As filed with the United States Securities and Exchange Commission on May 2, 2022.

Registration No. 333-264321

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

Amendment No. 1
TO

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
Fremont, CA 94539
(510) 545-1045

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

Copies to:

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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 MAY 2, 2022

Actelis Networks, Inc.

3,000,000 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 $4 and $6 per share. For purposes of this prospectus, the assumed initial public offering price per share is $5.00, the mid-point of the anticipated price range. The actual number of shares we will offer will be determined based on the actual public offering price.

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 $5 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 96.

(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 $805,052, 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 96.

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 $1,207,500 based on an assumed offering price of $5 per share, and the total gross proceeds to us, before underwriting discounts and commissions expenses, will be $17,250,000. 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 networking 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, as part of APL (Approved Product List) in 2019.

As of December 31, 2021, we had more than 300 customers. Since the year ending December31, 2018 through the year ending December 31, 2021, we experienced an average annual growth in our IoT business of more than 20% each year.

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. 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 project plans.

According to a report by Facts and Factors (January 2022) Global Internet of Things (IoT) market is expected to grow to $ 1.8 billion by 2028, at a Compounded Average Growth Rate (CAGR) of 24.5%.

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 signal processing SW that is implementing 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; our solutions also offer 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 (such as switches, concentrators and reach extenders) — the MetaLIGHT product family — 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. As of today, we estimate achieving over $24 million of IoT installed base.

Our offering includes our network management software, providing 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 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 being recognized as a solid solution provider by prominent customers (such as the U.S. DoD) 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- hardened networking, 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 MetaLIGHT 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	3,000,000 shares of common stock (or 3,450,000 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 $4 and $6 per share. For purposes of this prospectus, the assumed initial public offering price per share is $5, 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 and the actual number of shares we will offer will be determined based on the actual public offering price. 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	12,586,262 shares of common stock
Common stock outstanding immediately after this offering	15,586,262 shares of common stock (or 16,036,262 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 450,000 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 241,500 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 (assuming the exercise of the over-allotment option by the Representative in full). 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 commencement of sales in 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 $13.0 million, or approximately $15.1 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.
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 May 2, 2022 after giving effect to (i) a reverse share split effected on May2, 2022 at a ratio of 1-for-46, (ii) the conversion immediately prior to the closing of this offering of 9,031,291 shares of convertible preferred stock on a one (1) for one (1) basis into 9,031,291 shares of common stock, (iii) the conversion immediately prior to the closing of this offering of 720,001 shares of common stock from the convertible note, and (iv) the redemption of up to 2,744,680 shares of our non-voting common stock for their par value in effect prior to the Reverse Split, and excludes as of such date:

- 870,002 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 $0.147 per share;
- 1,980,662 shares of common stock reserved for future issuance under our 2015 Equity Incentive Plan;
- 73,048 shares of common stock issuable upon the exercise of outstanding warrants at a weighted average exercise price of $1.02 per share; and
- 210,000 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 $5 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 450,000 additional shares of common stock from us to cover over-allotments, if any;
- a reverse share split effected on May 2, 2022 at a ratio of 1-for-46;
- 1,300,248 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 720,001 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	$ (2.56)	$ (0.74)
Weighted average common stock outstanding		
Basic and diluted	2,048,788	2,047,313

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 $5 per share, the mid-point of the anticipated price range. 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;
- classify our board of directors is classified into three classes of directors with staggered three-year terms and stockholders will only be able to remove directors from office for cause; and
- provide that the board of directors is expressly authorized to make, alter, or repeal our Bylaws.

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 $13.0 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 $5 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 450,000 shares of common stock, we estimate that the net proceeds to us from this offering will be approximately $15.1 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 $5 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 $2.8 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 $4.6 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 $3 million for our research and development efforts;
- approximately $6 million for sales and marketing activities; and
- approximately $4 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 at least the next 12 months. 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 net of expenses, (ii) the conversion of all of our shares of preferred stock into 9,031,291 shares of common stock, and (iii) the conversion of convertible notes and warrants into equity and (iv) the redemption of all of our non-voting common stock for their par value; 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 $5 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	$ 2,718	$ 15,494
Total long-term debt	$ 12,744	5,867	5,867
Redeemable convertible Preferred Shares	$ 5,585	0	0
Capital Deficiency:			
Common stock, $0.0001 par value; 11,009,315 shares authorized; 2,050,404 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	$ 0	0	0
Additional paid-in capital	$ 2,824	17,311	30,087
Accumulated deficit	$ (22,420)	(22,420)	(22,420)
Total Capital Deficiency	$ (19,596)	(5,019)	7,667
Total capitalization	$ (1,267)	$ 758	$ 13,534

(1) Each $1.00 increase (decrease) in the assumed initial public offering price of $5 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 $2.8 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 12,586,262 shares of common stock outstanding as of December 31, 2021, after giving effect to (i) a reverse share split effected on May 2, 2022 at a ratio of 1-for-46, (ii) the conversion immediately prior to the closing of this offering of 9,031,291 shares of convertible preferred stock on a one (1) for one (1) basis into 9,031,291 shares of common stock, (iii) the conversion immediately prior to the closing of this offering of 720,001 shares of common stock from the convertible note and (iv) the redemption of up to 2,744,680 of our non-voting common stock for their par value, and excludes as of such date:

- 870,002 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 $0.147 per share;
- 1,980,662 shares of common stock reserved for future issuance under our 2015 Equity Incentive Plan;
- 73,048 shares of common stock issuable upon the exercise of outstanding warrants at a weighted average exercise price of $1.02 per share;
- 210,000 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 ($19.6) million, or (9.56) 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 ($5.0) million, or ($0.41) 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 3,000,000 shares of common stock in this offering at an assumed initial public offering price of $5 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, our pro forma as adjusted net tangible book value as of December 31, 2021 would have been approximately $7.7 million, or approximately $0.49 per share. This represents an immediate increase in pro forma as adjusted net tangible book value per share of $0.90 to our existing stockholders and an immediate dilution in pro forma as adjusted net tangible book value per share of approximately $4.51 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	$	5
Historical net tangible book value per share as of December 31, 2021	$	(9.56)
Increase per share attributable to the pro forma adjustments described above	$	9.15
Pro forma net tangible book value per share as of December 31, 2021	$	(0.41)
Increase in pro forma as adjusted net tangible book value per share attributable to new investors purchasing shares in this offering	$	0.90
Pro forma as adjusted net tangible book value per share after giving effect to this offering	$	0.49
Dilution in pro forma as adjusted net tangible book value per share to new investors participating in this offering	$	4.51

Each $1.00 increase (decrease) in the assumed initial public offering price of $5 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 $0.18 per share and the dilution to new investors purchasing common stock in this offering by $0.82 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 450,000 shares of common stock in this offering, the pro forma as adjusted net tangible book value per share after the offering would be $0.61 per share, the increase in the net tangible book value per share to existing stockholders would be $0.12 per share and the dilution to new investors purchasing our common stock in this offering would be $4.39 per share.

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 $5 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	12,586,262	80.75%	$ 9,256,098	38.16%	$ 0.74
New investors	3,000,000	19.25%	$ 15,000,000	61.84%	$ 5.00
Total	15,586,262	100%	$ 24,256,098	100%	$ 1.56

The number of shares of our common stock shown above is based on 12,586,262 shares of common stock outstanding as of December 31, 2021, after giving effect to (i) a reverse share split effected on May 2, 2022 at a ratio of 1-for-46, (ii) the conversion immediately prior to the closing of this offering of 9,031,291 shares of convertible preferred stock on a one (1) for one (1) basis into 9,031,291 shares of common stock, (iii) the conversion immediately prior to the closing of this offering of 720,001 shares of common stock from the convertible note and (iv) the redemption of up to 2,744,680 of our non-voting common stock for their par value, and excludes as of such date:

- 870,002 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 $0.147 per share;
- 1,980,662 shares of common stock reserved for future issuance under our 2015 Equity Incentive Plan; and
- 73,048 shares of common stock issuable upon the exercise of outstanding warrants at a weighted average exercise price of $1.02 per share;
- 210,000 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 networking 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 as part of APL (Approved Product List) in 2019.

As of December 31, 2021, we had more than 300 customers. Since the year ending December31, 2018 through the year ending December 31, 2021, we experienced an average annual growth in our IoT business of more than 20% each year.

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 $3.4 million, 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	$ (2.56)	$ (0.74)
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	2,048,788	2,047,313
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 that was in effect prior to this Offering), 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 720,001 shares of common stock upon conversion of $1.5 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 $1.5 million in cash over time, subject to the terms detailed in the Migdalor Loan, subject to a cap of 2.4% of the Company's revenue over the 12-months period immediately prior to the exercise.

We anticipate that the initial public offering price of our shares will be between $4 and $6 per share, with a midpoint of $5 per share. Based on that midpoint price per share, if exercised, the Migdalor option will result in an issuance of, on a cashless basis, 181,617 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. On April 29, 2022, the Underwriter and the Company cancelled the April Warrant and the January Warrant prior to any exercise of either warrant.

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 networking 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 as part of APL (Approved Product List) in 2019.

As of December 31, 2021, we had more than 300 customers. Since the year ending December31, 2018 through the year ending December 31, 2021, we experienced an average annual growth in our IoT business of more than 20% each year.

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. 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 Facts and Factors (January 2022) Global Internet of Things (IoT) market is expected to grow to $ 1.8 billion by 2028, at a Compounded Average Growth Rate (CAGR) of 24.5%.

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.

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 signal processing SW that is implementing 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; our solutions also offer 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 (such as switches, concentrators and reach extenders) — the MetaLIGHT product family — 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. As of today, we estimate achieving over $24 million of IoT installed base.

Our offering includes our network management software, providing 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 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 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-hardened networking, 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 MetaLIGHT building blocks, enabling smart applications and recurring SW business models for our customers.

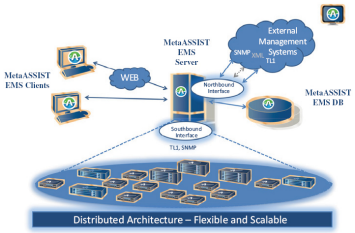
Products

- 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 MetaLIGHT 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 (MetaLight 600 Series was approved for deployment by U.S. DoD and is on the Approved Product List (APL) since 2019). 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 a 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 45 employees and contractors, of which 41 were full-time employees, including 18 in sales and marketing, 22 in research development, engineering, and operations and 5 in general and administration. We have approximately 29 employees and contractors in Israel, 14 in the U.S., 1 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)(2)(3)]	67	Director Nominee
Dr. Naama Halevi-Davidov[(1)(2)]	51	Director Nominee
Noemi Schmayer[(1)(3)]	54	Director Nominee

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(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. Mr. Efron 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 through 2010 worked 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, helping build sales organizations to large scales of hundreds of millions of dollars 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 of 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 held several positions in the Algorithms and CTO groups. Dr. Domanovitz holds a Ph.D., MSc. and a 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 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 a Master's in Economics from Tel-Aviv University.

Michal Winkler-Solomon, **VP Marketing**

Ms. Winkler- Solomon serves as our Vice President of marketing 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 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 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 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. Mr. Hammergren's sales and marketing management experience includes direct sales, indirect sales and OEM/channel partners with Accedian, Motorola, Ericsson, PairGain, Westwave, Actelis and IneoQuest. Mr. Hammergren's 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, Dealsum, and Attolight AG, and is an advisor to the Silicom Ventures investment group. Dr. Niv served as former Chairman of Femtronix inc. and as GM of Opal Inc. (formerly traded on Nasdaq). Dr. Niv has also founded Optonics, and served as CEO of DGC. Dr. Niv received a BSc in chemistry and a PhD in chemical physics from Ben-Gurion University of the Negev (Israel). Dr. Niv 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 the Chief Strategy Officer at Telit Communications Plc from January 2019 through December 2021. Prior to that Mr. Moscovitz served as Chief Executive Officer of Telit Automotive Solutions from December 2016 through December 2018 and President of Products and Solutions at Telit Plc from January 2011through November 2016. Mr. Moscovitz was previously employed as a Chief Executive Officer of Cell Data Ltd. and a Chief Executive Officer by Microkim Ltd. Mr. Moscovitz 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 January 2022 and as a director and Audit Committee member 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. Dr. Halevi Davidov received a Ph.D. in Strategy from Tel Aviv University in 2012, a Master's in Finance and Marketing 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 our board of directors. Our audit committee will consist of Joseph Moscovitz, Naama Halevi-Davidov, and Noemi 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 will consist 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

Upon completion of this offering, we will establish a nominating and corporate governance committee of our board of directors. 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 (*) Unexercisable	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	106,991	—		$ 0.1058		—	—	—	—
		21,740	21,740	$ 1.3616					
Bruce Hammergren, Executive Vice President, Sales, Americas	41,600	3,510	—	0.1058	—	—	—	—	—

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 27,110 shares for a purchase price equal to $4.6483 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 offering, there are 1,833,718 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]	1,581,380	16.17%	10.15%
Yoav Efron[2][3]	112,426	1.14%	*
Eyal Aharon[5]	35,417	*	*
Michal Winkler-Solomon[6]	37,293	*	*
Bruce Hammergren[7]	42,846	*	*
Yaron Altit[8]	106,991	1.08%	*
Hemi Kabir[9]	44,789	*	*
Jan Ruderman	—	—	*
Elad Domanovitz[10]	52,293	*	*
Ram Vromen	633,097	6.47%	4.06%
Yariv Gilat[11]	548,369	5.57%	3.5%
Israel Niv[12]	538,350	5.47%	3.44%
Joseph Moscovitz	—	—	—
Dr. Naama Halevi-Davidov	—	—	—
Noemi Schmayer	—	—	—
All Directors, Director Nominees and Officers as a Group (15 persons)	3,733,251	27.63%	19.32%
Other Greater than 5% Beneficial Owners			
Isard Dunietz[13]	1,229,612	12.57%	7.89%
Rami Lipman[14]	607,888	6.22%	3.90%
Arik Steinberg[15]	520,073	5.32%	3.34%

* 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 1,581,380 shares of common stock held by Mr. Barlev.

(4) Consists of 112,426 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 35,170 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 37,293 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 42,846 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 106,991 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 44,789 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 52,293 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) Consists of 478,261 shares of common stock held by Mr. Gilat and (ii) 70,108 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.

(12) Consists of (i) 355,698 shares of common stock held by The Niv Family Trust, for which Dr. Niv and his spouse serve as trustees, (ii) 112,543 shares of common stock held by Saron Hava Niv 2015 Irrevocable Trust for which Dr. Niv and his spouse serve as trustees, and (iii) 70,109 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.

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

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

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

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 42,803,774 shares of common stock, 2,803,774 shares of non-voting common stock and 10,000,000 shares of preferred stock. Upon the closing of this offering (i) we will have 15,586,262 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. As of April 29, 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 10,000,000 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.

- *Classified Board of Directors.* In accordance with our Charter, as it will be in effect following the effectiveness of the registration statement of which this prospectus forms a part, our board of directors will be divided into three classes with staggered three-year terms. At each annual general meeting of stockholders, the successors to directors whose terms then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. Our directors will be divided among the three classes. We expect that any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. The division of our board of directors into three classes with staggered three-year terms may delay or prevent a change of our management or a change in control.

- *Special Meetings of Stockholders.* Our Bylaws 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, except that the provision in the Charter regarding the staggered board may not be repealed or amended without the vote of the holders of not less than 80% of the Company's voting stock, voting as a single 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.

Our Charter established a classified board of directors, divided in three classes with staggered three-year terms. Under the classified board of directors structure, only one class of directors would be elected at each annual meeting of our stockholders, with the other classes continuing for the remainder for their respective three-year terms. Under the classified board of directors structure: (i) directors in Class I, consisting of Noemi Schmayer, are to stand for election at the Annual Meeting to be held in 2023; (ii) directors in Class II, consisting of Joseph Moscovitz and Naama Halevi-Davidov, are to stand for election at the annual meeting of stockholders to be held in 2024; and (iii) directors in Class III, consisting of Israel Niv and Tuvia Barlev, are to stand for election at the annual meeting of stockholders to be held in 2025.

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, except that the provision in the Charter regarding the staggered board may not be repealed or amended without the vote of the holders of not less than 80% of the Company's voting stock, voting as a single class.

Staggered Board

The board of directors is divided into three classes, with regular three-year staggered terms. This classification system increases the difficulty of replacing a majority of the directors and may tend to discourage a third-party from making a tender offer or otherwise attempting to gain control of the Company. In addition, under Delaware law, the Certificate and the By-Laws, the Company's directors may be removed from office by the stockholders only for cause and only in the manner provided for in the Certificate. These factors may maintain the incumbency of the board of directors.

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 affirmative vote of the stockholders holding at least 75% of the outstanding shares of capital stock entitled to vote in accordance with the provisions of the Charter, 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 15,586,262 shares of common stock issued and outstanding. In the event the Underwriter exercises the over-allotment option in full, we will have 16,036,262 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 lock-up 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 450,000 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 $805,052.

We have agreed to issue to the Underwriter (or its permitted assignees) a warrant to purchase up to a total of 241,500 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 commencement of sales in 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 $50,000 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. 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, except for the effects of the Reverse Stock Split discussed in Note 2(ff) to the consolidated financial statements, as to which the date is May 2, 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

	Note	December 31, 2021	December 31, 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, $0.0001 par value, 4,986,039 shares authorized as of December 31, 2021, and 2020; 4,986,039 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, $0.0001 par value, 3,002,652 shares authorized as of December 31, 2021, and 2020; 2,745,004 shares issued and outstanding as of December 31, 2021, and 2020; aggregate liquidation preference of $4,271 and $3,955 as of December 31, 2021 and 2020, respectively.	10	2,727	2,727
TOTAL REDEEMABLE CONVERTIBLE PREFERRED STOCK		5,585	5,585
CAPITAL DEFICIENCY:	12		
Common stock, $0.0001 par value: 11,009,315 shares authorized as of December 31, 2021, and 2020, respectively; 2,050,404 and 2,047,641 shares issued and outstanding as of December 31, 2021, and 2020, respectively		*	*
Non-voting common stock, $0.0001 par value: 2,803,774 shares authorized as of December 31, 2021, and 2020, respectively; 1,783,773 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	$ (2.56)	$ (0.74)
Weighted average number of common stock used in computing net loss per share – basic and diluted		2,048,788	2,047,313

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	7,731,043	5,585	2,045,739	*	1,783,773	*	2,728	(15,664)	(12,936)
CHANGES DURING THE YEAR ENDED DECEMBER 31, 2020:									
Exercise of options into common stock	—	—	1,902	*	—	—	*	—	*
Share based compensation	—	—	—	—	—	—	43	—	43
Net comprehensive loss for the year	—	—	—	—	—	—	—	(1,505)	(1,505)
BALANCE AS OF DECEMBER 31, 2020	7,731,043	5,585	2,047,641	*	1,783,773	*	2,771	(17,169)	(14,398)
CHANGES DURING THE YEAR ENDED DECEMBER 31, 2021:									
Exercise of options into common stock	—	—	2,763	*	—	—	*	—	*
Share based compensation	—	—	—	—	—	—	53	—	53
Net comprehensive loss for the year	—	—	—	—	—	—	—	(5,251)	(5,251)
BALANCE AS OF DECEMBER 31, 2021	7,731,043	5,585	2,050,404	*	1,783,773	*	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

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

* Represents an amount less than $1 thousands.

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

ACTELIS NETWORKS, INC.
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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.

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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

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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

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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.

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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.

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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 the expenses on their statements of operations in a manner similar to current practice. The guidance states that

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NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES: (cont.)

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. 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.

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NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES: (cont.)

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.

ff. Reverse stock split

On April 15, 2022 (the "Closing Date"), the Company's Board of Directors approved a Reverse Stock Split in the ratio of forty-six to-one. The Reverse Stock split became effective as of May2, 2022.

The Company accounted for the Reverse Stock Split on a retroactive basis pursuant to ASC 260. As a result, all common stock, Non-voting Common stock, Preferred stock and options outstanding and exercisable for common stock, exercise prices and income (loss) per share amounts have been adjusted, on a retroactive basis, for all periods presented in these consolidated financial statements, to reflect such Reverse Stock Split.

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).

ACTELIS NETWORKS, INC.
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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.

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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 December 31, 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.

ACTELIS NETWORKS, INC.
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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 $0.9991 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 $0.60168 per share plus interest at the rate of 8% per annum from the original issuance date of such series A preferred stock.

ACTELIS NETWORKS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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.

ACTELIS NETWORKS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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 $0.0001 par value, as follows:

	December 31, 2021	
	Authorized	Issued and outstanding
	Number of shares	
Common stock	11,009,315	2,050,404
Non-voting Common stock	2,803,774	1,783,773

	December 31, 2020	
	Authorized	Issued and outstanding
	Number of shares	
Common stock	11,009,315	2,047,641
Non-voting Common stock	2,803,774	1,783,773

b. Non-voting common stock

Non-voting common stock, par value $0.0001, 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.

ACTELIS NETWORKS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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 2,804 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 216 share options permitted to be granted under the 2015 Plan.

As of December 31, 2021, and 2020, 2,033 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	43,261	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	883,585	$ 0.0874	7.2
Granted	14,891	$ 0.1058	
Exercised	1,902	$ 0.1058	
Expired and forfeited	17,323	$ 0.1012	
Outstanding – December 31, 2020	879,251	$ 0.0874	6.25
Exercisable – December 31, 2020	730,765	$ 0.0828	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	879,251	$ 0.0874	6.25
Granted	43,261	$ 1.3616	
Exercised	2,763	$ 0.1058	
Expired and forfeited	29,256	$ 0.0874	
Outstanding – December 31, 2021	890,493	$ 0.1518	5.43
Exercisable – December 31, 2021	801,562	$ 0.276	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)
0.0644	359,267	3.63	359,267	3.63
0.1058	487,965	6.42	442,295	6.3
1.3616	43,261	9.41	—	—

The weighted-average fair value of options granted, estimated by using the Black-Scholes option-pricing model, was $1.242, 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.

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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 890,493 and 879,251 shares of common stock at an average exercise price of $0.1518 and $0.0874 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 7,731,043 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 178,281 and 120,899 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 48,109 and 12,040 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 1,472,132 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 (1,472,132) 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.

ACTELIS NETWORKS, INC.
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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, $0.0001 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.

d . On April 15, 2022, the Company's Board of Directors approved a Reverse Stock Split. The Reverse Stock split became effective as of May 2, 2022. See Note 2(ff).

Actelis Networks, Inc.

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	$	65,000
Printing and engraving expenses	$	50,000
Legal fees and expenses	$	550,000
Accounting fees and expenses	$	80,000
Transfer agent and registrar fees and expenses	$	15,000
Miscellaneous expenses	$	40,000
Total	$	805,052

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). On April 29, 2022, the Underwriter and the Company cancelled the April Warrant and the January Warrant prior to any exercise of the warrant.

- We have granted under the 2015 Plan options to purchase an aggregate of 1,467,149 shares of our common stock to a total of 116 employees, consultants, and directors (of which 890,126 to 62 employees, consultants and directors are outstanding), having exercise prices ranging from $0.0644 to $1.362 per share. 17,406 of such options granted under the 2015 Plan have been exercised at a weighted-average exercise price of $0.0736 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	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 Actelis Networks Israel, Ltd. and Moshe Smucha, dated January 13, 2000*
10.3	First Amendment to the Lease and Management Agreements from October 22, 2017, by and between Homerton Investments, Ltd. and Actelis Networks Israel Ltd., dated April 14, 2021*
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 November 30, 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**

* Filed herewith.
** Previously filed.
*** 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 May 2, 2022.

	ACTELIS NETWORKS, INC.
	By: /s/ Tuvia Barlev
	Tuvia Barlev
	Chief Executive Officer and Secretary

Pursuant to the requirements of the Securities Act of 1933, this amendment to the registration statement on Form S-1 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)	May 2, 2022
/s/ Yoav Efron Yoav Efron	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	May 2, 2022
* Ram Vromen	Director	May 2, 2022
* Yariv Galit	Director	May 2, 2022
* Israel Niv	Director	May 2, 2022

*By: /s/ Tuvia Barlev Tuvia Barlev Attorney-in-fact

Exhibit 1.1

UNDERWRITING AGREEMENT

May [____], 2022

Boustead Securities, LLC
6 Venture, Suite 395
Irvine, CA 92618

As Representative of the several Underwriters named on Schedule 1 attached hereto

Ladies and Gentlemen:

The undersigned, Actelis Networks, Inc., a Delaware corporation (the "**Company**"), hereby confirms its agreement (this "**Agreement**") with Boustead Securities, LLC (hereinafter referred to as "you" (including its correlatives) or the "**Representative**") and with the other underwriters named on Schedule 1 hereto for which the Representative is acting as representative (the Representative and such other underwriters being collectively called the "**Underwriters**" or, individually, an "**Underwriter**") as follows:

1. Purchase and Sale of Shares.

1.1 *Firm Shares*.

1.1.1. Nature and Purchase of Firm Shares.

(i) On the basis of the representations and warranties herein contained, but subject to the terms and conditions herein set forth, the Company agrees to sell to the several Underwriters, an aggregate of [*] shares of common stock of the Company, par value $0.00001 per share (the "**Common Stock**"), and each Underwriter agrees to purchase, severally and not jointly, at the Closing, an aggregate of [*] shares ("**Firm Shares**") of the Common Stock.

(ii) The Firm Shares are to be offered together to the public at the offering price per one Firm Share as set forth on Schedule 2-A hereto (the "**Purchase Price**"). The Underwriters, severally and not jointly, agree to purchase from the Company the number of Firm Shares set forth opposite their respective names on Schedule 1 attached hereto and made a part hereof at the purchase price for one Firm Share of $[*] (or 93% of the Purchase Price).

1.1.2. Firm Shares Payment and Delivery.

(i) Delivery and payment for the Firm Shares shall be made at 10:00 a.m., Eastern time, on the second (2nd) Business Day following the effective date (the "**Effective Date**") of the Registration Statement (as defined in Section 2.1.1 below) (or the third (3rd) Business Day following the Effective Date if the Registration Statement is declared effective after 4:01 p.m., Eastern time) or at such earlier time as shall be agreed upon by the Representative and the Company, at the offices of Bevilacqua PLLC ("**Representative's Counsel**"), or at such other place (or remotely by facsimile or other electronic transmission) as shall be agreed upon by the Representative and the Company. The hour and date of delivery and payment for the Firm Shares is called the "**Closing Date**."

(ii) Payment for the Firm Shares shall be made on the Closing Date by wire transfer in U.S. dollars (same day) funds, payable to the order of the Company upon delivery of the certificates (in form and substance satisfactory to the Underwriters) representing the Firm Shares (or through the facilities of the Depository Trust Company ("**DTC**")) for the account of the Underwriters. The Firm Shares shall be registered in such name or names and in such authorized denominations as the Representative may request in writing prior to the Closing Date. The Company shall not be obligated to sell or deliver the Firm Shares except upon tender of payment by the Representative for all of the Firm Shares. The term "**Business Day**" means any day other than a Saturday, a Sunday or a legal holiday or a day on which banking institutions are authorized or obligated by law to close in New York, New York.

1.2. *Over-allotment Option*.

1.2.1. Option Shares. For the purposes of covering any over-allotments in connection with the distribution and sale of the Firm Shares, the Company hereby grants to the Underwriters an option (the "**Over-allotment Option**") to purchase, in the aggregate, up to [*] additional shares of the Common Stock (the "**Option Shares**", and along with the Firm Shares, the "**Shares**"), representing fifteen percent (15%) of the Firm Shares sold in the offering, from the Company. The purchase price to be paid per Option Share shall be equal to the price per Option Share set forth in Schedule 2-A. The Shares shall be issued directly by the Company and shall have the rights and privileges described in the Registration Statement, the Pricing Disclosure Package and the Prospectus referred to below. The offering and sale of the Shares is herein referred to as the "**Offering**."

1.2.2. Exercise of Option. The Over-allotment Option granted pursuant to Section 1.2.1 hereof may be exercised by the Representative as to all (at any time) or any part (from time to time) of the Option Shares within forty-five (45) days after the Effective Date. The Underwriters shall not be under any obligation to purchase any of the Option Shares prior to the exercise of the Over-allotment Option. The Over-allotment Option granted hereby may be exercised by the giving of written notice to the Company from the Representative, setting forth the number of the Option Shares to be purchased and the date and time for delivery of and payment for the Option Shares (the "**Option Closing Date**"), which shall not be later than five (5) full Business Days after the date of the notice or such other time as shall be agreed upon by the Company and the Representative, at the offices of Representative's Counsel or at such other place (including remotely by facsimile or other electronic transmission) as shall be agreed upon by the Company and the Representative. If such delivery and payment for the Option Shares does not occur on the Closing Date, the Option Closing Date will be as set forth in the notice. Upon exercise of the Over-allotment Option with respect to all or any portion of the Option Shares subject to the terms and conditions set forth herein, (i) the Company shall become obligated to sell to the Underwriters the number of the Option Shares specified in such notice and (ii) each of the Underwriters, acting severally and not jointly, shall purchase that portion of the total number of the Option Shares then being purchased as set forth in Schedule 1 opposite the name of such Underwriter.

1.2.3. Payment and Delivery. Payment for the Option Shares shall be made on the Option Closing Date by wire transfer in U.S. dollars (same day) funds, payable to the order of the Company upon delivery to you of certificates (in form and substance satisfactory to the Underwriters) representing the Option Shares (or through the facilities of DTC or via DWAC transfer) for the account of the Underwriters. The Option Shares shall be registered in such name or names and in such authorized denominations as the Representative may request in writing prior to the Option Closing Date. The Company shall not be obligated to sell or deliver the Option Shares except upon tender of payment by the Representative for applicable Option Shares.

1.3 *Representative's Warrants*.

1.3.1. Purchase Warrants. The Company hereby agrees to issue and sell to the Representative (and/or its designees) on the Closing Date five-year warrants for the purchase of a number of the Firm Shares equal to 7% of the number of the Firm Shares and Option Shares, if any, issued in the Offering, pursuant to a warrant in the form attached hereto as **Exhibit A** the ("**Representative's Warrants**"), at an initial exercise price of $[*] (or 125% of the public offering price per Firm Share). The

Representative's Warrants and the Shares issuable upon exercise thereof are hereinafter referred to together as the "**Representative's Securities**." The Representative understands and agrees that there are significant restrictions pursuant to FINRA Rule 5110 against transferring the Representative's Warrants and the underlying Shares during the one hundred eighty (180) following the commencement of sales of the Offering, and by its acceptance thereof shall agree that it will not sell, transfer, assign, pledge or hypothecate the Representative's Warrants, or any portion thereof, 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 for a period of one hundred eighty (180) days following the commencement of sales of the Offering other than as permitted by FINRA Rule 5110(e)(2).

1.3.2. Delivery. Delivery of the Representative's Warrants shall be made on the Closing Date and shall be issued in the name or names and in such authorized denominations as the Representative may request.

2. Representations and Warranties of the Company. The Company represents and warrants to the Underwriters as of the Applicable Time (as defined below), as of the Closing Date and as of the Option Closing Date, if any, as follows:

2.1. Filing of Registration Statement.

2.1.1. Pursuant to the Securities Act. The Company has filed with the U.S. Securities and Exchange Commission (the "**Commission**") a registration statement, and an amendment or amendments thereto, on Form S-1 (File No. 333-264321), including any related prospectus or prospectuses, for the registration of the Shares and the Representative's Securities under the Securities Act of 1933, as amended (the "**Securities Act**"), which registration statement and amendment or amendments have been prepared by the Company in all material respects in conformity with the requirements of the Securities Act and the rules and regulations of the Commission under the Securities Act (the "**Securities Act Regulations**") and will contain all material statements that are required to be stated therein in accordance with the Securities Act and the Securities Act Regulations. Except as the context may otherwise require, such registration statement, as amended, on file with the Commission at the time the registration statement became effective (including the Preliminary Prospectus included in the registration statement, financial statements, schedules, exhibits and all other documents filed as a part thereof and all information deemed to be a part thereof as of the Effective Date pursuant to paragraph (b) of Rule 430A of the Securities Act Regulations (the "**Rule 430A Information**")), is referred to herein as the "**Registration Statement**." If the Company files any registration statement pursuant to Rule 462(b) of the Securities Act Regulations, then after such filing, the term "**Registration Statement**" shall include such registration statement filed pursuant to Rule 462(b). The Registration Statement has been declared effective by the Commission on the date hereof.

Each prospectus used prior to the effectiveness of the Registration Statement, and each prospectus that omitted the Rule 430A Information that was used after such effectiveness and prior to the execution and delivery of this Agreement, is herein called a "**Preliminary Prospectus**." The Preliminary Prospectus, subject to completion, dated [*], that was included in the Registration Statement immediately prior to the Applicable Time is hereinafter called the "**Pricing Prospectus**." The final prospectus in the form first furnished to the Underwriters for use in the Offering is hereinafter called the "**Prospectus**." Any reference to the "**most recent Preliminary Prospectus**" shall be deemed to refer to the latest Preliminary Prospectus included in the Registration Statement.

"**Applicable Time**" means 4:00 p.m., Eastern time, on the date of this Agreement.

"**Issuer Free Writing Prospectus**" means any "issuer free writing prospectus," as defined in Rule 433 of the Securities Act Regulations ("**Rule 433**"), including without limitation any "free writing prospectus" (as defined in Rule 405 of the Securities Act Regulations) relating to the Shares that is (i) required to be filed with the Commission by the Company, (ii) a "road show that is a written communication" within the meaning of Rule 433(d)(8)(i), whether or not required to be filed with the Commission, or (iii) exempt from filing with the Commission pursuant to Rule 433(d)(5)(i) because it contains a description of the Shares or of the Offering that does not reflect the final terms, in each case in the form filed or required to be filed with the Commission or, if not required to be filed, in the form retained in the Company's records pursuant to Rule 433(g).

"**Issuer General Use Free Writing Prospectus**" means any Issuer Free Writing Prospectus that is intended for general distribution to prospective investors (other than a "*bona fide* electronic road show," as defined in Rule 433 (the "**Bona Fide Electronic Road Show**")), as evidenced by its being specified in Schedule 2-B hereto.

"**Issuer Limited Use Free Writing Prospectus**" means any Issuer Free Writing Prospectus that is not an Issuer General Use Free Writing Prospectus.

"**Pricing Disclosure Package**" means any Issuer General Use Free Writing Prospectus issued at or prior to the Applicable Time, the Pricing Prospectus and the information included on Schedule 2-A hereto, all considered together.

2.1.2. Pursuant to the Exchange Act. The Company has filed with the Commission a Form 8-A (File Number [*]) providing for the registration pursuant to Section 12(b) under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), of the Common Stock. The registration of the Common Stock under the Exchange Act has become effective on or prior to the date hereof. The Company has taken no action designed to, or likely to have the effect of, terminating the registration of the Common Stock under the Exchange Act, nor has the Company received any notification that the Commission is contemplating terminating such registration.

2.2. Share Exchange Listing. The Shares and the shares of Common Stock underlying the Representative's Warrants have been approved for listing on the Nasdaq Capital Market (the "**Exchange**"), and the Company has taken no action designed to, or likely to have the effect of, delisting of the Shares or the shares of Common Stock underlying the Representative's Warrants from the Exchange, nor has the Company received any written notification that the Exchange is contemplating terminating such listing.

2.3. No Stop Orders, etc. Neither the Commission nor, to the Company's knowledge, any state regulatory authority has issued any written order preventing or suspending the use of the Registration Statement, any Preliminary Prospectus or the Prospectus or has instituted or, to the Company's knowledge, threatened to institute, any proceedings with respect to such an order. The Company has complied with each request (if any) from the Commission for additional information.

2.4. Disclosures in Registration Statement.

2.4.1. Compliance with Securities Act and 10b-5 Representation.

(i) Each of the Registration Statement and any post-effective amendment thereto, at the time it became effective, complied in all material respects with the requirements of the Securities Act and the Securities Act Regulations. Each Preliminary Prospectus, including the prospectus filed as part of the Registration Statement as originally filed or as part of any amendment or supplement thereto, and the Prospectus, at the time each was filed with the Commission, complied in all material respects with the requirements of the Securities Act and the Securities Act Regulations. Each Preliminary Prospectus delivered to the Underwriters for use in connection with this Offering and the Prospectus was or will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by

(ii) Neither the Registration Statement nor any amendment thereto, at its effective time, as of the Applicable Time, at the Closing Date or at any Option Closing Date (if any), contained, contains or will contain an untrue statement of a material fact or omitted, omits or will omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

(iii) The Pricing Disclosure Package, as of the Applicable Time, at the Closing Date or at any Option Closing Date (if any), did not, does not and will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and each Issuer Limited Use Free Writing Prospectus hereto does not conflict with the information contained in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus, and each such Issuer Limited Use Free Writing Prospectus, as supplemented by and taken together with the Pricing Prospectus as of the Applicable Time, did not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; *provided*, *however*, that this representation and warranty shall not apply to statements made in reliance upon and in conformity with written information furnished to the Company in writing with respect to the Underwriters by the Representative expressly for use in the Registration Statement, the Pricing Prospectus or the Prospectus or any amendment thereof or supplement thereto. The parties acknowledge and agree that such information provided by or on behalf of any Underwriter consists solely of the disclosure contained in the "Underwriting" subsections "- Discounts and Commissions; Expenses," and "Representative's Warrants," of the Prospectus (the "**Underwriters' Information**").

(iv) Neither the Prospectus nor any amendment or supplement thereto (including any prospectus wrapper), as of its issue date, at the time of any filing with the Commission pursuant to Rule 424(b), at the Closing Date or at any Option Closing Date, included, includes or will include an untrue statement of a material fact or omitted, omits or will omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided*, *however*, that this representation and warranty shall not apply to the Underwriters' Information.

2.4.2. Disclosure of Agreements. The agreements and documents described in the Registration Statement, the Pricing Disclosure Package and the Prospectus conform in all material respects to the descriptions thereof contained therein and there are no agreements or other documents required by the Securities Act and the Securities Act Regulations to be described in the Registration Statement, the Pricing Disclosure Package and the Prospectus or to be filed with the Commission as exhibits to the Registration Statement, that have not been so described or filed. Each agreement or other instrument (however characterized or described) to which the Company is a party or by which it is or may be bound or affected and (i) that is referred to in the Registration Statement, the Pricing Disclosure Package and the Prospectus, or (ii) is material to the Company's business, has been duly authorized and validly executed by the Company, is in full force and effect in all material respects and is enforceable against the Company and, to the Company's knowledge, the other parties thereto, in accordance with its terms, except (x) as such enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally, (y) as enforceability of any indemnification or contribution provision may be limited under the federal and state securities laws, and (z) that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to the equitable defenses and to the discretion of the court before which any proceeding therefor may be brought. None of such agreements or instruments has been assigned by the Company, and neither the Company nor, to the Company's knowledge, any other party is in default thereunder and, to the Company's knowledge, no event has occurred that, with the lapse of time or the giving of notice, or both, would constitute a default thereunder, except for any default or event which would not reasonably be expected to result in a Material Adverse Change (as defined below). To the Company's knowledge, performance by the Company of the material provisions of such agreements or instruments will not result in a violation of any existing applicable law, rule, regulation, judgment, order or decree of any governmental agency or court, domestic or foreign, having jurisdiction over the Company or any of its assets or businesses (each, a "**Governmental Entity**"), including, without limitation, those relating to environmental laws and regulations, except for any violation which would not reasonably be expected to result in a Material Adverse Change (as defined below).

2.4.3. Prior Securities Transactions. During the past three (3) years from the date of this Agreement, no securities of the Company have been sold by the Company or by or on behalf of, or for the benefit of, any person or persons controlling, controlled by or under common control with the Company, except as disclosed in the Registration Statement, the Pricing Disclosure Package and any Preliminary Prospectus.

2.4.4. Regulations. The disclosures in the Registration Statement, the Pricing Disclosure Package and the Prospectus concerning the effects of federal, state, local and all foreign regulation on the Offering and the Company's business as currently contemplated are correct in all material respects and no other such regulations are required to be disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus which are not so disclosed

2.5. Changes after Dates in Registration Statement

2.5.1. No Material Adverse Change. Since the respective dates as of which information is given in the Registration Statement, the Pricing Disclosure Package and the Prospectus, except as otherwise specifically stated therein: (i) there has been no material adverse change in the financial position or results of operations of the Company or its Subsidiaries taken as a whole, nor any change or development that, singularly or in the aggregate, would involve a material adverse change in or affecting the condition (financial or otherwise), results of operations, business, or assets of the Company or its Subsidiaries taken as a whole (a "**Material Adverse Change**"); (ii) there have been no material transactions entered into by the Company or its Subsidiaries, other than as contemplated pursuant to this Agreement; and (iii) no officer or director of the Company has resigned from any position with the Company.

2.5.2. Recent Securities Transactions, etc. Subsequent to the respective dates as of which information is given in the Registration Statement, the Pricing Disclosure Package and the Prospectus, and except as may otherwise be indicated or contemplated herein or disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the Company has not: (i) issued any securities or incurred any liability or obligation, direct or contingent, for borrowed money; or (ii) declared or paid any dividend or made any other distribution on or in respect to its capital stock.

2.6. Independent Accountants. To the knowledge of the Company, Kesselman & Kesselman ("**Auditor**"), whose report is filed with the Commission as part of the Registration Statement, the Pricing Disclosure Package and the Prospectus, is an independent registered public accounting firm as required by the Securities Act and the Securities Act Regulations and the Public Company Accounting Oversight Board. The Auditor has not, during the periods covered by the financial statements included in the Registration Statement, the Pricing Disclosure Package and the Prospectus, provided to the Company any non-audit services, as such term is used in Section 10A(g) of the Exchange Act.

