsoever on the Borrower's assets and rights to guarantee the date pursuant to the financing documents and any authorizations, agreements, consents, forms and/or other documents that will be furnished and/or that must be furnished pursuant to the aforementioned documents, including the registration forms required in connection with registering the collateral at the Registrar of Companies and any other required register pursuant to any law, including any of their appendices, attachments and accompanying documents as shall be amended and/or changed and/or completed from time to time.

(The aforementioned collateral documents shall be in the format as agreed upon between the Parties by the date of extending the credit and which shall be to the Lender's satisfaction and which must be attached to this Agreement. The collateral documents must be signed from time to time in relation to any additional guarantee and those mentioned in Section 12 above will be called jointly below: "**the collateral documents**")

13.2 The Borrower must create (and cause its shareholders to create, according to the matter) in favor of the Lender, all the collaterals according to and pursuant to the collateral documents and must submit the required encumbrances for registration as a condition precedent to extending the credit as provided in this Agreement.

13.3 The Borrower must furnish signed confirmation by an American Atty. at Law of the registration and the validity of the encumbrances registered in the United States, all in phrasing to the Lender's satisfaction.

The Borrower undertakes that all the aforementioned encumbrances will be registered as early as possible subject to the provisions in the Letter of Intent and that it will furnish the Lender with registration certificates for them, as early as possible (subject to the proceedings at the authorities).

13.4 The collaterals are not dependent on each other. In any event in which a breach event occurs, the Lender shall be entitled to exercise all or some of the collaterals immediately (subject to giving a warning to the extent required pursuant to this Agreement),, at one time or one after the other (without any dependence on one another), and to use the payment sums received for settling the debts, without derogating from any other right and/or remedy available to its by virtue of the provisions in the Agreement and the other financing documents (including the collateral documents) and/or the provisions in any law and without the Lender first having to exercise any of the collaterals or an obligation to first place the cared for immediate settlement.

13.5 The collaterals are of a perpetual nature and they shall remain in force until after the Lender confirms in writing that the credit and other debt have been settled fully, finally and accurately.

13.6 Furthermore, and without derogating from the provisions in Section 8 above and the instructions in the collateral documents, the Borrower must pay the Lender immediately on its first demand, all the expenses and reasonable payments that were born in relation to exercising the collaterals, including legal fees and expenses of other consultants, who were employed by them.

13.7 The Borrower will not execute (and will not cause its shareholders and/or associated company to execute) anything, whether by deed or default, that could prejudice the encumbered assets and/or collaterals created pursuant to the collateral documents and/or the Lender's rights in the encumbered assets and/or in the created collaterals pursuant to the financing documents, including the rights and the Lender's ability to realize, sell and transfer the encumbered assets pursuant to the collateral documents and to use the consideration received from the aforementioned for the purposes of settling the debts, all whether in Israel or overseas.

13.8 The costs of registering all the collaterals, including fees, for the purposes of executing registration as aforementioned shall apply to and must be paid by the Borrower.

13.9 In addition to the collaterals as aforementioned in this section, the Company's CEO, Mr. Tuvya Bar Lev, undertakes that, until the earlier between: (a) the full settlement of the debts; or (b) termination of his tenure as CEO of the Company, no shares in Actelis held by him will be sold in a quantity exceeding 37,008,819 shares (i.e., half of the Actelis shares held by him on the date of signing this Agreement) without receiving the Lender's prior written consent to this. The provisions in this section shall not apply in the event of a sales event or issue event as defined above. Mr. Tuvya Bar Lev's commitment as aforementioned in this section shall be in the phrasing to be agreed upon between the Parties and that shall be to the Lender's satisfaction and must be attached as an Appendix to this Agreement.

14. **<u>Financial Criteria</u>**

<u>Compliance with the Financial Criteria</u>

14.1 "**The financial criteria**" to which the Borrower must comply up to the full settlement of the debt shall be as follows

a. **During 2020-2021** – The results of the calculation of "**the difference refund**" (as defined in Section 4.2.6.4c2) required pursuant to the calculation detailed in Section 4.2.6.4c2 as aforementioned, shall be in the lower between (a) $3 million (if there was not any restriction of the $3 million as specified in that section collaterals, or from $2 million in the event that the initial credit was not taken, according to the matter; and (b) the balance of the debt, if the balance of the debt is lower than $2 million. Despite the provisions in this section, in 2021, as long as the average quarterly EBITDA of the Borrower exceeds $250,000, this shall be deemed to be complying with the financial criteria as provided in this Section "a."

b. **Beginning in 2022 and onward** – The cover/debt ratio (as defined in Section 4.2.6.1) of the Borrower and Actelis (jointly) shall not be less than 2 (this, after repaying money by the Lender to the designated account as detailed in Section 4.2.6).

Despite the aforementioned, if it becomes clear that the Borrower does not comply with the financial criteria, but the current assets of the Borrower as defined in Section 4.2.6.1, are higher than the balance of the unpaid credit principal, or if it is higher than 90% of the unpaid credit principal balance, with the approval of the Lender, this shall not be deemed to be failure to comply with the financial criteria.

14.2 Until full settlement of the debt, the Borrower undertakes to comply with the financial criteria detailed in Section 14.1. The financial criteria will be examined every quarter.

14.3 The Borrower declares that it will adopt all the necessary measures to comply with the financial criteria as aforementioned and will be prevented (to the extent dependent on it to prevent third parties) from adopting various actions that could result in failure to comply with the financial criteria.

14.4 The Borrower undertakes to immediately inform the Lender of any material change in the accounting reporting policy applicable to the Borrower, as early as possible after first becoming known to the Borrower or anyone on its behalf. In the event as aforementioned and, if the policy change reported as aforementioned has an effect on the financial criteria, the Parties must adapt the financial criteria to the reporting policy change. Despite the aforementioned, it must be clarified that changing the accounting reporting policy that correlates with the generally accepted accounting principles (US GAAP) shall not result in the adaptation of the financial criteria.

14.5 The Borrower undertakes to immediately inform the Lender of any event of its failure to meet the financial criteria as aforementioned (or some of them), immediately on becoming known of this.

15. **Breach Event**

Each of the events and each of the circumstances detailed in this Section 14 constitutes a breach event (regarding compliance with the provisions in Section 4.2.6 – pursuant to the content therein). To obviate any doubt, the events and circumstances detailed below relate to both the Borrower and to Actelis and a breach event that applies to any of the aforementioned individuals, applies to the Borrower and Actelis (jointly and severally).

