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

Form 20-F

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

Or

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2017

Or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Or

☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File No. 333-206723

P.V. NANO CELL LTD.
(Exact name of Registrant as specified in its charter)

N/A
(Translation of the Registrant's name into English)

State of Israel
(Jurisdiction of incorporation or organization)

8 Hamasger Street, Migdal Ha'Emek, Israel 2310102
(Address of principal executive offices)

Dr. Fernando de la Vega
Chief Executive Officer and Chairman
8 Hamasger Street
Migdal Ha'Emek, Israel 2310102
Tel: 972.4.654.6881
Fax: 972.4.654.6880
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	*Name of each exchange on which registered*
Ordinary shares, par value NIS 0.01 per share	**OTCQB marketplace**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 21,737,263 ordinary shares, nominal value NIS 0.01 per share, as of December 31, 2017.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such a shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

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

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, 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 13(a) of the Exchange Act. ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☒ **International Financial Reporting Standards** **Other ☐**

as issued by the International Accounting Standards Board ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the Registrant has elected to follow: Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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ABOUT THIS ANNUAL REPORT

All references to "we", "us", "our", "the Company", "PV Nano", "our company" and "our Company", in this Annual Report on Form 20-F, or our annual report, are to P.V. Nano Cell Ltd., unless the context otherwise requires. All references to "shares", "Ordinary Shares" or "our ordinary shares" are to our ordinary shares, NIS 0.01 nominal par value per share. All references to "Israel" are to the State of Israel. "U.S. GAAP" means the generally accepted accounting principles of the United States. Unless otherwise stated, all of our financial information presented in this annual report has been prepared in accordance with U.S. GAAP. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding. Unless otherwise indicated, or the context otherwise requires, references in this annual report to financial and operational data for a particular year refer to the fiscal year of our company ended December 31 of that year.

Our reporting currency and financial currency is in the U.S. dollar. In this annual report, "NIS" means New Israeli Shekel, and "$," "US$" and "U.S. dollars" mean United States dollars.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 20-F contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical facts contained in this annual report are forward-looking statements. In some cases, you can identify forward-looking statements by words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "seek," "should," "will," "would," or the negative of these words or other comparable terminology. These forward-looking statements include, but are not limited to, statements about:

- the potential market opportunities for commercializing our current and planned products;
- our expectations regarding the potential market size for our current and planned products;
- estimates of our expenses, future revenue, capital requirements, and our needs for additional financing;
- our ability to develop and advance our current and planned products;
- the implementation of our business model and strategic plans for our business and products, including the integration of our acquisition and the management of growth;
- the scope of protection we are able to establish and maintain for intellectual property rights covering our current and planned products;
- our ability to maintain and establish collaborations or obtain additional funding;
- our financial performance; and
- developments and projections relating to our competitors and our industry.

Any forward-looking statements in this Annual Report on Form 20-F reflect our current views with respect to future events or to our future financial performance and involve known and unknown risks, uncertainties, and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance, or achievements expressed or implied by these forward-looking statements. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under "Item 3. Key Information – Risk Factors" and elsewhere in this annual report. Given these uncertainties, you should not place undue reliance on these forward-looking statements. 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.

This annual report also contains estimates, projections, and other information concerning our industry, our business, and the markets for our products, including data regarding the estimated size of those markets. Information that is based on estimates, forecasts, projections, market research, or similar methodologies is inherently subject to uncertainties and actual events or circumstances may differ materially from events and circumstances reflected in this information. Unless otherwise expressly stated, we obtained this industry, business, market, and other data from reports, research surveys, studies, and similar data prepared by market research firms and other third parties, industry and general publications, government data and similar sources.

PART I

ITEM 1. Identity of Directors, Senior Management and Advisers.

Not applicable.

ITEM 2. Offer Statistics and Expected Timetable.

Not applicable.

ITEM 3. Key Information.

A. Selected Financial Data.

SELECTED FINANCIAL DATA

We prepare our historical consolidated financial statements in accordance with U.S. GAAP. The selected financial data, set forth in the table below, have been derived from our audited historical financial statements for each of the years from 2013 to 2017. The selected consolidated statements of operations data for the years 2017, 2016 and 2015, and the selected consolidated balance sheets data at December 31, 2017 and 2016, have been derived from our audited consolidated financial statements set forth in "Item 18 – Financial Statements." The selected consolidated statement of operations data for the years 2013 and 2014, and the selected consolidated balance sheet data at December 31, 2015, 2014 and 2013, have been derived from our previously published audited consolidated financial statements, which are not included in this Annual Report on Form 20-F. These selected financial data should be read in conjunction with our consolidated financial statements, as set forth in Item 18, and are qualified entirely by reference to such consolidated financial statements.