2.7. Financial Statements, etc. The financial statements, including the notes thereto and supporting schedules, if any, included in the Registration Statement, the Pricing Disclosure Package and the Prospectus, fairly present in all material respects the financial position and the results of operations of the Company at the dates and for the periods to which they apply; and such financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("**GAAP**"), consistently applied throughout the periods involved (provided that unaudited interim financial statements are subject to year-end audit adjustments that are not expected to be material in the aggregate and do not contain all footnotes required by GAAP); and any supporting schedules included in the Registration Statement present fairly in all material respects the information required to be stated therein. Except as included therein, no historical or pro forma financial statements are required to be included in the Registration Statement,

the Pricing Disclosure Package or the Prospectus under the Securities Act or the Securities Act Regulations. The pro forma and pro forma as adjusted financial information and the related notes, if any, included in the Registration Statement, the Pricing Disclosure Package and the Prospectus have been properly compiled and prepared in accordance with the applicable requirements of the Securities Act and the Securities Act Regulations and present fairly in all material respects the information shown therein, and the assumptions used in the preparation thereof are reasonable and the adjustments used therein are appropriate to give effect to the transactions and circumstances referred to therein. All disclosures contained in the Registration Statement, the Pricing Disclosure Package or the Prospectus regarding "non-GAAP financial measures" (as such term is defined by the rules and regulations of the Commission), if any, comply with Regulation G of the Exchange Act and Item 10 of Regulation S-K of the Securities Act, to the extent applicable. Each of the Registration Statement, the Pricing Disclosure Package and the Prospectus discloses all material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons that may have a material current or future effect on the Company's financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources, or significant components of revenues or expenses. Except as disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, (a) neither the Company nor any of its subsidiaries listed in Exhibit 21.1 to the Registration Statement (each, a "**Subsidiary**" and, collectively, the "**Subsidiaries**"), has incurred any material liabilities or obligations, direct or contingent, or entered into any material transactions other than in the ordinary course of business, (b) the Company has not declared or paid any dividends or made any distribution of any kind with respect to its Common Stock or preferred stock (c) there has not been any change in the capital of the Company or any of its Subsidiaries, or, other than in the course of business, any grants under any stock compensation plan, and (d) there has not been any Material Adverse Change in the Company's long-term or short-term debt. The Company represents that it has no direct or indirect subsidiaries other than those listed in Exhibit 21.1 to the Registration Statement.

2.8. Authorized Capital; Options, etc. The Company had, at the date or dates indicated in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the duly authorized, issued and outstanding capitalization as set forth therein. Based on the assumptions stated in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the Company will have on the Closing Date the adjusted capitalization set forth therein. Except as set forth in, or contemplated by, the Registration Statement, the Pricing Disclosure Package and the Prospectus, on the Effective Date, as of the Applicable Time and on the Closing Date and any Option Closing Date, there will be no options, warrants, or other rights to purchase or otherwise acquire any authorized, but unissued Common Stock or any security convertible or exercisable into Common Stock, or any contracts or commitments to issue or sell Common Stock or any such options, warrants, rights or convertible securities.

2.9. Valid Issuance of Securities, etc.

2.9.1. Outstanding Securities. All issued and outstanding securities of the Company issued prior to the transactions contemplated by this Agreement have been duly authorized and validly issued and are fully paid and non-assessable; the holders thereof have no rights of rescission with respect thereto, and are not subject to personal liability by reason of being such holders; and none of such securities were issued in violation of the preemptive rights of any holders of any security of the Company or similar contractual rights granted by the Company. The Common Stock, preferred stock, and any other securities outstanding or to be outstanding upon consummation of the Offering conform in all material respects to all statements relating thereto contained in the Registration Statement, the Pricing Disclosure Package and the Prospectus. The offers and sales of the outstanding Common Stock were at all relevant times either registered under the Securities Act and the applicable state securities or "blue sky" laws or, based in part on the representations and warranties of the purchasers of such shares, exempt from such registration requirements.

2.9.2. Securities Sold Pursuant to this Agreement. The Shares and Representative's Warrants have been duly authorized for issuance and sale and, when issued and paid for, will be validly issued, fully paid and non-assessable; the holders thereof are not and will not be subject to personal liability by reason of being such holders; the Shares and Representative's Warrants are not and will not be subject to the preemptive rights of any holders of any security of the Company or similar contractual rights granted by the Company; and all corporate action required to be taken for the authorization, issuance and sale of the Shares and Representative's Warrants has been duly and validly taken; the Common Stock issuable upon exercise of the Representative's Warrants have been duly authorized and reserved for issuance by all necessary corporate action on the part of the Company and when issued in accordance with such Representative's Warrants, as the case may be, such Common Stock will be validly issued, fully paid and non-assessable. The Shares and the Representative's Warrants conform in all material respects to all statements with respect thereto contained in the Registration Statement, the Pricing Disclosure Package and the Prospectus.

2.10. Registration Rights of Third Parties. Except as set forth in the Registration Statement, the Pricing Disclosure Package and the Prospectus, no holders of any securities of the Company or any rights exercisable for or convertible or exchangeable into securities of the Company have the right to require the Company to register any such securities of the Company under the Securities Act or to include any such securities in a registration statement to be filed by the Company.

2.11. Validity and Binding Effect of Agreements. This Agreement and the Representative's Warrants have been duly and validly authorized by the Company, and, when executed and delivered, will constitute, the valid and binding agreements of the Company, enforceable against the Company in accordance with their respective terms, except: (i) as such enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally; (ii) as enforceability of any indemnification or contribution provision may be limited under the federal and state securities laws; and (iii) that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to the equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

2.12. No Conflicts, etc. The execution, delivery and performance by the Company of this Agreement and all ancillary documents, the consummation by the Company of the transactions herein and therein contemplated and the compliance by the Company with the terms hereof and thereof do not and will not, with or without the giving of notice or the lapse of time or both: (i) result in a material breach of, or conflict with any of the terms and provisions of, or constitute a material default under, or result in the creation, modification, termination or imposition of any lien, charge or encumbrance upon any property or assets of the Company pursuant to the terms of any agreement or instrument to which the Company is a party; (ii) result in any violation of the provisions of the Company's Certificate of Incorporation (as the same may be amended or restated from time to time, the "**Charter**") or the by-laws of the Company; or (iii) violate any existing applicable law, rule, regulation, judgment, order or decree of any Governmental Entity as of the date hereof; except for any such breach, conflict, violation, default, lien, charge or encumbrance that would not reasonably be expected to result in, individually or in the aggregate, a Material Adverse Change.

2.13. No Defaults; Violations. To the Company's knowledge, no material default exists in the due performance and observance of any term, covenant or condition of any material license, contract, indenture, mortgage, deed of trust, note, loan or credit agreement, or any other agreement or instrument evidencing an obligation for borrowed money, or any other material agreement or instrument to which the Company is a party or by which the Company may be bound or to which any of the properties or assets of the Company is subject. The Company is not (i) in violation of any term or provision of its Charter or by-laws, or (ii) in violation of any franchise, license, permit, applicable law, rule, regulation, judgment or decree of any Governmental Entity, except in the cases of clause (ii) for such violations which would not reasonably be expected to cause a Material Adverse Change.

2.14. Corporate Power; Licenses; Consents.

2.14.1. Conduct of Business. Except as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the Company has all requisite corporate power and authority, and has all necessary authorizations, approvals, orders, licenses, certificates and permits of and from all governmental regulatory officials and bodies that it needs as of the date hereof to conduct its business purpose as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, except for the absence of which would not reasonably be expected to have a Material Adverse Change.

2.14.2. Transactions Contemplated Herein. The Company has all corporate power and authority to enter into this Agreement and to carry out the provisions and conditions hereof, and all consents, authorizations, approvals and orders required in connection therewith have been obtained. No consent, authorization or order of, and no filing with, any court, government agency, the Exchange or other body is required for the valid issuance, sale and delivery of the Shares and the consummation of the transactions and agreements contemplated by this Agreement and the delivery of the Representative's Warrants and as contemplated by the Registration Statement, the Pricing Disclosure Package and the Prospectus, except with respect to applicable Securities Act Regulations, state securities laws and the rules and regulations of the Financial Industry Regulatory Authority, Inc. ("**FINRA**").

2.15. D&O Questionnaires. To the Company's knowledge, all information contained in the questionnaires (the "**Questionnaires**") completed by each of the Company's directors and officers immediately prior to the Offering (the "**Insiders**") as supplemented by all information concerning the Company's directors, officers and principal shareholders as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, as well as in the Lock-Up Agreement (as defined in Section 2.24 below), provided to the Underwriters, is true and correct in all material respects and the Company has not become aware of any information which would cause the information disclosed in the Questionnaires to become materially inaccurate and incorrect.

2.16. Litigation; Governmental Proceedings. There is no material action, suit, proceeding, inquiry, arbitration, investigation, litigation or governmental proceeding pending or, to the Company's knowledge, threatened against, or involving the Company or, to the Company's knowledge, any executive officer or director which has not been disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus.

2.17. Good Standing. The Company has been duly organized and is validly existing as a corporation and is in good standing under the laws of the State of Delaware as of the date hereof, and is duly qualified to do business and is in good standing in each other jurisdiction in which its ownership or lease of property or the conduct of business requires such qualification, except where the failure to qualify, singularly or in the aggregate, would not have or reasonably be expected to result in a Material Adverse Change.

2.18. Insurance. The Company carries or is entitled to the benefits of insurance, (including, without limitation, as to directors and officers insurance coverage), with, to the Company's knowledge, reputable insurers, in the amount of directors and officers insurance coverage at least equal to $2,500,000 and the Company has included each Underwriter as an additional insured party to the directors and officers insurance coverage and all such insurance is in full force and effect. The Company has no reason to believe that it will not be able (i) to renew its existing insurance coverage as and when such policies expire or (ii) to obtain comparable coverage from similar institutions as may be necessary or appropriate to conduct its business as now conducted and at a cost that would not result in a Material Adverse Change.

2.19. Transactions Affecting Disclosure to FINRA.

2.19.1. Finder's Fees. Except as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, there are no claims, payments, arrangements, agreements or understandings relating to the payment of a finder's, consulting or origination fee by the Company or any Insider with respect to the sale of the Shares hereunder or any other arrangements, agreements or understandings of the Company or, to the Company's knowledge, any of its shareholders that may affect the Underwriters' compensation, as determined by FINRA.

2.19.2. Payments within Six (6) Months. Except as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the Company has not made any direct or indirect payments (in cash, securities or otherwise) to: (i) any person, as a finder's fee, consulting fee or otherwise, in consideration of such person raising capital for the Company or introducing to the Company persons who raised or provided capital to the Company; (ii) any FINRA member; or (iii) any person or entity that has any direct or indirect affiliation or association with any FINRA member, within the six (6) months immediately prior to the original filing of the Registration Statement, other than the payment to the Underwriters as provided hereunder in connection with the Offering.

2.19.3. Use of Proceeds. None of the net proceeds of the Offering will be paid by the Company to any participating FINRA member or its affiliates, except as specifically authorized herein.

2.19.4. FINRA Affiliation. To the Company's knowledge, and except as may otherwise be disclosed in FINRA questionnaires provided to the Representative's Counsel, there is no (i) officer or director of the Company, (ii) beneficial owner of 5% or more of any class of the Company's securities or (iii) beneficial owner of the Company's unregistered equity securities which were acquired during the 180-day period immediately preceding the filing of the Registration Statement that is an affiliate or associated person of a FINRA member participating in the Offering (as determined in accordance with the rules and regulations of FINRA).

2.19.5. Information. All information provided by the Company, and, to the Company's knowledge, all information provided by its officers and directors in their FINRA questionnaire to Representative's Counsel specifically for use by Representative's Counsel in connection with its Public Offering System filings (and related disclosure) with FINRA is true, correct and complete in all material respects.

2.20. Foreign Corrupt Practices Act. None of the Company and its Subsidiaries or, to the Company's knowledge, any director, officer, agent, employee or affiliate of the Company and its Subsidiaries or any other person acting on behalf of the Company and its Subsidiaries, has, directly or indirectly, given or agreed to give any money, gift or similar benefit (other than legal price concessions to customers in the ordinary course of business) to any customer, supplier, employee or agent of a customer or supplier, or official or employee of any governmental agency or instrumentality of any government (domestic or foreign) or any political party or candidate for office (domestic or foreign) or other person who was, is, or may be in a position to help or hinder the business of the Company (or assist it in connection with any actual or proposed transaction) that (i) might subject the Company to any damage or penalty in any civil, criminal or governmental litigation or proceeding, (ii) if not given in the past, might have had a Material Adverse Change or (iii) if not continued in the future, might adversely affect the assets, business, operations or prospects of the Company. The Company has taken reasonable steps to ensure that its accounting controls and procedures are sufficient to cause the Company to comply in all material respects with the Foreign Corrupt Practices Act of 1977, as amended.

2.21. Compliance with OFAC. None of the Company and its Subsidiaries or, to the Company's knowledge, any director, officer, agent, employee or affiliate of the Company and its Subsidiaries or any other person acting on behalf of the Company and its Subsidiaries, is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury ("**OFAC**"), and the Company will not, directly or indirectly, use the proceeds of the Offering hereunder, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity, for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC.

2.22. Money Laundering Laws. The operations of the Company and its Subsidiaries are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any Governmental Entity (collectively, the "**Money Laundering Laws**"); and no action, suit or proceeding by or before any Governmental Entity involving the Company with respect to the Money Laundering Laws is pending or, to the best knowledge of the Company, threatened.

2.23. Officers' Certificate. Any certificate signed by any duly authorized officer of the Company and delivered to you or to Representative's Counsel shall be deemed a representation and warranty by the Company to the Underwriters as to the matters covered thereby.

2.24. Lock-Up Agreements. Schedule 3 hereto contains a complete and accurate list of the Company's officers, directors and each owner of the Company's outstanding Common Stock (or securities convertible or exercisable into Common Stock) (collectively, the "**Lock-Up Parties**"). The Company has caused each of the Lock-Up

Parties to deliver to the Representative an executed Lock-Up Agreement, in a form substantially similar to that attached hereto as Exhibit B (the "**Lock-Up Agreement**"), prior to the execution of this Agreement.

2.25. Subsidiaries. All Subsidiaries of the Company are duly organized and in good standing under the laws of the place of organization or incorporation, and each Subsidiary is in good standing in each jurisdiction in which its ownership or lease of property or the conduct of business requires such qualification, except where the failure to qualify would not have a Material Adverse Change. The Company's ownership and control of each Subsidiary is as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus.

2.26. Related Party Transactions. There are no business relationships or related party transactions involving the Company or any other person required to be described in the Registration Statement, the Pricing Disclosure Package and the Prospectus that have not been described as required by the Securities Act Regulations.

2.27. Board of Directors. Upon completion of the IPO, the Board of Directors of the Company will be comprised of the persons set forth under the heading of the Pricing Prospectus and the Prospectus captioned "Management." The qualifications of the persons serving as board members and the overall composition of the board comply with the Exchange Act, the Exchange Act Regulations, the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder (the " **Sarbanes-Oxley Act**") applicable to the Company and the listing rules of the Exchange. At least one member of the Audit Committee of the Board of Directors of the Company qualifies as an "audit committee financial expert," as such term is defined under Regulation S-K and the listing rules of the Exchange. In addition, at least a majority of the persons serving on the Board of Directors qualify as "independent," as defined under the listing rules of the Exchange.

2.28. Sarbanes-Oxley Compliance.

2.28.1. Disclosure Controls. Except as disclosed in the Registration Statement, Pricing Disclosure Package and the Prospectus, the Company has developed and currently maintains disclosure controls and procedures that will comply with Rule 13a-15 or 15d-15 under the Exchange Act Regulations, and such controls and procedures are effective to ensure that all material information concerning the Company will be made known on a timely basis to the individuals responsible for the preparation of the Company's Exchange Act filings and other public disclosure documents.

2.28.2. Compliance. The Company is, or at the Applicable Time and on the Closing Date will be, in material compliance with the provisions of the Sarbanes-Oxley Act applicable to it, and has implemented or will implement such programs and has taken reasonable steps to ensure the Company's future compliance (not later than the relevant statutory and regulatory deadlines therefor) with all of the material provisions of the Sarbanes-Oxley Act.

2.29. Accounting Controls. Except as disclosed in the Registration Statement, Pricing Disclosure Package and the Prospectus, the Company maintains systems of "internal control over financial reporting" (as defined under Rules 13a-15 and 15d-15 under the Exchange Act Regulations) that comply in all material respects with the requirements of the Exchange Act and have been designed by, or under the supervision of, its respective principal executive and principal financial officers, or persons performing similar functions, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, including, but not limited to, internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Except as disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the Company is not aware of any material weaknesses in its internal control over financial reporting, and, if applicable, with respect to such remedial actions disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the Company represents that it has taken all remedial actions set forth in such disclosure. The Company's auditors and the Audit Committee of the Board of Directors of the Company have been advised of: (i) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are known to the Company's management and that have adversely affected or are reasonably likely to adversely affect the Company' ability to record, process, summarize and report financial information; and (ii) any fraud known to the Company's management, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls over financial reporting.

2.30. No Investment Company Status. The Company is not and, after giving effect to the Offering and the application of the proceeds thereof as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, will not be, required to register as an "investment company," as defined in the Investment Company Act of 1940, as amended.

2.31. No Labor Disputes. No labor dispute with the employees of the Company or any of its Subsidiaries exists or, to the knowledge of the Company, is imminent.

2.32. Intellectual Property Rights. The Company and each of its Subsidiaries owns or possesses or has valid rights to use all patents, patent applications, trademarks, service marks, trade names, trademark registrations, service mark registrations, copyrights, licenses, inventions, trade secrets and similar rights ("**Intellectual Property Rights**") necessary for the conduct of the business of the Company and its Subsidiaries as currently carried on and as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus. To the knowledge of the Company, no action or use by the Company or any of its Subsidiaries necessary for the conduct of its business as currently carried on and as described in the Registration Statement and the Prospectus will involve or give rise to any infringement of, or license or similar fees for, any Intellectual Property Rights of others. Neither the Company nor any of its Subsidiaries has received any written notice alleging any such infringement, fee or conflict with asserted Intellectual Property Rights of others. Except as would not reasonably be expected to result, individually or in the aggregate, in a Material Adverse Change (A) to the knowledge of the Company, there is no infringement, misappropriation or violation by third parties of any of the Intellectual Property Rights owned by the Company; (B) there is no pending or, to the knowledge of the Company, threatened action, suit, proceeding or claim by others challenging the rights of the Company in or to any such Intellectual Property Rights, and the Company is unaware of any facts which would form a reasonable basis for any such claim, that would, individually or in the aggregate, together with any other claims in this Section 2.32, reasonably be expected to result in a Material Adverse Change; (C) the Intellectual Property Rights owned by the Company and, to the knowledge of the Company, the Intellectual Property Rights licensed to the Company have not been adjudged by a court of competent jurisdiction invalid or unenforceable, in whole or in part, and there is no pending or, to the Company's knowledge, threatened action, suit, proceeding or claim by others challenging the validity or scope of any such Intellectual Property Rights, and the Company is unaware of any facts which would form a reasonable basis for any such claim that would, individually or in the aggregate, together with any other claims in this Section 2.32, reasonably be expected to result in a Material Adverse Change; (D) there is no pending or, to the Company's knowledge, threatened action, suit, proceeding or claim by others that the Company infringes, misappropriates or otherwise violates any Intellectual Property Rights or other proprietary rights of others, the Company has not received any written notice of such claim and the Company is unaware of any other facts which would form a reasonable basis for any such claim that would, individually or in the aggregate, together with any other claims in this Section 2.32, reasonably be expected to result in a Material Adverse Change; and (E) to the Company's knowledge, no employee of the Company is in or has ever been in violation in any material respect of any term of any employment contract, patent disclosure agreement, invention assignment agreement, non-competition agreement, non-solicitation agreement, nondisclosure agreement or any restrictive covenant to or with a former employer where the basis of such violation relates to such employee's employment with the Company, or actions undertaken by the employee while employed with the Company and could reasonably be expected to result, individually or in the aggregate, in a Material Adverse Change. To the Company's knowledge, all material technical information developed by and belonging to the Company which has not been patented has been kept confidential. The Company is not a party to or bound by any options,

licenses or agreements with respect to the Intellectual Property Rights of any other person or entity that are required to be set forth in the Registration Statement, the Pricing Disclosure Package and the Prospectus and are not described therein. The Registration Statement, the Pricing Disclosure Package and the Prospectus contain in all material respects the same description of the matters set forth in the preceding sentence. None of the technology employed by the Company has been obtained or is being used by the Company in violation of any contractual obligation binding on the Company or, to the Company's knowledge, any of its officers, directors or employees, or otherwise in violation of the rights of any persons.

2.33. Taxes. Each of the Company and its Subsidiaries has filed all returns (as hereinafter defined) required to be filed with taxing authorities prior to the date hereof or has duly obtained extensions of time for the filing thereof, except in any case in which the failure so to file would not reasonably be expected to cause a Material Adverse Change. Each of the Company and its Subsidiaries has paid all taxes (as hereinafter defined) shown as due on such returns that were filed and has paid all taxes imposed on or assessed against the Company or such respective Subsidiary, except for any such taxes that are currently being contested in good faith or as would not reasonably be expected to cause a Material Adverse Change. The provisions for taxes payable, if any, shown on the financial statements filed with or as part of the Registration Statement are sufficient for all accrued and unpaid taxes, whether or not disputed, and for all periods to and including the dates of such consolidated financial statements. Except as disclosed in writing to the Underwriters, (i) no issues have been raised (and are currently pending) by any taxing authority in connection with any of the returns or taxes asserted as due from the Company or its Subsidiaries, and (ii) no waivers of statutes of limitation with respect to the returns or collection of taxes have been given by or requested from the Company or its Subsidiaries. The term "taxes" means all federal, state, local, foreign and other net income, gross income, gross receipts, sales, use, ad valorem, transfer, franchise, profits, license, lease, service, service use, withholding, payroll, employment, excise, severance, stamp, occupation, premium, property, windfall profits, customs, duties or other taxes, fees, assessments or charges of any kind whatever, together with any interest and any penalties, additions to tax or additional amounts with respect thereto. The term "returns" means all returns, declarations, reports, statements and other documents required to be filed in respect to taxes.

2.34. ERISA Compliance. The Company is not subject to the Employee Retirement Income Security Act of 1974, as amended, or the regulations and published interpretations thereunder.

2.35. Compliance with Laws. Except as otherwise disclosed in the Registration Statement, Pricing Disclosure Package and Prospectus and as could not, individually or in the aggregate, be expected to result in a Material Adverse Change, each of the Company and each Subsidiary, the Company: (A) is and at all times has been in compliance with all statutes, rules, or regulations applicable to the services provided by the Company ("**Applicable Laws**"), except as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Change; (B) has not received any warning letter, untitled letter or other correspondence or notice from any other governmental authority alleging or asserting noncompliance with any Applicable Laws or any licenses, certificates, approvals, clearances, authorizations, permits and supplements or amendments thereto required by any such Applicable Laws ("**Authorizations**"); (C) possesses all material Authorizations and such material Authorizations are valid and in full force and effect and are not in material violation of any term of any such Authorizations; (D) has not received written notice of any claim, action, suit, proceeding, hearing, enforcement, investigation, arbitration or other action from any governmental authority or third party alleging that any product operation or activity is in violation of any Applicable Laws or Authorizations and has no knowledge that any such governmental authority or third party is considering any such claim, litigation, arbitration, action, suit, investigation or proceeding that if brought would result in a Material Adverse Change; (E) has not received written notice that any Governmental Authority has taken, is taking or intends to take action to limit, suspend, modify or revoke any Authorizations and has no knowledge that any such Governmental Authority is considering such action; (F) has filed, obtained, maintained or submitted all material reports, documents, forms, notices, applications, records, claims, submissions and supplements or amendments as required by any Applicable Laws or Authorizations and that all such reports, documents, forms, notices, applications, records, claims, submissions and supplements or amendments were complete and correct in all material respects on the date filed (or were corrected or supplemented by a subsequent submission); and (G) has not, either voluntarily or involuntarily, initiated, conducted, or issued or caused to be initiated, conducted or issued, any recall, market withdrawal or replacement, safety alert, post-sale warning, or other notice or action relating to the alleged lack of safety of any product or any alleged product defect or violation and, to the Company's knowledge, no third party has initiated, conducted or intends to initiate any such notice or action.

2.36. Ineligible Issuer. At the time of filing the Registration Statement and any post-effective amendment thereto, at the time of effectiveness of the Registration Statement and any amendment thereto, at the earliest time thereafter that the Company or another offering participant made a bona fide offer (within the meaning of Rule 164(h)(2) of the Securities Act Regulations) of the Shares and at the date hereof, the Company was not and is not an "ineligible issuer," as defined in Rule 405, without taking account of any determination by the Commission pursuant to Rule 405 that it is not necessary that the Company be considered an ineligible issuer.

2.37. Real Property. Except as set forth in the Registration Statement, the Pricing Disclosure Package and the Prospectus, the Company and its Subsidiaries have good and marketable title in fee simple to, or have valid rights to lease or otherwise use, all items of real or personal property which are material to the business of the Company and its Subsidiaries taken as a whole, in each case free and clear of all liens, encumbrances, security interests, claims and defects that do not, singly or in the aggregate, materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company or its Subsidiaries; and all of the leases and subleases material to the business of the Company and its Subsidiaries, considered as one enterprise, and under which the Company or any of its Subsidiaries holds properties described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, are in full force and effect, and neither the Company nor any Subsidiary has received any written notice of any material claim of any sort that has been asserted by anyone adverse to the rights of the Company or any Subsidiary under any of the leases or subleases mentioned above, or affecting or questioning the rights of the Company or such Subsidiary to the continued possession of the leased or subleased premises under any such lease or sublease, which would result in a Material Adverse Change.

2.38. Contracts Affecting Capital. There are no transactions, arrangements or other relationships between and/or among the Company, any of its affiliates (as such term is defined in Rule 405 of the Securities Act Regulations) and any unconsolidated entity, including, but not limited to, any structured finance, special purpose or limited purpose entity that could reasonably be expected to materially affect the Company's or its Subsidiaries' liquidity or the availability of or requirements for their capital resources required to be described or incorporated by reference in the Registration Statement, the Pricing Disclosure Package and the Prospectus which have not been described or incorporated by reference as required.

2.39. Loans to Directors or Officers. There are no outstanding loans, advances (except normal advances for business expenses in the ordinary course of business) or guarantees or indebtedness by the Company or its Subsidiaries to or for the benefit of any of the officers or directors of the Company, its Subsidiaries or any of their respective family members, except as disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus.

2.40. Industry Data; Forward-looking statements. The statistical and market-related data included in each of the Registration Statement, the Pricing Disclosure Package and the Prospectus are based on or derived from sources that the Company reasonably and in good faith believes are reliable and accurate or represent the Company's good faith estimates that are made on the basis of data derived from such sources. No forward-looking statement (within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act) contained in the Prospectus has been made or reaffirmed without a reasonable basis or has been disclosed other than in good faith.

2.41. Intentionally omitted.

2.42. Intentionally omitted.

2.43. Electronic Road Show. The Company has made available a Bona Fide Electronic Road Show in compliance with Rule 433(d)(8)(ii) of the Securities Act Regulations such that no filing of any "road show" (as defined in Rule 433(h) of the Securities Act Regulations) is required in connection with the Offering.

2.44. Margin Securities. The Company owns no "margin securities" as that term is defined in Regulation U of the Board of Governors of the Federal Reserve System (the "**Federal Reserve Board**"), and none of the proceeds of Offering will be used, directly or indirectly, for the purpose of purchasing or carrying any margin security, for the purpose of reducing or retiring any indebtedness which was originally incurred to purchase or carry any margin security or for any other purpose which might cause any of the Common Stock to be considered a "purpose credit" within the meanings of Regulation T, U or X of the Federal Reserve Board.

2.45. Dividends and Distributions. Except as disclosed in the Pricing Disclosure Package, Registration Statement and the Prospectus, no Subsidiary of the Company is currently prohibited or restricted, directly or indirectly, from paying any dividends to the Company, from making any other distribution on such Subsidiary's capital stock, from repaying to the Company any loans or advances to such Subsidiary from the Company or from transferring any of such Subsidiary's property or assets to the Company or any other Subsidiary of the Company.

2.46. Lending Relationships. Except as disclosed in the Pricing Disclosure Package, Registration Statement and the Prospectus, the Company (i) does not have any material lending or other relationship with any bank or lending affiliate of the Underwriters and (ii) does not intend to use any of the proceeds from the sale of the Securities hereunder to repay any outstanding debt owed to any affiliate of the Underwriters.

2.4.7 Reverse Stock Split. The Company has taken all necessary corporate action to effectuate a reverse stock split of its shares of Common Stock on the basis of one (1) such share for each forty-seven (47) issued and outstanding shares thereof (the "**Reverse Stock Split**"), such Reverse Stock Split to be effective no later than the first trading day of the Firm Shares following the date hereof.

3. Covenants of the Company. The Company covenants and agrees as follows:

3.1. Amendments to Registration Statement. The Company shall deliver to the Representative, prior to filing, any amendment or supplement to the Registration Statement or Prospectus proposed to be filed after the Effective Date and not file any such amendment or supplement to which the Representative shall reasonably object in writing.

3.2. Federal Securities Laws.

3.2.1. Compliance. The Company, subject to Section 3.2.2, shall comply with the requirements of Rule 430A of the Securities Act Regulations, and will notify the Representative promptly, and confirm the notice in writing, (i) when any post-effective amendment to the Registration Statement shall become effective or any amendment or supplement to the Prospectus shall have been filed; (ii) of the receipt of any comments from the Commission; (iii) of any request by the Commission for any amendment to the Registration Statement or any amendment or supplement to the Prospectus or for additional information; (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or any post-effective amendment or of any order preventing or suspending the use of any Preliminary Prospectus or the Prospectus, or of the suspension of the qualification of the Shares and the Representative's Warrants for offering or sale in any jurisdiction, or of the initiation or threatening of any proceedings for any of such purposes or of any examination pursuant to Section 8(d) or 8(e) of the Securities Act concerning the Registration Statement and (v) if the Company becomes the subject of a proceeding under Section 8A of the Securities Act in connection with the Offering of the Shares and Representative's Warrants. The Company shall effect all filings required under Rule 424(b) of the Securities Act Regulations, in the manner and within the time period required by Rule 424(b) (without reliance on Rule 424(b)(8)), and shall take such steps as it deems necessary to ascertain promptly whether the form of prospectus transmitted for filing under Rule 424(b) was received for filing by the Commission and, in the event that it was not, it will promptly file such prospectus. The Company shall use its reasonable best efforts to prevent the issuance of any stop order, prevention or suspension and, if any such order is issued, to obtain the lifting thereof at the earliest possible moment.

3.2.2. Continued Compliance. The Company shall comply with the Securities Act, the Securities Act Regulations, the Exchange Act and the Exchange Act Regulations so as to permit the completion of the distribution of the Shares as contemplated in this Agreement and in the Registration Statement, the Pricing Disclosure Package and the Prospectus. If at any time when a prospectus relating to the Shares is (or, but for the exception afforded by Rule 172 of the Securities Act Regulations ("**Rule 172**"), would be) required by the Securities Act to be delivered in connection with sales of the Shares, any event shall occur or condition shall exist as a result of which it is necessary, in the opinion of counsel for the Underwriters or for the Company, to (i) amend the Registration Statement in order that the Registration Statement will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; (ii) amend or supplement the Pricing Disclosure Package or the Prospectus in order that the Pricing Disclosure Package or the Prospectus, as the case may be, will not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in the light of the circumstances existing at the time it is delivered to a purchaser or (iii) amend the Registration Statement or amend or supplement the Pricing Disclosure Package or the Prospectus, as the case may be, in order to comply with the requirements of the Securities Act or the Securities Act Regulations, the Company will promptly (A) give the Representative notice of such event; (B) prepare any amendment or supplement as may be necessary to correct such statement or omission or to make the Registration Statement, the Pricing Disclosure Package or the Prospectus comply with such requirements and, a reasonable amount of time prior to any proposed filing or use, furnish the Representative with copies of any such amendment or supplement and (C) file with the Commission any such amendment or supplement; *provided* that the Company shall not file or use any such amendment or supplement to which the Representative or Representative's Counsel shall reasonably object. The Company will furnish to the Underwriters such number of copies of such amendment or supplement as the Underwriters may reasonably request. The Company has given the Representative notice of any filings made pursuant to the Exchange Act or the Exchange Act Regulations within 48 hours prior to the Applicable Time. The Company shall give the Representative notice of its intention to make any such filing from the Applicable Time until the later of the Closing Date and the exercise in full or expiration of the Over-allotment Option specified in Section 1.2 hereof and will furnish the Representative with copies of the related document(s) a reasonable amount of time prior to such proposed filing, as the case may be, and will not file or use any such document to which the Representative or counsel for the Underwriters shall reasonably object.

3.2.3. Exchange Act Registration. Until three (3) years after the date of this Agreement, the Company shall use its commercially reasonable efforts to maintain the registration of the Common Stock under the Exchange Act.

3.2.4. Free Writing Prospectuses. The Company agrees that, unless it obtains the prior consent of the Representative, it shall not make any offer relating to the Shares that would constitute an Issuer Free Writing Prospectus or that would otherwise constitute a "free writing prospectus," or a portion thereof, required to be filed by the Company with the Commission or retained by the Company under Rule 433; *provided* that the Representative shall be deemed to have consented to each Issuer General Use Free Writing Prospectus set forth in Schedule 2-B. The Company represents that it has treated or agrees that it will treat each such free writing prospectus consented to, or deemed consented to, by the Underwriters as an "issuer free writing prospectus," as defined in Rule 433, and that it has complied and will comply with the applicable requirements of Rule 433 with respect thereto, including timely filing with the Commission where required, legending and record keeping. If at any time following issuance of an Issuer Free Writing Prospectus there occurred or occurs an event or development as a result of which such Issuer Free Writing Prospectus conflicted or would conflict with

the information contained in the Registration Statement or included or would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at that subsequent time, not misleading, the Company will promptly notify the Underwriters and will promptly amend or supplement, at its own expense, such Issuer Free Writing Prospectus to eliminate or correct such conflict, untrue statement or omission.

3.2.5. Testing-the-Waters Communications. If at any time following the distribution of any Written Testing-the-Waters Communication there occurred or occurs an event or development as a result of which such Written Testing-the-Waters Communication included or would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at that subsequent time, not misleading, the Company shall promptly notify the Representative and shall promptly amend or supplement, at its own expense, such Written Testing-the-Waters Communication to eliminate or correct such untrue statement or omission.

3.3. Delivery to the Underwriters of Registration Statements. The Company has delivered or made available or shall deliver or make available to the Representative and Representative's Counsel, without charge, signed copies of the Registration Statement as originally filed and each amendment thereto (including exhibits filed therewith) and signed copies of all consents and certificates of experts, and upon request will also deliver to the Underwriters, without charge, a conformed copy of the Registration Statement as originally filed and each amendment thereto (without exhibits) for each of the Underwriters. The copies of the Registration Statement and each amendment thereto furnished to the Underwriters will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

3.4. Delivery to the Underwriters of Prospectuses. The Company has delivered or made available or will deliver or make available to each Underwriter, without charge, as many copies of each Preliminary Prospectus as such Underwriter reasonably requested, and the Company hereby consents to the use of such copies for purposes permitted by the Securities Act. The Company will furnish to each Underwriter, without charge, during the period when a prospectus relating to the Shares is (or, but for the exception afforded by Rule 172, would be) required to be delivered under the Securities Act, such number of copies of the Prospectus (as amended or supplemented) as such Underwriter may reasonably request. The Prospectus and any amendments or supplements thereto furnished to the Underwriters will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

3.5. Effectiveness and Events Requiring Notice to the Representative. The Company shall use its commercially reasonable efforts to cause the Registration Statement covering the issuance of the shares of Common Stock underlying the Representative's Warrants to remain effective with a current prospectus for at least nine (9) months after the Applicable Time, and shall notify the Representative immediately and confirm the notice in writing: (i) of the cessation of the effectiveness of the Registration Statement and any amendment thereto; (ii) of the issuance by the Commission of any stop order or of the initiation, or the threatening, of any proceeding for that purpose; (iii) of the issuance by any state securities commission of any proceedings for the suspension of the qualification of the shares underlying the Representative's Warrants for offering or sale in any jurisdiction or of the initiation, or the threatening, of any proceeding for that purpose; (iv) of the mailing and delivery to the Commission for filing of any amendment or supplement to the Registration Statement or Prospectus; (v) of the receipt of any comments or request for any additional information from the Commission; and (vi) of the happening of any event during the period described in this Section 3.5 that, in the judgment of the Company, makes any statement of a material fact made in the Registration Statement, the Pricing Disclosure Package or the Prospectus untrue or that requires the making of any changes in (a) the Registration Statement in order to make the statements therein not misleading, or (b) in the Pricing Disclosure Package or the Prospectus in order to make the statements therein, in light of the circumstances under which they were made, not misleading. If the Commission or any state securities commission shall enter a stop order or suspend such qualification at any time, the Company shall make every reasonable effort to obtain promptly the lifting of such order.

3.6. Review of Financial Statements. For a period of three (3) years after the date of this Agreement, so long as the Company is subject to the reporting requirements of either Section 13 or Section 15(d) of the Exchange Act, the Company, at its expense, shall use its commercially reasonable efforts to cause its regularly engaged independent registered public accounting firm to review (but not audit) the Company's financial statements for each of the three fiscal quarters immediately preceding the announcement of any quarterly financial information.

3.7. Listing. The Company shall use its commercially reasonable efforts to maintain the listing of the Shares and the shares of Common Stock underlying the Representative's Warrant on the Exchange for at least three (3) years from the date of this Agreement.

3.8. Intentionally omitted.

3.9. Reports to the Representative.

3.9.1. Periodic Reports, etc. For a period of three (3) years after the date of this Agreement, so long as the Company is subject to the reporting requirements of either Section 13 or Section 15(d) of the Exchange Act, the Company shall furnish or make available to the Representative copies of such financial statements and other periodic and special reports as the Company from time to time furnishes generally to holders of any class of its securities and also furnish or make available to the Representative: (i) a copy of each periodic report the Company shall be required to file with the Commission under the Exchange Act and the Exchange Act Regulations; (ii) a copy of every press release and every news item and article with respect to the Company or its affairs which was released by the Company; (iii) a copy of each Form 8-K prepared and filed by the Company; (iv) a copy of each registration statement filed by the Company under the Securities Act; and (v) such additional documents and information with respect to the Company and the affairs of any future subsidiaries of the Company as the Representative may from time to time reasonably request; *provided* the Representative shall sign, if requested by the Company, a Regulation FD compliant confidentiality agreement which is reasonably acceptable to the Representative and Representative's Counsel in connection with the Representative's receipt of such information. Documents filed with the Commission pursuant to its EDGAR system shall be deemed to have been delivered to the Representative pursuant to this Section 3.9.1.

3.9.2. Transfer Agent; Transfer Sheets. For a period of three (3) years after the date of this Agreement, the Company shall retain a transfer agent and registrar acceptable to the Representative (the "**Transfer Agent**") and shall furnish to the Representative at the Company's sole cost and expense such transfer sheets of the Company's securities as the Representative may reasonably request, including the daily and monthly consolidated transfer sheets of the Transfer Agent and DTC. Vstock Transfer, LLC is acceptable to the Representative to act as Transfer Agent for the Common Stock.

3.9.3. Trading Reports. For a period of six (6) months after the date hereof, during such time as the Shares are listed on the Exchange, the Company shall provide to the Representative, at the Company's expense, such reports published by the Exchange relating to price trading of the Shares, as the Representative shall reasonably request.

3.10. Payment of Expenses

3.10.1. General Expenses Related to the Offering. The Company hereby agrees to pay on each of the Closing Date and the Option Closing Date, if any, to the

extent not paid at the Closing Date, all expenses incident to the performance of the obligations of the Company under this Agreement, including, but not limited to: (a) all filing fees and communication expenses relating to the registration of the Shares to be sold in the Offering (including the Over-allotment Option) with the Commission; (b) all Public Filing System filing fees associated with the review of the Offering by FINRA; (c) all fees, expenses and disbursements relating to the registration, qualification or exemption of the Shares under the securities laws of such foreign jurisdictions as the Representative may reasonably designate; (d) fees and expenses of the Representative's Counsel; (e) fees and expenses relating to background checks and due diligence, and (f) the Underwriters' "road show" expenses for the Offering, with all of the Underwriters' actual out-of-pocket expenses under sub-sections 3.10.1(d)-(f) not to exceed $230,000. Any out-of-pocket expenses above $5,000 are to be pre-approved by the Company. The Representative may deduct from the net proceeds of the Offering payable to the Company on the Closing Date, or the Option Closing Date, if any, the expenses set forth herein to be paid by the Company to the Underwriters; *provided*, *however*, that in the event that the Offering is terminated, the Company agrees to reimburse the Underwriters pursuant to Section 7.3 hereof.

3.10.2. Non-accountable Expenses. The Company further agrees that, in addition to the expenses payable pursuant toSection 3.10.1, on the Closing Date it shall pay to the Representative, by deduction from the net proceeds of the Offering contemplated herein, a non-accountable expense allowance equal to one percent (1.0%) of the gross proceeds received by the Company from the sale of the Firm Shares.

3.11. Application of Net Proceeds. The Company shall apply the net proceeds from the Offering received by it in a manner consistent with the application thereof described under the caption "Use of Proceeds" in the Registration Statement, the Pricing Disclosure Package and the Prospectus.

3.12. Delivery of Earnings Statements to Security Holders. The Company shall make generally available to its security holders as soon as practicable, but not later than the first day of the fifteenth (15^{th}) full calendar month following the date of this Agreement, an earnings statement (which need not be certified by independent registered public accounting firm unless required by the Securities Act or the Securities Act Regulations, but which shall satisfy the provisions of Rule 158(a) under Section 11(a) of the Securities Act) covering a period of at least twelve (12) consecutive months beginning after the date of this Agreement.

3.13. Stabilization. Neither the Company nor, to its knowledge, any of its employees, directors or shareholders has taken or shall take, directly or indirectly, any action designed to or that has constituted or that might reasonably be expected to cause or result in, under Regulation M of the Exchange Act, or otherwise, stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares.

3.14. Internal Controls. Except to the extent disclosed in the Registration Statement, Pricing Disclosure Package and Prospectus, the Company shall maintain a system of internal accounting controls sufficient to provide reasonable assurances that: (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary in order to permit preparation of financial statements in accordance with GAAP and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

3.15. Accountants. As of the date of this Agreement, the Company has retained an independent registered public accounting firm reasonably acceptable to the Representative, and the Company shall continue to retain a nationally recognized independent registered public accounting firm for a period of at least three (3) years after the date of this Agreement. The Representative acknowledges that the Auditor is acceptable to the Representative.