For the purposes of this section below, both the Borrower and Actelis shall be called – "**the Borrower**" (thus, the breach events detailed below will relate to both the Borrower and Actelis).

15.1 Nonpayment

Any sum whatsoever that must be paid pursuant to the financing documents by the Borrower, including failure to pay the principal sum, interest, arrears interest, linkage differentials, auditing and inspection payments, fees and expenses, additional payments to the Lender, not paid in full on the date established for its payment or if no dates was established as aforementioned within 7 days from the date of being required to p be paid by the Borrower. It must be clarified that the rails in making the payment in a period that is not exceed 3 business days, shall not constitute a breach.

15.2 A breach of Commitments

A breach of any instruction whatsoever included in any document of the financing documents by the Borrower that was not corrected within 10 (ten) business days (or within a shorter period, should this be established regarding it in the financing documents), to the extent possible to correct it within the aforementioned period.

15.3 A Breach of Affidavits and Presentations

A presentation or affidavit that was given by the Borrower or the Borrower is perceived as having rescinded them, in any of the financing documents (including the Borrower's affidavits and presentations pursuant to Section 9 of this Agreement), or in the confirmation, the certificate or document that was furnished by the Borrower and/or anyone on its behalf in relation to any of the financing documents or pursuant to a document from the financing documents, are not correct or full, on the date on which they were given or on the date on which the Borrower is perceived as someone who has rescinded them and this was not corrected within 7 business days from the date of the occurrence of the breach event as aforementioned.

15.4 Lack of Validity

Any of the financing documents failed to be enforceable from any aspect whatsoever or failed to constitute a legal, valid, binding enforceable commitment, or any of the collateral documents that does not provide valid security in the encumbered assets and subject to the conditions, or the enforcement of the commitment as aforementioned or collateral as aforementioned will be illegal or it will impossible to execute in a manner that it would have a sort of full realization of the rights of the Lender pursuant to any of the financing documents, all unless caused in view of a deed or default of the Lender.

15.5 Insolvency

The Borrower was insolvent and/or is unable to pay its debts and/or meet its commitments on time or there is a real probability that, pursuant to a judicial decision, it will not be able to pay its debts and/or meet its commitments on the date and/or it stopped its payments and/or commenced conducting negotiations with its creditors or any of them, in a trend to reach an arrangement for staggering its debts with them or any other similar debt arrangement, all whether in Israel or overseas.

15.6 Dissolution

The Borrower commenced adopting any measures whatsoever (including by convening a meeting of shareholders and/or creditors), and/or any measures or proceedings whatsoever were adopted by it or against it (and/or against its assets), or it agrees to any measures or proceedings whatsoever of the solution and/or appointing an official functionary or other similar legal proceedings were adopted against it and/or against its assets or another similar order given against it and/or against its assets, including in relation to exercising the collateral and all whether the proceedings and/or aforementioned order are interim or temporary and whether they are permanent, whether in Israel or overseas, provided, in relation to the measures are proceedings, that these were not canceled within 45 (forty five) business days, but, if the measures are proceedings were adopted by the Borrower and/or its shareholders and the Borrower and/or its shareholders (according to the matter) consented to the aforementioned measures or proceedings, then adopting the aforementioned measures are proceedings, on their occurrence constitute a breach event.

15.7 Erasure or a Breaching Company

15.7.1 If the name of the Borrower is erased from the Register of Companies Register.

15.8 Attachments

15.8.1 If an attachment has been imposed on the encumbered assets in a fixed lien on all or some of them or and execution action has been executed against all or some of the encumbered assets or legal actions or similar legal proceedings have been adopted against all the encumbered assets, all whether in Israel or overseas, and the aforementioned attachment, execution action or proceedings were not canceled within 30 business days from executing them (if reference is to an attachment or execution action) or from the beginning (if reference is to proceedings that have not yet been consolidated into orders or actions as aforementioned).

15.8.2 If an attachment has been imposed on the Borrower's assets or any execution actions whatsoever or other similar proceedings have been adopted against the Borrower or against some or all of its assets all whether in Israel or overseas, in a sum or accumulated sums that exceed 10% of the Borrower's total assets and/or the Borrower's total annual sales turnover according to its last annual financial statements, whichever is the lower), and the attachment, execution action or aforementioned proceedings were not canceled within 60 (sixty) days from the imposition (if reference is to an attachment or execution action) or from their commencement (if reference is to proceedings that have not yet consolidated into orders or action as aforementioned).

15.9 Litigation

15.9.1 Pending litigation relating to the encumbered assets or any part thereof in view of a deed and/or default of the Borrower and/or anyone on its behalf and all whether in Israel or overseas.

15.9.2 Pending litigation that relate to or regarding the Borrower and/or its assets (that are not encumbered assets) and/or their officers (provided that regarding the officers – reference is to litigation or investigations the course of which is in their tenure and/or actions in the Borrower and/or in the associated company and/or in relation to the Borrower and/or the associated company) and/or the Borrower and/or associated company and/or their officers. (subject to the aforementioned) are involved in them in any manner whatsoever and which are in a sum or accumulated sums that exceed 10% of the value of the Borrower's assets and/or of the Borrower's total annual sales turnover, according to its last annual financial statements (according to the lower) and the aforementioned litigation was not canceled within 60 (sixty) days from the date of adopting them, all whether in Israel or overseas.

15.10 Failure to comply with a Judgment

The Borrower does not comply with any judgment whatsoever that applies to it and/or to its assets and/or to its operations and, in the opinion of the Lender, the failure to comply prejudices the Borrower's ability to meet its commitments pursuant to the financing documents to which it is a Party or could prejudice the Lender's rights pursuant to the financing documents and/or the encumbered assets and the aforementioned was not corrected within 7 business days from the date of the occurrence of the aforementioned breaching event.

15.11 Cross Breaches

Any financial creditor of the Borrower (insured and not insured), including banks, bondholders and/or other financial institutions, all whether in Israel or overseas, placed debts and commitments of the Borrower for immediate settlement and/or appointed an official functionary against and/or regarding the Borrower and/or its assets and/or exercise any collateral whatsoever imparted on it.

15.12 Cessation of Managing the Business

The Borrower has ceased or threatened to cease managing its businesses or a material part of them.

15.13 Material Detrimental Effect

An event or series of events occurred in the Borrower that is or are likely to have a detrimental effect.

15.14 A Structure Change

If there was a change in the structure (as defined in Section 2 of this Agreement) in the Borrower without receiving the Lender's prior written consent. The Lender will not refuse to give consent as aforementioned as long as its rights pursuant to the financing documents and/or pursuant to any law are not prejudiced.