US $	Year ended December 31,				
Consolidated Statement of Operations Data:	**2017**	**2016**	**2015**	**2014**	**2013**
Revenues	$ 88,691	$ 67,678	$ 60,740	$ 41,953	$ 12,202
Other income	-	10,403	7,592	15,898	17,170
Total Revenues	88,691	78,081	68,332	57,851	29,372
Cost of Revenues	94,238	78,622	69,051	79,215	36,771
Amortization of intangible assets	37,694	-	-	-	-
Gross loss	43,241	541	719	21,364	7,399
Research and development, net	404,891	632,826	720,997	959,746	834,261
Sales and marketing	480,963	336,287	245,756	136,770	110,577
General and administrative	1,227,632	571,110	807,277	809,927	347,843
Acquisition related costs	750,956	-	-	-	-
Total operating expenses	2,864,442	1,540,223	1,774,030	1,906,443	1,292,681
Operating loss	2,907,683	1,540,764	1,774,749	1,927,807	1,300,080
Financial expenses (income), net	(63,778)	80,636	(1,094)	236,561	291,109
Net loss	$ 2,843,905	$ 1,621,400	$ 1,773,655	$ 2,164,368	$ 1,591,189
Deemed dividend	$ -	$ -	$ -	$ 1,842,061	$ -
Net loss	$ 2,843,905	$ 1,621,400	$ 1,773,655	$ 4,006,429	$ 1,591,189
Basic and diluted net loss attributable to holders of ordinary shares per share	*$ 0.19*	*$ 0.12*	*$ 0.14*	*$ 1.24*	*$ 0.71*
Weighted average number of common stock	*15,249,948*	*13,704,673*	*12,745,710*	*3,222,644*	*2,226,900*

US $	December 31,				
Consolidated Balance Sheet Data:	**2017**	**2016**	**2015**	**2014**	**2013**
Current assets	$ 703,211	$ 335,798	$ 226,717	$ 816,099	$ 117,895
Non-current assets	7,911,806	400,992	217,794	226,546	215,107
Total assets	8,615,017	736,790	444,511	1,042,645	393,092
Total liabilities	5,812,297	2,641,009	2,100,092	1,231,823	454,796
Total stockholders' equity (deficit)	$ 2,802,720	$ (1,904,219)	$ (1,655,581)	$ (189,178)	$ (61,704)

B. Capitalization and Indebtedness.

Not applicable.

C. Reasons for the Offer and Use of Proceeds.

Not applicable.

D. Risk Factors.

Risks Related to Our Financial Position and Capital Requirements

We have a limited operating history on which to assess our business, have incurred significant losses since our inception, and anticipate that we will continue to incur significant losses for the foreseeable future.

We have a limited operating history. We have incurred net losses since our inception in 2009, including a net loss of approximately $2.8 million for the year ended December 31, 2017. As of December 31, 2017, we had an accumulated deficit of approximately $15.1 million. In December 2017, we finalized the purchase of Digiflex Ltd., or Digiflex, an Israeli corporation which develops, manufactures and distributes proprietary printers for the graphic industry and non-conductive polymeric inks. Digiflex generated $603,211 in revenues in 2016 and approximately $400,000 in 2017. We expect minimal revenues from Digiflex this year as we transition it into the Company's operations, and we anticipate Digiflex will contribute to our Company's losses. Digiflex also has a history of losses, certain debt obligations, and limited operating history. To date, we have financed our operations primarily through the sale of equity and convertible securities and government grants. The amount of our future net losses will depend, in part, on the rate of our future expenditures, our ability to obtain funding through equity or debt financings, strategic collaborations, or grants and our ability to commercialize our products or technologies. We do not know whether or when we will become profitable. Even if we do achieve profitability, we may not be able to sustain or increase profitability on an ongoing basis. Our inability to achieve and then maintain profitability would negatively affect our business, financial condition, results of operations and cash flows.

Our history of net losses has raised substantial doubt regarding our ability to continue as a going concern. If we do not continue as a going concern, investors could lose their entire investment.

We generated extremely limited revenues which are not presently sufficient to sustain our operations. Our total revenues generated from sales were $88,691, $67,678 and $60,740 for the years ended December 31, 2017, 2016 and 2015, respectively. We have incurred net losses since our inception in 2009, including a net loss of approximately $2.8 million for the year ended December 31, 2017. Digiflex has incurred approximately $21 million of accumulated deficit since inception up to December 3, 2017, the date it was acquired by us.

Our history of net losses has raised substantial doubt about our ability to continue as a going concern, and as a result, our independent registered public accounting firm included an explanatory paragraph in its report on our financial statements as of and for the year ended December 31, 2017 with respect to this uncertainty. We believe that we will need to raise significant additional funds before we have significant cash flow from operations. Accordingly, our ability to continue as a going concern will require us to seek alternative financing to fund our operations. The substantial doubt about our ability to continue as a going concern could materially limit our ability to raise additional funds through the issuance of new debt or equity securities or otherwise. Future reports on our financial statements may include an explanatory paragraph with respect to our ability to continue as a going concern.

We will need significant additional capital, which we may be unable to obtain.

As of December 31, 2017, we had cash reserves of $450,305. As of May 15, 2018, we had sufficient cash to fund operations for approximately two (2) months if we do not raise additional capital. We will need to raise additional capital to continue our operations beyond such two-month period, or earlier if we change our current strategy or operating plan. There can be no assurance that additional funds will be available when needed from any source or, if available, will be available on terms that are acceptable to us. We may be required to pursue sources of additional capital through various means, including debt or equity financings. Future financings through equity investments are likely to be dilutive to existing stockholders. Furthermore, the terms of securities we may issue in future capital transactions may be more favorable for our new investors. Newly issued securities may include preferences, superior voting rights, the issuance of warrants or other derivative securities, and the issuances of incentive awards under equity employee incentive plans, which may have additional dilutive effects. Further, we may incur substantial costs in pursuing future capital and/or financing, including investment banking fees, legal fees, accounting fees, printing and distribution expenses and other costs. We may also be required to recognize non-cash expenses in connection with certain securities we may issue, such as convertible notes and warrants, which will adversely impact our financial condition. Our ability to obtain needed financing may be impaired by such factors as the capital markets and our history of losses, which could impact the availability or cost of future financings. If the amount of capital we are able to raise from financing activities, together with our revenues from operations, is not sufficient to satisfy our capital needs, even to the extent that we reduce our operations accordingly, we may be required to cease operations.