3.16. FINRA. For a period of ninety (90) days from the later of the Closing Date or the Option Closing Date, the Company shall advise the Representative (who shall make an appropriate filing with FINRA) if it is or becomes aware that (i) any officer or director of the Company, (ii) any beneficial owner of 5% or more of any class of the Company's securities or (iii) any beneficial owner of the Company's unregistered equity securities which were acquired during the 180 days immediately preceding the filing of the original Registration Statement is or becomes an affiliate or associated person of a FINRA member participating in the Offering (as determined in accordance with the rules and regulations of FINRA).

3.17. No Fiduciary Duties. The Company acknowledges and agrees that the Underwriters' responsibility to the Company is solely contractual in nature and that none of the Underwriters or their affiliates or any selling agent shall be deemed to be acting in a fiduciary capacity, or otherwise owes any fiduciary duty to the Company or any of its affiliates in connection with the Offering and the other transactions contemplated by this Agreement.

3.18. Company Lock-Up. The Company, on behalf of itself and any successor entity, agrees that, without the prior written consent of the Representative, it will not, for a period of twelve months (12) months after the date of this Agreement (the "Lock-Up Period"), (i) offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or modify the terms of any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of capital stock of the Company or any securities convertible into or exercisable or exchangeable for shares of capital stock of the Company or modify the terms of any existing securities, in each case, whether in conjunction with another broker-dealer or on the Company's own volition; (ii) file or cause to be filed any registration statement with the Commission relating to the offering of any shares of capital stock of the Company or any securities convertible into or exercisable or exchangeable for shares of capital stock of the Company (other than pursuant to a registration statement on Form S-8 for employee benefit plans); or (iii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of capital stock of the Company, whether any such transaction described in clause (i), (ii) or (iii) above is to be settled by delivery of shares of capital stock of the Company or such other securities, in cash or otherwise. The restrictions contained in this section shall not apply to (i) the Shares and the Representative's Warrants and shares underlying the Representative's Warrants to be sold hereunder; (ii) the issuance by the Company of Common Stock upon the exercise of an outstanding option or warrant or the conversion of a security outstanding on the date hereof or disclosed in the Registration Statement and the Pricing Disclosure Package, and (iii) the issuance by the Company of stock options or shares of capital stock of the Company under any equity compensation plan of the Company.

3.19. Release of D&O Lock-up Period. If the Representative, in its sole discretion, agrees to release or waive the restrictions set forth in the Lock-Up Agreements described in Section 2.24 hereof for an officer or director of the Company and provides the Company with notice of the impending release or waiver at least three (3) Business Days before the effective date of the release or waiver, the Company agrees to announce the impending release or waiver by a press release substantially in the form of Exhibit C hereto through a major news service at least two (2) Business Days before the effective date of the release or waiver.

3.20. Blue Sky Qualifications. The Company shall use its commercially reasonable efforts, in cooperation with the Underwriters, if necessary, to qualify the Shares for offering and sale under the applicable securities laws of such states and other jurisdictions (domestic or foreign) as the Representative may designate and to maintain such qualifications in effect so long as required to complete the distribution of the Shares; *provided*, *however*, that the Company shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation or as a dealer in securities in any jurisdiction in which it is not so qualified or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject.

3.21. Reporting Requirements. The Company, during the period when a prospectus relating to the Shares is (or, but for the exception afforded by Rule 172, would be) required to be delivered under the Securities Act, will file all documents required to be filed with the Commission pursuant to the Exchange Act within the time periods required

by the Exchange Act and Exchange Act Regulations. Additionally, the Company shall report the use of proceeds from the issuance of the Shares as may be required under Rule 463 under the Securities Act Regulations.

4. Conditions of Underwriters' Obligations. The obligations of the Underwriters to purchase and pay for the Shares, as provided herein, shall be subject to (i) the continuing accuracy of the representations and warranties of the Company as of the date hereof and as of each of the Closing Date and the Option Closing Date, if any; (ii) the accuracy of the statements of officers of the Company made pursuant to the provisions hereof; (iii) the performance by the Company of its obligations hereunder; and (iv) the following conditions:

4.1. Regulatory Matters.

4.1.1. Effectiveness of Registration Statement; Rule 430A Information. The Registration Statement has become effective not later than 5:00 p.m., Eastern time, on the date of this Agreement or such later date and time as shall be consented to in writing by you, and, at each of the Closing Date and any Option Closing Date, no stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto has been issued under the Securities Act, no order preventing or suspending the use of any Preliminary Prospectus or the Prospectus has been issued and no proceedings for any of those purposes have been instituted or are pending or, to the Company's knowledge, contemplated by the Commission. The Company has complied with each request (if any) from the Commission for additional information. The Prospectus containing the Rule 430A Information shall have been filed with the Commission in the manner and within the time frame required by Rule 424(b) (without reliance on Rule 424(b)(8)) or a post-effective amendment providing such information shall have been filed with, and declared effective by, the Commission in accordance with the requirements of Rule 430A.

4.1.2. FINRA Clearance. On or before the date of this Agreement, the Representative shall have received clearance from FINRA as to the amount of compensation allowable or payable to the Underwriters as described in the Registration Statement.

4.1.3. Exchange Share Market Clearance. On the Closing Date, the Firm Shares shall have been approved for listing on the Exchange, subject only to official notice of issuance. On the first Option Closing Date (if any), the Option Shares shall have been approved for listing on the Exchange, subject only to official notice of issuance.

4.2. Company Counsel Matters.

4.2.1. Closing Date Opinion of Counsel for the Company. On the Closing Date, the Representative shall have received the favorable opinion and negative assurances statement of Pearl Cohen Zedek Latzer Baratz LLP, as U.S. counsel for the Company, dated the Closing Date, in customary form and substance reasonably satisfactory to Representative's Counsel addressed to the Representative and stating that such opinions may be relied upon by Representative's Counsel.

4.2.2 Closing Date Opinion of Israel Counsel for the Company. On the Closing Date, the Representative shall have received the favorable opinion and negative assurances statement of Pearl Cohen Zedek Latzer Baratz LLP, as Israel counsel for the Company, dated the Closing Date, in customary form and substance reasonably satisfactory to Representative's Counsel addressed to the Representative and stating that such opinions may be relied upon by Representative's Counsel.

4.2.3. Option Closing Date Opinion of Counsel for the Company. On the Option Closing Date, if any, the Representative shall have received the favorable opinion and negative assurances statement of Pearl Cohen Zedek Latzer Baratz LLP, as U.S. counsel for the Company, dated the Option Closing Date, addressed to the Representative and in customary form and substance reasonably satisfactory to the Representative, confirming as of the Option Closing Date, the statements made by such counsel in their opinions delivered on the Closing Date.

4.2.4. Option Closing Date Opinion of Counsel for the Company. On the Option Closing Date, if any, the Representative shall have received the favorable opinion and negative assurances statement of Pearl Cohen Zedek Latzer Baratz LLP, Israel counsel for the Company, dated the Option Closing Date, addressed to the Representative and in customary form and substance reasonably satisfactory to the Representative, confirming as of the Option Closing Date, the statements made by such counsel in their opinions delivered on the Closing Date.

4.2.5. Reliance. In rendering such opinions, such counsel may rely: (i) as to matters involving the application of laws other than the laws of the United States and jurisdictions in which they are admitted, to the extent such counsel deems proper and to the extent specified in such opinion, if at all, upon an opinion or opinions (in form and substance reasonably satisfactory to the Representative) of other counsel reasonably acceptable to the Representative, familiar with the applicable laws; and (ii) as to matters of fact, to the extent they deem proper, on certificates or other written statements of officers of the Company and officers of departments of various jurisdictions having custody of documents respecting the corporate existence or good standing of the Company, *provided* that copies of any such statements or certificates shall be delivered to Representative's Counsel if requested.

4.3. Comfort Letters.

4.3.1. Cold Comfort Letter. At the time this Agreement is executed you shall have received a cold comfort letter containing statements and information of the type customarily included in accountants' comfort letters with respect to the financial statements and certain financial information contained in the Registration Statement, the Pricing Disclosure Package and the Prospectus, addressed to the Representative and in form and substance satisfactory in all respects to you and to the Auditor, dated as of the date of this Agreement.

4.3.2. Bring-down Comfort Letter. At each of the Closing Date and the Option Closing Date, if any, the Representative shall have received from the Auditor a letter, dated as of the Closing Date or the Option Closing Date, as applicable, to the effect that the Auditor reaffirms the statements made in the letter furnished pursuant to Section 4.3.1, except that the specified date referred to shall be a date not more than three (3) Business Days prior to the Closing Date or the Option Closing Date, as applicable.

4.4. Officers' Certificates.

4.4.1. Officers' Certificate. The Company shall have furnished to the Representative a certificate, dated the Closing Date and any Option Closing Date (if such date is other than the Closing Date), of its Chief Executive Officer, its President and its Chief Financial Officer stating that (i) such officers have carefully examined the Registration Statement, the Pricing Disclosure Package, any Issuer Free Writing Prospectus and the Prospectus and, in their opinion, the Registration Statement and each amendment thereto, as of the Applicable Time and as of the Closing Date (or any Option Closing Date if such date is other than the Closing Date) did not include any untrue statement of a material fact and did not omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and the Pricing Disclosure Package, as of the Applicable Time and as of the Closing Date (or any Option Closing Date if such date is other than the Closing Date), any Issuer Free Writing Prospectus as of its date and as of the Closing Date (or any Option Closing Date if such date is other than the Closing Date), the Prospectus and each amendment or supplement thereto, as of the respective date thereof and as of the Closing Date, did not include any untrue statement of a material fact and did not omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances in which they were made, not misleading, (ii) since the effective date of the Registration Statement, no event has occurred which should have been set forth in a supplement or amendment to the Registration Statement, the Pricing Disclosure Package or the Prospectus, (iii) to the best of their knowledge after reasonable investigation, as of the Closing Date (or any Option Closing Date if such date is other than the Closing Date), the representations and warranties of the Company in this Agreement are true and correct in all material respects (except for those representations and warranties qualified as to materiality, which shall be true and correct in all respects and except for those representations and warranties which refer to facts existing at a specific date, which shall be true and correct as of such

date) and the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied hereunder at or prior to the Closing Date (or any Option Closing Date if such date is other than the Closing Date), and (iv) there has not been, subsequent to the date of the most recent audited financial statements included or incorporated by reference in the Pricing Disclosure Package, a Material Adverse Change.

4.4.2. Secretary's Certificate. At each of the Closing Date and the Option Closing Date, if any, the Representative shall have received a certificate of the Company signed by the Secretary of the Company, dated the Closing Date or the Option Date, as the case may be, respectively, certifying: (i) that each of the Charter and Bylaws is true and complete, has not been modified and is in full force and effect; (ii) that the resolutions of the Company's Board of Directors (and any pricing committee thereof) relating to the Offering are in full force and effect and have not been modified; (iii) as to the accuracy and completeness of all correspondence between the Company or its counsel and the Commission; and (iv) as to the incumbency of the officers of the Company. The documents referred to in such certificate shall be attached to such certificate.

4.5. No Material Changes. Prior to and on each of the Closing Date and each Option Closing Date, if any: (i) there shall have been no Material Adverse Change in the condition or prospects or the business activities, financial or otherwise, of the Company from the latest dates as of which such condition is set forth in the Registration Statement, the Pricing Disclosure Package and the Prospectus; (ii) no action, suit or proceeding, at law or in equity, shall have been pending or threatened against the Company or any Insider before or by any court or federal or state commission, board or other administrative agency wherein an unfavorable decision, ruling or finding may reasonably be expected to cause a Material Adverse Change, except as set forth in the Registration Statement, the Pricing Disclosure Package and the Prospectus; (iii) no stop order shall have been issued under the Securities Act and no proceedings therefor shall have been initiated or threatened by the Commission; and (iv) the Registration Statement, the Pricing Disclosure Package and the Prospectus and any amendments or supplements thereto shall contain all material statements which are required to be stated therein in accordance with the Securities Act and the Securities Act Regulations and shall conform in all material respects to the requirements of the Securities Act and the Securities Act Regulations, and neither the Registration Statement, the Pricing Disclosure Package nor the Prospectus nor any amendment or supplement thereto shall contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

4.6. Delivery of Agreements.

4.6.1. Lock-Up Agreements. On or before the date of this Agreement, the Company shall have delivered to the Representative executed copies of the Lock-Up Agreements from each of the persons listed in Schedule 3 hereto.

4.6.2 Reverse Stock Split. Not later than the first trading day of the Firm Shares following the date hereof, the Reverse Stock Split shall be effective.

4.7. Additional Documents. At the Closing Date and at each Option Closing Date (if any) Representative's Counsel shall have been furnished with such documents and opinions as they may require for the purpose of enabling Representative's Counsel to deliver an opinion to the Underwriters, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company in connection with the issuance and sale of the Shares and the Representative's Warrants as herein contemplated shall be satisfactory in form and substance to the Representative and Representative's Counsel.

5. Indemnification.

5.1. Indemnification of the Underwriters.

5.1.1. General. Subject to the conditions set forth below, the Company agrees to indemnify, defend and hold harmless each Underwriter, its affiliates and each of its and their respective directors, officers, members, employees, representatives, partners, shareholders, affiliates, counsel, and agents and each person, if any, who controls any such Underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act (collectively the "**Underwriter Indemnified Parties**," and each an "**Underwriter Indemnified Party**"), from and against any and all loss, liability, claim, damage and expense whatsoever (including but not limited to any and all legal or other expenses reasonably incurred in investigating, preparing or defending against any litigation, commenced or threatened, or any claim whatsoever, whether arising out of any action between any of the Underwriter Indemnified Parties and the Company or between any of the Underwriter Indemnified Parties and any third party, or otherwise) to which they or any of them may become subject under the Securities Act, the Exchange Act or any other statute or at common law or otherwise or under the laws of foreign countries (a "**Claim**"), arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, in (A) the Registration Statement, the Pricing Disclosure Package, any Preliminary Prospectus, the Prospectus, or in any Issuer Free Writing Prospectus or in any Written Testing-the-Waters Communication (as from time to time each may be amended and supplemented); (B) any materials or information provided to investors by, or with the approval of, the Company in connection with the marketing of the Offering, including any "road show" or investor presentations made to investors by the Company (whether in person or electronically); or (C) any application or other document or written communication (in this Section 5, collectively called "application") executed by the Company or based upon written information furnished by the Company in any jurisdiction in order to qualify the Shares and Representative's Warrants under the securities laws thereof or filed with the Commission, any state securities commission or agency, the Exchange or any other national securities exchange; *unless*, with respect to each subsection (A) through (C), such statement or omission was made in reliance upon, and in conformity with, the Underwriters' Information. With respect to any untrue statement or omission or alleged untrue statement or omission made in the Registration Statement, Pricing Disclosure Package or Prospectus, the indemnity agreement contained in this Section 5.1.1 shall not inure to the benefit of any Underwriter Indemnified Party to the extent that any loss, liability, claim, damage or expense of such Underwriter Indemnified Party results from the fact that a copy of the Prospectus was not given or sent to the person asserting any such loss, liability, claim or damage at or prior to the written confirmation of sale of the Shares to such person as required by the Securities Act and the Securities Act Regulations, and if the untrue statement or omission has been corrected in the Prospectus, unless such failure to deliver the Prospectus was a result of non-compliance by the Company with its obligations under Section 3.3 hereof. The Company also agrees that it will reimburse each Underwriter Indemnified Party for all reasonable fees and expenses (including but not limited to any and all legal or other expenses reasonably incurred in investigating, preparing or defending against any litigation, commenced or threatened, or any claim whatsoever, whether arising out of any action between any of the Underwriter Indemnified Parties and the Company or between any of the Underwriter Indemnified Parties and any third party, or otherwise) (collectively, the "**Expenses**"), and further agrees wherever and whenever possible to advance payment of Expenses as they are incurred by an Underwriter Indemnified Party in investigating, preparing, pursuing or defending any Claim.

5.1.2. Procedure. If any action is brought against an Underwriter Indemnified Party in respect of which indemnity may be sought against the Company pursuant to Section 5.1.1, such Underwriter Indemnified Party shall promptly notify the Company in writing of the institution of such action and the Company shall assume the defense of such action, including the employment and fees of counsel (subject to the approval of such Underwriter Indemnified Party (which approval shall not be unreasonably delayed or withheld)) and payment of actual expenses if an Underwriter Indemnified Party requests that the Company do so. Such Underwriter Indemnified Party shall have the right to employ its or their own counsel in any such case, and the fees and expenses of such counsel shall be at the expense of the Company and shall be advanced by the Company; *provided*, *however*, that the Company shall not be obligated to bear the reasonable fees and expenses of more than one firm of attorneys selected by the Underwriter Indemnified Party (in addition to local counsel). Notwithstanding anything to the contrary contained herein, and provided that the Company has timely honored its obligations under Section 5, the Underwriter Indemnified Party shall not enter into any settlement without the prior written consent (which shall not be unreasonably withheld) of the terms of any settlement by the Company. The Company shall not be liable for any settlement of any action effected without its prior written consent (which shall not be unreasonably

withheld). In addition, the Company shall not, without the prior written consent of the Underwriters (which consent shall not be unreasonably withheld), settle, compromise or consent to the entry of any judgment in or otherwise seek to terminate any pending or threatened action in respect of which advancement, reimbursement, indemnification or contribution may be sought hereunder (whether or not such Underwriter Indemnified Party is a party thereto) unless such settlement, compromise, consent or termination (i) includes an unconditional release of each Underwriter Indemnified Party, acceptable to such Underwriter Indemnified Party, from all liabilities, expenses and claims arising out of such action for which indemnification or contribution may be sought and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any Underwriter Indemnified Party.

5.2. Indemnification of the Company. Each Underwriter, severally and not jointly, agrees to indemnify and hold harmless the Company, its directors, its officers who signed the Registration Statement and persons who control the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act against any and all loss, liability, claim, damage and expense described in the foregoing indemnity from the Company to the several Underwriters, as incurred, but only with respect to such losses, liabilities, claims, damages and expenses (or actions in respect thereof) which arise out of or are based upon untrue statements or omissions, or alleged untrue statements or omissions made in the Registration Statement, any Preliminary Prospectus, the Pricing Disclosure Package or Prospectus or any amendment or supplement thereto or in any application, in reliance upon, and in conformity with, the Underwriters' Information. In case any action shall be brought against the Company or any other person so indemnified based on any Preliminary Prospectus, the Registration Statement, the Pricing Disclosure Package or Prospectus or any amendment or supplement thereto or any application, and in respect of which indemnity may be sought against any Underwriter, such Underwriter shall have the rights and duties given to the Company, and the Company and each other person so indemnified shall have the rights and duties given to the several Underwriters by the provisions of Section 5.1.2. The Company agrees promptly to notify the Representative of the commencement of any litigation or proceedings against the Company or any of its officers, directors or any person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, in connection with the issuance and sale of the Shares or in connection with the Registration Statement, the Pricing Disclosure Package, the Prospectus, or any Issuer Free Writing Prospectus or any Written Testing-the-Waters Communication.

5.3. Contribution. If the indemnification provided for in this Section 5 shall for any reason be unavailable to or insufficient to hold harmless an indemnified party under Section 5.1 or 5.2 in respect of any liabilities and Expenses referred to therein, then each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such liabilities and Expenses, (i) in such proportion as shall be appropriate to reflect the relative benefits received by the Company, on the one hand, and each of the Underwriters, on the other hand, from the Offering, or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company, on the one hand, and the Underwriters, on the other hand, in connection with the matters as to which such liabilities or Expenses relate, as well as any other relevant equitable considerations. The relative benefits received by the Company, on the one hand, and the Underwriters, on the other, with respect to such Offering shall be deemed to be in the same proportion as the total net proceeds actually received by the Company from the Offering of the Shares purchased under this Agreement (before deducting expenses) received by the Company bear to the total underwriting discounts and commissions actually received by the Underwriters in connection with the Offering, in each case as set forth in the table on the cover page of the Prospectus. The relative fault of the Company, on the one hand, and the Underwriters, on the other, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company, on the one hand, or the Underwriters, on the other, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement, omission, act or failure to act; *provided* that the parties hereto agree that the written information furnished to the Company through the Representative by or on behalf of any Underwriter for use in any Preliminary Prospectus, any Registration Statement or the Prospectus, or in any amendment or supplement thereto, consists solely of the Underwriters' Information. The Company and the Underwriters agree that it would not be just and equitable if contributions pursuant to this subsection (d) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take into account the equitable considerations referred to above in this subsection (d). Notwithstanding the above, no person guilty of fraudulent misrepresentation within the meaning of Section 11(f) of the Securities Act shall be entitled to contribution from a party who was not guilty of such fraudulent misrepresentation.

5.4. Limitation. The Company also agrees that no Underwriter Indemnified Party shall have any liability (whether direct or indirect, in contract or tort or otherwise) to the Company for or in connection with advice or services rendered or to be rendered by any Underwriter Indemnified Party pursuant to this Agreement, the transactions contemplated thereby or any Underwriter Indemnified Party's actions or inactions in connection with any such advice, services or transactions, except to the extent that a court of competent jurisdiction has made a finding that liabilities (and related Expenses) of the Company have resulted from such Underwriter Indemnified Party's fraud, bad faith, gross negligence or willful misconduct in connection with any such advice, actions, inactions or services or such Underwriter Indemnified Party's breach of this Agreement or any obligations of confidentiality owed to the Company.

5.5. Survival & Third-Party Beneficiaries. The advancement, reimbursement, indemnity and contribution obligations set forth in this Section 5 shall remain in full force and effect regardless of any termination of, or the completion of any Underwriter Indemnified Party's services under or in connection with, this Agreement. Each Underwriter Indemnified Party's is an intended third-party beneficiary of this Section 5, and has the right to enforce the provisions of Section 5 as if he/she/it was a party to this Agreement.

6. Right of First Refusal. During the period ending two years after the Closing Date, if and only if the closing of the purchase of the Firm Shares hereunder actually occurs, the Company grants the Representative the right of first refusal to act as financial advisor, or as lead managing underwriter, book runner, placement agent, or to act as joint advisor, underwriter, or placement agent, 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 the equity or assets of the Company (collectively, "Future Services"). In the event the Company notifies Representative of its intention to pursue an activity that would enable Representative to exercise its right of first refusal to provide Future Services, Representative shall notify the Company of its election to provide such Future Services, including notification of the compensation and other terms to which Representative shall be entitled, within thirty (30) days of written notice by the Company. In the event the Company engages Representative to provide such Future Services, Representative will be compensated consistent with the compensation in this Agreement, unless mutually agreed otherwise by the Company and Representative.

7. Effective Date of this Agreement and Termination Thereof.

7.1. Effective Date. This Agreement shall become effective when both the Company and the Representative have executed the same and delivered counterparts of such signatures to the other party.

7.2. Termination. The Representative shall have the right to terminate this Agreement at any time prior to any Closing Date, (i) if any domestic or international event or act or occurrence has materially disrupted, or in your opinion will in the immediate future materially disrupt, general securities markets in the United States; or (ii) if trading on the New York Stock Exchange or the Nasdaq Stock Market LLC shall have been suspended or materially limited, or minimum or maximum prices for trading shall have been fixed, or maximum ranges for prices for securities shall have been required by FINRA or by order of the Commission or any other government authority having jurisdiction; or (iii) if the United States shall have become involved in a new war or an increase in major hostilities; or (iv) if a banking moratorium has been declared by a New York State or federal authority; or (v) if a moratorium on foreign exchange trading has been declared which materially adversely impacts the United States securities markets; or (vi) if the Company shall have sustained a material loss by fire, flood, accident, hurricane, earthquake, theft, sabotage or other calamity or malicious act which, whether or

not such loss shall have been insured, will, in your opinion, make it inadvisable to proceed with the delivery of the Firm Shares or Option Shares; or (vii) if the Company is in material breach of any of its representations, warranties or covenants hereunder; or (viii) if the Representative shall have become aware after the date hereof of such a Material Adverse Change, or such adverse material change in general market conditions as in the Representative's judgment would make it impracticable to proceed with the offering, sale and/or delivery of the Shares or to enforce contracts made by the Underwriters for the sale of the Shares.

7.3. Expenses. Notwithstanding anything to the contrary in this Agreement, in the event that this Agreement shall not be carried out for any reason whatsoever, within the time specified herein or any extensions thereof pursuant to the terms herein, the Company shall be obligated to pay to the Underwriters their actual and accountable out-of-pocket expenses related to the transactions contemplated herein then due and payable up to the amounts set forth in *Section 3.10.1* and upon demand the Company shall pay such amount thereof to the Representative on behalf of the Underwriters; *provided*, *however*, that such expense cap in no way limits or impairs the indemnification and contribution provisions of this Agreement. Notwithstanding the foregoing, any advance received by the Representative will be reimbursed to the Company to the extent not actually incurred in compliance with FINRA Rule 5110(g)(4)(A).

7.4. Indemnification. Notwithstanding any contrary provision contained in this Agreement, any election hereunder or any termination of this Agreement, and whether or not this Agreement is otherwise carried out, the provisions of Section 5 shall remain in full force and effect and shall not be in any way affected by, such election or termination or failure to carry out the terms of this Agreement or any part hereof.

7.5. Representations, Warranties, Agreements to Survive. All representations, warranties and agreements contained in this Agreement or in certificates of officers of the Company submitted pursuant hereto, shall remain operative and in full force and effect regardless of (i) any investigation made by or on behalf of any Underwriter or its Affiliates or selling agents, any person controlling any Underwriter, its officers or directors or any person controlling the Company or (ii) delivery of and payment for the Shares.

8. Miscellaneous.

8.1. Notices. All communications hereunder, except as herein otherwise specifically provided, shall be in writing and shall be mailed (registered or certified mail, return receipt requested), personally delivered or sent by facsimile transmission and confirmed and shall be deemed given when so delivered or faxed and confirmed or if mailed, two (2) days after such mailing.

If to the Representative:

Boustead Securities, LLC
6 Venture, Suite 265
Irvine, CA 92618
Attn: **Keith Moore**
Fax No: [*]

With a copy (which shall not constitute notice) to:

Bevilacqua PLLC
1050 Connecticut Ave, NW, Suite 500
Washington, DC 20036
Attention: **Louis A. Bevilacqua**
Fax No: (202) 869-0888

If to the Company:

Actelis Networks, Inc.
47800 Westinghouse Drive
Fremont, CA 94539
(510) 545-1045
Attention**: Tuvia Barlev**
Fax No: [*]

With copies (which shall not constitute notice) to:

Pearl Cohen Zedek Latzer Baratz LLP
131 Dartmouth Street
Boston, Massachusetts 02116
Attention: **Oded Kadosh**
Benjamin J. Waltuch
Fax: (617) 228-5721

McDermott Will & Emery
One Vanderbilt Avenue,
New York, NY 10017-3852
Attention: **Gary Emmanuel**
Eyal Peled
Fax: (212) 547-5477

8.2. Headings. The headings contained herein are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Agreement.

8.3. Amendment. This Agreement may only be amended by a written instrument executed by each of the parties hereto.

8.4. Entire Agreement. This Agreement (together with the other agreements and documents being delivered pursuant to or in connection with this Agreement) constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and thereof, and supersedes all prior agreements and understandings of the parties, oral and written, with respect to the subject matter hereof. Notwithstanding anything to the contrary set forth herein, it is understood and agreed by the parties hereto that all other terms and conditions of that certain engagement letter between the Company and the Representative, dated November 1, 2021, as such engagement letter may be amended from time to time, shall remain in full force and effect.

8.5. Binding Effect. This Agreement shall inure solely to the benefit of and shall be binding upon the Representative, the Underwriters, the Company and the controlling persons, directors and officers referred to in Section 5 hereof, and their respective successors, legal representatives, heirs and assigns, and no other person shall have or be construed to have any legal or equitable right, remedy or claim under or in respect of or by virtue of this Agreement or any provisions herein contained. The term "successors and assigns" shall not include a purchaser, in its capacity as such, of securities from any of the Underwriters.

8.6. Governing Law; Consent to Jurisdiction; Trial by Jury. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York, without giving effect to conflict of laws principles thereof. The Company hereby agrees that any action, proceeding or claim against it arising out of, or relating in any way to this Agreement shall be brought and enforced in the New York Supreme Court, County of New York, or in the United States District Court for the Southern District of New York, and irrevocably submits to such jurisdiction, which jurisdiction shall be exclusive. The Company hereby waives any objection to such exclusive jurisdiction and that such courts represent an inconvenient forum. Any such process or summons to be served upon the Company may be served by transmitting a copy thereof by registered or certified mail, return receipt requested, postage prepaid, addressed to it at the address set forth in Section 8.1 hereof. Such mailing shall be deemed personal service and shall be legal and binding upon the Company in any action, proceeding or claim. The Company agrees that the prevailing party(ies) in any such action shall be entitled to recover from the other party(ies) all of its reasonable attorneys' fees and expenses relating to such action or proceeding and/or incurred in connection with the preparation therefor. The Company (on its behalf and, to the extent permitted by applicable law, on behalf of its Shareholders and affiliates) and each of the Underwriters hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

8.7. Execution in Counterparts. This Agreement may be executed in one or more counterparts, and by the different parties hereto in separate counterparts, each of which shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement, and shall become effective when one or more counterparts has been signed by each of the parties hereto and delivered to each of the other parties hereto. Delivery of a signed counterpart of this Agreement by facsimile or email/pdf transmission shall constitute valid and sufficient delivery thereof.

8.8. Waiver, etc. The failure of any of the parties hereto to at any time enforce any of the provisions of this Agreement shall not be deemed or construed to be a waiver of any such provision, nor to in any way effect the validity of this Agreement or any provision hereof or the right of any of the parties hereto to thereafter enforce each and every provision of this Agreement. No waiver of any breach, non-compliance or non-fulfillment of any of the provisions of this Agreement shall be effective unless set forth in a written instrument executed by the party or parties against whom or which enforcement of such waiver is sought; and no waiver of any such breach, non-compliance or non-fulfillment shall be construed or deemed to be a waiver of any other or subsequent breach, non-compliance or non-fulfillment.

[Signature Page Follows]

If the foregoing correctly sets forth the understanding between the Underwriters and the Company, please so indicate in the space provided below for that purpose, whereupon this letter shall constitute a binding agreement between us.

Very truly yours,

Actelis Networks, Inc.

By: _____
Name: Tuvia Barlev
Title: Chief Executive Officer

Confirmed as of the date first written above mentioned, on behalf of itself and as Representative of the several Underwriters named on Schedule 1 hereto:

Boustead Securities, LLC

By: _____
Name: Keith Moore
Title: Chief Executive Officer

SCHEDULE 1

Underwriter	**Total Number of Firm Shares to be Purchased**	**Number of Additional Option Shares to be Purchased if the Over-Allotment Option is Fully Exercised**
Boustead Securities, LLC		
TOTAL	[*]	[*]

SCHEDULE 2-A

Pricing Information

Number of Firm Shares: [*]

Number of Option Shares: [*]

Public Offering Price per Firm Share: [*]

Public Offering Price per Option Share: [*]

Underwriting Discount per Firm Share: [*]

Underwriting Discount per Option Share: [*]

Non-Accountable Expense Allowance per Firm Share: [*]

Non-Accountable Expense Allowance per Option Share: [*]

SCHEDULE 2-B

Issuer General Use Free Writing Prospectuses

SCHEDULE 2-C

Written Testing-the-Waters Communications

SCHEDULE 3

List of Lock-Up Parties

EXHIBIT A

Form of Representative's Warrant

THE REGISTERED HOLDER OF THIS PURCHASE WARRANT AGREES BY ITS ACCEPTANCE HEREOF, THAT SUCH HOLDER WILL NOT FOR A PERIOD OF ONE HUNDRED EIGHTY (180) DAYS FOLLOWING [DATE], WHICH IS THE COMMENCEMENT OF SALES OF COMMON STOCK IN THE OFFERING: (A) SELL, TRANSFER, ASSIGN, PLEDGE OR HYPOTHECATE THIS PURCHASE WARRANT TO ANYONE OTHER THAN OFFICERS OR PARTNERS OF BOUSTEAD SECURITIES LLC, EACH OF WHOM SHALL HAVE AGREED TO THE RESTRICTIONS CONTAINED HEREIN, IN ACCORDANCE WITH FINRA CONDUCT RULE 5110(E)(1), OR (B) CAUSE THIS PURCHASE WARRANT OR THE SECURITIES ISSUABLE HEREUNDER TO BE THE SUBJECT OF ANY HEDGING, SHORT SALE, DERIVATIVE, PUT OR CALL TRANSACTION THAT WOULD RESULT IN THE EFFECTIVE ECONOMIC DISPOSITION OF THIS PURCHASE WARRANT OR THE SECURITIES HEREUNDER, EXCEPT AS PROVIDED FOR IN FINRA RULE 5110(E)(2).

THIS PURCHASE WARRANT IS NOT EXERCISABLE PRIOR TO [DATE] (THE DATE OF ISSUANCE). VOID AFTER 5:00 P.M., EASTERN TIME, [DATE] (THE DATE THAT IS FIVE YEARS FROM COMMENCEMENT OF SALES OF COMMON STOCK IN THE OFFERING (AS DEFINED BELOW).

COMMON STOCK PURCHASE WARRANT

For the Purchase of [●] Shares of Common Stock

of

Actelis Networks, Inc.

1. Purchase Warrant. THIS CERTIFIES THAT, in consideration of funds duly paid by or on behalf of Boustead Securities, LLC ("**Holder**"), as registered owner of this Purchase Warrant, to Actelis Networks, Inc., a Delaware corporation (the "**Company**"), Holder is entitled, at any time or from time to time beginning [●], 2022 (the "**Commencement Date**"), and at or before 5:00 p.m., Eastern time, [●], 202_[1] (the "**Expiration Date**"), but not thereafter, to subscribe for, purchase and receive, in whole or in part, up to [●] shares of common stock of the Company, par value $0.00001 per share (the "**Shares**"), subject to adjustment as provided in Section 6 hereof. If the Expiration Date is a day on which banking institutions are authorized by law to close, then this Purchase Warrant may be exercised on the next succeeding day which is not such a day in accordance with the terms herein. During the period ending on the Expiration Date, the Company agrees not to take any action that would terminate this Purchase Warrant. This Purchase Warrant is initially exercisable at **$**[●] per Share[2]; provided, however, that upon the occurrence of any of the events specified in Section 6 hereof, the rights granted by this Purchase Warrant, including the exercise price per Share and the number of Shares to be received upon such exercise, shall be adjusted as therein specified. The term "**Exercise Price**" shall mean the initial exercise price or the adjusted exercise price, depending on the context.

2. Exercise.

2.1 Exercise Form. In order to exercise this Purchase Warrant, the exercise form attached hereto must be duly executed and completed and delivered to the Company, together with this Purchase Warrant and payment of the Exercise Price for the Shares being purchased payable in cash by wire transfer of immediately available funds to an account designated by the Company or by certified check or official bank check. If the subscription rights represented hereby shall not be exercised at or before 5:00 p.m., Eastern time, on the Expiration Date, this Purchase Warrant shall become and be void without further force or effect, and all rights represented hereby shall cease and expire. Each exercise hereof shall be irrevocable.

[1] [To be five years from the commencement of sales in the Offering.]

[2] [To be 125% of the public offering price per Share]

2.2 Cashless Exercise. In lieu of exercising this Purchase Warrant by payment of cash or check payable to the order of the Company pursuant to Section 2.1 above, Holder may elect to receive the number of Shares equal to the value of this Purchase Warrant (or the portion thereof being exercised), by surrender of this Purchase Warrant to the Company, together with the exercise form attached hereto, in which event the Company will issue to Holder Shares in accordance with the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where,

X	=	The number of Shares to be issued to Holder;
Y	=	The number of Shares for which the Purchase Warrant is being exercised;
A	=	The fair market value of one Share; and
B	=	The Exercise Price.

For purposes of this Section 2.2, the fair market value means, for any date, the price determined by the first of the following clauses that applies: (a) if the common stock is then listed or quoted on a Eligible Market, the value shall be deemed to be the highest intra-day or closing price on any trading day on such Eligible Market on which the common stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)) during the five trading days preceding the exercise, (b) if OTCQB or OTCQX is not an Eligible Market, the value shall be deemed to be the highest intra-day or closing price on any trading day on the OTCQB or OTCQX on which the common stock is then quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)) during the five trading days preceding the exercise, as applicable, (c) if the common stock is not then listed or quoted for trading on OTCQB or OTCQX and if prices for the common stock are then reported in the "Pink Sheets" published by OTC Markets Group, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the "OTC Markets Group", the value shall be deemed to be the highest intra-day or closing price on any trading day on the Pink Sheets on which the common stock is then quoted as reported by OTC Markets Group (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)) during the five trading days preceding the exercise, or (d) in all other cases, the fair market value of a share of common stock as determined by an independent appraiser selected in good faith by the Holder and reasonably acceptable to the Company.

2.3 Legend. Each certificate for the securities purchased under this Purchase Warrant shall bear a legend as follows unless such securities have been registered under the Securities Act of 1933, as amended (the "**Act**"):

"The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended (the "**Act**"), or applicable state law. Neither the securities nor any interest therein may be offered for sale, sold or otherwise transferred except pursuant to an effective registration statement under the Act, or pursuant to an exemption from registration under the Act and applicable state law which, in the opinion of counsel to the Company, is available."

2.4 Resale of Shares. Holder and the Company acknowledge that as of the date hereof the Staff of the Division of Corporation Finance of the SEC has published Compliance & Disclosure Interpretation 528.04 in the Securities Act Rules section thereof, stating that the holder of securities issued in connection with a public offering may not rely upon Rule 144 promulgated under the Act to establish an exemption from registration requirements under Section 4(a)(1) under the Act, but may nonetheless apply Rule 144 constructively for the resale of such shares in the following manner: (a) provided that six months has elapsed since the last sale under the registration statement, an underwriter or finder may resell the securities in accordance with the provisions of Rule 144(c), (e), and (f), except for the notice requirement; (b) a purchaser of the shares from an underwriter receives restricted securities unless the sale is made with an appropriate, current prospectus, or unless the sale is made pursuant to the conditions contained in (a) above; (c) a purchaser of the shares from an underwriter who receives restricted securities may include the underwriter's holding period, provided that the underwriter or finder is not an affiliate of the issuer; and (d) if an underwriter transfers the shares to its employees, the employees may tack the firm's holding period for purposes of Rule 144(d), but they must aggregate sales of the distributed shares with those of other employees, as well as those of the underwriter or finder, for a six-month period from the date of the transfer to the employees. Holder and the Company also acknowledge that the Staff of the Division of Corporation Finance of the SEC has advised in various no-action letters that the holding period associated with securities issued without registration to a service provider commences upon the completion of the services, which the Company agrees and acknowledges shall be the final closing of the Offering, and that Rule 144(d)(3)(ii) provides that securities acquired from the issuer solely in exchange for other securities of the same issuer shall be deemed to have been acquired at the same time as the securities surrendered for conversion (which the Company agrees is the date of the initial issuance of this Purchase Warrant). In the event that following a reasonably-timed written request by Holder to transfer the Shares in accordance with Compliance & Disclosure Interpretation 528.04 counsel for the Company in good faith concludes that Compliance & Disclosure Interpretation 528.04 no longer may be relied upon as a result of changes in applicable laws, regulations, or interpretations of the SEC Division of Corporation Finance, or as a result of judicial interpretations not known by the Company or its counsel on the date hereof, then the Company shall promptly, and in any event within five (5) business days following the request, provide written notice to Holder of such determination. As a condition to giving such notice, the parties shall negotiate in good faith a single demand registration right pursuant to an agreement in customary form reasonably acceptable to the parties; provided that notwithstanding anything to the contrary, the obligations of the Company pursuant to this Section 2 shall terminate on the fifth anniversary of the Effective Date. In the absence of such conclusion by counsel for the Company, the Company shall, upon such a request of Holder given no earlier than six months after the final closing of the Offering, instruct its transfer agent to permit the transfer of such shares in accordance with Compliance & Disclosure Interpretation 528.04, provided that Holder has provided such documentation as shall be reasonably be requested by the Company to establish compliance with the conditions of Compliance & Disclosure Interpretation 528.04. Notwithstanding anything to the contrary, pursuant to FINRA Rule 5110(g)(8)(B)-(D), the Holder shall not be entitled to more than one demand registration right hereunder and the duration of the registration rights hereunder shall not exceed five years from the Effective Date.

3. Transfer.

3.1 General Restrictions. The registered Holder of this Purchase Warrant agrees by his, her or its acceptance hereof, that such Holder will not for a period of one hundred eighty (180) days following the Effective Date: (a) sell, transfer, assign, pledge or hypothecate this Purchase Warrant to anyone other than: (i) Boustead Securities LLC ("**Boustead**") or an underwriter, placement agent, or a selected dealer participating in the Offering, or (ii) a bona fide officer or partner of Boustead or of any such underwriter, placement agent or selected dealer, in each case in accordance with FINRA Conduct Rule 5110(e)(1), or (b) cause this Purchase Warrant or the securities issuable hereunder to be the subject of any hedging, short sale, derivative, put or call transaction that would result in the effective economic disposition of this Purchase Warrant or the securities hereunder, except as provided for in FINRA Rule 5110(e)(2). After 180 days after the Effective Date, transfers to others may be made subject to compliance with or exemptions from applicable securities laws. In order to make any permitted assignment, the Holder must deliver to the Company the assignment form attached hereto duly executed and completed, together with the Purchase Warrant and payment of all transfer taxes, if any, payable in connection therewith. The Company shall within five (5) Business Days transfer this Purchase Warrant on the books of the Company and shall execute and deliver a new Purchase Warrant or Purchase Warrants of like tenor to the appropriate assignee(s) expressly evidencing the right to purchase the aggregate number of Shares purchasable hereunder or such portion of such number as shall be contemplated by any such assignment.

3.2 Restrictions Imposed by the Act. The securities evidenced by this Purchase Warrant shall not be transferred unless and until: (i) if required by applicable law, the Company has received the opinion of counsel for the Company that the securities may be transferred pursuant to an exemption from registration under the Act and applicable state securities laws, or (ii) a registration statement or a post-effective amendment to the Registration Statement relating to the offer and sale of such securities has been filed by the Company and declared effective by the U.S. Securities and Exchange Commission (the "**Commission**") and compliance with applicable state securities law has been established.