15.15 Violation of the Required Permits

If any of the permits, authorities, licenses and/or other qualifications required pursuant to any law and agreement in relation to the Borrower's operations and its business management and its regular operations have expired, been canceled, conditioned or ended operated without renewal) or have ceased to be enforceable for any other reason, and/or the Borrower violated the conditions or instructions of any of the aforementioned permits, authorizations, licenses and/or qualifications and this was not corrected within 20 business days from the date of the occurrence of the aforementioned breaching event.

15.16 Changing the Authorized Signatories in the Designated Account or Giving Instructions in the Designated Account

15.16.1 The authorized signatory rights in the designated account were changed without the Lender's prior written consent for this.

15.16.2 An instruction has been given to the bank by the Borrower relating to a transaction in the designated account, without the Lender's prior written approval for this.

15.17 Accountants

The Borrower did not cooperate with its accountant and did not furnish him with a copy of any document or datum whatsoever that are at its disposal within 7 (seven) business days from the date of receiving his written demand to furnish a copy of any document or datum as aforementioned.

15.18 Failure to Comply with the Provisions in Section 4.2.6

15.18.1 The Borrower did not comply, precisely, with the provisions in Section 4.2.6

15.19 Failure to meet the Financial Criteria

15.19.1 The Borrower did not, accurately, meet the financial criteria (subject to the provisions in Section 14).

16. Breach – General Instructions

16.1 Failure to Provide Correction Periods

Despite any contrary instruction, in any event in which the Lender, at its sole discretion, believes that giving a warning or a healing period to the Borrower or waiting and delaying exercising the Lender's rights are likely to materially prejudice any right whatsoever of the Lender's rights pursuant to the financing documents or the value of the collateral or their ability to settle the debt, the Lender shall be entitled to shorten giving the warning or the healing period.

16.2 Adopting Actions

16.2.1 Without derogating from the aforementioned generality, the Lender's remedies and reliefs pursuant to the financing documents or pursuant to any law and agreement, on the occurrence of a breach event and subject to the correction periods should any exist and to the provisions in Section 15.1 and, at any time thereafter and as long as the breach event continues, on giving the Borrower warning of 2 business days, the Lender is entitled:

16.2.1.1 To place all or some of the debt, whether its payment date is due or not, for immediate settlement and/or

16.2.1.2 To enforce any right, remedy or power imparted on the Lender pursuant to the financing documents, any other agreement and any law and to adopt all the measures that the Lender deems fit for the purposes of collecting any sum owing to it on account of the debts, at the sole expense of the Borrower and this includes:

(a) Realizing all or some of its rights pursuant to the collateral documents and to sell and/or transfer all or some of the encumbered assets in any manner permitted pursuant to any law and to execute any other action in relation to all or some of the collateral at its sole discretion and pursuant to the provisions established by the Lender;

(b) To use the sums received as a result of any action adopted by the Lender pursuant to the details in this Agreement, which includes, for the purpose of full or partial settlement (according to the matter) of the debt.

(c) To cease executing actions in the designated account,

16.2.2 To obviate any doubt, it must be clarified that, the Lender shall be entitled to act to exercise all or some of the collateral in the order and in the manner and way at its sole discretion and it does not have to act to exercise the collateral in any order of preference whatsoever. The instructions in the other financing documents shall also apply to exercising the collateral.

16.2.3 Without derogating from the aforementioned, the Lender shall be entitled to exercise all or some of the collateral through a Court and/or through the Executions Court and/or itself, whether permitted by appointing an official functionary (and all in Israel and overseas), who, shall be entitled, inter alia:

16.2.3.1 To receive all or some of the collateral for his disposal,

16.2.3.2 To sell, transfer all or some of the collateral pursuant to the conditions established by the Lender.

16.2.3.3 To undertake any other action in relation to all or some of the collateral, at his discretion and pursuant to the conditions established by the Lender.

16.2.4 In the event, in which when exercising all or some of the collateral, the date for the payment of any sum whatsoever on account of sums of the debt is not yet due, or are owing to the Lender only conditionally, they shall remain with the official functionary until the full payment of the debt sums and these sums shall be encumbered in favor of the Lender for guaranteeing payment of the debt sums.

16.2.5 It is hereby clarified, to obviate any doubt, that exercising the collateral pursuant to all or some of financing documents, to the extent that they are exercised, contains nothing to exempt the Borrower from its obligation to settle any balance of the debt punctually.

16.2.6 It must be clarified that the Borrower will not bear any liability whatsoever for any damage, charge or expense caused to the Borrower or to its assets to the collateral or to its value as a result of activating the Lender's rights pursuant to the financing documents, including the collateral documents or being prevented from using its rights and, provided that the Lender operated pursuant to the provisions in this Agreement.

16.3 Indemnification

Without derogating from any other commitment pursuant to this Agreement and the other financing documents, as a separate commitment, the Borrower must indemnify the Lender, within thirty (30) days from the date of its demand for and in relation to all the damages, costs, expenses, losses, payments, taxes and commissions and the other payments that were caused to the Lender and/or anyone on its behalf (hereinafter jointly: "**the damage sums**") as a direct result of the following actions:

16.3.1 The occurrence of a breach and/or expected breach event and/or realizing the Lender's rights following a breach of the Borrower's commitments pursuant to the provisions in this Agreement, including via adopting measures pursuant to the provisions in Section 15.2 above (which includes commissions and reasonable expenses of Attorneys, accountants, appraisers, valuators and other consultants, an official functionary) and all other out-of-pocket expenses, that the Lender (or anyone on its behalf) bore or shall bear.

16.3.2 A claim of any authority or third party whatsoever, in which the Lender and/or anyone on its behalf bore the liability solely as a result of being a Party to this Agreement and which it would not have had to bear had it not been a Party to this Agreement, provided that the Lender informed the Borrower of any such proceedings and did not object to the fact that the Borrower would be included as a party to the aforementioned proceedings.

17. <u>The Right to a Setoff and Lien</u>

17.1 The Borrower hereby finally and absolutely waives any right to a lien, set off or foreclosure imparted on it pursuant to any law vis-à-vis the Lender.

17.2 The Lender is hereby imparted with the right of lien and set off on any of the sums, assets and rights, including securities, promissory notes, insurance policies, deeds, deposits, collateral and their consideration, that shall be in the possession of the Lender and/or under its control at any time whatsoever to the right of the Borrower and/or for it. The Lender is entitled to detain the aforementioned assets until full payment of the debt or to sell them and transfers them and to use their consideration entirely or partially for settling the debts.