We have generated only minimal revenue from product sales and may never be profitable.

We have generated only minimal revenue in the past, from limited sales of our Sicrys™ inks. We expect Digiflex will generate only minimal revenue from the sale of printers, inks and foils. While Digiflex has sold approximately 45 printers since inception, its revenue for the year ended December 31, 2017 was limited to inks, foils and maintenance of the printers. Our ability to generate revenue and achieve profitability depends on our ability to successfully commercialize our Sicrys™ inks and future products and technologies. It will also depend on (i) our ability to modify and bring to market Digiflex printers so that instead of just being able to do low volume printing, we will be able to serve the electronics market and to use our Sicrys inks; and (ii) our ability to adapt Digiflex's inks to allow for the printing of full printed circuit boards, or PCBs. There is no assurance that we will be successful in any of these endeavors. Our ability to generate future revenue from product sales depends heavily on our success in many areas, including but not limited to:

- obtaining market acceptance of our products and technologies;
- modifying Digiflex products to serve the electronics market to be compatible with our inks;
- integrating the Digiflex business with our business;
- addressing any competing technological and market developments;
- identifying, assessing, acquiring and/or developing new products and technologies;
- ramping up our production capabilities if and when our sales volume increases;
- expanding our distribution channels, including our ability to enter into cooperation arrangements with printer manufacturers to distribute our inks;
- maintaining, protecting, and expanding our portfolio of intellectual property rights, including patents, trade secrets, and know-how; and
- attracting, hiring, and retaining qualified personnel.

Risks Related to Our Business

If our conductive inks and Digiflex printers fail to achieve and sustain sufficient market acceptance or if market penetration occurs more slowly than we expect, our future revenue will be adversely affected.

Our success depends, in large part, on our ability to gain market acceptance of our Sicrys™ inks and Digiflex inks as a reliable and cost-saving alternative to existing printing technologies. Compared to some competing technologies, our nano-metric conductive ink technology is relatively new, and most potential customers have limited knowledge of, or experience with, our conductive inks. Potential customers may be reluctant to adopt our conductive inks as an alternative to conventional printing technologies. Such potential customers may have substantial investments and know-how related to their existing printing technologies, and may perceive risks relating to the reliability, quality, usefulness and profitability of adopting our conductive inks when compared to other printing technologies available in the market. Prior to adopting our conductive inks, some potential customers may need to devote significant time and effort to testing and validating our technology. Any failure of our technology to meet these customer benchmarks could result in customers choosing to retain their existing technology or to purchase technologies other than ours. If we fail to achieve market acceptance of our conductive inks or if market penetration is slower than expected, then our opportunities to grow our revenues and reach profitability will be severely limited. In addition, our success depends on our ability to gain market acceptance of Digiflex printers. There is no assurance that we will succeed in any of the foregoing.

As one of our strategies to increase sales, we have acquired one inkjet printer that has been installed at a customer's site, and intend to acquire additional inkjet printers to also be deployed, free-of-charge, to consumers who agree to purchase a minimum quantity of inks from us, in certain specific fields (e.g. production of printed circuit boards, or PCBs, one layer electronics). There can be no assurance that such printers will be available to us on acceptable terms, or at all, that customers will be willing to make such minimum purchase commitments or that the printers will work as expected in the commercial environment. In addition, it has taken much longer than expected to debug the initial printer and there is no assurance that debugging additional printers will not take longer than expected. In December 2016, we purchased the first beta printer and deployed it to a customer in Israel. We are currently in the debugging process for this printer, and we are developing customized products with this customer for one layer printed electronics. We sold a small amount of ink to this printer in 2017. We intend to eventually enter into an agreement with this printer producer for the sale of our ink and we are currently in negotiations with this printer producer. We are negotiating with additional printer producers to develop and provide us with printers which could ultimately enable us to deploy the printers to customers and to provide ink to customers with such printers. There is no assurance that the printers will be successfully debugged, that customers will accept these printer, that the such customer will order any or significant quantities of our ink, that we will enter into an agreement for the sale of our ink with any customers, or that we will successfully conclude our negotiations with printer producers and develop additional sources of printers.

In order to expand our capabilities to sell inks and introduce the additive digital conductive printing technologies to the market, in December 2017, we finalized the purchase of Digiflex. We are currently in the process of integrating the operations of the two (2) companies together and will soon start to adapt the Digiflex printers and the polymer inks they have developed so that they are compatible with our inks and have the relevant capability to serve the conductive printing market needs. We hope to have the first conductive printing printers in the market by end of 2018, and to continue to develop the process to produce multi-layer printed PCBs. The Digiflex printers are for low volume printing. There is no assurance that we will be able to adapt the Digiflex printers to our inks, or that they will be able to produce PCBs. Further, there is no assurance that we will be able to adapt the Digiflex printers to our market demands or that they will be accepted by the market and, conversely, there is no assurance that we will be able to keep and or ramp up Digiflex sales in the graphics industry, or that we will be able to adapt their inks to our PCB requirements.