4. Piggyback Registration Rights.

4.1 Grant of Right. Whenever the Company proposes to register any shares of its common stock under the Act (other than (i) a registration effected solely to implement an employee benefit plan or a transaction to which Rule 145 of the Act is applicable, or (ii) a registration statement on Form S-4, S-8 or any successor form thereto or another form not available for registering the Shares issuable upon exercise of this Purchase Warrant for sale to the public, whether for its own account or for the account of one or more stockholders of the Company (a "Piggyback Registration"), the Company shall give prompt written notice (in any event no later than ten (10) Business Days prior to the filing of such registration statement) to the Holder of the Company's intention to effect such a registration and, subject to the remaining provisions of this Section 4.1, shall include in such registration such number of Shares underlying this Purchase Warrant (the "**Registrable Securities**") that the Holders have (within ten (10) Business Days of the respective Holder's receipt of such notice) requested in writing (including such number) to be included within such registration. If a Piggyback Registration is an underwritten offering and the managing underwriter advises the Company that it has determined in good faith that marketing factors require a limit on the number of shares of common stock to be included in such registration, including all Shares issuable upon exercise of this Purchase Warrant (if the Holder has elected to include such shares in such Piggyback Registration) and all other shares of common stock proposed to be included in such underwritten offering, , the Company shall include in such registration (i) first, the number of shares of common stock that the Company proposes to sell and (ii) second, the number of shares of common stock, if any, requested to be included therein by selling stockholders (including the Holder) allocated pro rata among all such persons on the basis of the number of shares of common stock then owned by each such person. If any Piggyback Registration is initiated as a primary underwritten offering on behalf of the Company, the Company shall select the investment banking firm or firms to act as the managing underwriter or underwriters in connection with such offering. Notwithstanding anything to the contrary, the obligations of the Company pursuant to this Section 4.1 shall terminate on the earlier of (i) the fifth anniversary of the Effective Date and (ii) the date that Rule 144 would allow the Holder to sell its Registrable Securities during any ninety (90) day period.

4.2 Indemnification. The Company shall indemnify the Holder(s) of the Registrable Securities to be sold pursuant to any registration statement hereunder and each person, if any, who controls such Holders within the meaning of Section 15 of the Act or Section 20 (a) of the Securities Exchange Act of 1934, as amended (" **Exchange Act**"), against all loss, claim, damage, expense or liability (including all reasonable attorneys' fees and other out-of-pocket expenses reasonably incurred in investigating, preparing or defending against any claim whatsoever) to which any of them may become subject under the Act, the Exchange Act or otherwise, arising from such registration statement but only to the same extent and with the same effect as the provisions pursuant to which the Company has agreed to indemnify Boustead contained in the Underwriting Agreement between Boustead and the Company, dated as of [●], 2022. The Holder(s) of the Registrable Securities to be sold pursuant to such registration statement, and their successors and assigns, shall severally, and not jointly, indemnify the Company, against all loss, claim, damage, expense or liability (including all reasonable attorneys' fees and other expenses reasonably incurred in investigating, preparing or defending against any claim whatsoever) to which they may become subject under the Act, the Exchange Act or otherwise, arising from information furnished by or on behalf of such Holders, or their successors or assigns, in writing, for specific inclusion in such registration statement to the same extent and with the same effect as the provisions contained in the Underwriting Agreement pursuant to which Boustead has agreed to indemnify the Company.

4.3 Exercise of Purchase Warrants. Nothing contained in this Purchase Warrant shall be construed as requiring the Holder(s) to exercise their Purchase Warrants prior to or after the initial filing of any registration statement or the effectiveness thereof.

4.4 Documents Delivered to Holders. The Company shall deliver promptly to each Holder participating in the offering requesting the correspondence and memoranda described below, copies of all correspondence between the Commission and the Company, its counsel or auditors and all memoranda relating to discussions with the Commission or its staff with respect to the registration statement and permit each Holder and underwriter to do such investigation, upon reasonable advance notice, with respect to information contained in or omitted from the registration statement as it deems reasonably necessary to comply with applicable securities laws or rules of FINRA. Such investigation shall include access to books, records and properties and opportunities to discuss the business of the Company with its officers and independent auditors, all to such reasonable extent and at such reasonable times, during normal business hours, as any such Holder shall reasonably request.

4.5 Underwriting Agreement. The Holders shall be parties to any underwriting agreement relating to a Piggyback Registration. Such Holders shall not be required to make any representations or warranties to or agreements with the Company or the underwriters except as they may relate to such Holders, their Shares and the amount and nature of their ownership thereof and their intended methods of distribution.

4.6 Documents to be Delivered by Holder(s). Each of the Holder(s) participating in any of the foregoing offerings shall furnish to the Company a completed and executed questionnaire provided by the Company requesting information customarily sought of selling security holders.

4.7 Damages. Should the Company fail to comply with such provisions, the Holder(s) shall, in addition to any other legal or other relief available to the Holder(s), be entitled to obtain specific performance or other equitable (including injunctive) relief against the threatened breach of such provisions or the continuation of any such breach, without the necessity of proving actual damages and without the necessity of posting bond or other security.

5. New Purchase Warrants to be Issued.

5.1 Partial Exercise or Transfer. Subject to the restrictions in Section 3 hereof, this Purchase Warrant may be exercised or assigned in whole or in part. In the event of the exercise or assignment hereof in part only, upon surrender of this Purchase Warrant for cancellation, together with the duly executed exercise or assignment form and funds sufficient to pay any Exercise Price and/or transfer tax if exercised pursuant to Section 2.1 hereto, the Company shall cause to be delivered to the Holder without charge a new Purchase Warrant of like tenor to this Purchase Warrant in the name of the Holder evidencing the right of the Holder to purchase the number of Shares purchasable hereunder as to which this Purchase Warrant has not been exercised or assigned.

5.2 Lost Certificate. Upon receipt by the Company of evidence satisfactory to it of the loss, theft, destruction or mutilation of this Purchase Warrant and of reasonably satisfactory indemnification or the posting of a bond, determined in the sole discretion of the Company, the Company shall execute and deliver a new Purchase Warrant of like tenor and date. Any such new Purchase Warrant executed and delivered as a result of such loss, theft, mutilation or destruction shall constitute a substitute contractual obligation on the part of the Company.

6. Adjustments.

6.1 Adjustments to Exercise Price and Number of Securities. The Exercise Price and the number of Shares underlying the Purchase Warrant shall be subject to adjustment from time to time as hereinafter set forth:

6.1.1 Share Dividends; Split Ups. If, after the date hereof, and subject to the provisions of Section 6.3 below, the number of outstanding Shares is increased by a stock dividend payable in Shares or by a split up of Shares or other similar event, then, on the effective day thereof, the number of Shares purchasable hereunder shall be increased in proportion to such increase in outstanding Shares, and the Exercise Price shall be proportionately decreased.

6.1.2 Aggregation of Shares. If, after the date hereof, and subject to the provisions of Section 6.3 below, the number of outstanding Shares is decreased by a consolidation, combination or reclassification of Shares or other similar event, then, on the effective date thereof, the number of Shares purchasable hereunder shall be decreased in proportion to such decrease in outstanding Shares, and the Exercise Price shall be proportionately increased.

6.1.3 Replacement of Securities upon Reorganization, etc. In case of any reclassification or reorganization of the outstanding Shares other than a change covered by Section 6.1.1 or 6.1.2 hereof or that solely affects the par value of such Shares, or in the case of any share reconstruction or amalgamation or consolidation or merger of the Company with or into another corporation (other than a consolidation or share reconstruction or amalgamation or merger in which the Company is the continuing corporation and that does not result in any reclassification or reorganization of the outstanding Shares), or in the case of any sale or conveyance to another corporation or entity of the property of the Company as an entirety or substantially as an entirety in connection with which the Company is dissolved, the Holder of this Purchase Warrant shall have the right thereafter (until the expiration of the right of exercise of this Purchase Warrant) to receive upon the exercise hereof, for the same aggregate Exercise Price payable hereunder immediately prior to such event, the kind and amount of shares of stock or other securities or property (including cash) receivable upon such reclassification, reorganization, share reconstruction or amalgamation, or consolidation, or upon a dissolution following any such sale or transfer, by a Holder of the number of Shares of the Company obtainable upon exercise of this Purchase Warrant immediately prior to such event; and if any reclassification also results in a change in Shares covered by Section 6.1.1 or 6.1.2, then such adjustment shall be made pursuant to Sections 6.1.1, 6.1.2 and this Section 6.1.3. The provisions of this Section 6.1.3 shall similarly apply to successive reclassifications, reorganizations, share reconstructions or amalgamations, or consolidations, sales or other transfers.

6.1.4 Changes in Form of Purchase Warrant. This form of Purchase Warrant need not be changed because of any change pursuant to this Section 6.1, and Purchase Warrants issued after such change may state the same Exercise Price and the same number of Shares as are stated in the Purchase Warrants initially issued pursuant to this Agreement. The acceptance by any Holder of the issuance of new Purchase Warrants reflecting a required or permissive change shall not be deemed to waive any rights to an adjustment occurring after the Commencement Date or the computation thereof.

6.2 Substitute Purchase Warrant. In case of any consolidation of the Company with, or share reconstruction or amalgamation or merger of the Company with or into, another corporation (other than a consolidation or share reconstruction or amalgamation or merger which does not result in any reclassification or change of the outstanding Shares), the corporation formed by such consolidation or share reconstruction or amalgamation shall execute and deliver to the Holder a supplemental Purchase Warrant providing that the holder of each Purchase Warrant then outstanding or to be outstanding shall have the right thereafter (until the stated expiration of such Purchase Warrant) to receive, upon exercise of such Purchase Warrant, the kind and amount of shares of stock and other securities and property receivable upon such consolidation or share reconstruction or amalgamation, by a holder of the number of Shares of the Company for which such Purchase Warrant might have been exercised immediately prior to such consolidation, share reconstruction or amalgamation or merger, sale or transfer. Such supplemental Purchase Warrant shall provide for adjustments which shall be identical to the adjustments provided for in this Section 6. The above provision of this Section shall similarly apply to successive consolidations or share reconstructions or amalgamations or mergers.

6.3 Elimination of Fractional Interests. The Company shall not be required to issue certificates representing fractions of Shares upon the exercise of the Purchase Warrant, nor shall it be required to issue scrip or pay cash in lieu of any fractional interests, it being the intent of the parties that all fractional interests shall be eliminated by rounding any fraction up or down, as the case may be, to the nearest whole number of Shares or other securities, properties or rights.

7. Reservation. The Company shall at all times reserve and keep available out of its authorized Shares, solely for the purpose of issuance upon exercise of the Purchase Warrants, such number of Shares or other securities, properties or rights as shall be issuable upon the exercise thereof. The Company covenants and agrees that, upon exercise of the Purchase Warrants and payment of the Exercise Price therefor, in accordance with the terms hereby, all Shares and other securities issuable upon such exercise shall be duly and validly issued, fully paid and non-assessable and not subject to preemptive rights of any shareholder.

8. Certain Notice Requirements.

8.1 Holder's Right to Receive Notice. Nothing herein shall be construed as conferring upon the Holders the right to vote or consent or to receive notice as a shareholder for the election of directors or any other matter, or as having any rights whatsoever as a shareholder of the Company. If, however, at any time prior to the expiration of the Purchase Warrants and their exercise, any of the events described in Section 8.2 shall occur, then, in one or more of said events, the Company shall deliver to each Holder a copy of each notice relating to such events given to the other shareholders of the Company at the same time and in the same manner that such notice is given to the shareholders.

8.2 Events Requiring Notice. The Company shall be required to give the notice described in this Section 8 upon one or more of the following events: (i) if the Company shall take a record of the holders of its Shares for the purpose of entitling them to receive a dividend or distribution payable otherwise than in cash, or a cash dividend or distribution payable otherwise than out of retained earnings, as indicated by the accounting treatment of such dividend or distribution on the books of the Company, or (ii) the Company shall offer to all the holders of its Shares any additional shares of capital stock of the Company or securities convertible into or exchangeable for shares of capital stock of the Company, or any option, right or warrant to subscribe therefor.

8.3 Notice of Change in Exercise Price. The Company shall, promptly after an event requiring a change in the Exercise Price pursuant to Section 6 hereof, send notice to the Holders of such event and change ("**Price Notice**"). The Price Notice shall describe the event causing the change and the method of calculating same.

8.4 Transmittal of Notices. All notices, requests, consents and other communications under this Purchase Warrant shall be in writing and shall be deemed to have been duly made when hand delivered, or mailed by express mail or private courier service: (i) if to the registered Holder of the Purchase Warrant, to the address of such Holder as shown on the books of the Company, or (ii) if to the Company, to following address or to such other address as the Company may designate by notice to the Holders:

If to the Holder:

Boustead Securities, LLC
6 Venture, Suite 395
Irvine, CA 92618
Attention: Chief Executive Officer
Fax No: [*]

with a copy (which shall not constitute notice) to:

Bevilacqua PLLC
1050 Connecticut Avenue NW, Suite 500
Washington, DC 20036
Attn: Louis Bevilacqua, Esq.
Fax No.: (202) 869-0889

If to the Company:

Actelis Networks, Inc.
47800 Westinghouse Drive
Fremont, CA 94539
Attention**:** Tuvia Barlev
Fax No: [*]

with copies (which shall not constitute notice) to:

Pearl Cohen Zedek Latzer Baratz LLP
131 Dartmouth Street
Boston, Massachusetts 02116
Attention: Oded Kadosh
Benjamin J. Waltuch
Fax: (617) 228-5721

McDermott Will & Emery
One Vanderbilt Avenue,
New York, NY 10017-3852
Attention: Gary Emmanuel
Eyal Peled
Fax: (212) 547-5477

9. Miscellaneous.

9.1 Amendments. The Company and Boustead may from time to time supplement or amend this Purchase Warrant without the approval of any of the Holders in order to cure any ambiguity, to correct or supplement any provision contained herein that may be defective or inconsistent with any other provisions herein, or to make any other provisions in regard to matters or questions arising hereunder that the Company and Boustead may deem necessary or desirable and that the Company and Boustead deem shall not adversely affect the interest of the Holders. All other modifications or amendments shall require the written consent of and be signed by (i) the Company and (ii) the Holder(s) of Purchase Warrants then-exercisable for at least a majority of the Shares then-exercisable pursuant to all then-outstanding Purchase Warrants.

9.2 Headings. The headings contained herein are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Purchase Warrant.

9.3. Entire Agreement. This Purchase Warrant (together with the other agreements and documents being delivered pursuant to or in connection with this Purchase Warrant) constitutes the entire agreement of the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements and understandings of the parties, oral and written, with respect to the subject matter hereof.

9.4 Binding Effect. This Purchase Warrant shall inure solely to the benefit of and shall be binding upon, the Holder and the Company and their permitted assignees, respective successors, legal representative and assigns, and no other person shall have or be construed to have any legal or equitable right, remedy or claim under or in respect of or by virtue of this Purchase Warrant or any provisions herein contained.

9.5 Governing Law; Submission to Jurisdiction; Trial by Jury. This Purchase Warrant shall be governed by and construed and enforced in accordance with the laws of the State of New York, without giving effect to conflict of laws principles thereof. The Company hereby agrees that any action, proceeding or claim against it arising out of, or relating in any way to this Purchase Warrant shall be brought and enforced in the New York Supreme Court, County of New York, or in the United States District Court for the Southern District of New York, and irrevocably submits to such jurisdiction, which jurisdiction shall be exclusive. The Company hereby waives any objection to such exclusive jurisdiction and that such courts represent an inconvenient forum. Any process or summons to be served upon the Company may be served by transmitting a copy thereof by registered or certified mail, return receipt requested, postage prepaid, addressed to it at the address set forth in Section 8 hereof. Such mailing shall be deemed personal service and shall be legal and binding upon the Company in any action, proceeding or claim. The Company and the Holder agree that the prevailing party(ies) in any such action shall be entitled to recover from the other party(ies) all of its reasonable attorneys' fees and expenses relating to such action or proceeding and/or incurred in connection with the preparation therefor. The Company (on its behalf and, to the extent permitted by applicable law, on behalf of its stockholders and affiliates) and the Holder hereby irrevocably waive, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

9.6 Waiver, etc. The failure of the Company or the Holder to at any time enforce any of the provisions of this Purchase Warrant shall not be deemed or construed to be a waiver of any such provision, nor to in any way affect the validity of this Purchase Warrant or any provision hereof or the right of the Company or any Holder to thereafter enforce each and every provision of this Purchase Warrant. No waiver of any breach, non-compliance or non-fulfillment of any of the provisions of this Purchase Warrant shall be effective unless set forth in a written instrument executed by the party or parties against whom or which enforcement of such waiver is sought; and no waiver of any such breach, non-compliance or non-fulfillment shall be construed or deemed to be a waiver of any other or subsequent breach, non-compliance or non-fulfillment.

9.7 Exchange Agreement. As a condition of the Holder's receipt and acceptance of this Purchase Warrant, Holder agrees that, at any time prior to the complete exercise of this Purchase Warrant by Holder, if the Company and Boustead enter into an agreement ("**Exchange Agreement**") pursuant to which they agree that all outstanding Purchase Warrants will be exchanged for securities or cash or a combination of both, then Holder shall agree to such exchange and become a party to the Exchange Agreement.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the Company has caused this Purchase Warrant to be signed by its duly authorized officer as of the [●] day of [●], 2022.

Actelis Networks, Inc.

By: _____
Name:
Title:

[*Form to be used to exercise Purchase Warrant*]

Date: _____, 20___

The undersigned hereby elects irrevocably to exercise the Purchase Warrant for _____ shares of common stock, par value $0.00001 per share (the "**Shares**"), of Actelis Networks, Inc., a Delaware corporation (the "**Company**"), and hereby makes payment of $____ (at the rate of $____ per Share) in payment of the Exercise Price pursuant thereto. Please issue the Shares as to which this Purchase Warrant is exercised in accordance with the instructions given below and, if applicable, a new Purchase Warrant representing the number of Shares for which this Purchase Warrant has not been exercised.

or

The undersigned hereby elects irrevocably to convert its right to purchase ___ Shares of the Company under the Purchase Warrant for _____ Shares, as determined in accordance with the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where,

X = The number of Shares to be issued to Holder;
Y = The number of Shares for which the Purchase Warrant is being exercised;
A = The fair market value of one Share which is equal to $_____; and
B = The Exercise Price which is equal to $_____ per share

The undersigned agrees and acknowledges that the calculation set forth above is subject to confirmation by the Company and any disagreement with respect to the calculation shall be resolved by the Company in its sole discretion.

Please issue the Shares as to which this Purchase Warrant is exercised in accordance with the instructions given below and, if applicable, a new Purchase Warrant representing the number of Shares for which this Purchase Warrant has not been converted.

Signature _____

Signature Guaranteed _____

INSTRUCTIONS FOR REGISTRATION OF SECURITIES

Name: _____
(Print in Block Letters)

Address: _____

_____

NOTICE: The signature to this form must correspond with the name as written upon the face of the Purchase Warrant without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank, other than a savings bank, or by a trust company or by a firm having membership on a registered national securities exchange.

[*Form to be used to assign Purchase Warrant*]

ASSIGNMENT

(To be executed by the registered Holder to effect a transfer of the within Purchase Warrant):

FOR VALUE RECEIVED, _____ does hereby sell, assign and transfer unto the right to purchase shares of common stock, par value $0.00001 per share, of Actelis Networks, Inc., a Delaware corporation (the "**Company**"), evidenced by the Purchase Warrant and does hereby authorize the Company to transfer such right on the books of the Company.

Dated: _____, 20__

Signature _____

Signature Guaranteed _____

NOTICE: The signature to this form must correspond with the name as written upon the face of the within Purchase Warrant without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank, other than a savings bank, or by a trust company or by a firm having membership on a registered national securities exchange.

EXHIBIT B

Form of Lock-Up Agreement

EXHIBIT C

Form of Press Release

Exhibit 3.3

AMENDED AND RESTATED BYLAWS OF

ACTELIS NETWORKS, INC.

Adopted

February 2015

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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***. Unless directors are elected by written consent in lieu of an annual meeting as permitted by Section 211(b) of the DGCL, 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. Stockholders may, unless the certificate of incorporation otherwise provides, act by written consent to elect directors; *provided, however,* that, if such consent is less than unanimous, such action by written consent may be in lieu of holding an annual meeting only if 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. Any other proper business may be transacted at the annual meeting.

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 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. Where a separate vote by a class or series or classes or series is required, a majority of the outstanding shares of such class or series or classes or series, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to that vote on that matter, except as otherwise provided by law, the certificate of incorporation or these bylaws.

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 shall be satisfied by a ballot submitted by electronic transmission (as defined in **Section 6.11** 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.

Except as otherwise required by law, the certificate of incorporation or these bylaws, in all matters other than the election of directors, the affirmative vote of a majority of the voting power of the shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall be the act of the stockholders. Except as otherwise required by law, the certificate of incorporation or these bylaws, directors shall be elected by a plurality of the voting power of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. Where a separate vote by a class or series or classes or series is required, in all matters other than the election of directors, the affirmative vote of the majority of shares of such class or series or classes or series present in person or represented by proxy at the meeting shall be the act of such class or series or classes or series, except as otherwise provided by law, the certificate of incorporation or these bylaws.

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.

Every written consent shall bear the date of signature of each stockholder who signs the consent, and no written consent shall be effective to take the corporate action referred to therein unless, within 60 days of the earliest dated consent delivered in the manner required by Section 228 of the DGCL to the Company, written consents signed by a sufficient number of holders to take action are delivered to the Company by delivery to its registered office in the State of Delaware, its principal place of business or an officer or agent of the Company having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Company's registered office shall be by hand or by certified or registered mail, return receipt requested. Any person executing a consent may provide, whether through instruction to an agent or otherwise, that such a consent will be effective at a future time (including a time determined upon the happening of an event), no later than 60 days after such instruction is given or such provision is made, and, for the purposes of this **Section 1.10**, if evidence of such instruction or provision is provided to the Company, such later effective time shall serve as the date of signature. Unless otherwise provided, any such consent shall be revocable prior to its becoming effective.

An electronic transmission (as defined in **Section 6.11**) consenting to an action to be taken and transmitted by a stockholder or proxy holder, or by a person or persons authorized to act for a stockholder or proxy holder, shall be deemed to be written, signed and dated for purposes of this section, *provided* that any such electronic transmission sets forth or is delivered with information from which the Company can determine (i) that the electronic transmission was transmitted by the stockholder or proxy holder or by a person or persons authorized to act for the stockholder or proxy holder and (ii) the date on which such stockholder or proxy holder or authorized person or persons transmitted such electronic transmission.

In the event that the Board shall have instructed the officers of the Company to solicit the vote or written consent of the stockholders of the Company, an electronic transmission of a stockholder written consent given pursuant to such solicitation may be delivered to the Secretary or the President of the Company or to a person designated by the Secretary or the President. The Secretary or the President of the Company or a designee of the Secretary or the President shall cause any such written consent by electronic transmission to be reproduced in paper form and inserted into the corporate records.

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 notice of 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 Board shall consist of one or more members, each of whom shall be a natural person. Unless the certificate of incorporation fixes the number of directors, the number of directors shall be determined from time to time by resolution of the Board. 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. 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 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. A resignation is effective when the resignation is delivered unless the resignation specifies a later effective date or an effective date determined upon the happening of an event or events. A resignation which is conditioned upon the director failing to receive a specified vote for reelection as a director may provide that it is irrevocable. Unless otherwise provided in the certificate of incorporation or these bylaws, when one or more directors resign from the Board, 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.

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.

A director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office and until such director's successor is elected and qualified, or until such director's earlier death, resignation or removal.

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;

(iv) sent by electronic mail; or

(v) otherwise given by electronic transmission (as defined in **Section 6.11**),

directed to each director at that director's address, telephone number, facsimile number, electronic mail address or other contact for notice by electronic transmission, 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, (iii) sent by electronic mail or (iv) otherwise given by electronic transmission, it shall be delivered, sent or otherwise directed to each director, as applicable, 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; Voting***. At all meetings of the Board, one-third ($1/3^{rd}$) of the total authorized number of directors shall constitute a quorum for the transaction of business. 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.

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 the certificate of incorporation provides that one or more directors shall have more or less than one vote per director on any matter, every reference in these bylaws to a majority or other proportion of the directors shall refer to a majority or other proportion of the votes of the directors.

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. Any person (whether or not then a director) may provide, whether through instruction to an agent or otherwise, that a consent to action will be effective at a future time (including a time determined upon the happening of an event), no later than 60 days after such instruction is given or such provision is made and such consent shall be deemed to have been given for purposes of this **Section 2.10** at such effective time so long as such person is then a director and did not revoke the consent prior to such time. Any such consent shall be revocable prior to its becoming effective.

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 (other than the election or removal of directors) 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 Actions 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; Voting);

(v) **Section 2.10** (Board Action by Written Consent Without a Meeting); and

(vi) **Section 6.16** (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, or 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.

6.11 ***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.

6.12 ***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.

6.13 ***Inapplicability***. Notice by a form of electronic transmission shall not apply to Sections 164, 296, 311, 312 or 324 of the DGCL.

6.14 ***Notice to Stockholders Sharing an Address***. Except as otherwise prohibited under the DGCL, without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders given by the Company under the provisions of the DGCL, the certificate of incorporation or these bylaws shall be effective if given by a single written notice to stockholders who share an address if consented to by the stockholders at that address to whom such notice is given. Any such consent shall be revocable by the stockholder by written notice to the Company. Any stockholder who fails to object in writing to the Company, within 60 days of having been given written notice by the Company of its intention to send the single notice, shall be deemed to have consented to receiving such single written notice.

6.15 ***Notice to Person with Whom Communication is Unlawful***. Whenever notice is required to be given, under the DGCL, the certificate of incorporation or these bylaws, to any person with whom communication is unlawful, the giving of such notice to such person shall not be required and there shall be no duty to apply to any governmental authority or agency for a license or permit to give such notice to such person. Any action or meeting which shall be taken or held without notice to any such person with whom communication is unlawful shall have the same force and effect as if such notice had been duly given. In the event that the action taken by the Company is such as to require the filing of a certificate under the DGCL, the certificate shall state, if such is the fact and if notice is required, that notice was given to all persons entitled to receive notice except such persons with whom communication is unlawful.

6.16 ***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 — INDEMNIFICATION

7.1 ***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.

7.2 ***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.

7.3 ***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.

7.4 ***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.

7.5 ***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.

7.6 ***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.

7.7 ***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 VIII — 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.

SECOND AMENDED AND RESTATED BYLAWS OF

ACTELIS NETWORKS, INC.

Adopted May__, 2022

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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*** Unless directors are elected by written consent in lieu of an annual meeting as permitted by Section 211(b) of the DGCL, 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. Stockholders may, unless the certificate of incorporation otherwise provides, act by written consent to elect directors; *provided, however,* that, if such consent is less than unanimous, such action by written consent may be in lieu of holding an annual meeting only if 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. Any other proper business may be transacted at the annual meeting.

1.3 ***Special Meeting*** A special meeting of the stockholders may be called at any time by the vote of a majority of the Board of Directors

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 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 331/3% 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. Where a separate vote by a class or series or classes or series is required, a majority of the outstanding shares of such class or series or classes or series, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to that vote on that matter, except as otherwise provided by law, the certificate of incorporation or these bylaws.

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 shall be satisfied by a ballot submitted by electronic transmission (as defined in **Section 6.11** 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.

Except as otherwise required by law, the certificate of incorporation or these bylaws, in all matters other than the election of directors, the affirmative vote of a majority of the voting power of the shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall be the act of the stockholders. Except as otherwise required by law, the certificate of incorporation or these bylaws, directors shall be elected by a plurality of the voting power of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. Where a separate vote by a class or series or classes or series is required, in all matters other than the election of directors, the affirmative vote of the majority of shares of such class or series or classes or series present in person or represented by proxy at the meeting shall be the act of such class or series or classes or series, except as otherwise provided by law, the certificate of incorporation or these bylaws.

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.

Every written consent shall bear the date of signature of each stockholder who signs the consent, and no written consent shall be effective to take the corporate action referred to therein unless, within 60 days of the earliest dated consent delivered in the manner required by Section 228 of the DGCL to the Company, written consents signed by a sufficient number of holders to take action are delivered to the Company by delivery to its registered office in the State of Delaware, its principal place of business or an officer or agent of the Company having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Company's registered office shall be by hand or by certified or registered mail, return receipt requested. Any person executing a consent may provide, whether through instruction to an agent or otherwise, that such a consent will be effective at a future time (including a time determined upon the happening of an event), no later than 60 days after such instruction is given or such provision is made, and, for the purposes of this **Section 1.10**, if evidence of such instruction or provision is provided to the Company, such later effective time shall serve as the date of signature. Unless otherwise provided, any such consent shall be revocable prior to its becoming effective.

An electronic transmission (as defined in **Section 6.11**) consenting to an action to be taken and transmitted by a stockholder or proxy holder, or by a person or persons authorized to act for a stockholder or proxy holder, shall be deemed to be written, signed and dated for purposes of this section, *provided* that any such electronic transmission sets forth or is delivered with information from which the Company can determine (i) that the electronic transmission was transmitted by the stockholder or proxy holder or by a person or persons authorized to act for the stockholder or proxy holder and (ii) the date on which such stockholder or proxy holder or authorized person or persons transmitted such electronic transmission.

In the event that the Board shall have instructed the officers of the Company to solicit the vote or written consent of the stockholders of the Company, an electronic transmission of a stockholder written consent given pursuant to such solicitation may be delivered to the Secretary or the President of the Company or to a person designated by the Secretary or the President. The Secretary or the President of the Company or a designee of the Secretary or the President shall cause any such written consent by electronic transmission to be reproduced in paper form and inserted into the corporate records.

(i) 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 notice of 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[2] 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.

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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. The Board of Directors may adopt such rules and regulations, not inconsistent with the certificate of incorporation or these bylaws or applicable laws, as it may deem proper for the conduct of its meetings and the management of the Company.

2.2 ***Number of Directors*** The Board shall consist of one or more members, each of whom shall be a natural person. Unless the certificate of incorporation fixes the number of directors, the number of directors shall be determined from time to time by resolution of the Board. 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. 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 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. A resignation is

effective when the resignation is delivered unless the resignation specifies a later effective date or an effective date determined upon the happening of an event or events. A resignation which is conditioned upon the director failing to receive a specified vote for reelection as a director may provide that it is irrevocable. Unless otherwise provided in the certificate of incorporation or these bylaws, when one or more directors resign from the Board, 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.

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.

A director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office and until such director's successor is elected and qualified, or until such director's earlier death, resignation or removal.

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, 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;

(iv) sent by electronic mail; or

(v) otherwise given by electronic transmission (as defined in **Section 6.11**),

directed to each director at that director's address, telephone number, facsimile number, electronic mail address or other contact for notice by electronic transmission, 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, (iii) sent by electronic mail or (iv) otherwise given by electronic transmission, it shall be delivered, sent or otherwise directed to each director, as applicable, 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; Voting*** At all meetings of the Board, two-thirds (2/3)of the total authorized number of directors shall constitute a quorum for the transaction of business. 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.

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 the certificate of incorporation provides that one or more directors shall have more or less than one vote per director on any matter, every reference in these bylaws to a majority or other proportion of the directors shall refer to a majority or other proportion of the votes of the directors.

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. Any person (whether or not then a director) may provide, whether through instruction to an agent or otherwise, that a consent to action will be effective at a future time (including a time determined upon the happening of an event), no later than 60 days after such instruction is given or such provision is made and such consent shall be deemed to have been given for purposes of this **Section 2.10** at such effective time so long as such person is then a director and did not revoke the consent prior to such time. Any such consent shall be revocable prior to its becoming effective. In addition, meetings of the Board of Directors may be held by means of conference telephone, video or voice communication as permitted by the DGCL.

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 (other than the election or removal of directors) 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 Actions 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; Voting);

(v) **Section 2.10** (Board Action by Written Consent Without a Meeting); and

(vi) **Section 6.16** (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*** The officers of the corporation shall hold office until their successors are chosen and qualify. 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.

Chairman. The Chairman shall, if one be elected, preside at all meetings of the Board of Directors.

Chief Executive Officer. The Chief Executive Officer, shall preside at all meetings of the stockholders and the Board of Directors in the absence of a Chairman, shall have general supervision over the business of the corporation and shall see that all directions and resolutions of the Board of Directors are carried into effect.

Vice President. The Vice President shall, in the absence or disability of the Chief Executive Officers, perform the duties and exercise the powers of the Chief Executive officers and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe. The Vice President shall, in the absence or disability of the Chief Executive Officer and of the Vice President, perform the duties and exercise the powers of the Chief Executive Officer and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe. If there shall be more than one vice president, the vice presidents shall perform such duties and exercise such powers in the absence or disability of the Chief Executive Officer and of the Vice President, in the order determined by the Board of Directors.

Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of the stockholders and record all the proceedings of the meetings of the corporation and of the Board of Directors in a book to be kept for that purpose. He shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or Chief Executive Officer, under whose supervision he shall be. He shall have custody of the corporate seal of the corporation and he, or an assistant secretary, shall have the authority to affix the same to an instrument requiring it and when so affixed, it may be attested by his signature or by the signature of such assistant secretary. The Board of Directors may give general authority to any other officer to affix the seal of the corporation and to attest the affixing by his signature.

Assistant Secretary. The Assistant Secretary, if there shall be one, or if there shall be more than one, the assistant secretaries in the order determined by the Board of Directors, shall, in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary and shall perform such other duties and have such powers as the Board of Directors may from time to time prescribe.

Treasurer. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the Board of Directors. He shall disburse the funds of the corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Chairman, the Chief Executive Officer and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all of his transactions as Treasurer and of the financial condition of the corporation.

Assistant Treasurer. The Assistant Treasurer, if there shall be one, or, if there shall be more than one, the Assistant Treasurers in the order determined by the Board of Directors, shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

ARTICLE V CAPITAL STOCK

Form. The shares of the capital stock of the corporation shall be represented by certificates in such form as shall be approved by the Board of Directors and shall be signed by the Chief Executive Officer, a Vice President or a Vice President, and by the Treasurer or an assistant treasurer or the Secretary or an Assistant Secretary of the corporation, and may be sealed with the seal of the corporation or a facsimile thereof.

Lost and Destroyed Certificates. The Board of Directors may direct a new certificate to be issued in place of any certificate theretofore issued by the corporation alleged to have been lost or destroyed. When authorizing such issue of a new certificate, the Board of Directors, in its discretion and as a condition precedent to the issuance thereof, may prescribe such terms and conditions as it deems expedient, and may require such indemnities as it deems adequate, to protect the corporation from any claim that may be made against it with respect to any such certificate alleged to have been lost or destroyed.

Transfer of Shares. Upon surrender to the corporation or the transfer agent of the corporation of a certificate representing shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, a new certificate shall be issued to the person entitled thereto, and the old certificate cancelled and the transaction recorded upon the books of the corporation.

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, or 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 ***Checks.*** All checks or demands for money and notes of the corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

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.

6.11 ***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.

6.12 ***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.

6.13 ***Inapplicability*** Notice by a form of electronic transmission shall not apply to Sections 164, 296, 311, 312 or 324 of the DGCL.

6.14 ***Notice to Stockholders Sharing an Address*** Except as otherwise prohibited under the DGCL, without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders given by the Company under the provisions of the DGCL, the certificate of incorporation or these bylaws shall be effective if given by a single written notice to stockholders who share an address if consented to by the stockholders at that address to whom such notice is given. Any such consent shall be revocable by the stockholder by written notice to the Company. Any stockholder who fails to object in writing to the Company, within 60 days of having been given written notice by the Company of its intention to send the single notice, shall be deemed to have consented to receiving such single written notice.

6.15 ***Notice to Person with Whom Communication is Unlawful*** Whenever notice is required to be given, under the DGCL, the certificate of incorporation or these bylaws, to any person with whom communication is unlawful, the giving of such notice to such person shall not be required and there shall be no duty to apply to any governmental authority or agency for a license or permit to give such notice to such person. Any action or meeting which shall be taken or held without notice to any such person with whom communication is unlawful shall have the same force and effect as if such notice had been duly given. In the event that the action taken by the Company is such as to require the filing of a certificate under the DGCL, the certificate shall state, if such is the fact and if notice is required, that notice was given to all persons entitled to receive notice except such persons with whom communication is unlawful.

6.16 ***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 — INDEMNIFICATION

7.1 ***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.

7.2 ***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.

7.3 ***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.

7.4 ***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.

7.5 ***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.

7.6 ***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.

7.7 ***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 VIII — OFFICES

8.1. ***Principal Office***. The registered office of the Company shall be located in such place as may be provided from time to time in the certificate of incorporation.

8.2. ***Other Offices***. The Company may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or as the business of the Company may require.

ARTICLE IX — AMENDMENTS

These bylaws may be adopted, amended or repealed by (1) 75% of the stockholders entitled to vote or (2) by a resolution adopted by a majority of the Board of Directors at any regular or special meeting of the Board. The stockholders shall have authority to change or repeal any bylaws adopted by the directors. 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.

THE REGISTERED HOLDER OF THIS PURCHASE WARRANT AGREES BY ITS ACCEPTANCE HEREOF, THAT SUCH HOLDER WILL NOT FOR A PERIOD OF ONE HUNDRED EIGHTY (180) DAYS FOLLOWING [DATE], WHICH IS THE COMMENCEMENT OF SALES OF COMMON STOCK IN THE OFFERING: (A) SELL, TRANSFER, ASSIGN, PLEDGE OR HYPOTHECATE THIS PURCHASE WARRANT TO ANYONE OTHER THAN OFFICERS OR PARTNERS OF BOUSTEAD SECURITIES LLC, EACH OF WHOM SHALL HAVE AGREED TO THE RESTRICTIONS CONTAINED HEREIN, IN ACCORDANCE WITH FINRA CONDUCT RULE 5110(E)(1), OR (B) CAUSE THIS PURCHASE WARRANT OR THE SECURITIES ISSUABLE HEREUNDER TO BE THE SUBJECT OF ANY HEDGING, SHORT SALE, DERIVATIVE, PUT OR CALL TRANSACTION THAT WOULD RESULT IN THE EFFECTIVE ECONOMIC DISPOSITION OF THIS PURCHASE WARRANT OR THE SECURITIES HEREUNDER, EXCEPT AS PROVIDED FOR IN FINRA RULE 5110(E)(2).

THIS PURCHASE WARRANT IS NOT EXERCISABLE PRIOR TO [DATE] (THE DATE OF ISSUANCE). VOID AFTER 5:00 P.M., EASTERN TIME, [DATE] (THE DATE THAT IS FIVE YEARS FROM COMMENCEMENT OF SALES OF COMMON STOCK IN THE OFFERING (AS DEFINED BELOW).

COMMON STOCK PURCHASE WARRANT

For the Purchase of [●] Shares of Common Stock

of

Actelis Networks, Inc.

1. Purchase Warrant. THIS CERTIFIES THAT, in consideration of funds duly paid by or on behalf of Boustead Securities, LLC ("**Holder**"), as registered owner of this Purchase Warrant, to Actelis Networks, Inc., a Delaware corporation (the "**Company**"), Holder is entitled, at any time or from time to time beginning [●], 2022 (the "**Commencement Date**"), and at or before 5:00 p.m., Eastern time, [●], 202_[1] (the "**Expiration Date**"), but not thereafter, to subscribe for, purchase and receive, in whole or in part, up to [●] shares of common stock of the Company, par value $0.00001 per share (the "**Shares**"), subject to adjustment as provided in Section 6 hereof. If the Expiration Date is a day on which banking institutions are authorized by law to close, then this Purchase Warrant may be exercised on the next succeeding day which is not such a day in accordance with the terms herein. During the period ending on the Expiration Date, the Company agrees not to take any action that would terminate this Purchase Warrant. This Purchase Warrant is initially exercisable at **$**[●] per Share[2]; provided, however, that upon the occurrence of any of the events specified in Section 6 hereof, the rights granted by this Purchase Warrant, including the exercise price per Share and the number of Shares to be received upon such exercise, shall be adjusted as therein specified. The term "**Exercise Price**" shall mean the initial exercise price or the adjusted exercise price, depending on the context.

2. Exercise.

2.1 Exercise Form. In order to exercise this Purchase Warrant, the exercise form attached hereto must be duly executed and completed and delivered to the Company, together with this Purchase Warrant and payment of the Exercise Price for the Shares being purchased payable in cash by wire transfer of immediately available funds to an account designated by the Company or by certified check or official bank check. If the subscription rights represented hereby shall not be exercised at or before 5:00 p.m., Eastern time, on the Expiration Date, this Purchase Warrant shall become and be void without further force or effect, and all rights represented hereby shall cease and expire. Each exercise hereof shall be irrevocable.

[1] [To be five years from the commencement of sales in the Offering.]

[2] [To be 125% of the public offering price per Share]

2.2 Cashless Exercise. In lieu of exercising this Purchase Warrant by payment of cash or check payable to the order of the Company pursuant to Section 2.1 above, Holder may elect to receive the number of Shares equal to the value of this Purchase Warrant (or the portion thereof being exercised), by surrender of this Purchase Warrant to the Company, together with the exercise form attached hereto, in which event the Company will issue to Holder Shares in accordance with the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where,

X	=	The number of Shares to be issued to Holder;
Y	=	The number of Shares for which the Purchase Warrant is being exercised;
A	=	The fair market value of one Share; and
B	=	The Exercise Price.

For purposes of this Section 2.2, the fair market value means, for any date, the price determined by the first of the following clauses that applies: (a) if the common stock is then listed or quoted on a Eligible Market, the value shall be deemed to be the highest intra-day or closing price on any trading day on such Eligible Market on which the common stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)) during the five trading days preceding the exercise, (b) if OTCQB or OTCQX is not an Eligible Market, the value shall be deemed to be the highest intra-day or closing price on any trading day on the OTCQB or OTCQX on which the common stock is then quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)) during the five trading days preceding the exercise, as applicable, (c) if the common stock is not then listed or quoted for trading on OTCQB or OTCQX and if prices for the common stock are then reported in the "Pink Sheets" published by OTC Markets Group, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the "OTC Markets Group", the value shall be deemed to be the highest intra-day or closing price on any trading day on the Pink Sheets on which the common stock is then quoted as reported by OTC Markets Group (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)) during the five trading days preceding the exercise, or (d) in all other cases, the fair market value of a share of common stock as determined by an independent appraiser selected in good faith by the Holder and reasonably acceptable to the Company.