17.3 In the event that the sums that were set off are deposited in foreign currency, the Borrower hereby gives the Lender an advance instruction to sell the balance of the right in foreign currency according to the acceptable rate and to set off the consideration of the sale from the debt after deducting the mandatory expenses and commissions.

18. <u>Entering Payments</u>

18.1 All the revenues, considerations and payments received on account of the debt and all the revenues, money and considerations received as a result of the sale and/or transfer and/or realization of the encumbered assets pursuant to the collateral documents and in the framework of realizing any right, remedy and other relief vis-à-vis the Borrower and/or its assets pursuant to any document of the financing documents, will be used according to the following order (or according to any other order at the Lender's choice):

18.1.1 Firstly. for covering all the expenses and costs caused and that shall be caused in relation to collecting the debt, which includes the official functionary (or any other functionary) and

18.1.2 Secondly, at the rate established by the Lender or that shall be authorized by a Court or Execution Court; secondly, to cover all the expenses, costs, losses, damages, taxes, commissions and payments caused and that shall be caused to the Lender pursuant to the financing documents and for paying all the commissions owing to the Lender pursuant to the financing documents.

18.1.3 Thirdly, to settle arrears interest.

18.1.4 Fourthly, to settle any other sum (apart from the principal sum) due pursuant to the financing documents (including interest, auditing and inspection payment etc.); and

18.1.5 Fifthly to settle the principal payments that are due pursuant to the financing documents.

18.2 The Lender shall be entitled to change the order of entering the payments as detailed in this section from time to time, at its sole discretion.

19. <u>Records and Authorizations</u>

19.1 The Lender's books shall be true to the Borrower and will serve as an ostensible proof vis-à-vis it for all their items. Photocopies or copies from the Lender's records will serve as ostensible evidence of the correctness of all the items specified in them

19.2 An authorization that is given by the Lender, regarding any rate or sum whatsoever pursuant to the financing documents, including all regarding the calculation of the credit components, interest, arrears interest, linkage differentials, commissions, the debts, and any other matter relating to the financing documents will serve as ostensible evidence of its correctness, subject to the settlement schedule.

19.3 The Borrower undertakes to inform the Lender in writing of any objection or reservation that it should have should there be any relating to any account, summary of an account, authorization or notice whatsoever that shall be received from the Lender within 60 (sixty) days from the date of sending the authorization or notice as aforementioned.

20. <u>Transfers and Assignments</u>

20.1 <u>Transferees</u>

Subject to the provisions in this section, this Agreement and the other financing documents will obligate and credit the Parties to them and their permitted transferees from time to time.

20.2 <u>Prohibition of Assignment by a Party to this Agreement</u>

No Party to this Agreement is entitled to transfer, endorse or assign all or some of its rights and/or obligations pursuant to this Agreement and the other financing documents to any third party whatsoever.

21. **<u>Confidentiality</u>**

21.1 <u>Use of the Information</u>

The Borrower confirms that it has been informed by the Lender pursuant to the Protection of Privacy Law, 5741 – 1981 that all the items that shall be furnished to the Lender will serve the Lender as is acceptable in its regular work at its sole discretion, and that any items furnished to the Lender will be stored pursuant to the Lender a pattern needs in the Lender's databanks and/or of anyone who provides the Lender from time to time with computer and data processing services.

21.2 <u>Disclosure of Information by the Lender</u>

21.2.1 The Lender shall, at any time, be entitled to disclose details about the Borrower and/or its business and/or its operations and/or regarding the credit and/or the encumbered assets and/or this Agreement and/or the collateral documents and/or the other financing documents and any other item and information relating to this Agreement to anyone who is fit to be a transferee, with whom the Lender is conducting or is likely to conduct negotiations for the purposes of assigning the rights and obligations pursuant to this Agreement (hereinafter: "**A potential contact**"). Disclosure of the information to the potential contact will be made pursuant to the information recipient signing (as long as he is not obligated with the obligation of confidentiality by virtue of the law) on a nondisclosure and commitment letter, in the conventional format. Furthermore, the Lender shall be entitled to disclose details and information to its shareholders, partners, employees, credit committees, investment committees and the Lender's Directors as well as to the Attorneys, Accountants and other consultants on its behalf and/or on behalf of any of the potential contact.

21.2.2 The Lender is entitled to disclose items and information about the Borrower and/or relating to the credit and/or to the encumbered assets and/or to this Agreement and/or to the collateral documents and/or the other financing documents and/or the loans and/or guarantees and any other required item and information to any authority to which the Lender is subordinate and to any other entity to the extent that this is required pursuant to any law (including in the framework of litigation and investigations of any kind and type whatsoever).

21.3 Disclosure of Information by the Borrower

The Borrower undertakes that it and/or anyone on its behalf will not disclose nor furnish all or some of the financing documents to any third party whatsoever, apart from: (a) the Borrower's shareholders, officers in the Borrower, its Attorneys, Accountants and other consultants, who advise and/or represent the Borrower in relation to the financing documents and subject to the fact that prior to transferring the information, the information recipient must sign (if he is not obligated to confidentiality by virtue of the law) a non-disclosure and commitment letter in the acceptable format; (b) to other Lender's, banks, investment/loan funds, private lenders etc.; (c) Furnishing information as aforementioned, which is obligated in its framework pursuant to and subject to the provisions of any law and/or any competent authority and provided that: the Borrower furnished written notice to the Lender regarding its obligation to deliver the information as aforementioned, to the extent that there is no impediment pursuant to the law to furnish notice as aforementioned and to adopt all the reasonable means for the purposes of preventing disclosure as aforementioned, and the disclosure will be made to the minimal necessary degree only and the Borrower will act reasonably in order to allow the Lender reasonable time to the extent that this is possible, to defend against the demand and (c) the information as aforementioned is mass published by the Lender or information that at the time of its delivery was already in the bounds of public knowledge and provided that the information did not become public knowledge in view of a breach of the commitment to confidentiality, whether directly or indirectly.

22. **Taxes/Value Added Tax**

22.1 The Borrower must bear all the taxes applicable to it in relation to this Loan Agreement

22.2. Without derogating from the aforementioned in Section 21.1, the Borrower must pay the Lender all the value added tax payments (VAT), to the extent required pursuant to any law, for any payment paid to the Lender by the Borrower pursuant to the financing documents, including for payment of expenses, costs, legal fees, interest, additional payments to the Lender etc. Payment of VAT as aforementioned must be made to the Lender on the same date on which the payment is made (or on which the VAT applies) against a tax invoice/receipt from the Lender.