Digiflex developed a small market for its printers for the graphics industry (approximately 45 of which have been sold, although none were sold last year). Digiflex's annual revenue last year was approximately $400,000, all of which came from the sale of inks and foils, as well as maintenance. There is no assurance that we will be able to expand this market.

Digiflex has two (2) wholly-owned subsidiaries: Digiflex Inc. which was incorporated in the United States with one employee who provides services to installed printers, and Digiflex HK Limited, which was incorporated in Hong-Kong and has been inactive since inception.

If we are not successful in completing the integration of Digiflex into the Company, the benefits of this transaction may not be fully realized and the market price of our ordinary shares may be negatively affected.

Our integration of Digiflex may encounter ongoing difficulties of coordination, which may include:

- coordinating geographically separate organizations;
- coordinating sales, distribution and marketing functions, including integration and management thereof;
- consolidating the financial reporting systems of our constituent companies;
- management of a larger organization, with an increased number of employees over large geographic distances;
- integrating our product offerings and realizing potential synergies;
- difficulty in combining company cultures;
- increasing leverage and debt service requirements; and
- addressing inconsistencies among the companies in standards, controls, procedures and policies, any of which could adversely affect our ability to maintain relationships with suppliers, distributors, customers and employees.

As a result of these and other factors, we may not successfully complete the integration of Digiflex. Furthermore, we may not realize all of the benefits and synergies of acquiring Digiflex in the timeframe anticipated. It is also possible that such continuing integration and coordination arrangements could lead to the loss of members of management, diversion of the attention of management, or the disruption or interruption of, or the loss of momentum in, our ongoing business, which could adversely affect our business and financial results. The occurrence of such negative results could adversely affect the market price of our ordinary shares.

Our ink products may not be compatible with commercially available printers and printer heads.

We have successfully certified our ink with several manufacturers of commercially available printers and printer heads, and are in the process of certifying our ink products with additional manufacturers of commercially available printers and printer heads, as this is critically important to convince potential customers to implement inkjet technology and purchase our inks. We will also need to certify the Digiflex inks with manufacturers of commercially available printers. If we are unable to certify our ink products with a sufficient number of manufacturers of popular printers and printer heads, our ability to widely market our ink products will be impaired and we may be unable to generate significant revenue.

Printer heads generally require compatible inks. An ink may be incompatible for use with a particular printer head for a number of reasons, including, without limitations: because the chemicals used in the ink are not compatible with the materials used in the manufacture of the printer head; or because the physical properties of the ink (e.g., viscosity, surface tension, etc.) are not compatible with the printer head. As a result, there can be no assurance that our inks will be compatible with a sufficient number of printer heads, if any, to support wide scale sales of our inks for digital inkjet printing.

Given our limited resources, there is no assurance that the Company will be able to comply with its contracts.

The Company has recently become a party to one commercial contract with a leading printer manufacturer to supply commercial quantities of dispersions and inks. We are also currently in negotiation with additional customers. There is no assurance that the additional or other contracts will be executed. There is no assurance that we will be able to produce and supply all the ink required to satisfy all orders. There is also no assurance that commercial customers will be able to market their printers and other products with our inks.

We currently have minimal marketing and sales capabilities. If we are unable to establish significant sales and marketing capabilities or enter into agreements with third parties to market and sell our products, we may be unable to generate significant revenue.

Although our employees may have sold other similar products in the past while employed at other companies, we as a company have minimal experience selling and marketing our conductive inks and we currently have a small marketing and sales operation consisting of one full-time employee (Inside Sales Manager). In addition, our Chief Executive Officer and Chief Operating Officer generally devote a portion of their efforts to increasing awareness of, and marketing, our products. To successfully commercialize our Sicrys™ inks and any products that may result from our development programs, we will need to develop these capabilities, either on our own or with others. We intend to collaborate with additional third party distributors and sales agents with established sales and marketing operations and industry experience to market our inks. However, there can be no assurance that we will be able to enter into distribution and/or sales agency agreements on terms acceptable to us, or at all, or that such distributors or sales agents will be successful in marketing our inks. If our future distributors or sales agents do not commit sufficient resources to commercialize our products, we will be unable to generate sufficient product revenue to sustain our business. We may be competing with companies that currently have extensive and well-funded marketing and sales operations. Without an internal team or the support of a third party to perform marketing and sales functions, we may be unable to compete successfully against these more established companies. Digiflex also has had minimal experience selling and marketing its printers and will discontinue selling and marketing them in the graphics field in order to focus on printing multi-layer electronics.

Our manufacturing capacity and operations may not be appropriate for future levels of demand.

We manufacture our inks, including Digiflex inks, at our Migdal Ha'Emek facilities. We currently have capacity to produce an estimated two (2) tons of ink per year and intend to upgrade our facilities (estimated at $500,000) to increase production capacity to 20 tons per year, if and when demand for our inks is projected to surpass our production capabilities. If the demand for our conductive inks does not increase, we may have significant excess manufacturing capacity and under-absorption of our fixed costs, which could in turn adversely affect our gross margins. In the event that demand for our conductive inks outgrows our internal manufacturing capacity, we intend to engage third-party manufacturers to produce additional inks. There can be no assurance that we will be able to enter into agreements with qualified manufacturers on terms acceptable to us, or at all, or that, once contracted, such manufacturers will perform as expected.