2.3 Legend. Each certificate for the securities purchased under this Purchase Warrant shall bear a legend as follows unless such securities have been registered under the Securities Act of 1933, as amended (the "**Act**"):

"The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended (the "**Act**"), or applicable state law. Neither the securities nor any interest therein may be offered for sale, sold or otherwise transferred except pursuant to an effective registration statement under the Act, or pursuant to an exemption from registration under the Act and applicable state law which, in the opinion of counsel to the Company, is available."

2.4 Resale of Shares. Holder and the Company acknowledge that as of the date hereof the Staff of the Division of Corporation Finance of the SEC has published Compliance & Disclosure Interpretation 528.04 in the Securities Act Rules section thereof, stating that the holder of securities issued in connection with a public offering may not rely upon Rule 144 promulgated under the Act to establish an exemption from registration requirements under Section 4(a)(1) under the Act, but may nonetheless apply Rule 144 constructively for the resale of such shares in the following manner: (a) provided that six months has elapsed since the last sale under the registration statement, an underwriter or finder may resell the securities in accordance with the provisions of Rule 144(c), (e), and (f), except for the notice requirement; (b) a purchaser of the shares from an underwriter receives restricted securities unless the sale is made with an appropriate, current prospectus, or unless the sale is made pursuant to the conditions contained in (a) above; (c) a purchaser of the shares from an underwriter who receives restricted securities may include the underwriter's holding period, provided that the underwriter or finder is not an affiliate of the issuer; and (d) if an underwriter transfers the shares to its employees, the employees may tack the firm's holding period for purposes of Rule 144(d), but they must aggregate sales of the distributed shares with those of other employees, as well as those of the underwriter or finder, for a six-month period from the date of the transfer to the employees. Holder and the Company also acknowledge that the Staff of the Division of Corporation Finance of the SEC has advised in various no-action letters that the holding period associated with securities issued without registration to a service provider commences upon the completion of the services, which the Company agrees and acknowledges shall be the final closing of the Offering, and that Rule 144(d)(3)(ii) provides that securities acquired from the issuer solely in exchange for other securities of the same issuer shall be deemed to have been acquired at the same time as the securities surrendered for conversion (which the Company agrees is the date of the initial issuance of this Purchase Warrant). In the event that following a reasonably-timed written request by Holder to transfer the Shares in accordance with Compliance & Disclosure Interpretation 528.04 counsel for the Company in good faith concludes that Compliance & Disclosure Interpretation 528.04 no longer may be relied upon as a result of changes in applicable laws, regulations, or interpretations of the SEC Division of Corporation Finance, or as a result of judicial interpretations not known by the Company or its counsel on the date hereof, then the Company shall promptly, and in any event within five (5) business days following the request, provide written notice to Holder of such determination. As a condition to giving such notice, the parties shall negotiate in good faith a single demand registration right pursuant to an agreement in customary form reasonably acceptable to the parties; provided that notwithstanding anything to the contrary, the obligations of the Company pursuant to this Section 2 shall terminate on the fifth anniversary of the Effective Date. In the absence of such conclusion by counsel for the Company, the Company shall, upon such a request of Holder given no earlier than six months after the final closing of the Offering, instruct its transfer agent to permit the transfer of such shares in accordance with Compliance & Disclosure Interpretation 528.04, provided that Holder has provided such documentation as shall be reasonably be requested by the Company to establish compliance with the conditions of Compliance & Disclosure Interpretation 528.04. Notwithstanding anything to the contrary, pursuant to FINRA Rule 5110(g)(8)(B)-(D), the Holder shall not be entitled to more than one demand registration right hereunder and the duration of the registration rights hereunder shall not exceed five years from the Effective Date.

3. Transfer.

3.1 General Restrictions. The registered Holder of this Purchase Warrant agrees by his, her or its acceptance hereof, that such Holder will not for a period of one hundred eighty (180) days following the Effective Date: (a) sell, transfer, assign, pledge or hypothecate this Purchase Warrant to anyone other than: (i) Boustead Securities LLC ("**Boustead**") or an underwriter, placement agent, or a selected dealer participating in the Offering, or (ii) a bona fide officer or partner of Boustead or of any such underwriter, placement agent or selected dealer, in each case in accordance with FINRA Conduct Rule 5110(e)(1), or (b) cause this Purchase Warrant or the securities issuable hereunder to be the subject of any hedging, short sale, derivative, put or call transaction that would result in the effective economic disposition of this Purchase Warrant or the securities hereunder, except as provided for in FINRA Rule 5110(e)(2). After 180 days after the Effective Date, transfers to others may be made subject to compliance with or exemptions from applicable securities laws. In order to make any permitted assignment, the Holder must deliver to the Company the assignment form attached hereto duly executed and completed, together with the Purchase Warrant and payment of all transfer taxes, if any, payable in connection therewith. The Company shall within five (5) Business Days transfer this Purchase Warrant on the books of the Company and shall execute and deliver a new Purchase Warrant or Purchase Warrants of like tenor to the appropriate assignee(s) expressly evidencing the right to purchase the aggregate number of Shares purchasable hereunder or such portion of such number as shall be contemplated by any such assignment.

3.2 Restrictions Imposed by the Act. The securities evidenced by this Purchase Warrant shall not be transferred unless and until: (i) if required by applicable law, the Company has received the opinion of counsel for the Company that the securities may be transferred pursuant to an exemption from registration under the Act and applicable state securities laws, or (ii) a registration statement or a post-effective amendment to the Registration Statement relating to the offer and sale of such securities has been filed by the Company and declared effective by the U.S. Securities and Exchange Commission (the "**Commission**") and compliance with applicable state securities law has been established.

4. Piggyback Registration Rights.

4.1 Grant of Right. Whenever the Company proposes to register any shares of its common stock under the Act (other than (i) a registration effected solely to implement an employee benefit plan or a transaction to which Rule 145 of the Act is applicable, or (ii) a registration statement on Form S-4, S-8 or any successor form thereto or another form not available for registering the Shares issuable upon exercise of this Purchase Warrant for sale to the public, whether for its own account or for the account of one or more stockholders of the Company (a "Piggyback Registration"), the Company shall give prompt written notice (in any event no later than ten (10) Business Days prior to the filing of such registration statement) to the Holder of the Company's intention to effect such a registration and, subject to the remaining provisions of this Section 4.1, shall include in such registration such number of Shares underlying this Purchase Warrant (the "**Registrable Securities**") that the Holders have (within ten (10) Business Days of the respective Holder's receipt of such notice) requested in writing (including such number) to be included within such registration. If a Piggyback Registration is an underwritten offering and the managing underwriter advises the Company that it has determined in good faith that marketing factors require a limit on the number of shares of common stock to be included in such registration, including all Shares issuable upon exercise of this Purchase Warrant (if the Holder has elected to include such shares in such Piggyback Registration) and all other shares of common stock proposed to be included in such underwritten offering, , the Company shall include in such registration (i) first, the number of shares of common stock that the Company proposes to sell and (ii) second, the number of shares of common stock, if any, requested to be included therein by selling stockholders (including the Holder) allocated pro rata among all such persons on the basis of the number of shares of common stock then owned by each such person. If any Piggyback Registration is initiated as a primary underwritten offering on behalf of the Company, the Company shall select the investment banking firm or firms to act as the managing underwriter or underwriters in connection with such offering. Notwithstanding anything to the contrary, the obligations of the Company pursuant to this Section 4.1 shall terminate on the earlier of (i) the fifth anniversary of the Effective Date and (ii) the date that Rule 144 would allow the Holder to sell its Registrable Securities during any ninety (90) day period.

4.2 Indemnification. The Company shall indemnify the Holder(s) of the Registrable Securities to be sold pursuant to any registration statement hereunder and each person, if any, who controls such Holders within the meaning of Section 15 of the Act or Section 20 (a) of the Securities Exchange Act of 1934, as amended (" **Exchange Act**"), against all loss, claim, damage, expense or liability (including all reasonable attorneys' fees and other out-of-pocket expenses reasonably incurred in investigating, preparing or defending against any claim whatsoever) to which any of them may become subject under the Act, the Exchange Act or otherwise, arising from such registration statement but only to the same extent and with the same effect as the provisions pursuant to which the Company has agreed to indemnify Boustead contained in the Underwriting Agreement between Boustead and the Company, dated as of [●], 2022. The Holder(s) of the Registrable Securities to be sold pursuant to such registration statement, and their successors and assigns, shall severally, and not jointly, indemnify the Company, against all loss, claim, damage, expense or liability (including all reasonable attorneys' fees and other expenses reasonably incurred in investigating, preparing or defending against any claim whatsoever) to which they may become subject under the Act, the Exchange Act or otherwise, arising from information furnished by or on behalf of such Holders, or their successors or assigns, in writing, for specific inclusion in such registration statement to the same extent and with the same effect as the provisions contained in the Underwriting Agreement pursuant to which Boustead has agreed to indemnify the Company.

4.3 Exercise of Purchase Warrants. Nothing contained in this Purchase Warrant shall be construed as requiring the Holder(s) to exercise their Purchase Warrants prior to or after the initial filing of any registration statement or the effectiveness thereof.

4.4 Documents Delivered to Holders. The Company shall deliver promptly to each Holder participating in the offering requesting the correspondence and memoranda described below, copies of all correspondence between the Commission and the Company, its counsel or auditors and all memoranda relating to discussions with the Commission or its staff with respect to the registration statement and permit each Holder and underwriter to do such investigation, upon reasonable advance notice, with respect to information contained in or omitted from the registration statement as it deems reasonably necessary to comply with applicable securities laws or rules of FINRA. Such investigation shall include access to books, records and properties and opportunities to discuss the business of the Company with its officers and independent auditors, all to such reasonable extent and at such reasonable times, during normal business hours, as any such Holder shall reasonably request.

4.5 Underwriting Agreement. The Holders shall be parties to any underwriting agreement relating to a Piggyback Registration. Such Holders shall not be required to make any representations or warranties to or agreements with the Company or the underwriters except as they may relate to such Holders, their Shares and the amount and nature of their ownership thereof and their intended methods of distribution.

4.6 Documents to be Delivered by Holder(s). Each of the Holder(s) participating in any of the foregoing offerings shall furnish to the Company a completed and executed questionnaire provided by the Company requesting information customarily sought of selling security holders.

4.7 Damages. Should the Company fail to comply with such provisions, the Holder(s) shall, in addition to any other legal or other relief available to the Holder(s), be entitled to obtain specific performance or other equitable (including injunctive) relief against the threatened breach of such provisions or the continuation of any such breach, without the necessity of proving actual damages and without the necessity of posting bond or other security.

5. New Purchase Warrants to be Issued.

5.1 Partial Exercise or Transfer. Subject to the restrictions in Section 3 hereof, this Purchase Warrant may be exercised or assigned in whole or in part. In the event of the exercise or assignment hereof in part only, upon surrender of this Purchase Warrant for cancellation, together with the duly executed exercise or assignment form and funds sufficient to pay any Exercise Price and/or transfer tax if exercised pursuant to Section 2.1 hereto, the Company shall cause to be delivered to the Holder without charge a new Purchase Warrant of like tenor to this Purchase Warrant in the name of the Holder evidencing the right of the Holder to purchase the number of Shares purchasable hereunder as to which this Purchase Warrant has not been exercised or assigned.

5.2 Lost Certificate. Upon receipt by the Company of evidence satisfactory to it of the loss, theft, destruction or mutilation of this Purchase Warrant and of reasonably satisfactory indemnification or the posting of a bond, determined in the sole discretion of the Company, the Company shall execute and deliver a new Purchase Warrant of like tenor and date. Any such new Purchase Warrant executed and delivered as a result of such loss, theft, mutilation or destruction shall constitute a substitute contractual obligation on the part of the Company.

6. Adjustments.

6.1 Adjustments to Exercise Price and Number of Securities. The Exercise Price and the number of Shares underlying the Purchase Warrant shall be subject to adjustment from time to time as hereinafter set forth:

6.1.1 Share Dividends; Split Ups. If, after the date hereof, and subject to the provisions of Section 6.3 below, the number of outstanding Shares is increased by a stock dividend payable in Shares or by a split up of Shares or other similar event, then, on the effective day thereof, the number of Shares purchasable hereunder shall be increased in proportion to such increase in outstanding Shares, and the Exercise Price shall be proportionately decreased.

6.1.2 Aggregation of Shares. If, after the date hereof, and subject to the provisions of Section 6.3 below, the number of outstanding Shares is decreased by a consolidation, combination or reclassification of Shares or other similar event, then, on the effective date thereof, the number of Shares purchasable hereunder shall be decreased in proportion to such decrease in outstanding Shares, and the Exercise Price shall be proportionately increased.

6.1.3 Replacement of Securities upon Reorganization, etc. In case of any reclassification or reorganization of the outstanding Shares other than a change covered by Section 6.1.1 or 6.1.2 hereof or that solely affects the par value of such Shares, or in the case of any share reconstruction or amalgamation or consolidation or merger of the Company with or into another corporation (other than a consolidation or share reconstruction or amalgamation or merger in which the Company is the continuing corporation and that does not result in any reclassification or reorganization of the outstanding Shares), or in the case of any sale or conveyance to another corporation or entity of the property of the Company as an entirety or substantially as an entirety in connection with which the Company is dissolved, the Holder of this Purchase Warrant shall have the right thereafter (until the expiration of the right of exercise of this Purchase Warrant) to receive upon the exercise hereof, for the same aggregate Exercise Price payable hereunder immediately prior to such event, the kind and amount of shares of stock or other securities or property (including cash) receivable upon such reclassification, reorganization, share reconstruction or amalgamation, or consolidation, or upon a dissolution following any such sale or transfer, by a Holder of the number of Shares of the Company obtainable upon exercise of this Purchase Warrant immediately prior to such event; and if any reclassification also results in a change in Shares covered by Section 6.1.1 or 6.1.2, then such adjustment shall be made pursuant to Sections 6.1.1, 6.1.2 and this Section 6.1.3. The provisions of this Section 6.1.3 shall similarly apply to successive reclassifications, reorganizations, share reconstructions or amalgamations, or consolidations, sales or other transfers.

6.1.4 Changes in Form of Purchase Warrant. This form of Purchase Warrant need not be changed because of any change pursuant to this Section 6.1, and Purchase Warrants issued after such change may state the same Exercise Price and the same number of Shares as are stated in the Purchase Warrants initially issued pursuant to this Agreement. The acceptance by any Holder of the issuance of new Purchase Warrants reflecting a required or permissive change shall not be deemed to waive any rights to an adjustment occurring after the Commencement Date or the computation thereof.

6.2 Substitute Purchase Warrant. In case of any consolidation of the Company with, or share reconstruction or amalgamation or merger of the Company with or into, another corporation (other than a consolidation or share reconstruction or amalgamation or merger which does not result in any reclassification or change of the outstanding Shares), the corporation formed by such consolidation or share reconstruction or amalgamation shall execute and deliver to the Holder a supplemental Purchase Warrant providing that the holder of each Purchase Warrant then outstanding or to be outstanding shall have the right thereafter (until the stated expiration of such Purchase Warrant) to receive, upon exercise of such Purchase Warrant, the kind and amount of shares of stock and other securities and property receivable upon such consolidation or share reconstruction or amalgamation, by a holder of the number of Shares of the Company for which such Purchase Warrant might have been exercised immediately prior to such consolidation, share reconstruction or amalgamation or merger, sale or transfer. Such supplemental Purchase Warrant shall provide for adjustments which shall be identical to the adjustments provided for in this Section 6. The above provision of this Section shall similarly apply to successive consolidations or share reconstructions or amalgamations or mergers.

6.3 Elimination of Fractional Interests. The Company shall not be required to issue certificates representing fractions of Shares upon the exercise of the Purchase Warrant, nor shall it be required to issue scrip or pay cash in lieu of any fractional interests, it being the intent of the parties that all fractional interests shall be eliminated by

rounding any fraction up or down, as the case may be, to the nearest whole number of Shares or other securities, properties or rights.

7. Reservation. The Company shall at all times reserve and keep available out of its authorized Shares, solely for the purpose of issuance upon exercise of the Purchase Warrants, such number of Shares or other securities, properties or rights as shall be issuable upon the exercise thereof. The Company covenants and agrees that, upon exercise of the Purchase Warrants and payment of the Exercise Price therefor, in accordance with the terms hereby, all Shares and other securities issuable upon such exercise shall be duly and validly issued, fully paid and non-assessable and not subject to preemptive rights of any shareholder.

8. Certain Notice Requirements.

8.1 Holder's Right to Receive Notice. Nothing herein shall be construed as conferring upon the Holders the right to vote or consent or to receive notice as a shareholder for the election of directors or any other matter, or as having any rights whatsoever as a shareholder of the Company. If, however, at any time prior to the expiration of the Purchase Warrants and their exercise, any of the events described in Section 8.2 shall occur, then, in one or more of said events, the Company shall deliver to each Holder a copy of each notice relating to such events given to the other shareholders of the Company at the same time and in the same manner that such notice is given to the shareholders.

8.2 Events Requiring Notice. The Company shall be required to give the notice described in this Section 8 upon one or more of the following events: (i) if the Company shall take a record of the holders of its Shares for the purpose of entitling them to receive a dividend or distribution payable otherwise than in cash, or a cash dividend or distribution payable otherwise than out of retained earnings, as indicated by the accounting treatment of such dividend or distribution on the books of the Company, or (ii) the Company shall offer to all the holders of its Shares any additional shares of capital stock of the Company or securities convertible into or exchangeable for shares of capital stock of the Company, or any option, right or warrant to subscribe therefor.

8.3 Notice of Change in Exercise Price. The Company shall, promptly after an event requiring a change in the Exercise Price pursuant to Section 6 hereof, send notice to the Holders of such event and change ("**Price Notice**"). The Price Notice shall describe the event causing the change and the method of calculating same.

8.4 Transmittal of Notices. All notices, requests, consents and other communications under this Purchase Warrant shall be in writing and shall be deemed to have been duly made when hand delivered, or mailed by express mail or private courier service: (i) if to the registered Holder of the Purchase Warrant, to the address of such Holder as shown on the books of the Company, or (ii) if to the Company, to following address or to such other address as the Company may designate by notice to the Holders:

If to the Holder:

Boustead Securities, LLC
6 Venture, Suite 395
Irvine, CA 92618
Attention: Chief Executive Officer
Fax No: [*]

with a copy (which shall not constitute notice) to:

Bevilacqua PLLC
1050 Connecticut Avenue NW, Suite 500
Washington, DC 20036
Attn: Louis Bevilacqua, Esq.
Fax No.: (202) 869-0889

If to the Company:

Actelis Networks, Inc.
47800 Westinghouse Drive
Fremont, CA 94539
Attention**:** Tuvia Barlev
Fax No: [*]

with copies (which shall not constitute notice) to:

Pearl Cohen Zedek Latzer Baratz LLP
131 Dartmouth Street
Boston, Massachusetts 02116
Attention: Oded Kadosh
Benjamin J. Waltuch
Fax: (617) 228-5721

McDermott Will & Emery
One Vanderbilt Avenue,
New York, NY 10017-3852
Attention: Gary Emmanuel
Eyal Peled
Fax: (212) 547-5477

9. Miscellaneous.

9.1 Amendments. The Company and Boustead may from time to time supplement or amend this Purchase Warrant without the approval of any of the Holders in order to cure any ambiguity, to correct or supplement any provision contained herein that may be defective or inconsistent with any other provisions herein, or to make any other provisions in regard to matters or questions arising hereunder that the Company and Boustead may deem necessary or desirable and that the Company and Boustead deem shall not adversely affect the interest of the Holders. All other modifications or amendments shall require the written consent of and be signed by (i) the Company and (ii) the

Holder(s) of Purchase Warrants then-exercisable for at least a majority of the Shares then-exercisable pursuant to all then-outstanding Purchase Warrants.

9.2 Headings. The headings contained herein are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Purchase Warrant.

9.3. Entire Agreement. This Purchase Warrant (together with the other agreements and documents being delivered pursuant to or in connection with this Purchase Warrant) constitutes the entire agreement of the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements and understandings of the parties, oral and written, with respect to the subject matter hereof.

9.4 Binding Effect. This Purchase Warrant shall inure solely to the benefit of and shall be binding upon, the Holder and the Company and their permitted assignees, respective successors, legal representative and assigns, and no other person shall have or be construed to have any legal or equitable right, remedy or claim under or in respect of or by virtue of this Purchase Warrant or any provisions herein contained.

9.5 Governing Law; Submission to Jurisdiction; Trial by Jury. This Purchase Warrant shall be governed by and construed and enforced in accordance with the laws of the State of New York, without giving effect to conflict of laws principles thereof. The Company hereby agrees that any action, proceeding or claim against it arising out of, or relating in any way to this Purchase Warrant shall be brought and enforced in the New York Supreme Court, County of New York, or in the United States District Court for the Southern District of New York, and irrevocably submits to such jurisdiction, which jurisdiction shall be exclusive. The Company hereby waives any objection to such exclusive jurisdiction and that such courts represent an inconvenient forum. Any process or summons to be served upon the Company may be served by transmitting a copy thereof by registered or certified mail, return receipt requested, postage prepaid, addressed to it at the address set forth in Section 8 hereof. Such mailing shall be deemed personal service and shall be legal and binding upon the Company in any action, proceeding or claim. The Company and the Holder agree that the prevailing party(ies) in any such action shall be entitled to recover from the other party(ies) all of its reasonable attorneys' fees and expenses relating to such action or proceeding and/or incurred in connection with the preparation therefor. The Company (on its behalf and, to the extent permitted by applicable law, on behalf of its stockholders and affiliates) and the Holder hereby irrevocably waive, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

9.6 Waiver, etc. The failure of the Company or the Holder to at any time enforce any of the provisions of this Purchase Warrant shall not be deemed or construed to be a waiver of any such provision, nor to in any way affect the validity of this Purchase Warrant or any provision hereof or the right of the Company or any Holder to thereafter enforce each and every provision of this Purchase Warrant. No waiver of any breach, non-compliance or non-fulfillment of any of the provisions of this Purchase Warrant shall be effective unless set forth in a written instrument executed by the party or parties against whom or which enforcement of such waiver is sought; and no waiver of any such breach, non-compliance or non-fulfillment shall be construed or deemed to be a waiver of any other or subsequent breach, non-compliance or non-fulfillment.

9.7 Exchange Agreement. As a condition of the Holder's receipt and acceptance of this Purchase Warrant, Holder agrees that, at any time prior to the complete exercise of this Purchase Warrant by Holder, if the Company and Boustead enter into an agreement ("**Exchange Agreement**") pursuant to which they agree that all outstanding Purchase Warrants will be exchanged for securities or cash or a combination of both, then Holder shall agree to such exchange and become a party to the Exchange Agreement.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the Company has caused this Purchase Warrant to be signed by its duly authorized officer as of the [●] day of [●], 2022.

Actelis Networks, Inc.

By: _____
Name:
Title:

[*Form to be used to exercise Purchase Warrant*]

Date: _____, 20___

The undersigned hereby elects irrevocably to exercise the Purchase Warrant for _____ shares of common stock, par value $0.00001 per share (the "**Shares**"), of Actelis Networks, Inc., a Delaware corporation (the "**Company**"), and hereby makes payment of $____ (at the rate of $____ per Share) in payment of the Exercise Price pursuant thereto. Please issue the Shares as to which this Purchase Warrant is exercised in accordance with the instructions given below and, if applicable, a new Purchase Warrant representing the number of Shares for which this Purchase Warrant has not been exercised.

or

The undersigned hereby elects irrevocably to convert its right to purchase ___ Shares of the Company under the Purchase Warrant for _____ Shares, as determined in accordance with the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where,

X	=	The number of Shares to be issued to Holder;
Y	=	The number of Shares for which the Purchase Warrant is being exercised;
A	=	The fair market value of one Share which is equal to $_____; and
B	=	The Exercise Price which is equal to $_____ per share

The undersigned agrees and acknowledges that the calculation set forth above is subject to confirmation by the Company and any disagreement with respect to the calculation shall be resolved by the Company in its sole discretion.

Please issue the Shares as to which this Purchase Warrant is exercised in accordance with the instructions given below and, if applicable, a new Purchase

Warrant representing the number of Shares for which this Purchase Warrant has not been converted.

Signature _____

Signature Guaranteed _____

INSTRUCTIONS FOR REGISTRATION OF SECURITIES

Name: _____
(Print in Block Letters)

Address: _____

_____

NOTICE: The signature to this form must correspond with the name as written upon the face of the Purchase Warrant without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank, other than a savings bank, or by a trust company or by a firm having membership on a registered national securities exchange.

[*Form to be used to assign Purchase Warrant*]

ASSIGNMENT

(To be executed by the registered Holder to effect a transfer of the within Purchase Warrant):

FOR VALUE RECEIVED, _____ does hereby sell, assign and transfer unto the right to purchase shares of common stock, par value $0.00001 per share, of Actelis Networks, Inc., a Delaware corporation (the "**Company**"), evidenced by the Purchase Warrant and does hereby authorize the Company to transfer such right on the books of the Company.

Dated: _____, 20__

Signature _____

Signature Guaranteed _____

NOTICE: The signature to this form must correspond with the name as written upon the face of the within Purchase Warrant without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank, other than a savings bank, or by a trust company or by a firm having membership on a registered national securities exchange.

Exhibit 5.1

PEARL COHEN **Pearl Cohen Zedek Latzer Baratz LLP**

May 2, 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. 333-264321), 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 $17,250,000(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,

/s/ Pearl Cohen Zedek Latzer Baratz LLP
Pearl Cohen Zedek Latzer Baratz LLP

Exhibit 10.2

Unprotected Lease Agreement
Drawn up and signed at Ramat Gan on January 13, 2000
Between
Moshe Samoocha
ID No: 727-8204-8
of 3c Kashani Street, Tel Aviv

To be called hereinafter – "**the Lessor**;"

The First Party

and
Actelis Networks Israel (Pty) Ltd.
Co. no: 512703737
of 16 Basle Street, Kiryat Arie, Petach Tikva
represented by its managers and authorized signatories in its name
Messrs. Tuvya Bar Lev ID No [signature] 68062698
and Yuval Bar On ID No: _____
to be called hereinafter: "**the Tenant**;"

The Second Party

Whereas: The Lessor is entitled to be registered as the owner of the leasehold rights for generations in the land, as defined below, and that he holds the land exclusively on which the building was constructed as defined below;

and whereas: The Lessor wants to rent the Premises to the Tenant as defined below, and the Tenant wants to lease the Premises, all pursuant to the provisions and the consideration as detailed in the body of the Contract below;

and whereas: Both Parties declare that the provisions in the Tenant Protection Law (Integrated Version), 5732 – 1972, shall not apply to leasing the Premises pursuant to this Contract;

and whereas: The Tenant has inspected the Premises, the building and its vicinity and found them to be suitable to its needs and the purpose of the lease as detailed below from all aspects;

therefore the Parties have agreed upon and conditioned the following:

1. Occupancy will be delivered to the Tenant when the Premises are vacant of any person and object.

2. **Preamble and Interpretation**

2.1 The Preamble and Appendices to this Agreement constitute an integral part of the Agreement

List of Appendices:
Appendix A – Land Registration Extract
Appendix B – A Sketch of the Premises
Appendix C – The Plans
Appendix D – The Management Agreement
Appendix E – The Lessor's commitments

2.2 The headings of the sections are intended for convenience only and should not be given any interpretive meaning.

[signature]	[signature] [stamp] Y. Manage Ltd. [2 initials]	[left margin] [signature] [stamp] Actelis Networks

2.3 In this Agreement, the terms below shall have the meaning provided next to them:

"**The Lease Period**" –	Unless explicitly stated otherwise – both the original Lease Period and the additional Lease Period.
"**Lease Commencement Date**" –	May 1, 2000.
"**The Premises**" –	As defined in Section 5 of the Agreement.
"**The Area of the Premises**" –	As defined in Section 5 of the Agreement.
"**The Land**" –	Plot 3 on Parcel 15 in block 6365 marked on the detailed plan PT/14 / 1241 (hereinafter: "**the detailed plan**") and located in Kiryat Arie, Petach Tikva.
"**The Building**" –	A building including 3 floors and a basement parking floor that was constructed on the land pursuant to the building licenses, including all the additional buildings and other additions to the building, upper and underground parking, public areas, floor protected spaces, service areas, loading and unloading areas, public thoroughfares, sidewalks, basements, roofs, gardens, stairwells, elevators and elevator shafts, electricity and transformation rooms, refuse rooms and pump rooms.
"**The Public Areas**" –	All the areas and installations in the building that are not intended for the exclusive use of the tenants in the building and that are intended for use of all the tenants in the building, including but not limited to current doors, thoroughfares, access roads, yard, gardens, patios, roof, electricity room, thoroughfares, external walls, stairwells, elevators, electricity and transformation rooms, refuse and pump room and a gym.
"**Dollar**" –	The United States dollar

"**The Representative Rate**" – The representative rate of the dollar as published by the Bank of Israel. In a period in which the Bank of Israel is not custom to set the representative rate as aforementioned, the average exchange rate between the buying price and selling price of the dollar regarding transfers and checks as shall be published by Bank Hapoalim Ltd. will replace it.

"**The Management Company**" – Kiryat Am HaMoshavot Management and Maintenance Ltd., or any other entity that will be established or appointed for the purposes of managing and maintaining the building.

3. **The Parties' Affidavits**

3.1 The Lessor declares, confirms and undertakes the following:

3.1.1 That he is entitled to be registered as the Lessee for generations of the land and that he is the owner of the exclusive holding right in the Premises.

3.1.2 There is no prohibition and/or limitation and/or impediment whatsoever, whether pursuant to any law or by virtue of a contract and/or other commitment, that prohibits or restricts or prevents the Lessor from complying with his commitments pursuant to this Agreement and/or as deriving from it in its entirety and on its date and that the Lessor's signing this Agreement or executing his commitments pursuant it contains no breach whatsoever of a contract or other commitment that he has given.

3.1.3 That the building was constructed pursuant to the building licenses that were issued for its construction.

3.2 The Tenant declares, confirms and undertakes the following:

3.2.1 that there is no prohibition and/or restriction and/or impediment whatsoever whether pursuant to a law or by virtue of a contract and/or other commitment, that prohibits or restricts or prevents the Tenant from complying with its commitments pursuant to this Agreement and/or as derived from it in its entirety and on its date, and that the Tenant's signing this Agreement or executing its commitments pursuant to it contains no breach whatsoever of a contract or as a commitment that it has given.

4. **The Lease**

4.1 The Lessor hereby leases and the Tenant hereby leases the Premises for the Lease Period under the provisions as detailed in this Agreement above and below.

5. **The Premises**

5.1 In this Agreement "the Premises" means all of the following:

5.1.1 An area of 1441 m² on the 1st floor of the building as illustrated in the sketch attached as **Appendix B** to the Agreement (hereinafter: "**the floor**"), with the addition of 18% beyond the physical area of the gross floor, this, for a section of the floor on the public area and, a total of 1700 m² (hereinafter: "**the Premises' area**"). The definition of the Premises area as aforementioned is final and not subject to any measurements whatsoever.

For clarification purposes only, it must be clarified that the Premises area, as defined above, is based on the gross floor area of the floor including areas of columns, internal walls and external walls –the full thickness, half the thickness of the common walls to the Premises and another/other premises attached to it (the public areas as aforementioned, are marked in red on the sketch – **Appendix B**), and the addition of 18% as aforementioned.

5.1.2 15 parking bays in the upper parking lot of the building and 20 parking bays in the adjacent plot (hereinafter: "**the adjacent plot**"), all in a location that will be established in agreement between the Parties prior to the date of signing the Agreement and as illustrated in the attached sketch – **Appendix B**. (Hereinafter: "**the parking bays**").

6. **The Purpose of the Lease**

6.1 The purpose of the lease is: Offices and development laboratories for the high-tech industry.

6.2 The Tenant undertakes to use the Premises solely for the aforementioned purpose and not for any other and/or additional purpose, without derogating from the Tenant's right as provided in Subsection 13.2 below.

6.3 The Tenant undertakes to use the Premises' parking bays for parking vehicles of the Tenant or of anyone on its behalf and not for any other and/or additional purpose. The entry of vehicles to the parking basement will be arranged via magnetic cards or remote controls that will be supplied to the Tenant at its expense.

6.4 Despite the provisions in this Agreement, the Lessor undertakes not to lease areas in the building, apart from for uses of high-tech and/or offices and/or commerce and/or restaurants and apart from usages that are a nuisance to the Tenant, for example odors, noise, pollution etc.

7. **The Lease Period**

7.1 The Lessor hereby leases and the Tenant hereby leases the Premises for a period of 5 (five) years commencing from the date of the lease commencement (hereinafter: "**the original Lease Period**").

7.2 The Tenant is hereby given an option to extend the original Lease Period for an additional period of 5 (five) years (hereinafter: "**the Additional Lease Period**"), so that, in total, the Lease Period including the original Lease Period shall not exceed 10 (ten) years. If the Tenant has not given written notice to the Lessor of its intention to terminate the lease pursuant to this Agreement, no later than 6 (six) months prior to the termination of the original Lease Period, this will be deemed as if the Tenant had given notice to the Lessor of extending the original Lease Period and this will be automatically extended for the period as aforementioned.

7.3 Should the Tenant give notice of his wish to exercise the option and, accordingly, extend the Lease Period as provided in Section 7.2 above, the Agreement will be extended for the additional Lease Period, with the mandatory changes only if all the conditions below have been met:

7.3.1 All the guarantees that the Tenant gave for guaranteeing compliance with its commitments pursuant to this Agreement are in force and will continue to remain in force pursuant to the provisions in this Agreement.

7.3.2 Throughout the Lease Period – also after the Tenant's notice of its wish to exercise the option and extend the Lease Period, accordingly – the Tenant complied with all its commitments pursuant to this Agreement and there had not been any breach on its part.

7.4 The conditions of the additional Lease Period, should there be any, will be identical to the lease conditions in the original Lease Period, subject to the changes as detailed in this Agreement.

8. <u>The Rental</u>

8.1 The monthly rental during the Lease Period shall be the equivalent shekel sum to $21,375 (twenty-one thousand three hundred and seventy five dollars), according to the last representative data published prior to the date of any payment (hereinafter: **"the rental**").

For clarification purposes only, it must be clarified that the rental is based on the following calculation:

8.1.1 The shekel sum equivalent to $11.75 (eleven dollars and seventy-five cents) for each square meter of the Premises' area, as defined above, per month and A total shekel sum equivalent to $19,975 (nineteen thousand nine hundred and seventy five dollars) per month.

8.1.2 The shekel sum equivalent to $40 (forty dollars) for each parking bay per month, a total shekel sum equivalent to $1400 (one thousand four hundred dollars) per month.

8.2 As of the beginning of the third lease year, the monthly rental for the parking, as aforementioned in Subsection 8.1.2 will be in the shekel sum equivalent to $60 (sixty dollars) for each parking bay and the rental will be adjusted accordingly.

8.3 As of the beginning of the third lease year, the monthly rental for each square meter of the area of the Premises as provided in Subsection 8.1.1, will be the shekel equivalent to $12.10 (twelve dollars and ten cents) and the rental will be adjusted accordingly.

8.4 As of the beginning of the sixth lease year, 3% of the rental will be added to the rental according to the rates of the last month of the previous lease year.

8.5 As of the beginning of the eighth lease year, 3% of the rental will be added to the rental according to the rates in the last months of the previous lease year.

8.6 The rentals must be paid by the Tenant to the Lessor every 3 (three) months in advance.

8.7 When signing this Agreement, the Tenant must pay the Lessor the rental for first 6 (six) lease months and 3 (three) last lease months.

8.8 All the sums specified in this Agreement do not include VAT. The Tenant must pay VAT on any payment owing from the Tenant pursuant to this Agreement. This is the law regarding payments that the Lessor must pay to the Tenant pursuant to the provisions in this Agreement

8.9 The Tenant undertakes to pay the rentals for the entire Lease Period and/or additional lease periods which come into force should they come into force, according to the matter, whether it uses the Premises in practice or not.

[signature] [2 initials] [left margin] [signature] [stamp] Actelis Networks

9. **<u>Finishing Work in the Premises and Delivering Occupation</u>**

9.1 In these sections the following terms shall have the meaning appearing next to them:

9.1.1 "**Architect**" –Zvi Dunski and/or any other architect appointed by the Tenant for the purposes of designing the finishing work in the Premises.

9.1.2 "**Consultants**" – The consultants to be appointed for the purposes of designing the finishing work and preparing the plans, including air conditioning, communications, electricity, plumbing and safety consultants

9.2 Within 40 days from the date of signing this Agreement, the Tenant undertakes to prepare the detailed plans for the purposes of executing finishing work on the floor through an architect and consultants, including, bills of quantity, technical specification schedules and all the other documents and data required for executing the finishing work on the floor, and to present them to the Lessor for the purposes of receiving his approval.

9.3 The plans must include a detailed plan of all the work items, the materials, installations, accessories and systems necessary for the purposes of adapting and preparing the floor in its condition as at the date of signing this Agreement for the Tenant's purposes, inter alia, all the following:

9.3.1 Acoustic ceilings, walls and partitions;

9.3.2 Air conditioning system;

9.3.3 Toilets and kitchenettes;

9.3.4 Plumbing and framework items, including doors;

9.3.5 Wall-to-wall carpeting or other paving

9.3.6 Plumbing installations, fire and smoke detection systems, fire extinguishing system and sprinkler system;

9.3.7 The electricity systems, including illumination, electricity and illumination points, electricity connections, main and secondary electricity panels (including all the equipment for the electricity panels);

9.3.8 Communication systems, including computer and telephone communications.

9.4 The Lessor will approve the plans as aforementioned and, should the plans not include all the items and data required for executing the finishing work, he will inform the Tenant of this, all within 3 days from the date of being furnished with the plans as aforementioned.

It is hereby clarified that the Lessor shall be entitled to refuse to approve the plans or any part thereof for reasonable reasons only, such as technical restrictions and, in such an event to suggest alternative solutions. The detailed plans as aforementioned in Sections 9.2-9.3, after their return approved by the Lessor, including any changes and/or amendment made to them, must be attached as **Appendix C** to this Agreement and shall be called above and below: "**the plans**." The work to be executed pursuant to the plans, including all the materials, installations, accessories and systems that will be installed pursuant to the plans, shall be called above and below: "**the finishing work**."

9.5 The Tenant undertakes to accept occupancy of the Premises on the date on which the Lessor informs him. Occupation of the floor must be executed within 35 (thirty five) days from the date of signing this Agreement. Despite the aforementioned, the Tenant shall be entitled to enter the Premises prior to the occupancy delivery date as aforementioned, all in advance coordination with the Lessor.

It is hereby agreed that, should the date for delivering occupancy by the Lessor be delayed beyond 35 days as aforementioned, the date of commencing the lease will be postponed for the delay days, provided that the arrears in delivering occupancy as aforementioned cause arrears in completing the finishing work by the Tenant.

9.6 The Tenant undertakes to execute the finishing work under its sole responsibility, pursuant to the plans, in an excellent quality and level and with its skills, via a contractor or authorized contractors registered in the Contractors Register who have the ability and means for executing the work and for completing the finishing work by May 1, 2000.

9.7 Use of accessories and/or installation of connections and/or different or other execution from those detailed in the plans, shall constitute a material breach of the Agreement and the Lessor shall be entitled to prevent execution and/or continuing the execution of the work, if it deviates from the plans. The aforementioned contains nothing to derogate from any other right of the Lessor by virtue of this Agreement and/or pursuant to any law for a material breach as aforementioned.

9.8 The Tenant shall be solely responsible vis-à-vis the Lessor and vis-à-vis any third party whatsoever, for any damage caused to the Premises and/or to the Lessor and/or to any third party whatsoever in relation to executing the finishing work by the Tenant and/or by anyone on its behalf. The Tenant must prepare and maintain "contractual work insurance" in its name and in the name of the contractors and subcontractors working on its behalf, as provided in Section 23.5 below.

9.9 The Tenant shall be solely responsible for the equipment and materials introduced by it or by any one on its behalf for the purposes of executing the finishing work throughout the period that they are in the building.

9.10 The Tenant and anyone on its behalf shall not be entitled to store or leave materials in the areas of the building outside of the Premises or to use them for the purposes of executing finishing work without the Lessor's explicit prior written approval.

9.11 The Tenant will execute the finishing work in a manner that creates minimal disturbance to the extent possible to other work being executed in the building and it shall be responsible vis-à-vis the Lessor and vis-à-vis any third party for any damage caused to the Lessor and/or third party and/or to the building and/or to the Premises and/or to other Premises as a result of the finishing work or in relation to it.

9.12 The Tenant must execute the finishing work without causing any damage and/or disturbance to the building and/or the Premises and/or the common property and/or to the other tenants in the building. The Tenant shall be responsible vis-à-vis the Lessor and/or third parties for any damage and/or disturbance caused as aforementioned.

9.13 The Tenant must bear any liability relating to executing the finishing work in the Premises and its vicinity exclusively, including pursuant to any law and insurance instructions in the work, this, vis-à-vis any authority and person.

9.14 The Tenant will be responsible for complying with any requirements, regulations, laws etc. relating to the finishing work.

9.15 The Tenant shall be responsible for making changes and/or additions after approval of the plans by the Lessor, all subject to the provisions in Subsection 9.3-9.4 and 9.26 below.

9.16 On completion of the finishing work, the Tenant must send copies of all the finishing work plans, as made plans.

9.17 At any time, the Lessor is entitled to appoint a person or corporation for inspecting execution of the finishing work on his behalf. In the event that the Lessor avoids appointing an inspector as aforementioned, he himself will be deemed to be the inspector regarding the provisions of this Agreement.

9.18 The inspector shall be entitled to inspect the finishing work, from time to time, including, but not limited to the quality and level of the work, the quality of the materials that the contractor on behalf of the Tenant uses for executing the work, to inspect compliance with the plans and the tender documents and, from time to time, to give the Tenant and/or contractor on the Tenant's behalf remarks that relate to or are linked to the finishing work and/or the plans and any other remark relating to the provisions in this Agreement and its Appendices and or deriving here from. The Tenant shall not refuse to work pursuant to the remarks as aforementioned, unless for reasonable reasons

9.19 For the purposes of fulfilling his function, as aforementioned, the inspector shall, at any time, be entitled to enter the Premises, inspect the manner of executing the finishing work, the rate of progress and the degree of its compliance with the plans and, on his request, the Tenant must furnish the inspector with copies of the plans, details, explanations and samples of materials.