23. Sundries

23.1 The rights, remedies, reliefs and powers at the disposal of the Lender pursuant to the financing documents are given for realization at one time or in parts, are a curative and do not derogate from the rights available to the Lender pursuant to any law.

23.2 Any addition, change or amendment to this Agreement and the other financing documents, shall not be enforceable unless made in writing and signed legally by all the Parties to this Agreement and the other relevant financing documents.

23.3 Any notice, request, demand, authorization or agreement pursuant to or in relation to this Agreement shall not be enforceable unless made and signed by the Parties to them in writing.

23.4 This Agreement (together with the other financing documents) manifests the full and exhaustive Agreement between the Parties regarding the subject and matters discussed here in only and it replaces and denials any representation, agreement, negotiations, custom, draft, proposal, discussion and conclusion, Letter of Intent and/or commitment that prevailed and was signed or replaced (whether in writing or oral) on the aforementioned subject or matters between the Parties prior to signing this Agreement.

23.5 The Consent of the Lender to divert from any condition whatsoever of this Agreement in in a particular event or in a series of events, shall not constitute a precedent and will not indicate an equal derivative for any other event in the future.

23.6 The Lender avoiding using any right, remedy or relief whatsoever given to it pursuant to this Agreement and/or pursuant to the other financing documents and/or pursuant to the law, or delay or sojourn of using as aforementioned shall not be deemed as a waiver of the aforementioned right, remedy and relief and the single or partial use of the right, remedy and relief by the Lender as aforementioned contains nothing to prevent additional or other use of the aforementioned right, remedy or relief as aforementioned or use of other rights, remedies and relief whatsoever imparted pursuant to this Agreement and/or pursuant to the other financing documents and pursuant to any law.

23.7 The rights, remedies and reliefs pursuant to the financing documents are in addition and without derogating from any other right, remedy or relief pursuant to any law.

23.8 Any extension or alleviation given or waiver or compromise made in any event whatsoever, by the Lender must not be interpreted as a precedent or waiver regarding any other event and will not derogate from the Parties' rights pursuant to this Agreement and/or the other financing documents and/or pursuant to any law.

23.9 If the Lender did not use any of the rights at its disposal pursuant to the Agreement in a particular event or series of events, this should not be perceived as a waiver of that right in any other event and this does not indicate any waiver whatsoever of the rights and obligations pursuant to this Agreement.

23.10 The rights, remedies, reliefs and powers at the Lender's disposal pursuant to this Agreement and the other financing documents can be realized at one time or in parts, are accumulative and do not derogate from the rights at the Lender's disposal pursuant to any law.

23.11 **The law Applicable to this Agreement and the other financing documents and their Appendices is the Israeli law only and the exclusive judicial competence in any matter relating and subject to and deriving from this Agreement and the other transaction documents shall be imparted on the competent Court in Israel in Tel Aviv-Jaffa exclusively.**

23.12 Notices relating to this Agreement must be sent by registered mail or electronic mail (pursuant to the following addresses) or transmitted manually according to the Parties' addresses specified in the preamble to this Agreement (or to any other address for which there is suitable written notice five business days in advance), and any notice as aforementioned will be deemed to have reached its destination on the earlier between the following dates: With its actual delivery (or offer to the addressee in the event of refusal to accept it), or one day following the date of sending by electronic mail (after confirmation of its receipt), or five (5) business days from the date on which it was sent for delivery by registered mail, apart from notice regarding a change of address, which will be deemed to have been delivered only with its actual delivery to the addressee.

23.13 The contact persons of the Parties for the purposes of this Agreement are as follows and/or any other contact person that because of which were furnished to the second Party in advance and in writing.

At the Borrower: C/o _________________ Electronic Mail: __________________________

At the Lender: C/o Maoz Franco Electronic Mail maozf@migdalor.group and office@migdalor.group

[signatures on the next page]

In witness whereof, the Parties have hereunto set their signatures

The Lender The Borrower

The Borrower's Attorney at Law's Verification

I, the undersigned [____________], Atty. at Law, License Number [___________] of [______________], hereby verify that Messrs. [___________], bearer of ID Numbered ______________ / with whom I am personally acquainted and [____________], bearer of ID Numbered [________________] /with whom I am personally acquainted and, who have signed this Agreement in the name of [_______________] (Pty.) Ltd. (Co no [__________]) (hereinafter: "**the Company**"), have been authorized by the Company in a Board of Directors' Resolution that was adopted legally and pursuant to the Company's foundation documents, to sign this Agreement in the name of the Company and that their signature with the addition of the Company's stamp or its name in print is binding on the Company to all intents and purposes.

Atty. at Law's Name: _________________ Atty. at Law's Signature: __________________

Exhibit 10.17

Amendment/Addendum No 1 to the Loan Agreement (Senior Debt) Dated December 2, 2020
from November 17, 2021

between: **Actelis Networks Israel Pty. Ltd. Co. No: 512703737**
The address of which for the purposes of this Agreement is: 25 Basle St., Petach Tikva, Israel
(hereinafter: "**the Borrower**")

The First Party;

and: **Migdalor Business Investment Fund Limited Partnership**
Partnership No: 540279825
of 7 Gazit St., Petach Tikva, Israel
(hereinafter: "**the Lender**")

The Second Party;

Whereas: On December 2, 2020, the Parties signed a Loan Agreement (hereinafter: '**the Loan Agreement**");

and whereas: The Borrower approached the Lender with a request to increase the credit (as defined in the Loan Agreement);

and whereas: The Lender agreed to increase the credit pursuant and subject to this Addendum, all without derogating from the other provisions in the Loan Agreement and the financing documents;

and whereas: The Parties wish to add/amend certain provisions in the Loan Agreement, as detailed in this Addendum below, while leaving all the other provisions in the Loan Agreement unchanged;

and whereas: This Addendum is a part of the financing documents.

Therefore, the Parties have agreed upon, declared and conditioned the following:

1. **Preamble, Definitions and Interpretation**

1.1 This Addendum constitutes an integral part of the Loan Agreement and its instructions shall be deemed to be as of its conditions.

1.2 The headings to the sections in this Addendum are recorded for convenience and orientation purposes only and should not be used for interpreting this Addendum.

1.3 Apart from the amendments and addenda in this Addendum, all the other provisions of the Agreement remain unchanged and in full force.

1.4 In the event of any contradiction between the provisions in this Addendum and the Loan Agreement, the provisions in this Addendum shall prevail.