We are subject to a multitude of manufacturing risks, any of which could substantially increase our costs and limit supply of our products and technologies.

The process of manufacturing our products and technologies is complex and subject to several risks and uncertainties, including but not limited to: our ability to scale up our production if and when demand for our inks grows and the quality, availability and prices of the raw materials (including, in particular, silver and copper) necessary for production of our inks. Any adverse developments affecting manufacturing operations for our products and technologies may result in shipment delays, inventory shortages, lot failures, withdrawals or recalls, or other interruptions in the supply of our products and technologies. We may also have to take inventory write-offs and incur other charges and expenses for products and technologies that fail to meet specifications, undertake costly remediation efforts, or seek more costly manufacturing alternatives.

We face intense competition and rapid technological change and the possibility that our competitors may develop products that are similar to, more advanced than, or more effective than ours, which may adversely affect our financial condition and our ability to successfully commercialize our products and technologies.

The digital electronic printing and inkjet conductive ink manufacturing industries are extremely competitive. We are currently aware of various existing products in the market and in development that may compete with our products and technologies. To our knowledge, more than twenty other companies are currently developing silver-based inkjet inks for PE digital electronic inkjet printing applications. Some of these companies are selling conductive inkjet inks for PE applications. Of those, to our knowledge, no other company claims to have metallization inkjet inks for silicon nitride based PV applications.

In addition, silver-based inks are more expensive than copper-based inks. We are aware of at least six (6) companies seeking to develop copper-based inks for inkjet printing, including NovaCentrix, Hitachi Chemical Co. Ltd., IntrinsiQ Materials Ltd., Cupro, Promethean Particles and Nanotec-USA. However, to our knowledge, none of our competitors has copper-based inks in mass production and at a commercially viable price and quantity, and some are using copper oxide as a precursor in their inks instead of copper. We have checked samples of some of these and found them to be unsuitable for formulating inkjet inks. Copper precursors are less effective for thick patterns and high throughput. To our knowledge, we are the only company offering as much as a 50% copper inkjet ink, although we are not yet in mass production. As, to our knowledge, no one has proven our strategy to be effective, there is no assurance that we will be successful and the utilization of 50% copper inkjet ink may not prevail.

Many of our competitors have substantially greater financial, technical, and other resources, such as larger research and development staff and experienced marketing and manufacturing organizations. Mergers and acquisitions in the conductive ink industry may result in even more resources being concentrated in our competitors. As a result, these companies may be more effective in selling and marketing their products. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large, established companies. Competition may increase further as a result of advances in the commercial applicability of technologies and greater availability of capital for investment in this industry. Our competitors may succeed in developing, acquiring, or licensing on an exclusive basis, products that are more effective or less costly than our current or future products or technologies, or achieve earlier patent protection, product commercialization, and market penetration than we do. Additionally, technologies developed by our competitors may render our potential products and technologies uneconomical or obsolete, and we may not be successful in marketing our products and technologies against competitors.

We may not be successful in our efforts to identify, license, or discover additional products and technologies.

Although we intend to focus a substantial amount of our research and development efforts on the continued development and commercialization of our existing products and technologies, the success of our business also depends upon our ability to identify, license, or discover additional products and technologies. Our research programs or licensing efforts may fail to yield additional products and technologies for development for a number of reasons, including but not limited to the following:

- our research or business development methodology or search criteria and process may be unsuccessful in identifying potential products and technologies;
- we may not be able or willing to assemble sufficient resources to acquire or discover additional products and technologies;
- our products and technologies may not succeed in testing;
- our potential products and technologies may have characteristics that make them unmarketable;
- competitors may develop alternatives that render our products and technologies obsolete or less attractive;
- products and technologies we develop may be covered by third parties' patents or other exclusive rights;
- the market for a product may change during our program so that such a product becomes unreasonable to continue to develop; and
- a product may not be capable of being produced in commercial quantities at an acceptable cost, or at all.

If any of these events occurs, we may be forced to abandon our development efforts for a program or programs, or we may not be able to identify, license, or discover additional products and technologies, which would have a material adverse effect on our business and could potentially cause us to cease operations. Research programs to identify new products and technologies require substantial technical, financial, and human resources. We may focus our efforts and resources on potential programs or products and technologies that ultimately prove to be unsuccessful.

Sustained declines in worldwide oil prices could adversely affect our business.

Worldwide oil prices have recently declined. Oil is used as a fuel for electricity generation in only a small percentage of applications worldwide, compared to natural gas or coal-fired electricity generation and other forms of electricity generation, and accordingly, fluctuations in oil prices generally do not have a significant direct causal effect on prevailing competitive electricity prices, including electricity from solar sources. Nonetheless, sustained decreases in oil prices could result in decreased demand for solar sources of energy, which in turn would materially adversely affect our business, prospects and results of operations.

International expansion of our business exposes us to business, regulatory, political, operational, financial, and economic risks associated with doing business outside of Israel.