9.20 To obviate any doubt, it is hereby clarified that the aforementioned inspection does not release the Tenant from its absolute and exclusive responsibility for complying with its commitments in this Agreement and its Appendices as they are written and expressed and, the aforementioned inspection contains nothing to impose any responsibility whatsoever on the Lessor, including responsibility for the quality of the finishing work and/or compliance of the work to the plans and provisions of this Agreement.

9.21 Without derogating from the provisions in Section 9.22 below, at its expense, the Tenant must bear the costs of the finishing work, including and without derogating from the aforementioned generality, all the expenses and/or payments involved in executing the finishing work up to its completion and/or any expense and/or other payment required for the purposes of adapting and preparing the Premises in its condition as at the date of signing this Agreement for the purposes of the Tenants, including and without derogating from the aforementioned generality, payments to the Electric Corporation for a power source and connection of electricity to the Premises.

9.22 Subject to compliance with the Tenant's commitments pursuant to this Agreement, the Lessor will pay the Tenant the shekel sum equivalent to $432,300 (four hundred and thirty-two thousand three hundred dollars) with the addition of VAT, as the Lessor's participation in the cost of the finishing work (hereinafter: " **the participation fee for the Lessor**"). The participation fee for the Lessor must be paid against a tax invoice at the rates and on the dates as follows:

9.22.1 20% of the participation fee for the Lessor must be paid within 30 days from the date of signing this Agreement according to the known representative rate at the time of the payment.

9.22.2 30% of the participation fee for the Lessor must be paid within 70 days from the date of signing the Agreement according to the known representative rate at the time of the payment.

9.22.3 30% of the participation fee for the Lessor must be paid within 15 days from the date of commencing the lease according to the known representative rate on the date of the payment.

9.22.4 20% of the participation fee for the Lessor must be paid within 30 days from the date of commencing the lease according to the known representative rate at the time of the payment.

9.23 It has been agreed that the Tenant will execute the air conditioning work in the Premises through Yaziv Cooling an Air Conditioning Engineering Ltd., Subject to the fact that the cost of the work shall not exceed the equivalents shekel sum of $100,870 ($100,870) with the addition of VAT. It is hereby clarified that the air conditioning system in the Premises must be at the level and standard that was planned and executed at the Oracle A.F.N. offices in the building.

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9.24 The Tenant must bear the costs of preparing the plans, including the cost of the architect and consultant and any additional cost relating to preparing the plans and/or copying them and/or photocopying them. Furthermore, the Tenant must bear the cost of its inspector's fee.

9.25 To obviate any doubt, it is hereby clarified that on termination of the Lease Period, the finishing work, including the changes, shall remain the sole property of the Lessor without the Lessor having to pay the Tenant any consideration whatsoever for it and without the finishing work or any part thereof being considered as key money. The Tenant waives any claim and/or demand and/or allegation of any kind and type whatsoever against the Lessor in relation to the finishing work.

9.26 To obviate any doubt, it is hereby clarified that the date of commencing the lease regarding this Agreement, is May 1, 2000, this whether the finishing work has been completed by the Tenant by that date or not and, as of that date, the Tenant must pay the Lessor the rentals and all the other payments that apply to the Tenant pursuant to this Agreement and the Management Agreement. To obviate any doubt, it is hereby clarified that the Tenant shall be entitled to populate the Premises prior to the date as aforementioned, provided that it bears and pays all the payments applicable to it pursuant to subsections 18.1-18.4 below.

9.27 If the Electricity Corporation does not complete the electricity connection work to the Premises by the date of commencing the lease, the Lessor undertakes to supply the Tenant with an electricity connection until the date of completing the electricity connection work to the Premises by the Electric Corporation as aforementioned, and, in any event the power shall not exceed 3 X 400 A.

9.28 The Tenant shall be entitled to transfer the responsibility for executing the finishing work to the Lessor all subject to the agreements established between the Parties in advance and in writing.

10. Option

10.1 The Lessor hereby imparts the Lessor with an option for a period of 12 months from the date of signing the Agreement (hereinafter: "**the option**" and "**the option expiry date**" respectively) to lease the rest of the floor from him in an area of 600 m² (with addition of 18% for the Premises' share in the public areas) (hereinafter: "**the additional Premises**") under the same conditions that apply in relation to the Premises in this Agreement with the mandatory changes, all subject to the following provisions:

10.1.1 The Tenant complies with its commitments pursuant to this Agreement.

10.1.2 Within a year from the date of signing this Agreement (hereinafter: "**the date for exercising the option**"), the Tenant must inform the Lessor in writing if he wishes to exercise the option and lease the additional Premises from him (hereinafter: "**the exercise notice**"). If the Tenant gave notice that he does not wish to rent the additional Premises or did not give any notice at all during the aforementioned period, its right to lease the additional Premises shall expire.

10.1.3 At the time of the exercise notice, the Tenant pays the Lessor the rental for the additional Premises for the first 6 (six) lease months and 3 (three) last lease months.

10.1.4 The Tenant attached an autonomous bank guarantee to the exercise notice in a sum equal to the rentals and management fees for 6 (six) lease months for the additional Premises. The aforementioned guarantee will apply with the mandatory changes to the provisions in this Agreement.

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10.1.5 If the Tenant exercise the option as aforementioned, the provisions in Section 9 shall apply with the following changes:

10.1.5.1 The date for preparing the plans and presenting them for the Lessor's approval as provided in Subsection 9.2 above shall be within 40 days from the date of the exercise notice.

10.1.5.2 As the Lessor's participation in the cost of the finishing work in the additional Premises as aforementioned in Subsection 9.22, the Lessor will pay the Tenant the sum obtained from multiplying a sum of $5 (five dollars) by the number of months remaining until termination of the original Lease Period for each square meter of the Premises' area without any addition for the Lessor's share in the public areas (hereinafter: "**the participation fee for the additional Premises**").

10.1.5.3 The cost of executing the air conditioning system as aforementioned in Subsection 9.23 shall not exceed the shekel sum equivalent to $70 (seventy dollars) with the addition of VAT, for each square meter of the Premises' area, without any addition for the Lessor's share in the public areas.

10.1.6 The commencement date of the Lease Period regarding the additional Premises shall be within 90 days from the date of the exercise notice. The Lease Period in relation to the additional Premises will terminate on the date of the termination of the Lease Period relating to the Premises.

10.1.7 The provisions in this Agreement with the mandatory changes shall apply to the lease of the additional Premises, in general and, particularly with the mandatory changes as detailed in this section, as of the date of exercise notice the definition of the Premises will also include the additional Premises.

10.2 The Lessor hereby imparts the Tenant with an option for a period of 12 months from the date of signing the Agreement (hereinafter: "**the option**" and "**option expiry date**" respectively) to lease 25 additional parking bays in the adjacent parking lot from him (hereinafter: "**the additional parking**") under the same conditions that apply in relation to the Premises in this Agreement with the mandatory changes all subject to the following provisions:

10.2.1 The Tenant complied with its commitments pursuant to this Agreement.

10.2.2 Within a year from the date of signing this Agreement (hereinafter: "**the date for exercising the option**"), the Tenant must inform the Lessor in writing if he wishes to exercise the option and lease the additional parking from him (hereinafter: "**the exercise notice**"). If the Tenant gave notice that he does not wish to rent the additional parking or did not give any notice at all during the aforementioned period, its right to lease the additional Premises shall expire.

10.2.3 At the time of the exercise notice, Tenant pays the Lessor the rental for the additional parking for the first 6 (six) lease months and 3 (three) last lease months.

10.2.4 The Tenant attached an autonomous bank guarantee to the exercise notice in a sum equal to the rentals and management fees for 6 (six) lease months for the additional parking. The aforementioned guarantee will apply with the mandatory changes to the provisions in this Agreement.

10.2.5 The commencement date for the Lease Period relating to the additional parking shall be the date of the exercise notice.

10.2.6 The provisions in this Agreement with the mandatory changes shall apply to the lease of the additional parking, in general and, particularly with the mandatory changes as detailed in this section, as of the date of exercise notice the definition of the Premises will also include the additional parking.

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10.3 The Lessor hereby imparts the Tenant with the right (hereinafter: "**the second option**") to rent an area of 750 m² (with addition of 18% for the Lessor's share in the public areas) in one of the floors of the building, apart from the ground floor, at a location to be established pursuant to the Lessor's choice and pursuant to his absolute and exclusive discretion that they will be continue to be in the area of the second Premises (hereinafter: "**the second Premises**") under the same conditions that apply to the Premises in this Agreement with the mandatory changes, provided that all the following conditions have been met:

10.3.1 The Tenant complied with its commitments pursuant to this Agreement.

10.3.2 On the date of the exercise notice, the Tenant paid the Lessor the rental for the second Premises for the first 6 (six) lease months and 3 (three) last lease months.

10.3.3 The Tenant attached an autonomous bank guarantee to the exercise notice in a sum equal to the rentals and management fees for 6 (six) lease months for the second Premises. The aforementioned guarantee will apply with the mandatory changes to the provisions in this Agreement.

10.3.4 Despite the aforementioned, the Parties have agreed that, if the Lessor informs the Tenant in writing that there is another potential tenant for the second Premises or any part thereof (hereinafter: "**the Lessor's messag**e"), the Tenant must inform the Lessor no later than 7 days from the date of receiving the Lessor's message as aforementioned (hereinafter: "t**he date for exercising the second option"**), if he wishes to exercise the second option and lease the second Premises (hereinafter: "**the exercise notice**"). If the Tenant gave notice that he does not wish to lease the second Premises or did not reply to the Lessor's notice at all within the aforementioned period, its right to lease the second Premises will expire.

10.3.5 If the Lesser exercises the option as aforementioned, the provisions in Section 9 will apply with the following changes:

10.3.5.1 The date for preparing and presenting the plans for the Lessor a part of approval as aforementioned in Subsection 9.2, shall be within 40 days from the date of the exercise notice.

10.3.5.2 As the Lessor's participation in the cost of the finishing work in the additional Premises as aforementioned in Subsection 9.22, the Lessor must pay the Tenant the sum received by multiplying 5$ (five dollars) by the number of months remaining until the termination of the original Lease Period for each square meter of the Premises' area without the addition for the Lessor's share in the public areas (hereinafter: "**the participation fee for the second Premises**").

10.3.5.3 The cost of executing the air conditioning system as provided in Subsection 9.23 above, shall not exceed this shekel sum equivalent to $70 (seventy dollars) with the addition of VAT for each square meter of the Premises' area, without any addition for the Lessor's share in the public areas.

10.3.6 The date of commencing the Lease Period relating to the second Premises, shall be within 90 days from the date of the exercise notice. The Lease Period relating to the second Premises will terminate on the date of the termination of the Lease Period relating to the Premises.

10.3.7 The monthly rentals for the second Premises shall be the equivalent shekel sum to $13 with addition of VAT for each square meter of the second Premises' area.

10.3.8 The provisions in this Agreement shall apply to the second Premises with the mandatory changes in general and in particular the mandatory changes as detailed in this section, as of the date of the exercise notice the definition of the Premises will include the second Premises.

11. **The Non-Incidence of the Tenant Protection Law**

11.1 It has been agreed that the provisions in the Tenant Protection Law (Integrated Version), 5732 – 1972 and other tenant protection laws and their regulations and ordinances (hereinafter: "**the law**") shall not apply to the Premises and/or this Lease Contract and, any law that would impart the Tenant with the status of a protected tenant or that would impart the Tenant with a right not to vacate the Premises in the event on the dates on which the Tenant has to vacate the Premises pursuant to this Contract shall not apply regarding the Premises.

11.2 The Parties expressly declare and confirm that the Premises are located in a building, the construction of which was completed after August 20, 1968 and that this lease was made under the express condition that the law shall not apply to the lease. The Tenant declares that it has not paid nor shall pay the Lessor in relation to this Contract any key money or any other consideration that is not a rental and that the Tenant and anyone on its behalf, including any of its individuals and/or shareholders in it, shall not be a protected tenant in the Premises pursuant to any law and it shall be prevented from raising any claims or allegations whatsoever in relation to being a protected tenant or that it has more rights in the Premises than what are imparted on him explicitly in this Contract.

11.3 The Tenant declares that all the investments that will be made by it in the Premises and/or building, including in the framework of the finishing work and including equipment and installations will be made for its purposes only and it shall be prevented from claiming that these investments contain any form of key money or an alternative to key money or a payment pursuant to Section 82 of the law, or any payment that imparts it with any rights whatsoever in the Premises and that it shall be prevented from demanding participation or a full or partial refund for the aforementioned investments from the Lessor.

11.4 It has also been agreed that it was not the Parties intention to create a relationship of a protected lease pursuant to the tenant protection laws and that this condition is a prerequisite for obtaining the Lessor's consent to this Contract.

12. Transferring Rights

12.1 The Tenant declares that it is aware that Section 22 of the Higher and Loan Law, 5731 – 1971, does not apply to this Agreement.

12.2 The Tenant shall be entitled to lease the Premises or any part thereof in a sublease subject to the Lessor's prior written consent. The Lessor will not refuse to give its consent as aforementioned unless for reasonable reasons.

12.3 Subject to the aforementioned, the Tenant shall not be entitled to transfer its rights pursuant to this Agreement in any manner whatsoever, without receiving the Lessor's prior written consent for this. The Lessor shall have absolute and sole discretion for giving its consent as aforementioned, to condition it on conditions or to refuse to give it and shall not have to rationalize his attitude.

12.4 The Lessor shall be entitled to encumber and/or mortgage and/or transfer and/or assign partially or fully his rights in the building and/or in the Premises and/or in any part thereof and/or his rights pursuant to this Agreement entirely or partially, as he deems fit, all provided that the Tenant's rights pursuant to this Agreement are not prejudiced. The Tenant undertakes to cooperate and sign any document requested should any be requested by the Lessor for authorizing and/or exercising the provisions in this section.

13. Waiver of Claims for Investments

13.1 The Tenant explicitly declares that it waives any right, should it have any at all, in advance to claim any payment whatsoever from the Lessor for any change or adaptation made to the Premises by it, including when vacating the Premises and restoring occupancy in it to the Lessor and/or any payment for investments in the Premises that are included or any other payment for any cause whatsoever.

14. Waiver of Choices

14.1 The Tenant declares that it has seen and inspected the Premises, the building, plans, the vicinity of the building the planning scheme, the Urban Building Plans and the detailed plan that are applicable to the land and building and all the details that relate to the Premises and building that could have an effect on its engagement in this Contract and found them to be suitable to its full satisfaction, in a proper condition suitable from all aspects to its needs and purposes. The Tenant waives any claim and/or demand and/or allegation and/or choice because of any defect and/or flaw and/or unsuitability, apart from a concealed flaw).

14.2 The Tenant is aware that the building is intended for use as is detailed in the planning scheme and the Urban building plans that apply to the site and that the Lessor shall be entitled to sell, lease, transfer and/or deliver use of the building or any part thereof for any permitted purpose, at the Lessor's absolute discretion, subject to the provisions in Section 6.4 above and subject to the fact that he shall not prejudice the Tenant's rights in the Premises and their reasonable use. The Lessor has the right to demand amendments to the planning scheme and the Urban building plans that apply to the plot and the Tenant shall not object to any amendment or change as aforementioned, subject to the aforementioned.

14.3 The Tenant shall not have any opinion or objection relating to the general plan of the building, the number of floors and/or rooms and/or units in the building, their use, intention and maintenance, provided that the Tenant's rights in the Premises and reasonable use therein shall not be prejudiced.

14.4 Without derogating from the aforementioned generality, it is hereby agreed that the e Lessor, inter alia, reserves the following rights and he shall be entitled to use them at his sole discretion, without any need for any consent whatsoever of the Tenant and on the date that he chooses to do so:

14.4.1 to execute any change and/or addition to the building, including but not limited to adding and/or reducing areas, addition of units, floors, areas and/or wings in the building in any form whatsoever, converting closed or open public areas into areas for the exclusive use of various users, changing the openings and passages, various kinds of construction additions and any other change to the building or the plans of the building.

14.4.2 To construct the units and/or floors in the building, including the 3rd and 4th floors in the building at his sole discretion and without any limitation whatsoever on the part of the buyer in relation to the number, type, shape, location, size and use therein.

14.4.3 To exploit and/or use the existing building percentages and/or that shall exist in the building at the Lessor's absolute and sole discretion.

14.4.4 To submit and deliver any proposal or request for amending and/or changing the building plans and the urban building scheme that relate to the building or any part thereof to the authorities competent for this, at the Lessor's absolute and sole discretion.

The Tenant undertakes at all times not to interfere and not object to all the provisions in this section above, including but not limited to a change and/or addition and/or amendment to the building license and/or to a change in the building percentages that are specified in the building license and/or to change or amendment to the urban building scheme as provided in this section above, for any reason whatsoever, including but not limited to disturbances caused to him should any be caused while executing the additions and/or change and/or construction as provided in this section above, and provided that the Lessor makes every reasonable effort to diminish the disturbance to the Tenant's business operations to the extent possible. The Tenant waives any claim and/or demand and/or allegation against the Lessor for any interference or damage caused in view of the aforementioned. Despite the aforementioned, it is hereby clarified that the Lessor shall be responsible for any damage caused to the Premises and/or body and/or property of the Tenant and/or anyone on its behalf in view of the aforementioned.

14.5 in any event in which the Lessor executes the construction work of the additional floors in the building after the date that the Tenant enters the Premises, the work must be executed in a manner that does not damage the access roads and entrances to the building and the Premises, including the parking facilities.

14.6 The Lessor undertakes that activity in the gym adjacent to the Premises shall not constitute a nuisance to the Tenant.

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15. **Licenses, Permits and Signage**

15.1 The Tenant shall be solely responsible for obtaining a business license, signage license and the other mandatory licenses pursuant to any law and pursuant to the requirements of the competent authorities for the purposes of managing its business in the Premises and it must bear the payments of all the fees involved in receiving the aforementioned licenses and permits.

15.2 Should the competent authority condition issuing a license on executing changes in the Premises, the Tenant must request the Lessor's consent to make them and, only after receiving the Lessor's prior written consent, should any be given, shall the Tenant be entitled to execute them at its expense. The Lessor will not refuse to give its consent as aforementioned unless for reasonable reasons.

15.3 The Tenant undertakes to manage the business in the Premises pursuant to the provisions of the local authority's bylaws and pursuant to the provisions in any law.

15.4 The Lessor hereby gives his consent to place one sign in the framework of the general signage panel of the building. The Tenant shall be responsible for receiving the mandatory licenses and permits pursuant to any law and pursuant to the requirements of the competent authorities for the purposes of placing the sign and must bear the payment of all the fees involved in obtaining the aforementioned licenses and permits and all the expenses involved in preparing and installing the sign. To obviate any doubts and subject to the aforementioned, it is hereby clarified that the Tenant shall not be entitled and the Lessor shall not give his consent, for the placement of any signage whatsoever by the Tenant or anyone on its behalf in the area of the building or its external walls.

15.5 The Lessor hereby gives his consent to place one sign on the roof of the building in a location and size to be established with the Lessor's approval. Placing the sign as aforementioned shall be the responsibility of the Tenant and at its expense. The Tenant shall be responsible for obtaining all the mandatory licenses and permits pursuant to any law and any demands from the competent authorities for the purposes of placing the sign as aforementioned and it must bear the payment of all the fees involved in receiving the aforementioned licenses and permits. The Parties of hereby agree that, if there should be a need to remove the sign as aforementioned, and reinstall it for any reason whatsoever, including, but not limited to, in view of building the additional floors in the building, the Tenant must do so under its responsibility and at its expense and in coordination with the Lessor.

16. **Changes to the Premises**

16.1 After completing the finishing work in the Premises, the Tenant undertakes not to make and not to demand to make any changes and/or additions and/or improvements whatsoever to the Premises or any part thereof during the entire Lease Period, without receiving the prior written consent of the Lessor or his Attorney, before making the change and/or addition and/or improvement as aforementioned. It shall also not add any structure or part of a structure without receiving the Lessor's prior written consent for this. The Lessor shall not refuse to give his consent as aforementioned for reasonable reasons.

16.2 If the Tenant requested the Lessor's consent as aforementioned and received it, it must execute the permitted change and/or addition and/or improvement professionally and skillfully and without causing any damage and/or disturbance to the Premises and/or common property and/or the other tenants in the building. The Tenant shall be responsible for obtaining the mandatory permits and licenses should any be required for executing the change and/or addition and/or improvement that was permitted, prior to commencing their execution and must execute them pursuant to the requirements of any law. On completion of executing this change and/or addition and/or improvement, the Tenant must furnish the Lessor with an as made plan for the change and/or addition and/or improvement.

16.3 On the termination of the Lease Period, the aforementioned change and/or addition as/improvement shall remain the exclusive property of the Lessor without the Lessor having to pay the Tenant any consideration whatsoever for them and without the change and/or addition and/or improvement being deemed to be key money. All this unless the Lessor and/or his Attorney demand that the Tenant remove the aforementioned improvement and/or change and/or addition. In this event, the Tenant must remove them at its expense and, if necessary, restore the Premises to its previous condition. Should it fail to do so, the Lessor shall be entitled to do so and the Tenant must pay the Lessor immediately on the Lessor's demand, any sum that he extended for removal and/or restoring the previous condition, as aforementioned.

16.4 Subject to the aforementioned, on termination of the Lease Period and/or its legal cancellation, the Tenant undertakes to return occupancy in the Premises to the Lessor when the Premises is in the condition as was on the date of completing the finishing work in the Premises

17. Maintenance of the Premises

17.1 The Tenant undertakes to take care of the Premises, its installations and content and to maintain them in a good and functional condition throughout the Lease Period. The Tenant undertakes to repair any damages and/or breakdowns discovered in the Premises or any part thereof and/or in its installations at its expense and under its responsibility. Should the Tenant fail to do so with 7 (seven) days from the time of the damage and/or breakdown event, the Lessor shall be entitled to enter into the Premises and do this instead of the Tenant and the provisions in Section 26 of the Contract shall apply. The Lessor shall be entitled, without prejudicing his right to any other or additional remedy, to sue the Tenant both during and after the Lease Period, for the expenses and/or presumed expenses for repairing any damages and/or breakdowns, even if the Lessor has not yet executed the repairs.

17.2 To obviate any doubt, it is hereby clarified that the Tenant shall not be responsible for damage and/or a breakdown that occur in the public areas, provided that the damage and/or breakdown as aforementioned were not caused by the Tenant and/or by anyone on its behalf and/or via a breach of the provisions in this Agreement and/or any law.

17.3 The Lessor and/or representatives on his behalf and/or the Management Company shall be entitled, from time to time to enter the Premises on reasonable dates and in advance coordination with the Tenant for the purposes of inspecting compliance with the provisions in this Agreement and/or for the purposes of executing repairs and, provided that minimum disturbance to the extent possible will be caused to the Tenant. However, in the event of an emergency, the Lessor and/or anyone on his behalf shall be entitled to enter the Premises at any time and without advance coordination with the Tenant.

17.4 The Tenant undertakes to manage its business in the Premises pursuant to the provisions of any law and without causing any disturbance or discomfort whatsoever, including but not limited to, noise, odors and pollution to the other occupiers and/or tenants in the building. The Lessor undertakes to include this instruction in any lease contract signed with additional tenants in the building,

17.5 Without derogating from any prohibition and/or other instruction regarding the Tenant's obligation to use the Premises pursuant to any law and to obtain all the mandatory licenses for managing its business in the Premises, the Tenant declares that it is aware that there is an absolute prohibition to use any types of energy and fuels (apart from electricity) and to store toxic and hazardous substances in the Premises and/or building. The Lessor undertakes to include this instruction in any lease contract to be signed with additional tenants in the building.

17.6 The Tenant undertakes not to store and/or load trucks and/or equipment and/or anything else at a load exceeding 250 kg/m² or any other weight of which the Lessor informs the Tenant in writing, in the Premises and building.

18. Payments for the Premises

During the Lease Period and/or additional Lease Period, according to the matter, in addition to all the payments applicable to the Tenant pursuant to this Agreement, including and without derogating from the aforementioned generality, rentals, value added tax, the Tenant undertakes to pay all the following payments as well:

18.1 Management fees and all the other payments applicable to the Tenant pursuant to the Management Agreement.

18.2 For the electricity and water consumption to the Premises pursuant to the meter to be installed in the Premises, the telephone according to Bezeq's bills, the Tenant's share in the electricity expenses in the parking basement, pursuant to the proportionate share of the parking compared with the total parking in the parking basements. To obviate any doubt, it is hereby clarified that the payment for electricity consumption of the cooling towers (chillers) must be paid by the Management Company.

18.3 Any tax, levy or mandatory payment applicable to managing the Tenant's business in the Premises.

18.4 The general RE taxes and/or business rates and taxes and any other taxes, levies, fees and other mandatory payments whether governmental or municipal of any kind and type, that apply and/or shall apply in the future to the user and/or occupant and/or tenant in the Premises (including the parking bays) pursuant to any law and/or legislation, including business tax, signage tax and/or levy and payments for the licenses or any taxes and levies as a result and/or in relation to the Tenant's use, activation and maintenance of the Premises (including the parking bays).

18.5 In addition to the rentals, linkage differentials and all the other payments applicable to the Tenant pursuant to this Agreement, the Tenant must pay value added tax at the rate as shall be from time to time, on the date of making any payment pursuant to this Agreement.

19. **Mandatory Payments**

19.1 Without derogating from the provisions in this Agreement, throughout the Lease Period, the Lessor must pay purchases tax should any apply to the Lessor and any tax, levy or mandatory payment applicable to landlord pursuant to the law, apart from any tax, levy or mandatory payment that applies as a result and/or is related to the Tenant's use of the Premises.

20. The Management Agreement and the Condominium's Regulations

20.1 the Lessor must see to the fact that a corporation that will deal in managing and maintaining the building will be appointed or established (hereinafter: **the Management Company**"). As long as no corporation has been appointed or established or as long as it is not yet commenced dealing in managing and maintaining the building, the Lessor shall serve as the Management Company.

20.2 When signing this Agreement, the Tenant must sign the Management Agreement in the format attached to the Agreement as**Appendix D**.

20.3 The Tenant's signature on this Agreement and the Management Agreement – **Appendix D** – constitutes a direct commitment vis-à-vis the Management Company that shall be appointed or established, and the Tenant's commitment vis-à-vis the Lessor to comply with all its commitments vis-à-vis the Management Company whether expressed in this Agreement or if expressed in the Management Agreement. As long as no Management Company has been appointed or established, the Lessor shall replace it.

20.4 The Management Company shall have access to the Premises for the purposes of executing work inside the Premises that shall be required for the purposes of providing the services or any of them and, provided that the work will be executed in a manner that does not cause any disturbance to the Tenant managing its business in the Premises beyond what is required and, that, on completion of the work, they will be restored to their previous condition. The Management Company must give the Tenant advance notice and coordinate the date of entering the Premises in advance with it, apart from an event of an urgent need to enter the Premises when representatives of the Tenant are not available in the Premises.

20.5 A breach of any of the Tenant's commitments vis-à-vis the Management Company shall be deemed to be a breach of the Tenant's commitments vis-à-vis the Lessor pursuant to this Contract and failure to make any payment whatsoever owing to the Management Company by the Tenant punctually, shall be treated as failure of paying the rental punctually and will entitle the Lessor to all the remedies imparted on him for a breach as aforementioned.

20.6 In consideration for the Management Company's commitments, the Tenant must pay the Management Company's the management fees and all the other payments under the conditions and on the dates as detailed in Appendix D.

21. Guarantees and Conditions for Exercising Them

21.1 To guarantee the Tenant's commitments pursuant to this Agreement and the Management Agreement, when signing this Agreement, the Tenant hereby deposits an autonomous and unconditional bank guarantee at the Lessor linked to the United States dollar in a sum equal to the rentals and management fees for 6 (six) months according to their value on the date of extending the guarantees, with the addition of VAT, which shall serve as security for fulfilling all the Tenant's commitments pursuant to this Agreement and the Management Agreement (hereinafter: "**the guarantee**"). The guarantee shall remain in force throughout the Lease Period and for a 60 (sixty) day period after the termination date of the Lease Period.

21.2 On the termination of the second lease year, the guarantee will be reduced by a sum equal to the rentals and management fees for 3 (three) months only with the addition of VAT.

21.3 Should the Tenant fail to comply with its commitments pursuant to this Agreement and the Management Agreement, including payment of the rentals, payment of any payments applicable to it for the Premises, vacating and completing the repairs, the Lessor shall be entitled to back up full compliance and/or the damages and expenses caused to the Lessor as a result of failure to comply with the aforementioned commitments, from the guarantee, this after giving the Tenant a 14-day warning.

21.4 If the Tenant fulfilled all its obligations pursuant to the Agreement, including full payment of the rentals, payment of all the payments applicable to it for the Premises, vacated and completed the repairs and presented the Lessor with receipts and confirmation of fully making all the aforementioned payments in the Agreement, the Lessor will return the guarantee to it.

22. Responsibility

22.1 The Lessor shall be solely responsible for any loss and/or damage caused to the Premises and/or to its content and/or to any person and/or corporation, including its employees and/or to the Lessor and/or anyone on his behalf and/or to the other tenants and/or other occupants in the building and/or to any other person, which derived from managing the Tenant's businesses in the Premises and/or from holding the Premises and/or using the Tenant's use of the Premises and/or from any action and/or default of the Tenant and/or anyone on its behalf.

22.2 The Tenant undertakes to compensate and/or indemnify the Lessor and/or the Management Company for any damages fees that they paid and/or expense caused to them for any damage for which the Tenant is responsible as aforementioned in this section.

23. **Insurances**

Without derogating from the Tenant's responsibility pursuant to this Agreement and/or pursuant to any law, throughout the Lease Period, and the additional Lease Period (as if they should be), the Parties agree to prepare the following insurances as a legally authorized and reputable insurance company:

23.1 The insurances that will be prepared by the Lessor and/or Management Company:

23.1.1 Property insurance that ensures the Premises at its full reinstatement value, including the finishing work but apart from any improvement, change and addition made and/or that shall be made by the Tenant and/or for it after the date of completing the finishing work, against loss or damage in view of fire, smoke, lightning, explosion, earthquake, storm and tempest, flood, riots, strikes and malicious damage, through her damages and pipe bursts, accidental damage, damage by aircraft and damages from burglary. This insurance must include the Lessor as the only beneficiary.

23.1.2 Third-party liability insurance for the debts of the Lessor and Management Company in view of corporeal injury and/or property damage of any person and/or entity whatsoever with a liability limit that shall not be less than a sum equal to $2 million (two million dollars) for the period and per event. The aforementioned policies in Sections 23.1.1 and 23.1.2 must include the Tenant as an additional insurant and must include an entry regarding a waiver on the right of subrogation vis-à-vis the Tenant and anyone on its behalf, provided that the aforementioned regarding the waiver on the right of subrogation shall not apply to the benefit of a person causing damage with malicious intent.

23.1.3 Loss of rental insurance following the fact that the Premises is damaged and/or destroyed because of risks insured in Section 23.1.1 above or any one of them.

As long as the Tenant persists in the payment of his share of the premium for the aforementioned insurance in full and punctually, the Tenant shall be entitled to an exemption from payment of rentals and management fees on those dates throughout that period and, to the same degree, the Lessor will receive the rentals from the insurer for the aforementioned insurance.

23.1.4 The Tenant must pay the Lessor the premiums for the insurances as aforementioned, no later than 14 days from the date of the Lessor's first written demand.

23.2 The insurances to be prepared by the Tenant and at its expense prior to receiving occupancy of the Premises or prior to the date of introducing any property into the Premises – whichever is the earlier (hereinafter: "the **Tenant's insurances**"):

23.2.1 Property insurance that ensures the content of the Premises, apart from the finishing work and including any improvement, change in addition made and/or that shall be made by the Tenant and/or for it after the date of completing the finishing work, at the full reinstatement value, against loss or damage in view of fire, smoke, lightning, explosion, earthquake, storm and tempest, flood, riots and strikes and malicious damage, fluid damages and pipe bursts, accidental damage (impact) damaged by aircraft, burglary and theft. The insurance as aforementioned must include an express entry regarding a waiver of subrogation vis-à-vis the Lessor and Management Company and anyone on their behalf as well as vis-à-vis the other tenants and/or occupiers in the building in the insurances of which a similar section is included regarding a waiver on the right of subrogation vis-à-vis the Tenant and, provided that the aforementioned regarding the waiver of the right of subrogation shall not apply to the benefit of a person causing damage with malicious intent.

23.2.2 Third-party liability insurance for the Tenant's debts in view of corporeal injury or property damage of any person and/or entity whatsoever, with a liability limit that shall not be less than a sum equal to $2 million (~~five~~ million United States dollars) for the period and per event.

The insurance shall not be subject to any limitation regarding a debt deriving from fire, explosion, panic, elevating tools, loading and unloading of vehicles, poisoning, anything that is damaging from food and beverages, a right and shut down.

As a part of this policy, the Lessor must be included as an additional insurant, while specifying the fact that the Lessor is not liable for payment of any payment whatsoever. Furthermore, the policy must include an entry regarding a waiver of subrogation vis-à-vis is the Lessor and anyone on his behalf and vis-à-vis the other tenants and/or occupiers in the building of the Premises in the insurances of which and similar entry will be included regarding a waiver of the right to subrogation vis-à-vis the Tenant, provided that the aforementioned waiver on the right of subrogation shall not apply to the benefit of a person causing damage with malicious intent. The aforementioned policy must also include "cross liability" pursuant to which it will be considered as if prepared separately for each of the insurant individuals.

23.2.3 Employer's liability insurance for the Tenant's debts vis-à-vis its employees and those employed by it with a liability limit that shall not be less than a sum equivalent to $5 million (five million United States dollars).

23.2.4 Loss of income insurance (apart from rental) for t its full value for the Tenant, in view of damage caused to the building and/or Premises or in view of the building's destruction and/or that of the Premises in view of the risks that are insured pursuant to Section 23.2.1 above. The insurance as aforementioned must include a waiver of the right of subrogation vis-à-vis the Lessor, the Management Company and anyone on their behalf and/or the other tenants and/or occupiers in the building, the insurances of which will include a similar entry regarding a waiver on the right of recourse vis-à-vis the Tenant, provided that the aforementioned waiver of the right of subrogation shall not apply to the benefit of a person causing damage with malicious intent.

Despite the aforementioned, it has been agreed that the Tenant is entitled not to prepare loss of income insurance, but the Lessor shall be exempt from any liability for damage to which the Lessor is entitled for indemnification pursuant to the insurance pursuant to this section had it been prepared.

23.2.5 The Tenant's insurances must include an explicit condition pursuant to which they precede any insurance prepared by the Lessor and that the insurance company waives any demand or claim regarding inclusion of the Lessor's insurances. Furthermore, the Tenant 's insurances must include an explicit condition pursuant to which they will not be annulled, reduced or expire during the Lease Period and during any additional Lease Period (should there be any) without the Lessor having been given notification of this via registered mail, at least 60 days in advance.

23.2.6 Within 7 days from the date of being demanded for this, the Tenant undertakes to present the Lessor with confirmations regarding the existence of the aforementioned insurances and copies of the Tenant's policies, without the presentation as aforementioned prejudicing the responsibility and liabilities of the Tenant and without this imposing any liability or obligation whatsoever on the Lessor.

23.2.7 Should the Tenant fail to comply with its commitments pursuant to this section, the Lessor shall be entitled, but not obligated, to prepare the insurances or some of them instead of the Tenant and at its expense and/or to pay any premium whatsoever, this without derogating from the Lessor's right to any other remedy applicable to it in the provisions of Section 27 of the Contract.

23.3 The Parties undertake to comply with all the aforementioned insurance conditions, to pay the premiums timely, to see to the fact that all the insurance will be valid throughout the Lease Period and to undertake every action in order to exercise the insurances when needed.

23.4 The Tenant undertakes not to do and/or permit others to do any act or default intentionally in the Premises and/or building that are likely to cause an explosion and/or leakage. The Tenant also undertakes not to do or permit others to do any deed or default that could increase the insurance expenses of the Lessor regarding the Premises and/or the building in any form whatsoever.

23.5 Prior to the commencement date for executing the finishing work in the Premises by the Tenant and/or on its behalf as provided in Section 9 above, the Tenant undertakes to prepare and maintain "contractual work insurance" in its name and in the name of the contractors and subcontractors working on its behalf, in relation to all the finishing work as defined above which is being executed by it and/or on its behalf and not by the Lessor or anyone on his behalf, including equipment, systems, machines, that will be used in the Tenant's business and repairs, improvements, changes, renovations and additions made to the Premises. The aforementioned insurance must include the following parts:

23.5.1 All risks insurance that fully covers a value of the finishing work. This insurance must include the Lessor as the sole beneficiary pursuant to the aforementioned policy and an entry regarding a waiver on the right of subrogation vis-à-vis the Lessor and those on its behalf, provided that the aforementioned regarding a waiver of subrogation shall not apply to the benefit of a person causing damage with malicious intent. The insurance must include an express expansion regarding property on which work is being conducted with a liability limit that shall not be less than $500,000.

23.5.2 Third-party liability insurance that insures indebtedness for corporeal injury and property damage of any person and/or entity whatsoever, in relation to the finishing work with a liability limit that shall not be less than $500,000 per event and in total during the insurance period.

As a part of this insurance, the Lessor must be included as an additional insurant, while specifying the fact that the Lessor is not liable for payment of any premiums whatsoever. Furthermore, the policy must include a section regarding a waiver on the right of subrogation vis-à-vis the Lessor and anyone on his behalf and vis-à-vis the other tenants and/or occupiers in the building of the Premises, in the insurance policies of which a similar section regarding a waiver on the right of subrogation vis-à-vis the Tenant will be included, provided that the waiver on the right to subrogation shall not apply to the benefit of a person causing damage with malicious intent. The policy must also include a "cross liability" section, pursuant to which it will be deemed to have been prepared separately for each of the insurant individuals.

23.5.3 Employer's liability insurance that ensures indebtedness vis-à-vis the employees and/or those employed in the finishing work with a liability limit that shall not be less than $500,000 (five hundred thousand United States dollars). The aforementioned insurance shall not be subject to any limitation regarding the contractors, subcontractors and their employees.

23.5.4 The contractual work insurance prepared by the Tenant must include an explicit condition, pursuant to which it precedes the Lessor's insurances and that the Tenant's insurer waives any claim regarding inclusion of the Lessor's insurances. The insurances must also include an explicit condition pursuant to which there will not be annulled, reduced and will not expire until completion of the work, unless after the insurer has been furnished with a notice of this by registered mail at least 60 days in advance.

23.5.5 Within 7 days from the date of being demanded to do so, The Tenant undertakes to present the Lessor with authorizations regarding the existence of the aforementioned insurances and copies of the Tenant's policies, without this aforementioned presentation prejudicing any responsibility and liabilities of the Tenant and without this imposing any responsibility or liability whatsoever on the Lessor.

[signature] [2 initials] [left margin] [signature] [stamp] Actelis Networks

23.5.6 Should the Tenant fail to comply with its commitments pursuant to this section, the Lessor shall be entitled, but not obligated, to prepare the insurances or any part of them instead of the Tenant and at its expense and/or to pay any sum whatsoever, without derogating from the Lessor' rights to any other remedy and the Provisions in Section 27 of the Contract shall apply.

24. Vacating the Premises

24.1 Immediately on termination of the Lease Period, or the additional Lease Period, pursuant to this Contract, and/or the legal annulment of the Contract by any of the Parties, all prior to the earlier date and according to the matter, the Tenant undertakes to vacate the Premises of any person and/or object and to return occupancy of the Premises to the Lessor or to his Attorney when it is free of any person and object as aforementioned and when the Premises is in a good, normal and orderly condition apart from reasonable and regular wear and tear following the use of the Premises for the lease purposes and under the aforementioned conditions provided in Sections 16 and 17.1.

24.2 In any event of failure to vacate the Premises on time by the Tenant on termination of the Lease Period or the annulment or expiry of this Contract, the Lessor shall be entitled, without derogating from rights for any other remedy to:

24.2.1 Enter the Premises himself and/or through others and to use reasonable force to this purpose and to vacate the Premises of any objects or chattels that are found therein and to replace its locks or to prevent access to it by the Tenant or anyone on its behalf using any means that he deems fit.

24.2.2 Prevent the Tenant and/or any of its individuals and/or any person on its behalf from entering the Premises or using the Premises or any part thereof.

24.2.3 In any event of failure to vacate the Premises on time as aforementioned by the Tenant, the Tenant or anyone on its behalf shall be deemed to be a trespasser and a "fresh intruder" in the Premises and it shall not have any claim or allegation vis-à-vis the Lessor anyone on his behalf regarding damages caused to it or to its chattels as a result of the aforementioned action.

24.2.4 The Tenant shall be liable for paying the Lessor all the expenses caused to the Lessor or to anyone on his behalf in the aforementioned actions and the provisions in Section 27 below shall apply.

25. **Agreed-upon Compensation**

25.1 Should the Tenant fail to vacate the Premises under the conditions provided in Sections 60, 17.1 and 24.1 above, the Tenant must pay the Lessor a sum equivalent to the rental owing to the Lessor for one lease month divided by 10 as established and agreed upon compensation in advance, for every arrears day in vacating the Premises after the date established for vacation. This payment contains nothing to derogate from the Lessor's right to any other or additional remedy and/or compensation at a higher rate pursuant to this Contract and/or pursuant to any law. The aforementioned sum shall be linked to the Index in the same way that the rental is linked.

26. Breach of the Agreement

26.1 If this Agreement is breached via a material breach, the injured Party is entitled to annul the Agreement after giving the other Party written notice that details the breach and the second Party does not correct the breach within 15 days from the date of receiving the notice.

26.2 Any breach whatsoever of any of the provisions detailed below of the Agreement shall be deemed to be a material breach hereof.

26.2.1 Any breach whatsoever of the provisions in one of the sections 4, 6, 7, 9, 10, 12, 16, 17, 21, 23, 24.1 of this Agreement and all their subsections.

To obviate any doubt and without derogating from the aforementioned generality, it is hereby clarified that the date of commencing the lease, the date of completing the finishing work in the Premises, the date of delivering occupation in the Premises and the duration of the Lease Period are included in the principles of this Agreement and no Party shall be entitled to change them or shorten them, unless pursuant to the provisions in this Agreement and with the written agreement of the Parties, this in view of the Parties' expectations and intentions at the time that they engaged in this Agreement and any breach whatsoever of any of the instructions of the Agreement in relation to the aforementioned, shall be deemed to be a material breach of the Agreement.