1.5 The terms that are not defined in this Addendum, shall have the meaning given to them in the Loan Agreement.

1.6 Definitions:

"(e) The Additional Credit" A loan in the principal sum of NIS 3,200,000, which will be extended to the Borrower by the Lender on the dates of extending the Additional Credit. The Additional Credit will be available in the Borrower's bank account, the details of which must be furnished to the Lender in writing.

2. **The Purpose of the Additional Credit**

The Borrower shall be entitled to use the Additional Credit for the purposes of financing working capital requirements.

3. **Extending the Additional Credit**

3.1 Without derogating from the other conditions in this Addendum, the Lender's commitment to extend the Additional Credit to the Borrower, is conditional on the fact that by the date of extending Additional Credit, all the following Conditions Precedent shall exist:

3.1.1 Prior to extending the Additional Credit, the Minutes of the competent organs in the Borrower approving the Borrower's engagement in this Addendum and the Borrower's engagement in the security documents and executing all the commitments included therein and that empower the signatories on these documents to sign on behalf of the Borrower, with the attachment of an Atty. at Law's authentication regarding the validity of the resolutions pursuant to any law, must be furnished to the Lender.

3.1.2 An Officer in the Borrower must give written confirmation in text to the Lender's satisfaction, that, as at the date of extending the Additional Credit, there had not been any event of a breach of the Loan Agreement, there is no anticipated breach of the Loan Agreement and extending the credit will not cause the occurrence of a breach event or anticipated breach.

3.1.3 The Borrower must furnish the Lender with an irrevocable request to extend the Additional Credit in the phrasing to be agreed upon between the Parties and that shall be to the Lender's satisfaction, signed by the Borrower.

3.1.4 The Standing Order that was provided in the framework of the Loan Agreement must be amended according to the Payment Schedule attached to this Addendum and to the Lender's satisfaction.

Subject to the fact that the Conditions Precedent as provided in Section 3.1 to this Addendum exist, the Lender will extend the Additional Credit to the Borrower (into the Borrower's account) within 3 business days from full compliance with the Conditions Precedent.

4. **The Terms of the Additional Credit**

4.1 Unless agreed upon otherwise in this Addendum, all the terms in the Loan Agreement shall apply to the Additional Credit, including the loan interest.

4.2 The Additional Credit interest must be paid in 74 monthly payments (together with the credit interest), on the 1st of each month. The first payment must be made on December 1, 2021.

4.3 The Additional Credit principal must be paid in 72 monthly payments as of February 1, 2022, on the 1st of each month together with the credit principal payments.

The repayment schedule of the Additional Credit and the total repayment schedule of the loan is attached as Appendix 4.3 to this Agreement and it replaces the repayment schedule attached to the Loan Agreement.

5. **Payment for Audit and Inspection Services and Expenses**

5.1 The Borrower must pay Migdalor Investments Fund – Management Services Ltd. (hereinafter: "**Migdalor**") a monthly payment of NIS 3,200 with addition of legal VAT for credit audit and inspection management services of the Additional C edit (hereinafter: " **audit and inspection payment for the Additional Credit**"). The audit and inspection payment for the Additional Credit must be attached to payment for the audit and inspection specified in the Loan Agreement and will amount to a total monthly payment of NIS 19,950 with the addition of VAT.

5.2 The Borrower must refund and pay the Lender, or directly to the Lender's Attorney, a sum of $4,750 with the addition of VAT as the Lender's participation in the Borrower's expenses relating to drawing up this Addendum.

6. Additional Payments and Rights for the Lender

6.1 **Section 9.2 of the Loan Agreement** – Section 9.2 of the Loan Agreement must be amended as follows:

"9.2 **The option** – The Borrower and Actelis hereby give the Lender an option (hereinafter: "**the option**") to acquire Actelis Ordinary Shares (hereinafter: "**the Option Shares**"), in the sum of $1,800,000 (USD one million eight hundred thousand) (hereinafter: "**the Option Shares consideration**"), and at a basis value for Actelis according to the lower between: (1) $36,500,000 (USD thirty six million five hundred thousand) and (2) the value of Actelis (as defined in Section 9.1.4 above) with a multiplier of 75% (hereinafter: "**the basis value**")."

6.2 **Section 9.8 of the Loan Agreement** – The sum of USD 1.25 million (USD one million two hundred and fifty thousand) that appears in the third row of Section 9.8 (in the definition of the consideration for waiver on exercising the option) must be changed to USD 1.5 million (USD one million five hundred thousand).

6.3 **Section 9.12 of the Loan Agreement** – "2.4%" must replace "2%."

6.4 **Section 9.16 of the Loan Agreement** – The grant sum specified in Section 9.16 of the Loan Agreement must be increased to NIS 2,261,250 (two million two hundred and sixty one thousand two hundred and fifty new shekels).

7. **Section 4.2.6 of the Loan Agreement – Release of Funds from the Designated Account**

7.1 Section 4.2.6.3 (regarding 2021) – It has been agreed that the Additional Credit shall not be taken into account as a part of the debt for the purposes of this section.

7.2 Section 4.2.6.5 (regarding 2022 onward) – It has been agreed that the Additional Credit will be considered as a part of the debt for the purposes of this section, including regarding the calculation of the debt cover ratio (and accordingly "the required debt cover ratio").

7.3 The other provisions in Section 4.2.6 remain unchanged.

8. Guarantees

8.1 It must be clarified that the guarantees established in the Loan Agreement will also serve as guarantees for the full and exact repayment of the Additional Credit.

9. **Sundries**

9.1 The Additional Credit is a part of the debt as defined in the Loan Agreement. All the provisions in the Loan Agreement and the financing documents shall continue to apply, including in all relating to the Additional Credit and all subject to the changes and addenda specified in this Addendum.

In witness whereof the Parties have hereunto set their signatures:

[signature] **The Borrower**	**The Lender**

The Lender's Attorney's Verification

I, the undersigned, [Michael Nussbaum,] Atty. at Law, License Number [23943] from the [Pearl Cohen Law Offices], hereby verify that Messrs. [Yoav Efron], bearer of ID Number [****] / who is known to me personally and [_______], bearer of ID Number [___________]/ who is known to me personally and, who signed this Agreement on behalf of [Actelis Networks Israel] (Pty) Ltd. (Co. No: 512703737) (hereinafter: "**the Company**"), were authorized by the Company in a Board of Directors' Resolution that was adopted legally and pursuant to the Company's Foundation Documents, to sign this Agreement on behalf of the Company and their signatures, with the attachment of the Company's stamp or the Company's printed name, binds the Company to all intents and purposes.