Our headquarters are located in Israel. As part of the acquisition of Digiflex, we now have subsidiaries in the United States and Hong Kong that have minimal or no activity. Nevertheless, our business strategy incorporates potentially significant international expansion, particularly in China. Doing business internationally involves a number of risks, including but not limited to:

- multiple, conflicting, and changing laws and regulations such as privacy regulations, tax laws, export and import restrictions, employment laws, regulatory requirements, and other governmental approvals, permits, and licenses;
- additional potentially relevant third-party patent rights;
- complexities and difficulties in obtaining protection for and enforcing our intellectual property rights;
- difficulties in staffing and managing foreign operations;
- limitations in our ability to penetrate international markets;
- financial risks, such as longer payment cycles, difficulty collecting accounts receivable, the impact of local and regional financial crises on demand and payment for our products, and exposure to foreign currency exchange rate fluctuations;
- changes in foreign regulations and customs;
- changes in currency exchange rates and currency controls;
- changes in a specific country’s or region’s political or economic environment;
- natural disasters, wars, terrorism, outbreak of disease, boycotts, curtailment of trade, and other business restrictions;
- certain expenses including, among others, expenses for travel, translation, and insurance; and
- certain countries’ regulations (e.g. China) make it difficult for us to import our inks into such countries.

Any of these factors could significantly harm our future international expansion and operations and, consequently, our results of operations.

If we fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could have a material adverse effect on the success of our business.

We are subject to numerous environmental, health and safety laws, regulations and permitting requirements in Israel, including those governing the emission and discharge of hazardous materials into ground, air or water; noise emissions; the generation, storage, use, management and disposal of hazardous waste; the registration of chemicals and in the future also import and export of chemicals; the cleanup of contaminated sites; and the health and safety of our employees. We expect to be subject to similar regulations in any other jurisdictions in which we may establish manufacturing operations in the future. Some of these laws and regulations require us to obtain licenses or permits to conduct our operations. Environmental laws and regulations are complex, change frequently and have tended to become more stringent over time. If we violate or fail to comply with these laws, regulations, licenses or permits, we could be fined or otherwise sanctioned by regulators. We cannot predict the impact on our business of new or amended laws or regulations or any changes in the way existing and future laws and regulations are interpreted or enforced, nor can we ensure we will be able to obtain or maintain any required licenses or permits.

The health effects of nanotechnology are unknown.

There is no scientific agreement on the health effects of nanomaterials, but some scientists believe that, in some cases, nanomaterials may be hazardous to an individual's health or the environment. The science of nanotechnology is based on arranging atoms in such a way as to modify or build materials. Depending on the nanomaterials used, the resulting material may not be found in nature; therefore, the effects are unknown. Our technologies are based on nanometals that are, at most times, dispersed in a liquid minimizing the exposures risks. Moreover, once the metal particles have been printed and sintered they are no longer nanometals, therefore lowering the risks. We take appropriate precautions for employees working with our materials and believe that any health risks related to the nanometals used in potential products can be minimized. Future research into the effects of nanomaterials, in general, on health and environmental issues may have an adverse effect on products using our technology.

Public perceptions of ethical and social issues may discourage the use of nanotechnology.

Nanotechnology has received both positive and negative publicity and is the subject of public discussion and debate. Governments and regulatory bodies may, for social or health purposes, prohibit or regulate the use of nanotechnology. This may restrict our ability to license our technology, or the ability of our future licensees (if any) to sell products.

Our future success depends in part on our ability to retain our Chief Executive Officer and management of Digiflex and to attract, retain, and motivate other qualified personnel.

We are highly dependent on Dr. Fernando de la Vega, our co-founder and Chief Executive Officer and Chairman, and Digiflex is highly dependent on its management team, and the loss of his services or Digiflex's management's services without proper replacements would adversely impact the achievement of our objectives. Under the terms of his services agreement with us, Dr. de la Vega may cease providing services to us at any time by providing 30 days' prior written notice. Recruiting and retaining other qualified employees, consultants, and advisors for our business, including scientific and technical personnel, will also be critical to our success. Locating and attracting skilled personnel may take time. We may not be able to attract and retain personnel on acceptable terms given the competition among numerous high-technology companies for individuals with similar skill sets. The inability to recruit and retain qualified personnel, or the loss of the services of Dr. de la Vega without proper replacement, may impede the progress of our research, development, and commercialization objectives.

We will need to expand our organization and we may experience difficulties in managing this growth, which could disrupt our operations.

As our development and commercialization plans and strategies develop, we expect to need additional managerial, operational, sales, marketing, financial, legal, and other resources. Our management may need to divert a disproportionate amount of its attention away from our day-to-day activities and devote a substantial amount of time to managing these growth activities. We may not be able to effectively manage the expansion of our operations, which may result in weaknesses in our infrastructure, operational mistakes, loss of business opportunities, loss of employees, and reduced productivity among remaining employees. Our expected growth could require significant capital expenditures and may divert financial resources from other projects, such as the development of additional products and technologies. If our management is unable to effectively manage our growth, our expenses may increase more than expected, our ability to generate and/or grow revenue could be reduced and we may not be able to implement our business strategy. Our future financial performance and our ability to commercialize products and technologies and compete effectively will depend, in part, on our ability to effectively manage any future growth.

We are dependent on a license for the additives necessary for the metallization of solar cells.