26.2.2 Arrears in any payment whatsoever that the Tenant has to make pursuant to the provisions in Sections 8, 9 and 18 of this Agreement for a period exceeding 7 (seven) days.

26.2.3 Any breach whatsoever of any of the provisions of this Agreement that are not mentioned in Sections 26.2.1 – 26.2.2 and which is not corrected within 30 days from the date of being demanded to do so by the breaching Party.

26.3 The Lessor shall be entitled to annul this Agreement despite any instruction in the Agreement regarding the Lease Period and to demand that the Tenant vacate the Premises (hereinafter: "**the annulment notice**") in any of the following instances:

26.3.1 A petition has been submitted to a competent Court for the dissolution of the Tenant, to appoint a trustee, liquidator, temporary liquidator, receiver for a material part of its assets and/or for imposing an encumbrance on a material part of its assets and an order has been given pursuant to the petition or the petition was not canceled or rejected within 45 days from the date of submitting it to the Court.

26.3.2 The guarantees that was given pursuant to Section 21 has expired entirely or partially or was canceled or declared by a competent Court as canceled or lacking any force for any reason whatsoever.

26.4 If a cancellation notice has been given by the Lessor, the following instructions shall apply:

26.4.1 The Tenant must vacate the Premises within 15 days under the conditions provided in Section 16, 17.1 and 24.1 above.

26.4.2 Immediately after receiving their first demand in writing, the Tenant shall be responsible for returning all the expenses, damages and losses caused to them in view of the breach of the Agreement by the Tenant to the Lessor to the Management Company.

26.5 If a cancellation notice has been given by the Tenant in the event of a breach of this Agreement by the Lessor, the provisions in Section 26.4 shall apply with the mandatory changes.

26.6 Any remedy or right given to a Party to this Contract in relation to a breach of the Contract by the second Party, is intended to add to any other remedy granted to that Party, whether pursuant to this Contract or pursuant to any law and they are not intended to derogate from them.

26.7 Any extension and/or failure to exhaust a remedy immediately and/or receipt of money by the Lessor after the payment date, shall not be deemed as a waiver of any right and/or remedy imparted on the Lessor and/or the Tenant pursuant to this Contract or pursuant to any law.

26.8 Any arrears in payment by any Party whatsoever will bear arrears interest at the rate that shall be conventional at Bank Leumi LeIsrael B.M. (hereinafter: "**the bank**"), regarding an authorized exceptional overdrafts at the time for the arrears period or pursuant to the Party entitled to payment's choice, linkage differentials to the last known Index with attachment of interest at a rate that shall be conventional at the bank on indexed loans at that time from the date established for payment until the actual payment, without derogating from the entitled Party to compensation at a higher rate or to any other remedy.

Confirmation in writing of one of the bank managers regarding the interest rate as aforementioned shall constitute conclusive and exclusive evidence as to the aforementioned interest rate.

27. <u>Executing Commitments instead of the Second Party</u>

27.1 Whenever an obligation to execute any action or work whatsoever or to make any payment whatsoever is imposed on a Party to this Contract and the obligated Party does not execute the aforementioned action or work or payment by the date specified for this in this Contract, in the absence of a date as aforementioned until the specified date for this purpose in the written demand received from the second Party – then the second Party shall be entitled, but not obligated to execute the action or work or payment instead of the obligated Party and at the obligated Party's expense, whether by himself or using others, subject to the fact that he sent a notice to the obligated Party of his intention to do so and the obligated Party did not execute the action or work or payment within 10 days from the date of the aforementioned message. In such an instance, the obligated Party shall be obligated to pay the second Party immediately according to his demand all the sums or losses or damages that the second Party paid or ball in relation to executing the aforementioned action or work or payment with the addition of linkage differentials and linked interest at an annual rate of 8% as of the date on which the second Party bore the expenses and up to the date of the actual full refund of the sum by the obligated Party.

28. <u>General</u>

28.1 Under no circumstances, will the Tenant have any right to set off any sum whatsoever from the sums owing from the Tenant to the Lessor and/or Management Company pursuant to this Agreement and/or the Management Agreement and/or sums the causes of which in this Agreement and/or the Management Agreement against the sums that the Lessor and/or Management Company shall be owing to the Tenant, should there be any, and should the cause for the debt be what it may. Thus, unless the Tenant has received the Lessor's agreement to a setoff as aforementioned and/or received a verdict pursuant to which it is entitled to the sums as aforementioned and this apart from reference to the participation fees for the Premises as provided in Subsection 9.22 above. Furthermore, the Tenant shall under no circumstances have a right to a lien on the Premises Subject to the aforementioned, the Tenant waives any right of setoff as aforementioned, despite the provisions in any law.

28.2 The Parties hereby establish that the competent Court in Tel Aviv-Jaffa shall have the unique authority in any matter relating to this Agreement or deriving here from. The Parties addresses for service of process shall be as provided in Section 28.11 below.

28.3 This Agreement and its Appendices consolidate and express the relationship of the rights and obligations between the Tenant and the Lessor exclusively and absolutely.

28.4 On signing this Agreement which constitutes a complete and binding contract between the Parties, any contract and/or draft and/or agreement and/or affidavit and/or prospectus and/or promise and/or publication that was made by the Lessor and/or his representatives or anyone on his behalf are null and void and the Lesser shall not be bound for any of them.

28.5 The marginal headings of the sections in this Contract are for convenience purposes only and must not be used as any reference or aid for interpreting and/or the interpretation of this Contract.

28.6 Previous drafts of this Contract shall not have any weight in relation to the interpretation of this Contract or any of its provisions. Drafts of this kind shall not be acceptable in any litigation or quasi litigation.

28.7 No change and/or waiver and/or deviation from the provisions in this Contract shall have any force unless made in writing and signed by both Parties.

28.8 Consent on the part of one of the Parties to a deviation from the provisions in this Contract in a particular case, shall not constitute a precedent and shall not indicate any equal inference for any other case. No Party may use the rights given to him pursuant to this Contract in a particular event to be perceived as a waiver of that right in the same event and/or in a another a similar or dissimilar event and no waiver whatsoever of any right whatsoever of that Party should be deduced from this.

28.9 A waiver made in one matters shall not contain anything to indicate a similar inference for another matter.

28.10 The Parties hereby declare that they have arrived at this Contract after investigation and inspection.

28.11 The Parties addresses for the purposes of this Agreement shall be as detailed below:

For the Lessor: the address in the preamble to the Agreement.

For the Tenant: until the date of opening the Tenant's business in the Premises – as provided in the preamble to the Agreement and afterwards, the address of the Premises. As long as no written notice of any change in the aforementioned addresses has been received, any notice sent by one Party to the other or by and Attorney to any of the Parties by registered mail to the aforementioned addresses, shall be deemed to have been sent to the addressee within 72 hours from the date of delivering for mail at a post office in Israel. If delivered by any of the Parties to this Agreement through a messenger, as shall be deemed to have been delivered immediately on delivering it to its destination by the messenger.

In witness whereof the Parties of hereunto set their signature

[signature]
[signature]
The Tenant
[stamp]
Actelis Networks
Actelis Networks Ltd,

[signature]
The Lessor

I, the undersigned, Gil Segal, Atty. at Law, confirm the aforementioned signatures of the Tenant and that the signatures are binding on the Tenant

_____
Gil Segal, Atty. at Law

I, the undersigned, Samoocha Yitzhak, Atty. at Law, confirm the aforementioned signatures of the Lesser and that the signatures are binding on the Lessor

_____
Samoocha Yitzhak, Atty. at Law
[stamp] Yitzhak Samoocha, Atty. at Law
1 Basle St., Kiryat Arie
PO Box 10027, Petach Tikva 49001
Tel no: 03-921-4172 fax No 03-923-0125

Exhibit 10.3

First Amendment to the Lease and Management Agreements from October 22, 2017

Signed in Petach Tikva on April 14, 2021

between

Homerton Investments Ltd.
to be called hereinafter – "**the Lessor**;"

The First Party

and

Actelis Networks Israel Ltd.
to be called hereinafter – "**the Tenant**;"

The Second Party

1. In the Lease and Management Agreement dated January 13, 2000 and the Addendum to the Lease Agreement dated March 27, 2016 (hereinafter: "**the Addendum from 2016**") (**the Lease and Management Agreement and the Addendum from 2016 shall be called jointly below: "the Lease Agreement**") the changes detailed below in this Addendum shall apply.

2. The Lease Period as defined in the Lease Agreement will be extended to April 30, 2023, pursuant to the provisions as detailed in the Lease Agreement with the changes as detailed in this Addendum.

3. Section 12 of the Second Addendum 2016 retroactively annuls, in a manner that they shall not be an increase in the rental and management fees as of May 1, 2020 until the termination of the Lease Period as provided in Section 2 above, without derogating from linking the rental and management fees pursuant to the provisions in Section 13 of the Addendum from 2016 (however the basis Index regarding this Addendum shall be is the Index from April 2021). Thus, in the matter of this Addendum, Sections 6 and 14 of the Addendum from 2016 shall not apply.

4. To obviate any doubt, any of the provisions in the Lease Agreement in which no change has been made pursuant to this Addendum will remain in force without any change. Also, to abet any doubt, the provisions in Sections 21-22 and 23 of the Addendum from 2016 shall also apply regarding this Addendum.

n witness whereof the Parties of hereunto set their signature

[signature]
The Tenant
[stamp]
Actelis Networks
Actelis Networks Ltd,

[signature]
The Lessor

[signature]

[signature] [stamp]
Y. Manage Ltd.

[2 initials]

[left margin] [signature] [stamp]
Actelis Networks

SERVICES AGREEMENT

THIS SERVICES AGREEMENT (this "Agreement") is made and entered into on December 27, 2021 (the "Effective Date"), by and between Actelis Networks, Inc., a corporation incorporated under the laws of the State of Delaware (the "Company") with its offices located at _____, and Ram Vromen, an individual residing at _____ ("Service Provider").

WITNESSETH:

WHEREAS, the Company, Service Provider (in his capacity as the "Representative") and such other parties have entered into that certain Amended and Restated Stockholders Agreement dated February 2, 2016 (the "Stockholders Agreement");

WHEREAS, the Company and Service Provider reached into certain understanding by which Service Provider will continue to provide the Company with certain management and other services as an independent contractor; and

WHEREAS, the parties hereto wish to regulate their relationship in accordance with the terms and conditions set forth herein, hereby intending that the provisions of this Agreement shall replace and supersede the provisions of Section 12 of the Stockholders Agreement ("Section 12");

NOW, THEREFORE, the parties do hereby mutually agree as follows:

1. The Services

   1.1. Service Provider shall provide the Company with the services set forth in Exhibit A attached hereto, as may be amended and/or updated from time to time by a mutual agreement of the parties (the "Services").

   1.2. The Services shall be performed in the scope as set forth in Exhibit A, or such other scope to be agreed from time to time by the parties.

2. Representations and Warranties. Service Provider represents and warrants that (i) he has the requisite knowledge, skills and experience for providing the Services; (ii) he is authorized to enter into this Agreement according to its terms; and (ii) the execution and delivery of this Agreement will not constitute a default under or conflict with any agreement or other instrument to which he is a party, or to which Service Provider is bound and do not require the consent of any person or entity.

3. Compensation. As consideration for the fulfillment of Service Provider's tasks and obligations under this Agreement (as well as in connection with such services already rendered prior to the date hereof in accordance with the terms of the Stockholders Agreement), the Company shall pay Service Provider such remuneration, or provide such rights, as is set forth in Exhibit A attached hereto (the "Compensation"). Service Provider is aware that the Compensation constitutes the Company's sole obligation towards Service Provider in consideration for the 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, Service Provider will file and be liable for his own tax reports and filings, 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. Service Provider is aware and acknowledges that the arrangements under this Agreement is still subject to approval by the stockholders of the Company, provided that if such approval is not obtained for any reason, then the parties agree to revert to the provisions of Section 12 which will, once again, prevail and govern on the matters set forth herein.

4. Termination of Stockholders Agreement Arrangements. The parties hereby agree that the terms of this Agreement, including, but not limited to, the terms as provided in Exhibit A, are intended to (and hereby) supersede, terminate, and replace the provisions of Section 12, whether or not the Stockholders Agreement is actually amended to that effect.

5. Status of Parties

   5.1. Service Provider is an independent contractor and is elected to provide the 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 Service Provider.

   5.2. 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 Services.

   5.3. Service Provider hereby agrees to fully indemnify Company and hold it harmless from and 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 Service Provider's or anyone acting on his behalf that the Services provided herein should be part of his salary as an employee of the Company.

6. Term and Termination of the Agreement

   6.1. This Agreement shall commence and enter into effect on the Effective Date (other than such earlier and specific arrangements set forth in Exhibit A which shall be deemed to have entered into effect as of the earliest date set forth therein), and shall continue to be in full force and effect unless otherwise terminated as set forth in this Section 6 (the "Term").

   6.2. The Company may terminate this Agreement, with or without cause, at any time upon thirty (30) days' advance written notice to the other party (the "Notice Period" and the "Termination Notice", respectively). Such termination will not derogate from the obligation of the Company to pay the Outstanding Fees and the Additional Fees (as such terms are defined in Exhibit A).

   6.3. During the Notice Period, and only if the Company so requires, Service Provider shall continue to provide the Services.

   6.4. Sections 2, 7 and 8 will survive any termination or expiration of this Agreement.

7. Confidentiality

7.1. Service Provider acknowledges that he will be exposed to confidential information related to the Company in connection with the Services and this Agreement. Therefore, the Service Provider hereby undertakes to protect the Company's confidential information to the best of his efforts and in any event, with at least a reasonable care. The foregoing shall not be deemed to derogate in any way from Service Provider's fiduciary duties under applicable law.

8. General

8.1. 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 or his 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.

8.2. 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.

8.3. 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.

8.4. 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 and replaces any and all prior discussions, agreements (whether written or verbal), representations and understandings in this regard. This Agreement shall not be modified except by a written instrument signed by both parties.

8.5. The captions contained herein are for the convenience of the parties only and shall not affect the construction or interpretation of any provision hereof.

8.6. All notices, requests, reports, consents and other communications hereunder shall be in writing, and shall be delivered either (i) by hand, (ii) by electronic mail, 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.

8.7. This Agreement shall be governed by the laws of the State of Delaware. Each of the parties hereby submits irrevocably to the exclusive jurisdiction of the competent courts located within the City of Tel-Aviv, Israel.

8.8. Any breach of this Agreement by Service Provider could cause irreparable damage to the Company. In the event of such breach, the Company shall have the right to obtain injunctive relief, including, without limitation, specific performance or other equitable relief to prevent the violation of Service Provider's obligations hereunder. Nothing herein contained shall be construed as prohibiting the Company from pursuing any other remedies available for such breach or threatened breach, including, without limitation, the recovery of damages by the Company.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date stated below.

THE COMPANY	SERVICE PROVIDER
Actelis Networks, Inc.	Ram Vromen
By: Yoav Efron	
Title: CFO	
Date: 12/27/2021	Date: 12/27/2021

EXHIBIT A

The Services; Compensation

Any terms not specifically defined herein shall have their respective terms in the Services Agreement to which this Exhibit is attached

The Company and the Service Provider hereby agree to the following terms in connection with the Services rendered by the Service Provider to the Company:

1. Services. The Services to be rendered by the Service Provider hereunder shall include the following:

1.1. Advice and assistance in fund raising (opening doors, preparing materials, assisting in presentations and providing follow up, negotiating deals, keeping relations with key players etc.);

1.2. Legal assistance (term sheets, reviewing definitive agreements and consulting on legal issues); and

1.3. Any other matter as requested by the Company and agreed from time to time between the Service Provider and the Company.

2. Acknowledgement of Past Fees. The Company hereby acknowledges that the outstanding amount owed and unpaid to the Service Provider in connection with the Services rendered during the period commencing on February 15, 2015 and ending on December 31, 2019 (the "Initial Term") is $197,500 plus VAT (the "Outstanding Initial Fees").

3. Additional Service Fees. The Company and the Service Provider hereby acknowledge and agree that from and after the Initial Term (the "Additional Term"), the Service Provider shall be entitled to a success-based fee, which shall: (i) be calculated and based on the following provisions and (ii) replace and terminate the original arrangements under Section 12 in respect of any period following the Initial Term (the "Additional Fees"):

3.1. The Additional Fees shall be in an amount of $150,000 plus VAT.

The Additional Fees shall be payable by the Company as follows: (a) $100,000 plus VAT will be payable upon the earlier to occur of: (i) the closing of a Financing Round (as defined below) of at least $2,000,000 to the Company ("Qualified Financing"). Closing shall be deemed to occur when the Company actually receives the investment amount but not earlier than January 1, 2022; and (ii) the Company reaches at least $2,000,000 in EBITDA as reported by the Company, whether any such event occurs during or after the Additional Term; (b) $50,000 plus VAT will be payable upon the earlier to occur of: (i) the closing of a Financing Round in which the aggregate amount received by the Company in Financing Rounds from the date of this Agreement reaches or passes $4,000,000 to the Company. Closing shall be deemed to occur when the Company actually receives the investment amount; and (ii) the Company reaches at least $3,000,000 in EBITDA as reported by the Company, whether any such event occurs during or after the Additional Term

The term "Financing Round" shall mean any form of equity financing in the capital stock of the Company, including in the form of: (i) convertible notes and/or SAFE instruments; or (ii) reverse merger with a shell company provided that an amount of at least $2,000,000 is made available for operational purposes in the shell company at the closing of such reverse merger or subsequently raised by the shell company, but excluding, for the avoidance of doubt, any form of non-convertible debt, grants and like payments. A Qualified Financing may occur in several phases that accumulate to at least $2,000,000. In addition, separate series of financing rounds that occur in the same 12-month period will be considered a Qualified Financing as long as they accumulate to at least $2,000,000.

3.2. The Service Provider shall resign from his position as a member of the Board of Directors and stop providing and Services on June 30, 2022 (the "Termination Day"). Notwithstanding the foregoing, in case of closing of the Qualified Financing following which the Company remains a private company prior to the Termination Day, the Service Provider undertakes to continue rendering the Services to the Company for a period of up to three (3) months following such closing, as the Company shall reasonably require, even if such three month period ends following the Termination Date. In the event that the Company becomes public prior to the Termination Day, the Service Provider may resign from the Board prior to the Company becoming public but will otherwise provide the Services until the Termination Day.

3.3. In the event that the Company reaches one of the milestones set forth in Section 3.2 above and Service Provider is entitled to receive the Additional Fees, then the Company shall pay all Outstanding Initial Fees, as set forth above, together with the payment of the Additional Fees; provided that the Company may pay any and all Outstanding Initial Fees in several installments over a period not to exceed twenty-four (24) months from achievement of the applicable milestone. For avoidance of doubt, this Section does not derogate from the Service Provider's right to receive the Outstanding Initial Fees notwithstanding the occurrence of any such milestone.

* * * * *

RESTRICTED STOCK REPURCHASE AGREEMENT

This Restricted Stock Repurchase Agreement (the "**Agreement**") is made and entered into effective as of _____, 2015, by and between Actelis Networks Inc., a Delaware corporation (the "**Company**") and Tuvia Barlev (the "**Stockholder**").

RECITALS

A. Company and certain investors (the "**Investors**"), have entered into a Stock Purchase Agreement (the **"SPA"**) and related agreements (the "**Investment Agreements**"), pursuant to which the Investors shall purchase Series A Preferred Stock of the Company (the "**Investment**"), under the terms set forth therein.

B. Concurrently with the consummation of the Investment (the "**Closing**"), the Stockholder will purchase 67,718,081 shares of Common Stock of Company as set forth opposite his signature herein (the "**Shares"**) at a price per share of US$ 0.0015696.

C. Following the Closing, the Stockholder will continue to be employed by Company.

D. As an inducement for the Investors to consummate the Investment, the Investors desire that the Stockholder to, and the Stockholder is willing to, subject the Unvested Shares (as defined below) to repurchase by the Company, subject to the terms and conditions provided herein.

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements hereinafter set forth, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Vesting; Company Right To Repurchase

1.1. Vesting. Upon the Closing, 17,745,828 of the Shares will be deemed "Unvested". Although all of the Shares (whether Vested or Unvested) will entitle the Stockholder to all of the rights accorded to a holder of Common Stock of the Company (including the right to cash dividends, if any, and the right to vote such Shares), the Unvested Shares will remain subject to repurchase pursuant to Section 1.3. The Unvested Shares shall become Vested Shares over five (5) years period beginning on February 1, 2015, on a quarterly basis, an amount equal to 887,291 (other than the last quarter, in which 887,299 Shares shall vest) of the Unvested Shares shall vest each quarter of continuous engagement by the Company.

1.2. Escrow. Upon execution of this Agreement, the certificate(s) for Unvested Shares shall be deposited in escrow with the Company to be held in accordance with the provisions of this Agreement. Any additional or exchanged securities or other property described in Subsection 1.5 below shall immediately be delivered to the Company to be held in escrow. All ordinary cash dividends on Unvested Shares (or on other securities held in escrow) shall be paid directly to the Purchaser and shall not be held in escrow. Unvested Shares, together with any other assets held in escrow under this Agreement, shall be (i) surrendered to the Company for repurchase upon exercise of the Right of Repurchase or (ii) released to the Purchaser upon his or her request to the extent that the Shares have ceased to be Unvested Shares (but not more frequently than once every six months).

1.3. Company's Right to Repurchase Unvested Shares.

1.3.1. Subject to the provisions of Section 1.4, in the event that Stockholder's employment with the Company is terminated for any reason (by the Stockholder or by the Company) then, for a period of ninety (90) days after the date of termination of employment, the Company shall have a right, but not an obligation, to repurchase the Unvested Shares owned or held by the Stockholder, that remain Unvested on the date of such termination, for a price equal to the price paid or undertaken to pay by the Stockholder for plus interest at the lowest rate allowed such Unvested Shares provided, that if no payment was made then the par value of such Unvested Shares (such exercise by the Company of its right to repurchase Shares pursuant to this Section 1.3.1 herein, a "**Repurchase**").

1.3.2. The Repurchase shall be performed by the Company by written notice to the Stockholder. The Company shall become the legal and beneficial owner of the Shares being repurchased and all rights and interest therein or related thereto, and the Company shall have the right to transfer to its own name the number of Unvested Shares being repurchased by the Company, without further action by the Stockholder or the Stockholder.

1.4. Acceleration of Vesting.

1.4.1. In the event that the Stockholder's employment is terminated by the Company without Cause or by the Stockholder with Good Reason, then the Repurchase right shall lapse in full and all of the remaining Unvested Shares shall not be subject to the Repurchase right.

1.4.2. In the event that a Qualified IPO (as defined below) has occurred and the Stockholder is employed by the Company at such time of the Qualified IPO, then the Repurchase right shall lapse in full and all of the remaining Unvested Shares shall not be subject to the Repurchase right.

1.4.3. Without derogation to the vesting schedule listed in Section 1.1, in the event that an M&A Transaction (as defined below) has occurred, then the Repurchase right shall lapse, provided that the Stockholder continues to be employed by the Company, as follows:

1.4.3.1. 50% of the Unvested Shares shall vest following 12 months from the effective date of the M&A Transaction; and

1.4.3.2. 50% of the Unvested Shares shall vest following 24 months from the effective date of the M&A Transaction.

1.4.4. In the event that the acquirer in the M&A Transaction terminated the employment of the Stockholder upon or prior to the M&A Transaction, then the Unvested Shares shall vest in full and all of the remaining Unvested Shares shall not be subject to the Repurchase right.

1.4.5. For purposes of this Agreement, the terms "**Qualified IPO**" and "**M&A Transaction**" shall have the meaning assigned to such term in the Amended and Restated Certificate of Incorporation of the Company, as amended from time to time.

1.5. Stock Splits, Stock Dividends, Etc. Any shares of capital stock of Company received by the Stockholder with respect to the Unvested Shares as the result of any stock dividend, stock split, recapitalization or other similar event, shall be considered "Unvested Shares" for all purposes of this Agreement and shall be subject to the same vesting

schedule as the Unvested Shares with respect to which they were received.

2. Stockholder's Representations. In connection with this Agreement, the Stockholder hereby represents and warrants to the Company that the Shares are free and clear of restrictions on transfer other than the transfer restrictions as set forth in the Stockholders Agreement (as defined below).

3. No Transfer of Unvested Shares.

3.1. The Stockholder may not Transfer any Unvested Shares, or any interest therein. Any Transfer of Vested Shares may take place only after compliance with the specific limitations and conditions set forth under that Stockholders Agreement dated _____, 2015 (the "**Stockholders' Agreement**") and all applicable securities laws. Any purported Transfer is void and is of no effect, and no purported transferee thereof will be recognized as a holder of the Unvested Shares for any purpose whatsoever. Should such a Transfer purport to occur, Company may refuse to carry out the Transfer on its books, set aside the Transfer, or exercise any other legal or equitable remedy.

3.2. Certain Definitions. For purposes of this Agreement:

3.2.1. "**Cause**" shall have the meaning ascribed to it under the Stockholder's employment agreement with the Company dated February __, 2015.

3.2.2. "**Good Reason**" shall have the meaning ascribed to it under the Stockholder's employment agreement with the Company.

3.2.3. "**Transfer**" shall mean a voluntary or involuntary sale, assignment, transfer, conveyance, pledge, hypothecation, encumbrance, disposal, loan, gift, attachment or levy of the Unvested Shares.

3.3. Stop-Transfer Notices. Stockholder agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

3.4. Refusal to Transfer. The Company shall not be required (i) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or (ii) to treat as owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares shall have been so transferred.

3.5. Right of first Refusal and Co-Sale. Notwithstanding anything to the contrary, any permitted Transfer by Stockholder to a third party shall be subject to the restrictions on transfer of Stockholder Shares pursuant to the Right of First Refusal and Co-Sale provisions under the Stockholders' Agreement.

3.6. Taxes.

3.6.1. The Stockholder acknowledges that it has reviewed with its own tax advisors the federal, state, local and foreign tax consequences of this Agreement and that it is its sole responsibility, and not the Company's, to bear all taxes with respect to the Unvested Shares including filing of any election under applicable Code Sections.

3.6.2. The Stockholder understands that Section 83(a) of the Internal Revenue Code of 1986, as amended ("***Code***"), taxes as ordinary income the difference between the amount paid for the Shares and the fair market value of the Shares as of the date any restrictions on the Shares lapse. In this context, "***restriction***" includes the right of the Company to buy back the Shares pursuant to the Repurchase set forth in Section 1.3(a) above. The Stockholder understands that he may elect to be taxed at the time the Shares are purchased, rather than when and as the Repurchase expires, by filing an election under Section 83(b) (an "***83(b) Election***") of the Code with the Internal Revenue Service within thirty (30) days from the date of purchase. Even if the fair market value of the Shares at the time of the execution of this Agreement equals the amount paid for the Shares, the 83(b) Election must be made to avoid income under Section 83(a) in the future. The Stockholder understands that failure to file such an 83(b) Election in a timely manner may result in adverse tax consequences for the Stockholder. The Stockholder further understands that an additional copy of such 83(b) Election is required to be filed with his or her federal income tax return for the calendar year in which the date of this Agreement falls. The Stockholder acknowledges that the foregoing is only a summary of the effect of United States federal income taxation with respect to purchase of the Shares hereunder, and does not purport to be complete.

4. Miscellaneous.

4.1. Entire Agreement. This Agreement contains the entire understanding of the parties in respect of the subject matter hereof, and supersedes all prior negotiations and understandings between the parties with respect to such subject matter.

4.2. Legends. Any stock certificates representing the Unvested Shares shall be legended at the request of Company with the following legend:

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS UPON TRANSFER AND RIGHTS OF REPURCHASE AS SET FORTH IN AN AGREEMENT BETWEEN THE COMPANY AND THE STOCKHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

4.3. Representations and Warranties. The Stockholder represents and warrants that this Agreement is a legal, valid and binding obligation, enforceable against the Stockholder in accordance with its terms.

4.4. Governing Law; Jurisdiction. This Agreement shall be governed by and construed according to the laws of the State of California, without regard to the conflict of laws provisions thereof. Any dispute arising under or in relation to this Agreement shall be resolved in the competent court in the State of California, United States, and each of the parties hereby submits irrevocably to the exclusive jurisdiction of such court.

4.5. Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, then the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

4.6. Binding Effect and Assignment. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, but, except as otherwise specifically provided herein, neither this Agreement nor any of the rights, interests or obligations of the parties hereto may be assigned by either of the parties hereto without prior written consent of the other party hereto.

4.7. Amendments and Modification. This Agreement may not be modified, amended, altered or supplemented except upon the execution and delivery of a written agreement executed by the parties hereto.

4.8. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original, but all of which together shall constitute one and the same agreement.

4.9. Effect of Headings. The section headings herein are for convenience only and shall not affect the construction or interpretation of this Agreement.

4.10. Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and sufficient if delivered in person, by cable, telegram, telex or telecopy, or sent by mail (registered or certified mail, postage prepaid, return receipt requested) or overnight courier (prepaid) to the respective parties as follows:

4.11. Spousal Consent. Concurrently with the execution hereof, and as a condition precedent to the effectiveness hereof, the Stockholder shall cause his spouse to execute the Spousal Consent in the form of **Exhibit A** attached hereto and incorporated herein by reference.

If to Company: Actelis Networks Inc.
47800 Westinghouse Drive
Freemont, CA 94539
Fax: (510) 657-8006
Tel: (510) 545-1042

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.

If to the Stockholder: Tuvia Barlev
47800 Westinghouse Drive
Freemont, CA 94539

IN WITNESS WHEREOF, the parties have caused this Stock Repurchase Agreement to be duly executed on the date and year first above written.

Actelis Network Inc.

By: _____
Name:
Title:

By: _____
Tuvia Barlev

Number of Shares of Common Stock of Actelic Networks Inc.: _____

Exhibit A

SPOUSAL CONSENT

I, _____, spouse of Tuvia Barlev, acknowledge that I have read the Restricted Stock Repurchase Agreement, dated as of _____ _____, 2015, to which this Consent is attached as **Exhibit A** (the "**Agreement**"), and that I acknowledge the contents of the Agreement. I am aware that the Agreement contains provisions regarding the transfer of shares of capital stock of the Company which my spouse may beneficially own, including any interest I might have therein.

I hereby agree that my interest, if any, in any shares of capital stock of the Company subject to the Agreement shall be irrevocably bound by the Agreement and further understand and agree that any community property interest I may have in such shares of capital stock of the Company shall be similarly bound by the Agreement. I hereby appoint my spouse as my attorney-in-fact with respect to the exercise of any rights under the Agreement insofar as I may have any rights under any applicable community property laws or similar laws relating to marital property in effect in any state or country.

I am aware that the legal, financial and related matters contained in the Agreement are complex and that I am free to seek independent professional guidance or counsel with respect to this Consent. I have either sought such guidance or counsel or determined after reviewing the Agreement carefully that I will waive such right.

Dated: _____ _____

Exhibit B

SECTION 83(b) ELECTION

This statement is made under Section 83(b) of the Internal Revenue Code of 1986, as amended, pursuant to Treasury Regulations Section 1.83-2.

(1) The taxpayer who performed the services is:

Name: _____

Address: _____

Taxpayer Id. No.: _____

(2) The property with respect to which the election is being made is shares of the common stock of _____.

(3) The property became subject to restriction on _____ _____, 2015.

(4) The taxable year in which the election is being made is the calendar year 2015.

(5) The property is subject to a repurchase right pursuant to which the issuer has the right to acquire the property at the original purchase price if for any reason taxpayer's employment with the issuer is terminated. The issuer's repurchase right lapses in a series of installments over a _____ period ending on _____ _____, 201_.

(6) The fair market value at the time of transfer (determined without regard to any restriction other than a restriction which by its terms will never lapse) is $_____ per share.

(7) The amount paid for such property is $0.____ per share.

(8) A copy of this statement was furnished to Actelis Networks, Inc., for whom taxpayer rendered the services underlying the transfer of property.

(9) This statement is executed on _____ _____, 2015.

_____ _____

Spouse (if any) [Taxpayer's Name]

This election must be filed with the Internal Revenue Service Center with which the founder files his or her Federal income tax returns and must be filed within 30 days after the date of purchase. This filing should be made by registered or certified mail, return receipt requested. The founder must retain two copies of the completed form for filing with his or her Federal and state tax returns for the current tax year and an additional copy for his or her records.

Actelis
Networks

Date: November 30, 2017

Attention: Yoav Efron ID No 0239052570
Address: 17 Haoranim St., Ramat Efal 5296000

Re-: Personal Work Agreement

For employment at Actelis Networks Israel Ltd. (Hereinafter: "**the Company**"), as of December 5, 2017 (hereinafter "**the work commencement date**").

The division into sections and their headings is intended for convenience purposes and they should not be used for interpretation. The Appendices to this Agreement constitute an integral part hereof.

This Agreement is a personal Work Agreement and, therefore, unless stated otherwise explicitly, regarding your employment in the Company, subject to any law, the conditions of any agreement or arrangement, whether personal or collective, general or special and/or any Extension Order (apart from those that apply to all employers in the economy) and/or custom and/or procedure and/or any other agreement existing or that shall exist in the future, between the Company and its employees, shall not apply.

This Agreement has been written in the male gender for convenience purposes only and it relates to both males and females equally.

1. Your Function in the Company

1.1 You have been employed in the function of CFO. As a part of your function, you must report to the Company CEO. To obviate any doubt, it is hereby clarified that, at its discretion, the Company is entitled to change the content of your function from time to time.

As a part of your function, *inter alia*, you must perform the following work:

a. Responsibility for managing the Parent Company's funds in the US and the Company's subsidiary in Israel

b. Administrative management of the site in Israel

c. Managerial responsibility for the Finance, Human Resources, Administration and IT Departments.

1.2 Your employment site will be at the Company's offices in Petach Tikva, unless you are required to travel, from time to time for the purposes of executing your function.

1.3 You are aware of and agree to the fact that, from time to time, you are likely to be required to travel and sojourn overseas as a part of your function.

1.4 You must fulfill your function honestly with dedication and loyalty and dedicate all your ability, proficiency and skills for the purposes of fulfilling your function in the Company. You must dedicate all your corporate time, effort and attention to fulfilling your function most efficiently and beneficially for the purposes of the Company and promoting the Company's businesses.

1.5 For the duration of this Agreement Period, you will not be employed and will not be involved in any form whatsoever, whether for consideration or not, whether directly or indirectly, whether fully or partially, in any other business or occupation whatsoever, in addition to your work in the Company, unless you have received the Company's prior written consent to this.

1.6 You may not exploit your status and/or function in the Company and/or the Company's property whether directly or indirectly, in a manner, that is likely to create a conflict of interests with your function in the Company, including for the purposes of producing personal gain for yourself and/or for anyone on your behalf and you must preserve the good names of the Company, its employees, managers and Shareholders and you may not execute any deed or default that could prejudice it. You must inform the Company CEO immediately and without delay of any matter in which you have any personal interest whatsoever.

[2 sets of initials]

1.7 You hereby undertake not to receive any payment or other benefit from any third party related to your work, directly or indirectly. It is hereby clarified that, in the event of a breach of an instruction in this section, the payment or benefit that you shall receive as aforementioned and their profits, shall belong to the Company, which shall be entitled to deduct the sum, or the value of the benefit from funds owing to you from it, without derogating from any of its rights pursuant to the law and/or this Agreement.

1.8 You must comply with all the instructions, disciplinary rules, stipulations, regulations, procedures and Company resolutions relating to your employment and/or fulfilling your function.

2. Work Days and Work hours

2.1 Work days in the Company are Sunday through Thursday. Your weekly rest day shall be Saturday.

2.2 The conventional business hours in the Company are from 8 a.m. to 7 p.m., of which, during a regular day there are 9 gross hours, which include a 30-minute lunch break, and a gross total of 195 monthly hours, constituting 186 net hours.

2.3 The Company enables you, in coordination with your superiors and subject to the absence of any damage to working with the Company's customers, to work in the flexible hour method. Should you be forced to leave work on a particular day, without completing your full work hours, for this or any other reason, you can supplement them on another day and vice versa – against a day that, for some or other reason you were forced to work beyond 9 hours, you can work less than the full 9 gross hours on another day. It must be understood that this arrangement shall not impart you with the right to any additional payment for overtime, beyond the overtime that you are entitled to work, as provided in Section 3.2 below.

2.4 It is hereby clarified that the flexibility given to you in planning your work hours is not intended to enable you to work during hours that the Work Hours and Rest Law does not permit, such as working in excess of 11 net hours per day.

3. Wages and Overtime Payment

3.1 In consideration for your work in the proposed job and fulfilling all your commitments pursuant to this Agreement, you shall be entitled to receive a wage in the gross sum of NIS 19,350 every month (hereinafter: "the **wages**").

3.2 You shall also be entitled to a gross global monthly consideration of NIS 1,850 for overtime work ("**the overtime payment**") for your work during an average 15 additional hours per month. *Ex gratia*, the Company will pay overtime, whether you worked overtime during the month or not. In the event that the Company is required to pay an additional sum for the overtime component, you must repay the Company all the surplus sums that the Company paid for the month in which you worked less than the aforementioned number of overtime hours.

3.3 Your wages with addition of the overtime payment manifests a gross total of 210 monthly hours. You are not entitled to work more than 210 gross monthly hours, unless you have been given advance written authorization from your direct manager. Should you work beyond the aforementioned number of hours without any of the mandatory authorizations, you shall not be entitled to any additional consideration for them.

3.4 The Company will deduct any sum that must be withheld pursuant to any law, including income tax, National Insurance (Social Security) and health tax from your wages and overtime and other payments pursuant to this Agreement. You must inform the Company of any change that occurs in relation to your status, that contains anything that could affect the tax rates paid by you.

3.5 The Company will pay you your wages and overtime pay by the 9th of each regular calendar month.

3.6 It is hereby clarified that your wages and social benefits to which you are entitled have, *inter alia,* been established taking your commitments detailed in **Appendix A** into account.

[2 sets of initials]

3.7 You must maintain confidentiality of your wages and the other terms of your employment and you hereby undertake not to disclose them to any other employees and/or to any third party during the Agreement Period or thereafter, whether directly or indirectly.

3.8 The Company shall be entitled to set off and deduct any sum owing to it from you from any sum owing from it to you and, on signing this Agreement, you confirm the set off as aforementioned.

3.9 Other than what has been expressly established in this Agreement or in any law applicable to this Agreement, you shall not be entitled to any increments, linkages, consideration, bonus, payment or benefit whatsoever.

3.10 It is hereby clarified that, unless otherwise provided in this Agreement, any payment and/or right and/or bonus of any kind whatsoever to which you shall be entitled, including and, without derogating from the aforementioned generality: payments, various kinds of social provisions, rights, increments and/or retirement terms shall be calculated based on the wages as defined in Section 3.1 above only and not from any payment of a right or other benefit to which you shall be entitled pursuant to this Agreement and pursuant to any law.

4. Pension Plan

4.1 As of the date established in the Extension Order [Integrated Version] for a Mandatory Pension (hereinafter: "**the Extension Order**"), you shall be entitled to insurance pursuant to the provisions in the Extension Order, as they shall be updated from time to time by law and, subject to the conditions established therein, according to the following provisions:

(a) On account of Severance pay – a sum equivalent to 8.33% of your wages.

(b) On account of allowances – A sum equivalent to 6.5% of your wages. If the period for which you are insured is of the Managers Insurance type, the Company's aforementioned payments will include the Company's payment for acquiring cover for the loss of work capability at the rate required for guaranteeing 75% of your wages, when, in any event the rate of the Company's provisions to allowances shall not be less than 5% of your wages.

(c) Simultaneously a sum equivalent to 6% of the wages that shall be transferred as a premium and the employee's share will be deducted from the wages.

(d) The Company and Employee's provisions for allowances as aforementioned must be updated pursuant to the provisions in the law.

4.2 The Company's provisions for severance pay shall be instead of full severance pay payment pursuant to Section 14 of the Severance Pay Law, 5723 – 9063, as established in Section 9 of the Extension Order.

4.3 The Company waives the right to a refund of the provisions for severance pay that were provided by it pursuant to this section, unless your right to severance pay is negated in a verdict and should it be negated, or if you withdrew the funds from the fund and from a Provident fund and/or from the policy not for "an entitling event" according to its sense in the Extension Order.

4.4 It must be clarified that, if you do not inform the Company as to in which the fund you wish to be insured, within 60 days from the date of commencing your employment, the Company will ensure you in a Metav D.S. pension fund, which is the default fund in the Company.

5. Enrichment Study Fund

5.1 Every month, the Company will provide a sum equivalent to 7.5% of the wages and will deduct 2.5% of the wages for the Employee's share to the Study Fund of your choice and will transfer them to the Study Fund.

5.2 It must be clarified that you alone will bear any tax applicable to this benefit.

6. Options

6.1 Subject to the Board of Directors' approval and the provisions in any law, the Parent Company will grant you 4,921,584 Options for acquiring Ordinary Shares in the Parent Company (which constitute 1% of the Company's shares at the time of signing this Agreement), pursuant and subject to the provisions in the Parent Company's Options Plan, as shall be approved if and when it is approved by the Parent Company's Board of Directors and pursuant to the Board's sole discretion.

6.2 The terms of the aforementioned Options, such as: The strike price, the maturity period, the taxation bracket applicable to the Options etc. will be established in a separate Options Agreement to be given to you, after and pursuant to the approval of the Parent Company's Board of Directors.

7. Additional Social Benefits

7.1 ***Leave***: You shall be entitled to 12 annual leave days per year or the number of leave days according to law, whichever is the higher among them. You are hereby required to use all the leave days during the leave year in which they are given. However, if you do not do so, with the Company's agreement, you shall be entitled to take only seven leave days and to add the remainder to the leave given in to following work years, as established in the Annual Leave Law. The leave date will be established in coordination with the Company in a manner in which your leave will not prejudice the Company's functioning and its needs. To obviate any doubt, the Company is entitled to instruct you to go out on leave and to use your leave days and the Company is also entitled to put its employees out on concentrated leave.

7.2 ***Convalescence Fees*:** A monthly sum of NIS 300 will be paid to you as convalescence fees.

7.3 ***Sick leave***: You shall be entitled to sick leave and illness fees pursuant to the law. You must inform the Company immediately of any absence in view of a disease and furnish the Company with a medical certificate that confirms this. Absence for which no medical certificate is furnished, shall be deemed to be absence for leave.