Atty. at Law's Name Miki Nussbaum   Atty. at Law Signature [signature]   [stamp] Michael B. Nussbaum
Advocate
L.N. 23943

Exhibit 10.18

SECURITIES PURCHASE AND LOAN REPAYMENT AGREEMENT

SECURITIES PURCHASE AGREEMENT (this "Agreement"), entered into this 14th day of April 2022, by and between Actelis Networks Inc., at 47800 Westinghouse Drive, Fremont, CA 94539 (the "Company") and Mr. Tuvia Barlev (the "Stockholder").

W I T N E S S E T H:

WHEREAS, the Stockholder is the record and beneficial owner of 67,718,071 shares of Common Stock, $0.000001 par value per share of the outstanding capital stock of the Company;

WHEREAS, the Stockholder holds a Promissory Note (the "Note") dated February 20, 2015 which as of the date of this agreement sums to $126,023 owed by the Stockholder to the Company;

WHEREAS, the Stockholder desires to transfer 1,274,173 shares of the Company (the "Securities") for a purchase price equal to $0.0989 per share for an aggregate purchase consideration of $126,023 (the "Purchase Consideration"); and

WHEREAS, the Company desires to acquire from the Stockholder and the Stockholder desires to transfer to the Company, all upon the terms and subject to the conditions set forth in this Agreement, all (and not less than all) of the Securities.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereby agree as follows:

1. PURCHASE AND TRANSFER OF THE SECURITIES

1.1 Securities Purchase. Subject to the terms and conditions of this Agreement, on April 15, 2022 (the "Closing Date"), the Company shall acquire from the Stockholder, and the Stockholder shall transfer to the Company, all (and not less than all) of the Securities, for the Purchase Consideration provided for in Section 1.2 below.

1.2 Purchase Consideration. In lieu of paying the Purchase Consideration for the Securities in cash, the Purchase Consideration will be used to repay in full the outstanding loan amount and accrued interest owed to the Company by the Stockholder and the loan shall be deemed terminated as of the date hereof.

1.3 Closing Deliveries. At the Closing, the following shall take place:

(a) the Stockholder shall deliver to the Company, the certificate(s) representing all of the Securities, duly endorsed for transfer or accompanied by deed of transfer executed in blank for transfer;

(b) the Company shall erase the outstanding loan amount owed by the Stockholder to the Company; and

(c) the Company shall register the transfer of the securities on its stock ledger.

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2. REPRESENTATIONS AND WARRANTIES OF THE STOCKHOLDER

In connection with the transfer of the Securities to the Company, the Stockholder hereby represents and warrants to the Company as follows:

2.1 Title to the Securities. The Stockholder is the valid and lawful record and beneficial owner of all of the Securities, all of which Securities have been duly authorized and validly issued and is fully paid and non-assessable, and is free and clear of all pledges, liens, claims, charges, options, calls, encumbrances, restrictions and assessments whatsoever (except any restrictions which may be created by operation of state or federal securities laws). On the Closing Date, the Company shall receive from the Stockholder good, valid and marketable title to all of the Securities, free and clear of all pledges, liens, claims, charges, options, calls, encumbrances, restrictions and assessments whatsoever.

2.2 Valid and Binding Agreement; No Breach.

(a) The Stockholder has full legal right, power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. This Agreement, when executed and delivered by the Stockholder, constitutes and will constitute the legal, valid and binding obligation of the Stockholder, enforceable against the Stockholder in accordance with its terms, except to the extent that such enforceability may be limited by bankruptcy, insolvency, reorganization and other laws affecting creditors' rights generally, and except that the remedy of specific performance or similar equitable relief is available only at the discretion of the court before which enforcement is sought.

(b) Neither the execution and delivery of this Agreement or the by the Stockholder, nor compliance with the terms and provisions of this Agreement on the part of the Stockholder, will: (i) violate any statute or regulation of any governmental authority, domestic or foreign, affecting either Company or the Stockholder; (ii) require the issuance of any authorization, license, consent or approval of any federal or state governmental agency, or any other person; or (iii) conflict with or result in a breach of any of the terms, conditions or provisions of any judgment, order, injunction, decree, agreement or other agreement or instrument to which either Company or the Stockholder is a party, or by which either Company or the Stockholder is bound, or constitute a default thereunder.

2.3 Equity Ownership.

(a) There are no outstanding subscriptions, options, rights, warrants, convertible securities or other agreements or calls, demands or commitments obligating the Stockholder to transfer any shares of the capital stock of the Company.

(b) There are no actions, suits or proceedings pending or threatened against or affecting the Stockholder that involve or relate to the Securities.

3. REPRESENTATIONS AND WARRANTIES OF THE BUYER

In connection with the Company's acquisition of the Securities from the Stockholder, the Company hereby represents and warrants to the Stockholder as follows:

3.1 Organization, Good Standing and Qualification. The Company is a corporation duly organized, validly existing and in good standing under the laws of the Delaware, with all necessary power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby.

3.2 Valid and Binding Agreement. This Agreement constitutes and will constitute the legal, valid and binding obligations of the Buyer, enforceable against the Company in accordance with their respective terms, except to the extent that such enforceability may be limited by bankruptcy, insolvency, reorganization and other laws affecting creditors' rights generally, and except that the remedy of specific performance or similar equitable relief is available only at the discretion of the court before which enforcement is sought.

3.3 No Breach of Statute or Contract. Neither the execution and delivery of this Agreement by the Company, nor compliance with the terms and provisions of this Agreement on the part of the Company, will: (a) violate any statute or regulation of any governmental authority, domestic or foreign, affecting the Company; or (b) require the issuance of any authorization, license, consent or approval of any federal or state governmental agency.

4. POST-CLOSING EVENTS

4.1 Further Assurances. From time to time from and after the Closing Date, the parties will execute and deliver to each other any and all further agreements, instruments, certificates and other documents as may reasonably be requested by the other party in order more fully to consummate the transactions contemplated hereby, including but not limited to those documents required to be signed by the Stockholder in order to transfer the Securities into the name of the Company as required by the Company's transfer agent.

5. FORM OF AGREEMENT

5.1 Effect of Headings. The Section headings used in this Agreement are included for purposes of convenience only, and shall not affect the construction or interpretation of any of the provisions hereof.

5.2 Entire Agreement; Waivers. This Agreement and the other agreements and instruments referred to herein constitute the entire agreement between the parties pertaining to the subject matter hereof, and supersede all prior agreements or understandings as to such subject matter. No party hereto has made any representation or warranty or given any covenant to the other except as set forth in this Agreement, and the other agreements and instruments referred to herein. No waiver of any of the provisions of this Agreement shall be deemed, or shall constitute, a waiver of any other provisions, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.