In order for our inks to be suitable for use in silicon nitride based solar cell metallization processes, we use certain additives in our inks. These additives are not readily commercially available, and we have an exclusive license for these additives from the Fraunhofer Institute, IKTS, or IKTS, in Germany, which developed them especially for our inks. Pursuant to the license, IKTS has agreed to manufacture a limited quantity of such additives for us each year. If we require greater quantities, IKTS has agreed to transfer the production file and knowhow to our chosen manufacturer. If IKTS is not able to supply these additives in sufficient quantities or at an acceptable quality, we will need to seek other sources for such additives. However, we are not aware of any other party capable of manufacturing such additives without an orderly transfer by IKTS, as they were specially designed by IKTS for use with our inks. Furthermore, even if we obtain the production file and knowhow for such additives, we may have difficulty in finding other manufacturers with the ability or technical knowledge to utilize such information to produce such additives in our desired quantities and quality, or at all. Any of these events could materially impair our ability to manufacture inks suitable for use in solar cell metallization processes in sufficient quantities or at all, which would have a material adverse effect on our business, financial condition, results of operations, and cash flows.

We are subject to risks resulting from fluctuations in the price of silver.

The manufacturing process for our silver-based inks utilizes a silver salt, the price of which is linked to the price of silver. The price of silver is affected by numerous factors beyond our control, including inflation, fluctuation of the United States dollar and foreign currencies, global and regional demand, speculative activities by commodities traders and others and the political and economic conditions of major silver producing countries throughout the world. The volatility of mineral prices represents a substantial risk which no amount of planning or technical expertise can fully eliminate. In the event silver prices increase and remain high for prolonged periods of time, we may not be able to produce silver-based inks at a price which is cost effective for manufacturers of solar cells. Furthermore, if the price of silver decreases substantially and remains low for prolonged periods of time, the value proposition that we believe is offered by our copper-based nano-metric ink may be substantially decreased, since a low price of the silver used in their manufacturing processes reduces the incentive for manufacturers of electronic devices to replace silver with another metal, such as copper. Any of the foregoing would have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Our U.S. investors may suffer adverse tax consequences if we are characterized as a passive foreign investment company.

Generally, if for any taxable year 75% or more of our gross income is passive income, or at least 50% of our assets are held for the production of, or produce, passive income, we would be characterized as a passive foreign investment company, or a PFIC, for U.S. federal income tax purposes. We have not determined whether we have been a PFIC for 2017 or any previous year, or whether we will be a PFIC in any future year. Because PFIC status is determined annually and is based on our income, assets and activities for the entire taxable year, there can be no assurance that we will not be classified as a PFIC in any year. If we were to be characterized as a PFIC for U.S. federal income tax purposes in any taxable year during which a U.S. Investor, as defined in "Item 10. Additional Information –Taxation — Certain Material U.S. Federal Income Tax Considerations", owns Ordinary Shares, such U.S. Investor could face adverse U.S. federal income tax consequences, including having gains realized on the sale of our Ordinary Shares classified as ordinary income, rather than as capital gain, the loss of the preferential rate applicable to dividends received on our Ordinary Shares by individuals who are U.S. Investors, and having interest charges apply to distributions by us and the proceeds of share sales. A "qualified electing fund" election may alleviate some of the adverse consequences of PFIC status; however, we do not intend to provide the information necessary for U.S. Investors to make qualified electing fund elections if we are classified as a PFIC. See "Item 10. Additional Information – Taxation — Certain Material U.S. Federal Income Tax Considerations."

As an "emerging growth company" under the JOBS Act, we are permitted to, and intend to, rely on exemptions from certain disclosure requirements, which could make the Ordinary Shares less attractive to investors.

We qualify as an "emerging growth company," as defined in the JOBS Act. For as long as we are deemed an emerging growth company, we are permitted to and intend to take advantage of specified reduced reporting and other regulatory requirements that are generally unavailable to other public companies, including:

- an exemption from the auditor attestation requirement in the assessment of our internal controls over financial reporting required by Section 404 of the Sarbanes-Oxley Act; and
- an exemption from compliance with any new requirements adopted by the PCAOB, requiring mandatory audit firm rotation or a supplement to the auditor's report in which the auditor would be required to provide additional information about our audit and our financial statements.

We may take advantage of these provisions until the last day of our fiscal year following the fifth anniversary of the date of the first sale of our common equity securities pursuant to an effective registration statement under the Securities Act of 1933, as amended, or the Securities Act. However, if certain events occur prior to the end of such five-year period, including if we become a "large accelerated filer," our annual gross revenues exceed $1 billion or we issue more than $1 billion of non-convertible debt in any three-year period, we will cease to be an emerging growth company prior to the end of such five-year period.

Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. This means that an "emerging growth company" can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We are electing to delay such adoption of new or revised accounting standards. As a result, our financial statements may not be comparable to companies that comply with the public company effective date.

We cannot predict if investors will find the Ordinary Shares less attractive because we may rely on these exemptions. If some investors find the Ordinary Shares less attractive as a result, there may be a less active trading market for the Ordinary Shares and the market price of the Ordinary Shares may be more volatile.

Risks Related to Our Intellectual Property

If we are unable to obtain and maintain effective patent rights for our products and technologies or any future products and technologies, we may not be able to compete effectively in our markets.

We rely upon a combination of patents, trade secret protection, and confidentiality agreements to protect the intellectual property related to our products and technologies. Our success depends in large part on our and our licensors' ability to obtain and maintain patent and other intellectual property protection in the United States and in other countries with respect to our proprietary technology and products.

We have sought to protect our proprietary position by filing patent applications in the United States and abroad related to our novel technologies and products that are important to our business. The silver ink-related patent applications have been granted in the USA, China and Russia and are pending in a number of additional countries. The applications for copper ink-related patents are pending in a number of countries. This process is expensive and time consuming, and we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. It is also possible that we will fail to identify patentable aspects of our research and development output before it is too late to obtain patent protection.