7.4 ***Reserve Duty*:** If you are called up for reserve service, the Company will pay you your full wages for the reserve duty period, up to a maximum period of two reserve duty months per annum and, provided that you furnish the Company with authorization for which you received the sums owing from the National Insurance Institute (National Security). If you receive any sum whatsoever for reserve service from the IDF or from the National Insurance Institute, or from any other source, this sum shall belong to the Company and must be transferred to it immediately on its receipt.

7.5 ***Travel fees***: You shall be entitled to a refund of traveling expenses from your residence to your workplace, up to the ceiling specified in the Extension Order regarding the employer's participation in travel expenses, as shall apply to the economy from time to time or to payment for monthly charging tickets whichever is the cheaper between the alternatives.

8. The Agreement Period

8.1 This Agreement will come into force on the date of commencing employment and is for an on specified period.

8.2 Each Party shall be entitled to terminate this Agreement by giving the Second Party 60-days prior written notice.

8.3 During the prior notice period, you will continue with your work and transfer your function to anyone that the Company establishes and pursuant to its instructions in an orderly manner to the Company's satisfaction. However, the Company is entitled to waive your services during the entire or part of the prior notice period, whether notice was given by you or by the Company, provided that it pays you the prior notice consideration according to the law for the full prior notice period.

8.4 Should you resign without giving prior notice as aforementioned in Section 8.2, the Company shall be entitled to deduct the cash sum equivalent to the wages to which you would have been entitled had you worked for the prior notice period, from any money owing to you from it, including wages.

8.5 Without derogating from the Company's rights pursuant to this Agreement or pursuant to the law, the Company is entitled to terminate this Agreement and to dismiss you immediately without any need for giving prior notice and/or payment for the prior notice period, on the occurrence of one of the following events: (1) you were convicted of an offense which included disgrace; or (2) you betrayed the Company's trust; or (3) you behaved in a manner that is unsuitable for your status and function in the Company in a manner that prejudices the Company or its businesses; or (4) you seriously breached discipline; or (5) you acted in a manner that entitles the Company to dismiss you pursuant to the law without paying you any severance pay.

8.6 On termination of your employment in the Company, for any reason whatsoever, prior to the Company releasing the balance of any money owing to you, you must act as follows: (1) furnish the Company with all the documents and CD disks,/FLASH MEMORY or any other magnetic media, the letters, records, reports, and all the other documents that you have that are related to your work in the Company and/or to its operations as well as any of the Company's equipment and/or other property that was placed at your disposal, including a company car, telephone device, employee's tag or any other equipment; (2) all the data linked to the Company or its business, which is found on a personal computer under your ownership, should there be any such data, must be deleted in coordination with the Company; (3) You must exercise your retirement in coordination with your superiors, including transferring the function in an organized manner in a reasonable time schedule to be established by your superiors and you must transfer your function, the documents and all matters under your treatment, to whom the Company instruct you, in an orderly manner and pursuant to the Company's procedures.

9. The Company's Computers

9.1 Use of the Company's computers including the electronic mail systems and network and the Company's communications means, is intended for work needs in the Company and must be executed pursuant to the Company's procedures as shall be furnished from time to time.

9.2 The electronic mailbox placed at your disposal on the commencement of your employment, is a professional mailbox for your work needs in the Company and you are expected use it solely professionally.

9.3 It must be clarified that, in order to maintain its confidentiality and prevent damages such as viruses and transferring information or software illegally or via a violation of rights and/or prejudicing traffic on the Company's computer and communications network and/or damage to the Company's reputation and/or any other damage to its business and/or regular working and its relationships with its customers and in order to ensure that using the computer systems in the Company is performed for work needs, according to the conventional procedures in the Company and in order to prevent the Company's exposure to damages that could derive from use in violation of the procedures on its computer and communications network, the Company monitors and controls all the data accumulated on the Company's computers in the professional mailboxes and on any computer means that the Company places at your disposal and/or any information transferred on the Company's computers and communications network and the Company also performs various backups of all the material transferred on the computer network in the Company.

9.4 Monitoring will be executed at any time and without prior notice using various means. Monitoring is likely to be technological in relation to the traffic scope and its content and human monitoring when necessary, when suspicion arises as to a violation of procedures and/or when it is necessary to trace data for regular work needs, for treating technical breakdowns and/or for any other need necessary for the normal management of the Company's affairs.

9.5 The Company reserves the right to control the computer means given to for your work needs at any time and without prior notice and to block access to them for purposes of protecting its rights, regular management, treatment of breakdowns and for any other professional and/or business need.

9.6 You must avoid transferring and/or saving any personal information that you do not wish to disclose in the professional mailbox and/or on any of the computer means furnished to you for your work needs, in order to prevent unpleasantness and ensure professional use of the Company's computers, including the electronic mail systems, on the network, on the Company's communications means and on the professional mailbox provided for use for your work needs,

9.7 On signing this Agreement, you confirm that you understand and agree, of your own free will that, the Company, as a Company, the major operations of which are performed using computer means, is committed to activate all the monitoring and control means detailed in this Agreement and in the Company's procedures and you accept the limitations deriving from the possibility of activating any of the monitoring and control means detailed in this Agreement and in the Company's procedures.

9.8 This section contains nothing to prejudice your right to open a personal mailbox for yourself that is not on the Company's computer means.

[2 sets of initials]

9.9 You are aware and you agree that, at any time, without prior notice, the Company shall be entitled to use the information transferred on the computer and communications network in the Company for the purposes of protecting its rights.

10. Assigning Rights

The Company shall be entitled to assign all or some of its rights and obligations pursuant to this Agreement to any associated company which controls the Company and/or is under its control and/or is under joint control with the Company.

11. Sundries

11.1 As a material condition to engaging in this Agreement, together with signing this Agreement, you must sign **a Written Undertaking to preserve confidentiality, non-competition and the intellectual property rights** attached to this Agreement as **Appendix A** and which constitutes an integral part hereof.

11.2 You must keep the provisions in this Agreement with absolute confidentially and not disclose any item whatsoever of it to any person or entity whatsoever or to make any use whatsoever of any of its instructions.

11.3 This Agreement also constitutes "notification" pursuant to the requirements of the Notice to Employee and Job Candidate Law (Working Conditions and Recruitment and Recruitment Procedures) Law, 5762 – 2002.

11.4 On signing below, you confirm that you are entitled to engage in this Agreement and accept all the commitments pursuant to it, that there are no restrictions, pursuant to any contract or in any other manner, to your engagement in this Agreement and your employment in the Company and that in this engagement, you are not violating any other agreement or commitment to which you are a party or were a party.

11.5 This Agreement and its Appendices consolidate all that is agreed upon between you and the Company. On signing this Agreement, all agreements, understandings and Written Undertakings that were exchanged between the Parties prior to signing it, should there have been any, are null and void. Any addition or amendment to this Agreement must be made in writing and shall be binding after being signed by both Parties.

11.6 The conditions of this Agreement must, to the extent possible, be interpreted in a manner that enables preserving the legality and force. Without derogating from the aforementioned, in any event that any of the conditions in this Agreement is interpreted illegally, lacking any force or as unenforceable, because of the fact that it has broader force that meets the eye or has content that is not sufficiently restricted in time, the Parties hereby agree, subject to the provisions of the law, the tribunal that interprets that condition as aforementioned, to exchange that condition that was interpreted as aforementioned with an acceptable condition the validity and meaning of which shall be close to the extent possible from a legal aspect, to the condition that it replaced. The interpretation of that condition as aforementioned will not have any effect on the legality and force of any other condition in this Contract.

11.7 The Parties addresses are as detailed above and it has been agreed that any notice sent by one Party to the other by registered mail shall be deemed to have been received by the second Party 72 hours from the date of sending it (subject to presenting confirmation of delivery by registered mail) and, if delivered manually – at the time of its delivery (subject to presenting an "accepted" stamp).

Yours sincerely,\
[signature]
[stamp] Actelis
XLP8
Actelis Networks Israel Ltd.

I have read this Agreement assiduously; I have understood its content and I agree to all its provisions.

Employee's Name *Yoav Efron*
Signature [signature]
Date: *December 5, 2017*

[2 sets of initials]

Appendix A

Written Undertaking to Preserve Confidentiality and Intellectual Property

I, the undersigned, Yoav Efron, ID No 023902570, hereby declare vis-à-vis Actelis Networks Israel Ltd. and vis-à-vis its Parent Company/Subsidiaries and companies associated with it in Israel and overseas (hereinafter: "**the Company**"), that I am aware that during my employment in the Company information (as defined below) will be disclosed to me and/or become my knowledge and that I am aware that the information is of the primary and most essential assets of the Company and, therefore, I declare and undertake the following:

1. **Preserving Confidentiality the Company's Rules**

1.1 I undertake to preserve absolute confidentiality and not to disclose and/or instruct and/or transfer, whether directly or indirectly, to any person and/or entity whatsoever, including the Company's employees for whom the information is not necessary for fulfilling their functions, any information (as defined below) whatsoever about the Company, the Company's occupations (as defined below) its businesses and operations and/or any of the Company's affairs that are brought to my knowledge, orally, in writing or in any form and/or on any other media, during and/or following and/or in the framework of my employment in the Company, whether directly or indirectly, including information that I obtain from others who are associated directly or indirectly with the Company and/or any information of any party with whom the Company has or shall have relationships.

1.2 In this Written Undertaking, "information" means all the information and know-how, oral, written and/or in any form and/or on any other media, that the Company currently has and/or shall have in the future or that anyone associated with the Company and/or is in contact in any manner whatsoever with the Company and/or its businesses and/or its operations and/or with companies and/or corporations and/or entities associated with it.

For demonstration purposes only and, without derogating from the aforementioned generality, *inter alia*, information includes all the Company's commercial secrets, any information relating directly or indirectly to the Company, its property and businesses, any information relating directly or indirectly to research and development related to existing or future products, production methods, prototypes, production designs, inventions, hardware, software, production processes, discoveries, improvements, developments, innovations, models, blueprints, sketches, design, calculations, diagrams, formulae, computer files, computer software, data, design processes, customer lists, supplier lists, pricing, prices, terms of payment, marketing methods and marketing subjects, programs, business secrets, business plans, customer names, sales, prices, and any other information relating to the Company's businesses and/or its subsidiaries and/or the Company's affiliates and/or its customers, including customers with whom the Company is conducting negotiations and including current and future affiliated companies and/or subsidiaries, all whether the information can be protected as a patent or any other title rights were not.

1.3 I hereby confirm that the Company is committed to secrecy by virtue of agreements that it has with suppliers, customers and the third parties and I undertake to faithfully comply with the Company's commitments vis-à-vis these entities for maintaining confidentiality and non-competition.

1.4 In any event of termination of the engagement between us, I undertake that any information, on any media whatsoever, at my disposal or under my control, will be returned to the Company immediately on giving notice of terminating the engagement between us.

1.5 I hereby undertake that I will maintain the Company's equipment and that I will not distance from the Company's offices area and will not take with me nor deliver to others, to any person and/or entity whatsoever whether directly or indirectly, material and/or raw material and/or products and/or parts of the product and/or model and/or document and/or disk and/or other media for storing data and/or photographed and/or printed and/or duplicated objects etc. that contain all or some of the aforementioned information and I shall not make any use, including duplicating, producing, selling, transferring, copying and distributing, changing, copying, of all or some of the information, apart from the use necessary for the purposes of executing my function in the Company, which is performed for the Company and to its benefit exclusively.

1.6 I hereby undertake to adopt all the necessary means in order to prevent exposure of information or any part thereof to any entity who is not entitled to this pursuant to the provisions in this Confidentiality Agreement.

1.7 I hereby give notice and confirm that my commitments pursuant to this section are not limited in time and/or territory and they will continue to remain in force even after this Agreement is terminated or after the expiry of the employees-employer relationships between me and the Company for any reason whatsoever.

[2 sets of initials]

2. **Employment Restrictions and Non-Soliciting**

2.1 In this section, the following terms shall have the meanings next to them:

"**Restriction period**" – A 12-months period, commencing from the date on which I terminate my employment in the Company for any reason whatsoever.

"**The Company's occupations**"– Developing communication systems that enable transferring a broadband on a copper network.

"**A similar business**" – An entity that competes with the Company or that assists competing against the Company or attempts to compete against the Company and all whether directly or indirectly and that deals in identical or similar operations, occupations and deeds to the Company's occupations as defined above, whether it is an incorporated entity or an individual.

"**To deal in a business**" – Whether directly or indirectly, for consideration or not, as detailed below: To operate a business, to be an employee of a business, retained or for a salary, pursuant to an appointment letter or in any other manner, to be an interested party in a business or with any other involvement, as an owner, shareholder, apart from holding shares in public companies listed on a recognized stock exchange, to consolidate with a business or engage in any manner whatsoever with it, to advise the business and/or finance a business or to be a guarantor for its commitments in any manner whatsoever, to be a stakeholder in a partnership, director, functionary, agent or contractor.

2.2 I undertake that, during my tenure in the Company and, during the restricted period, I will not deal in any similar business in Israel or overseas, unless after receiving the Company's prior written authorization.

2.3 Without derogating from the aforementioned, I undertake that, during the restricted period, I will avoid approaching or working or executing jobs, whether for a consideration or not, whether directly or indirectly, for a person or corporation, that deal in the Company's businesses, which, during my tenure in the Company had business relationships with the Company and/or any other entity that conducted negotiations regarding business relationships with the Company and/or the Company's customers.

2.4 I undertake that, during my tenure in the Company and in the restricted period, I will not solicit the employees of the Company to resign their work, I will not employ them whether directly or indirectly, will not help them to find work in a similar business, will not suggest that they work or provide services in any manner whatsoever to any party whatsoever, unless after receiving the Company's prior written authorization.

2.5 I hereby undertake that, during my tenure in the Company and in the restricted period, I will not persuade or cause others to persuade customers and/or potential customers and/or suppliers and/or agents of the Company (including suppliers and/or agents with whom the Company conducted negotiations in preparation for signing an agreement prior to or at the time of the termination of my work in the Company) to receive a license or to hire a product or service that competes with the products and services offered by the Company.

2.6 I am aware and agree that my function in the Company is a function that requires a special degree of personal loyalty and, therefore, I undertake the commitments as detailed in Section 2 above. Furthermore, I am aware that I am receiving a special consideration for my commitments as aforementioned, including, *inter alia*, participation in the Company's Options Program and a high salary.

2.7 The contents in this section contain nothing to derogate from my commitments as aforementioned in this Written Undertaking and/or in the Work Agreement.

3. Intellectual Property

3.1 All rights, including the right to submit applications for a patent and/or model, the right to a patent and/or model, commercial secrets, trademarks, copyrights and industrial or intellectual title rights whatsoever, regarding inventions (that can be patented or others), progresses, developments, improvements, concepts, applications, that I invent, develop, steer, whether on my own or together with the Company's other employees or any of them, or that reach me in any other manner, in relation to my work in the Company or in relation to its occupations, as they are and shall be from time to time, or that were created during my tenure in the Company, including any rights accompanying the products and in any future development of the products and accompaniments, shall be the property of the Company shall belong to it for any need and matter in a manner that it will be entitled to treat them as an owner and I waive any right as aforementioned. To obviate any doubt, it is hereby clarified that the contents in this subsection above shall also apply to the matter of inventing a service in its sense in the Patents Law, 5727 – 1967 (hereinafter: "**the Patents Law**"), but, under no circumstances that shall not be any service invention for my title, unless with the Company's written authorization for this.

[2 sets of initials]

3.2 Without derogating from the aforementioned, I hereby irrevocably confirm that the wages paid to me by the Company are and shall be the full and final consideration for and in relation to any inventions whatsoever, including invention of the service and/or in relation to the commercial or other use of the rights and/or inventions as aforementioned. I shall not be entitled to any royalties or other payments for all relating to an invention of a service and/or in relation to commercial or other use of the rights as aforementioned, which includes, without derogating from the aforementioned generality, the fact that I shall not be entitled to a consideration pursuant to Section 134 of the Patents Law beyond the wages paid to me and this section constitutes agreement for the purposes of Section 134 of the Patents Law.

3.3 In any registration of rights pursuant to this section, whether as a patent, model or in any other manner, the Company and solely the Company shall be registered as the exclusive owner of the rights to the patent or model.

3.4 I will assist the Company in everything required, in order to register its rights in any development and/or invention, as aforementioned, whether in Israel or overseas, during my tenure or thereafter and I will sign any document necessary in this regard.

3.5 I undertake to cooperate and furnish any item necessary for executing registration, to assist preparing and registering patents and/or any other title right in favor of the Company and/or subsidiaries and/or associated companies in Israel and/or overseas and to sign any required document for registering in Israel and overseas and to cooperate and assist the Company to defend and enforce its rights. This commitment shall apply both during my tenure in the Company and thereafter, provided that, if my assistance is required, the Company must bear the expenses relating to this.

3.6 I undertake to inform, disclose and furnish the Company with any information reaching me in any manner whatsoever, including information that is the result of a concept or development of mine during my tenure in the Company whether it can be defended as a patent or not, can be defended as a copyright or other title rights or not, can be registered or not.

3.7 I undertake not to register domain names, tradenames or any other rights that could restrict the Company's operations or prejudice the Company directly or indirectly, in my name. In the event of registering a right as aforementioned by me, I undertake to transfer all the rights to the Company in consideration for the costs of registering the right only.

4. Sundries

4.1 I declare and confirm that I am aware of the fact that any violation of my commitments as aforementioned or any part thereof could cause the most severe and irreversible damages to the Company, entities, corporations and/or its associated companies, for which a pecuniary compensation will not constitute a proper remedy and relief and, therefore, in the event of any violation of my commitments pursuant to this I hereby agree and undertake not to oppose the fact that a competent court will issue a temporary injunction and/or other orders against me aimed at preventing and/or stopping the violation.

4.2 Without derogating from the provisions in Section 4.1 above, I undertake to compensate and indemnify the Company for any damages and/or expenses caused to it or to its associated companies, as a result of a violation of my aforementioned commitments, including court fees and legal expenses, losses and/or damage to reputation, without derogating from any remedy and/or relief available to you pursuant to any law.

4.3 Without derogating from the provisions in Subsections 4.1-4.2, I agree and confirm that any benefits and/or profits and/or consideration produced by me and/or by anyone on my behalf, whether directly or indirectly, in view of a violation of my commitments vis-à-vis the Company, including my commitments as provided in this Written Undertaking, shall belong exclusively to the Company and must be sent to it without delay.

4.4 My commitments pursuant to this Written Undertaking, apart from my commitments for non-competition, shall be without any time restriction even after termination of my employment in the Company, whatever the reason for terminating my employment might be.

4.5 I hereby declare and confirm that I am aware that had it not been for my commitments pursuant to this Written Undertaking, the Company would not have engaged with me and expose in information whatsoever to me.

In witness whereof I have hereunto set my signature today.

Signature [signature] Date *December 5, 2017*

[2 sets of initials]

FORM OF
INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (this "Agreement") is made and entered into as of April __, 2022 by and between Actelis Networks, Inc., a Delaware corporation ("Actelis"), and _____ ("Indemnitee").

WITNESSETH:

WHEREAS, highly competent persons have become more reluctant to serve as directors or in other capacities unless they are provided with adequate protection through insurance or adequate indemnification against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of the corporation;

WHEREAS, the Board of Directors of Actelis (the "Board") has determined that the increased difficulty in attracting and retaining such persons is detrimental to the best interests of Actelis' stockholders and that Actelis should act to assure such persons that there will be increased certainty of such protection in the future;

WHEREAS, it is reasonable, prudent and necessary for Actelis contractually to obligate itself to indemnify, and to advance expenses on behalf of, such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve Actelis free from undue concern that they will not be so indemnified;

WHEREAS, this Agreement is a supplement to and in furtherance of the Certificate of Incorporation and Bylaws of Actelis and any resolutions adopted pursuant thereto, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder; and

WHEREAS, Indemnitee does not regard the protection available under Actelis' Certificate of Incorporation, Bylaws, and insurance as adequate in the present circumstances, and may not be willing to serve as a director without adequate protection, and Actelis desires Indemnitee to serve in such capacity. Indemnitee is willing to serve and to take on additional service for or on behalf of Actelis on the condition that she be so indemnified.

NOW, THEREFORE, in consideration of Indemnitee's agreement to serve as a director of Actelis after the date hereof, the parties hereto agree as follows:

1. Indemnity of Indemnitee. Actelis hereby agrees to hold harmless and indemnify Indemnitee to the fullest extent permitted by law, as such may be amended from time to time. In furtherance of the foregoing indemnification, and without limiting the generality thereof:

(a) Proceedings Other Than Proceedings by or in the Right of Actelis. Indemnitee shall be entitled to the rights of indemnification provided in this Section l(a) if, by reason of his Entity Status (as hereinafter defined), Indemnitee is, or is threatened to be made, a party to or participant in any Proceeding (as hereinafter defined) other than a Proceeding by or in the right of Actelis. Pursuant to this Section l(a), Indemnitee shall be indemnified against all Expenses (as hereinafter defined) and Liabilities (as hereinafter defined) actually and reasonably incurred by him, or on his behalf, in connection with such Proceeding or any claim, issue or matter therein, if the Indemnitee acted in good faith and in a manner the Indemnitee reasonably believed to be in or not opposed to the best interests of Actelis, and with respect to any criminal Proceeding, had no reasonable cause to believe the Indemnitee's conduct was unlawful.

(b) Proceedings by or in the Right of Actelis. Indemnitee shall be entitled to the rights of indemnification provided in this Section l(b) if, by reason of his Entity Status, the Indemnitee is, or is threatened to be made, a party to or participant in any Proceeding brought by or in the right of Actelis. Pursuant to this Section l(b), Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by the Indemnitee, or on the Indemnitee's behalf, in connection with such Proceeding if the Indemnitee acted in good faith and in a manner the Indemnitee reasonably believed to be in or not opposed to the best interests of Actelis; provided, however, if applicable law so provides, no indemnification against such Expenses shall be made in respect of any claim, issue or matter in such Proceeding as to which Indemnitee shall have been adjudged to be liable to either of Actelis unless and to the extent that a court of law shall determine that such indemnification may be made.

(c) Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his Entity Status, a party to and is successful, on the merits or otherwise, in any Proceeding, she shall be indemnified to the maximum extent permitted by law, as such may be amended from time to time, against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, Actelis shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him or on his behalf in connection with each successfully resolved claim, issue or matter. For purposes of this Section and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

2. Additional Indemnity. In addition to, and without regard to any limitations on, the indemnification provided for in Section 1 of this Agreement, Actelis shall and hereby does indemnify and hold harmless Indemnitee against all Expenses and Liabilities actually and reasonably incurred by him or on his behalf if, by reason of his Entity Status, she is, or is threatened to be made, a party to or participant in any Proceeding (including a Proceeding by or in the right of Actelis), including, without limitation, all liability arising out of the negligence or active or passive wrongdoing of Indemnitee. The only limitation that shall exist upon Actelis' obligations pursuant to this Agreement shall be that Actelis shall not be obligated to make any payment to Indemnitee that is finally determined (under the procedures, and subject to the presumptions, set forth in Sections 6 and 7 hereof) to be unlawful.

3. Contribution.

(a) Whether or not the indemnification provided in Sections 1 and 2 hereof is available, in respect of any threatened, pending or completed Proceeding in which Actelis is jointly liable with Indemnitee (or would be if joined in such Proceeding), Actelis shall pay, in the first instance, the entire amount of any judgment or settlement of such Proceeding without requiring Indemnitee to contribute to such payment and Actelis hereby waives and relinquishes any right of contribution it may have against Indemnitee. Actelis shall not enter into any settlement of any Proceeding in which Actelis is jointly liable with Indemnitee (or would be if joined in such Proceeding) unless such settlement provides for a full and final release of all claims asserted against Indemnitee.

(b) Without diminishing or impairing the obligations of Actelis set forth in the preceding subparagraph, if, for any reason, Indemnitee shall elect or be required to pay all or any portion of any Liabilities in any threatened, pending or completed Proceeding in which Actelis is jointly liable with Indemnitee (or would be if joined in such Proceeding), Actelis shall contribute to the amount of Expenses and Liabilities actually and reasonably incurred and paid or payable by Indemnitee in proportion to the relative benefits received by Actelis collectively and all officers, directors or employees of Actelis, other than Indemnitee, who are jointly liable with Indemnitee (or would be if

joined in such Proceeding), on the one hand, and Indemnitee, on the other hand, from the transaction from which such Proceeding arose; provided, however, that the proportion determined on the basis of relative benefit may, to the extent necessary to conform to law, be further adjusted by reference to the relative fault of Actelis and all officers, directors or employees of Actelis (other than Indemnitee) who are jointly liable with Indemnitee (or would be if joined in such Proceeding), on the one hand, and Indemnitee, on the other hand, in connection with the events that resulted in such Expenses and Liabilities, as well as any other equitable considerations which the Law may require to be considered. The relative fault of Actelis and all officers, directors or employees of Actelis, other than Indemnitee, who are jointly liable with Indemnitee (or would be if joined in such Proceeding), on the one hand, and Indemnitee, on the other hand, shall be determined by reference to, among other things, the degree to which their actions were motivated by intent to gain personal profit or advantage, the degree to which their liability is primary or secondary and the degree to which their conduct is active or passive.

(c) Actelis hereby agrees to fully indemnify and hold Indemnitee harmless from any claims of contribution which may be brought by officers, directors or employees of Actelis, other than Indemnitee, who may be jointly liable with Indemnitee.

(d) To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, Actelis, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for Liabilities and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by Actelis and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of Actelis (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

4. Indemnification for Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his Entity Status, a witness in any Proceeding to which Indemnitee is not a party, she shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

5. Advancement of Expenses. Notwithstanding any other provision of this Agreement, Actelis shall advance all Expenses incurred by or on behalf of Indemnitee in connection with any Proceeding by reason of Indemnitee's Entity Status within thirty (30) days after the receipt by Actelis of a statement or statements from Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee and shall include or be preceded or accompanied by an undertaking by or on behalf of Indemnitee to repay any Expenses advanced if it shall ultimately be determined that Indemnitee is not entitled to be indemnified against such Expenses. Any advances and undertakings to repay pursuant to this Section 5 shall be unsecured and interest free.

6. Procedures and Presumptions for Determination of Entitlement to Indemnification. It is the intent of this Agreement to secure for Indemnitee rights of indemnity that are as favorable as may be permitted under the Delaware General Corporation Law and public policy of the State of Delaware. Accordingly, the parties agree that the following procedures and presumptions shall apply in the event of any question as to whether Indemnitee is entitled to indemnification under this Agreement:

(a) To obtain indemnification under this Agreement, Indemnitee shall submit to Actelis a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification. The Chief Executive Officer of Actelis shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that Indemnitee has requested indemnification.

(b) Upon written request by Indemnitee for indemnification pursuant to the first sentence of Section 6(a) hereof, a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall be made in the specific case by one of the following four methods, which shall be at the election of the Board: (1) by a majority vote of the Disinterested Directors, even though less than a quorum, (2) by a committee of Disinterested Directors designated by a majority vote of the Disinterested Directors, even though less than a quorum, (3) if there are no Disinterested Directors or if the Disinterested Directors so direct, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to the Indemnitee, or (4) if so directed by the Board, by the stockholders of Actelis.

(c) If the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 6(b) hereof, the Independent Counsel shall be selected as provided in this Section 6(c). The Independent Counsel shall be selected by the Board. Indemnitee may, within ten (10) days after such written notice of selection shall have been given, deliver to Actelis a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 13 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If a written objection is made and substantiated, the Independent Counsel selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court has determined that such objection is without merit. If, within thirty (30) days after submission by Indemnitee of a written request for indemnification pursuant to Section 6(a) hereof, no Independent Counsel shall have been selected and not objected to, either of Actelis or Indemnitee may petition the Court of Chancery of the State or Delaware or other court of competent jurisdiction for resolution of any objection which shall have been made by the Indemnitee to the Board's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the court or by such other person as the court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 6(b) hereof. Actelis shall pay any and all reasonable fees and expenses of Independent Counsel incurred by such Independent Counsel in connection with acting pursuant to Section 6(b) hereof, and Actelis shall pay all reasonable fees and expenses incident to the procedures of this Section 6(c), regardless of the manner in which such Independent Counsel was selected or appointed.

(d) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence. Neither the failure of Actelis (including by its directors or Independent Counsel) to have made a determination prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by Actelis (including by its directors or Independent Counsel) that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(e) Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Enterprise (as hereinafter defined), including financial statements, or on information supplied to Indemnitee by the officers of the Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Enterprise. In addition, the knowledge and/or actions, or failure to act, of any manager, director, officer, agent or employee of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement. Whether or not the foregoing provisions of this Section 6(e) are satisfied, it shall in any event be presumed that Indemnitee has at all times acted in good faith and in a manner she reasonably believed to be in or not opposed to the best interests of Actelis. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence.

(f) If the person, persons or entity empowered or selected under Section 6 to determine whether Indemnitee is entitled to indemnification shall not have made a determination within sixty (60) days after receipt by Actelis of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been

made and Indemnitee shall be entitled to such indemnification absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law; provided, however, that such 60-day period may be extended for a reasonable time, not to exceed an additional thirty (30) days, if the person, persons or entity making such determination with respect to entitlement to indemnification in good faith requires such additional time to obtain or evaluate documentation and/or information relating thereto; and provided, further, that the foregoing provisions of this Section 6(f) shall not apply if the determination of entitlement to indemnification is to be made by the members pursuant to Section 6(b) of this Agreement and if within fifteen (15) days after receipt by Actelis of the request for such determination, the Board or the Disinterested Directors, if appropriate, resolve to submit such determination to the members for their consideration at an annual or special meeting to be held within seventy-five (75) days after such receipt and such determination is made.

(g) Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any Independent Counsel or member of the Board shall act reasonably and in good faith in making a determination regarding the Indemnitee's entitlement to indemnification under this Agreement. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by Actelis (irrespective of the determination as to Indemnitee's entitlement to indemnification) and Actelis hereby indemnifies and agree to hold Indemnitee harmless therefrom.

(h) Actelis acknowledges that a settlement or other disposition short of final judgment may be successful if it permits a party to avoid expense, delay, distraction, disruption and uncertainty. In the event that any Proceeding to which Indemnitee is a party is resolved in any manner other than by adverse judgment against Indemnitee (including, without limitation, settlement of such Proceeding with or without payment of money or other consideration) it shall be presumed that Indemnitee has been successful on the merits or otherwise in such Proceeding. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence.

(i) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which she reasonably believed to be in or not opposed to the best interests of Actelis or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his conduct was unlawful.

7. Remedies of Indemnitee.

(a) In the event that (i) a determination is made pursuant to Section 6 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 5 of this Agreement, (iii) no determination of entitlement to indemnification is made pursuant to Section 6(b) of this Agreement within ninety (90) days after receipt by Actelis of the request for indemnification, (iv) payment of indemnification is not made pursuant to this Agreement within ten (10) days after receipt by Actelis of a written request therefor or (v) payment of indemnification is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification or such determination is deemed to have been made pursuant to Section 6 of this Agreement, Indemnitee shall be entitled to an adjudication in an appropriate court of the State of Delaware, or in any other court of competent jurisdiction, of Indemnitee's entitlement to such indemnification. Indemnitee shall commence such proceeding seeking an adjudication within one (1) year following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 7(a). Actelis shall not oppose Indemnitee's right to seek any such adjudication.

(b) In the event that a determination shall have been made pursuant to Section 6(b) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding commenced pursuant to this Section 7 shall be conducted in all respects as a de novo trial on the merits, and Indemnitee shall not be prejudiced by reason of the adverse determination under Section 6(b).

(c) If a determination shall have been made pursuant to Section 6(b) of this Agreement that Indemnitee is entitled to indemnification, Actelis shall be bound by such determination in any judicial proceeding commenced pursuant to this Section 7, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's misstatement not materially misleading in connection with the application for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) In the event that Indemnitee, pursuant to this Section 7, seeks a judicial adjudication of his rights under, or to recover damages for breach of, this Agreement, or to recover under any directors' and officers' liability insurance policies maintained by Actelis, Actelis shall pay on his behalf, in advance, any and all expenses (of the types described in the definition of Expenses in Section 13 of this Agreement) actually and reasonably incurred by him in such judicial adjudication, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advancement of expenses or insurance recovery.

(e) Actelis shall be precluded from asserting in any judicial proceeding commenced pursuant to this Section 7 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court that Actelis is bound by all the provisions of this Agreement. Actelis shall indemnify Indemnitee against any and all Expenses and, if requested by Indemnitee, shall (within ten (10) days after receipt by Actelis of a written request therefore) advance, to the extent not prohibited by law, such Expenses to Indemnitee, which are incurred by Indemnitee in connection with any action brought by Indemnitee for indemnification or advance of Expenses from Actelis under this Agreement or under any directors' and officers' liability insurance policies maintained by Actelis, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advancement of Expenses or insurance recovery, as the case may be.

(f) Notwithstanding anything in this Agreement to the contrary, no determination as to entitlement to indemnification under this Agreement shall be required to be made prior to the final disposition of the Proceeding.

8. Non-Exclusivity; Survival of Rights; Insurance; Subrogation.

(a) The rights of indemnification as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Certificate of Incorporation or Bylaws of Actelis, any agreement, a vote of stockholders, a resolution of directors or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his Entity Status prior to such amendment, alteration or repeal. To the extent that a change in the Delaware General Corporation Law, whether by statute or judicial decision, permits greater indemnification than would be afforded currently under the Certificate of Incorporation and Bylaws of Actelis and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) To the extent that Actelis maintains an insurance policy or policies providing liability insurance for directors, officers, employees, or agents or fiduciaries of Actelis or of any other Enterprise that such person serves at the request of Actelis, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any director, officer, employee, agent or fiduciary under such policy or policies. If, at the time of the receipt of a notice of a claim pursuant to the terms hereof, Actelis has director and officer liability insurance in effect, Actelis shall give prompt notice of the commencement of such Proceeding to the insurers in accordance with the procedures set forth in the respective policies. Actelis shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of such policies.

(c) In the event of any payment under this Agreement, Actelis shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable Actelis to bring suit to enforce such rights.

(d) Actelis shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that Indemnitee has otherwise actually received and retained such payment under any insurance policy, contract, agreement or otherwise.

(e) Actelis' obligation to indemnify or advance Expenses hereunder to Indemnitee who is or was serving at the request of Actelis as a manager, director, officer, employee or agent of any other Enterprise shall be reduced by any amount Indemnitee has actually received and retained as indemnification or advancement of expenses from such other Enterprise.

(f) The parties hereby agree that any directors and officers liability insurance maintained by Actelis (the "Actelis D&O Insurance") is the secondary indemnification source (i.e., such directors and officers liability insurance is secondary and any obligation of each of Actelis to advance expenses or to provide indemnification pursuant to this Agreement for the same expenses or liabilities incurred by Indemnitee are primary). The parties further agree that any rights to indemnification, advancement of expenses, and/or insurance provided by Independent Health Corporation or any of its Affiliates (collectively, the "Tertiary Indemnitor") is the tertiary indemnification source behind the indemnification obligations of Actelis provided in this Agreement and the Actelis D&O Insurance such that the Tertiary Indemnitor shall have no obligation to pay Indemnitee any sum unless (i) neither Actelis nor the Actelis D&O Insurance has any obligation to pay, or advance such sum or (ii) Actelis and the Actelis D&O Insurance has not paid a portion (or all) of such sum. Actelis agrees: (i) that it is indemnitor of first resort, (ii) that, to the extent set forth herein, it is required to advance the full amount of expenses incurred by Indemnitee and shall be liable for the full amount of all Expenses and Liabilities to the extent legally permitted and as required by the terms of this Agreement, without regard to any rights Indemnitee may have against the Tertiary Indemnitor, and (iii) that it irrevocably waives, relinquishes, and releases the Tertiary Indemnitor from any and all claims against the Tertiary Indemnitor for contribution, subrogation, or any recovery of any kind in respect of its obligations as an indemnitor under this Agreement. Actelis further agrees that no advancement or payment by the Tertiary Indemnitor on behalf of Indemnitee with respect to any claim for which Indemnitee sought indemnification from either Actelis or the Actelis D&O Insurance shall affect the foregoing. Actelis and Indemnitee agree that the Tertiary Indemnitors are express third party beneficiaries of the terms of this Section 8(f).

9. Exception to Right of Indemnification. Notwithstanding any provision in this Agreement, Actelis shall not be obligated under this Agreement to make any indemnity in connection with any claim made against Indemnitee:

(a) for which payment has actually been made to or on behalf of Indemnitee under any insurance policy or other indemnity provision, except with respect to any excess beyond the amount paid under any insurance policy or other indemnity provision; or

(b) for an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of Actelis within the meaning of Section 16(b) of the Securities Exchange Act of 1934, as amended, or similar provisions of state statutory law or common law; or

(c) in connection with any Proceeding (or any part of any Proceeding) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against Actelis or its directors, officers, employees or other indemnitees, unless (i) the Board authorized the Proceeding (or any part of any Proceeding) prior to its initiation, or (ii) Actelis provides the indemnification, in its sole discretion, pursuant to the powers vested in Actelis under applicable law.

10. Duration of Agreement. All agreements and obligations of Actelis contained herein shall continue during the period Indemnitee is an officer or director of Actelis (or is or was serving at the request of Actelis as a manager, director, officer, employee or agent of another Enterprise) and shall continue thereafter for so long as Indemnitee shall be subject to, or may be made subject to, any Proceeding (or any proceeding commenced under Section 7 hereof) by reason of his Entity Status, whether or not she is acting or serving in any such capacity at the time any liability or expense is incurred for which indemnification can be provided under this Agreement.

11. Security. To the extent requested by Indemnitee and approved by the Board, Actelis may at any time and from time to time provide security to Indemnitee for Actelis' obligations hereunder through an irrevocable bank line of credit, funded trust or other collateral. Any such security, once provided to Indemnitee, may not be revoked or released without the prior written consent of the Indemnitee.

12. Enforcement.

(a) Actelis expressly confirms and agrees that it has entered into this Agreement and assumes the obligations imposed on it hereby in order to induce Indemnitee to serve as a director of Actelis, and Actelis acknowledges that Indemnitee is relying upon this Agreement in serving as a director of Actelis.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof.

13. Definitions. For purposes of this Agreement:

(a) "Affiliate" has the meaning set forth in Rule 12b-2 of the regulations promulgated under the Securities and Exchange Act of 1934.

(b) "Entity Status" describes the status of a person who is or was a manager, director, officer, employee, agent or fiduciary of Actelis or of any other Enterprise that such person is or was serving at the express written request of Actelis.

(c) "Disinterested Director" means a director of Actelis who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(d) "Enterprise" shall mean Actelis and any other limited liability company, corporation, partnership, joint venture, trust, employee benefit plan or other

enterprise that Indemnitee is or was serving at the express written request of Actelis as a manager, director, officer, employee, agent or fiduciary.

(e) "Expenses" shall include all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, participating, or being or preparing to be a witness in a Proceeding. Expenses also shall include Expenses incurred in connection with any appeal resulting from any Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersedeas bond, or other appeal bond or its equivalent. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

(f) "Independent Counsel" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) Actelis or Indemnitee in any matter material to either such party (other than with respect to matters concerning Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either of Actelis or Indemnitee in an action to determine Indemnitee's rights under this Agreement. Actelis agrees to pay the reasonable fees of the Independent Counsel referred to above and to fully indemnify such counsel against any and all Expenses and Liabilities arising out of or relating to this Agreement or its engagement pursuant hereto.

(g) "Liabilities" means any and all judgments, damages, penalties, fines, interest or amounts paid in settlement.

(h) "Proceeding" includes any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether brought by or in the right of Actelis or otherwise and whether civil, criminal, administrative or investigative, in which Indemnitee was, is or will be involved as a party or otherwise, by reason of the fact that Indemnitee is or was an officer or director of Actelis, by reason of any action taken by him or of any inaction on his part while acting as a director of Actelis, or by reason of the fact that she is or was serving at the request of Actelis as a manager, director, officer, employee, agent or fiduciary of another Enterprise; in each case whether or not she is acting or serving in any such capacity at the time any liability or expense is incurred for which indemnification can be provided under this Agreement; including one pending on or before the date of this Agreement, but excluding one initiated by an Indemnitee pursuant to Section 7 of this Agreement to enforce his rights under this Agreement.

14. Severability. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision. Without limiting the generality of the foregoing, this Agreement is intended to confer upon Indemnitee indemnification rights to the fullest extent permitted by applicable laws. In the event any provision hereof conflicts with any applicable law, such provision shall be deemed modified, consistent with the aforementioned intent, to the extent necessary to resolve such conflict.

15. Modification and Waiver. No supplement, modification, termination or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

16. Notice by Indemnitee. Indemnitee agrees promptly to notify Actelis in writing upon being served with or otherwise receiving any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification covered hereunder. The failure to so notify Actelis shall not relieve Actelis of any obligation which it may have to Indemnitee under this Agreement or otherwise unless and only to the extent that such failure or delay materially prejudices Actelis.

17. Notices. All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by confirmed electronic mail if sent during normal business hours of the recipient, and if not so confirmed, then on the next business day, (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent:

(a) To Indemnitee at the address set forth below Indemnitee's signature hereto.

(b) To Actelis at:
Actelis Networks, Inc.
47800 Westinghouse Drive
Freemont, CA 94539
Attn: CEO

or to such other address as may have been furnished to Indemnitee by Actelis or to Actelis by Indemnitee, as the case may be.

18. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement. This Agreement may also be executed and delivered by facsimile or other electronic signature and in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

19. Headings. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

20. Governing Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules. Actelis and Indemnitee hereby irrevocably and unconditionally agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Court of Chancery of the State of Delaware.

21. Successors and Assignment. This Agreement shall be binding upon and inure to the benefit of the parties named herein and their respective successors and permitted assigns. No party may assign either this Agreement or any of its interest or obligations hereunder without the prior written approval of the other party. Any purported assignment made in contravention of this Section 21 shall be null and void *ab initio.*

[Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on and as of the day and year first above written.

ACTELIS NETWORKS, INC.

By: _____
Name:
Title:

INDEMNITEE

_____
Name:
Address:

_____

_____
E-mail: _____

[*Signature Page to Actelis Indemnification Agreement*]

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, except for the effects of the Reverse Stock Split discussed in Note 2(ff) to the consolidated financial statements, as to which the date is May 2, 2022 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

/s/ Kesselman & Kesselman

(.Certified Public Accountants (lsr
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,
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