5.3 Counterparts; Facsimile. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may be executed by facsimile signature.

6. PARTIES; NOTICE

6.1 Parties in Interest. Nothing in this Agreement, whether expressed or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any persons other than the parties to it and their respective heirs, executors, administrators, personal representatives, successors and permitted assigns, nor is anything in this Agreement intended to relieve or discharge the obligations or liability of any third persons to any party to this Agreement, nor shall any provision give any third persons any right of subrogation or action over or against any party to this Agreement.

6.2 Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given on the date of service if served personally on the party to whom notice is to be given, on the day after the delivery thereof to a recognized overnight courier service for next-day delivery with all charges prepaid or billed to the account of the sender, or on the third day after mailing if mailed to the party to whom notice is to be given, by first class mail, registered or certified, postage prepaid, and properly addressed to the address on the first page of this agreement or to such other address as either party shall have specified by notice in writing given to the other party.

7. MISCELLANEOUS

7.1 Amendments and Modifications. No amendment or modification of this Agreement shall be valid unless made in writing and signed by or on behalf of the party to be charged therewith.

7.2 Non-Assignability; Binding Effect. Neither this Agreement, nor any of the rights or obligations of the parties hereunder, shall be assignable by any party hereto without the prior written consent of all other parties hereto, except that the Company may, without the consent of the Stockholder, at any time and from time to time upon or after the Closing, assign as collateral to the Company's lenders or other financing institutions any or all of the Company's rights to indemnification under this Agreement. Otherwise, this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, executors, administrators, personal representatives, successors and permitted assigns.

7.3 Governing Law; Jurisdiction. This Agreement shall be governed by and construed according to the laws of New York including the conflict of laws provisions. The parties hereto hereby consent to the jurisdiction of all courts of New York, as well as to the jurisdiction of all courts from which an appeal may be properly taken from such courts, for the purpose of any suit, action or other proceeding arising out of or with respect to this Agreement, or any other agreements, instruments, certificates or other documents executed in connection herewith or therewith, or any of the transactions contemplated hereby or thereby, or any of the parties' obligations hereunder or thereunder. The parties hereto hereby expressly waive any and all objections which they may have as to venue in any of such courts.

IN WITNESS WHEREOF, the parties have executed this Agreement on and as of the date first set forth above.

Company: **Actelis Networks Inc.**

By: /s/ Yoav Efron

Name:

Title:

Stockholder:

By: /s/ Tuvia Barlev

Name: Tuvia Barlev

Exhibit 21.1

List of Subsidiaries of Actelis Networks, Inc.

Legal Name	Jurisdiction
Actelis Networks Israel, Ltd.	Israel

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING

We hereby consent to the use in this Registration Statement on Form S-1 of Actelis Networks, Inc. of our report dated March 30, 2022 relating to the financial statements, which appears in this Registration Statement. We also consent to the reference to us under the heading “Experts" in such Registration Statement.

Tel Aviv, Israel
April 15, 2022

s/ Kesselman & Kesselman/

(.Certified Public Accountants (Isr
A member firm of PricewaterhouseCoopers
International Limited

Kesselman & Kesselman, Pwc Israel, 146 Derech Menachem Begin St. Tel-Aviv 6492103,
P.O Box 7187 Tel-Aviv 6107120 Telephone: +972 -3- 7954555, Fax:+972 -3- 7954556, www.pwc.com/il

Exhibit 99.1

Consent to be Named as a Director Nominee

In connection with the filing by Actelis Networks, Inc. of the Registration Statement on Form S-1, and in all subsequent amendments and post-effective amendments or supplements thereto, with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Securities Act"), I hereby consent, pursuant to Rule 438 of the Securities Act, to being named as a nominee to the board of directors of Actelis Networks, Inc. in the Registration Statement and any and all amendments and supplements thereto. I also consent to the filing of this consent as an exhibit to such Registration Statement and any amendments thereto.

Dated: April 15, 2022

By:	/s/ Joseph Moscovitz
Name:	Joseph Moscovitz

Exhibit 99.2

Consent to be Named as a Director Nominee

In connection with the filing by Actelis Networks, Inc. of the Registration Statement on Form S-1, and in all subsequent amendments and post-effective amendments or supplements thereto, with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Securities Act"), I hereby consent, pursuant to Rule 438 of the Securities Act, to being named as a nominee to the board of directors of Actelis Networks, Inc. in the Registration Statement and any and all amendments and supplements thereto. I also consent to the filing of this consent as an exhibit to such Registration Statement and any amendments thereto.

Dated: April 15, 2022

By:	/s/ Dr. Naama Halevi Davidov
Name:	Dr. Naama Halevi Davidov

Exhibit 99.3

Consent to be Named as a Director Nominee

In connection with the filing by Actelis Networks, Inc. of the Registration Statement on Form S-1, and in all subsequent amendments and post-effective amendments or supplements thereto, with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Securities Act"), I hereby consent, pursuant to Rule 438 of the Securities Act, to being named as a nominee to the board of directors of Actelis Networks, Inc. in the Registration Statement and any and all amendments and supplements thereto. I also consent to the filing of this consent as an exhibit to such Registration Statement and any amendments thereto.

Dated: April 15, 2022

By:	/s/ Noemi Schmayer
Name:	Noemi Schmayer

Exhibit 107

CALCULATION OF REGISTRATION FEE

Title of each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)(2)(3)	Amount of Registration Fee(4)
Ordinary shares, $0.000001 par value per share(2)	15,000,000	1,390.50
Representative's warrants(3)	2,250,000	208.58
Ordinary shares issuable upon exercise of representative's warrants(5)	1,509,375	139.92
Total	$ 18,759,375	$ 1,738.99

(1) This registration statement also includes an indeterminate number of ordinary shares that may become offered, issuable or sold to prevent dilution resulting from stock splits, stock dividends and similar transactions, which are included pursuant to Rule 416 under the Securities Act of 1933, as amended, or the Securities Act.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act.

(3) Includes the offering price of additional shares that the underwriters have the option to purchase to cover over-allotments, if any.

(4) Calculated pursuant to Rule 457(o) under the Securities Act based on an estimate of the proposed maximum aggregate offering price.

(5) Represents warrants to purchase a number of ordinary shares equal to 7% of ordinary shares sold in this offering at an exercise price equal to 125% of the public offering price per share.