The patent position of technology companies generally is highly uncertain and involves complex legal and factual questions for which legal principles remain unsolved. The patent applications that we own or in-license may fail to result in issued patents with claims that cover our products and technologies in the United States or in other foreign countries. There is no assurance that all potentially relevant prior art relating to our patents and patent applications has been found. The discovery of relevant prior art can invalidate a patent or prevent a patent from issuing from a pending patent application. Even if patents do successfully issue, and even if such patents cover our products and technologies, third parties may challenge their validity, enforceability, or scope, which may result in such patents being narrowed, found unenforceable or invalidated. Furthermore, even if they are unchallenged, our patents and patent applications may not adequately protect our intellectual property, provide exclusivity for our products and technologies, or prevent others from designing around our claims. Any of these outcomes could impair our ability to prevent competition from third parties, which may have an adverse impact on our business.

We, independently or together with our licensors, have filed several patent applications covering various aspects of our products and technologies. Even though some have already been granted, we cannot provide any assurances about which, if any, additional patents will issue, the breadth of any such patent or whether any issued patents will be found invalid and unenforceable or will be threatened by third parties. Any successful opposition to these patents or any other patents owned by or licensed to us after patent issuance could deprive us of rights necessary for the successful commercialization of any products and technologies that we may develop. Further, if we encounter delays in regulatory approvals, the period of time during which we could market a product under patent protection could be reduced.

If we cannot obtain and maintain effective patent rights for our products and technologies, we may not be able to compete effectively and our business and results of operations would be harmed.

We may not have sufficient patent terms to effectively protect our products and business.

Patents have a limited lifespan. In the United States, the natural expiration of a patent is generally 20 years after it is filed. Although various extensions may be available, the life of a patent, and the protection it affords, is limited. Even if patents covering our products and technologies are obtained, once the patent life has expired for a product, we may be open to competition.

The patent protection and patent prosecution for some of our products and technologies is dependent on third parties.

While we normally seek and gain the right to fully prosecute the patents relating to our products and technologies, there may be times when patents relating to our products and technologies are controlled by our licensors. In addition, even where we now have the right to control the prosecution of patents and patent applications we have licensed from third parties, we may still be adversely affected or prejudiced by actions or inactions of our licensors and their counsel that took place prior to us assuming control over patent prosecution.

Patent policy and rule changes could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents.

Changes in either the patent laws or interpretation of the patent laws in the United States and other countries may diminish the value of our patents or narrow the scope of our patent protection. The laws of foreign countries may not protect our rights to the same extent as the laws of the United States. Publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the United States and other jurisdictions are typically not published until 18 months after filing, or in some cases not at all. We therefore cannot be certain that we or our licensors were the first to make any invention claimed in our owned and licensed patents or pending applications, or that we or our licensor were the first to file for patent protection of any such invention. Assuming the other requirements for patentability are met, in the United States prior to March 15, 2013, the first to make the claimed invention is entitled to the patent, while outside the United States, the first to file a patent application is entitled to the patent. After March 15, 2013, under the Leahy-Smith America Invents Act, or the Leahy-Smith Act, enacted on September 16, 2011, the United States has moved to a first to file system. The Leahy-Smith Act also includes a number of significant changes that affect the way patent applications will be prosecuted and may also affect patent litigation. The effects of these changes are currently unclear as the United States Patent and Trademark office, or the USPTO, must still implement various regulations, the courts have yet to address any of these provisions and the applicability of the act and new regulations on specific patents discussed herein have not been determined and would need to be reviewed. In general, the Leahy-Smith Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents, all of which could have a material adverse effect on our business and financial condition.

If we are unable to maintain effective proprietary rights for our products and technologies or any future products and technologies, we may not be able to compete effectively in our markets.

In addition to the protection afforded by patents, we rely on trade secret protection and confidentiality agreements to protect proprietary knowhow that is not patentable or that we elect not to patent, processes for which patents are difficult to enforce and any other elements of our product candidate discovery and development processes that involve proprietary knowhow, information or technology that is not covered by patents. However, trade secrets can be difficult to protect. We seek to protect our proprietary technology and processes, in part, by entering into confidentiality agreements with our employees, consultants, scientific advisors, and contractors. We also seek to preserve the integrity and confidentiality of our data and trade secrets by maintaining physical security of our premises and physical security of our information technology systems. While we have confidence in these individuals, organizations and systems, agreements or security measures may be breached, and we may not have adequate remedies for any breach. In addition, our trade secrets may otherwise become known or be independently discovered by competitors.

Although we expect all of our employees and consultants to assign their inventions to us, and all of our employees, consultants, advisors, and any third parties who have access to our proprietary knowhow, information, or technology to enter into confidentiality agreements, we cannot provide any assurances that all such agreements have been duly executed or that our trade secrets and other confidential proprietary information will not be disclosed or that competitors will not otherwise gain access to our trade secrets or independently develop substantially equivalent information and techniques. Misappropriation or unauthorized disclosure of our trade secrets could impair our competitive position and may have a material adverse effect on our business. Additionally, if the steps taken to maintain our trade secrets are deemed inadequate, we may have insufficient recourse against third parties for misappropriating the trade secret.

Third-party claims of intellectual property infringement may prevent or delay our development and commercialization efforts.

Our commercial success depends in part on our avoiding infringement of the patents and proprietary rights of third parties. There have been many lawsuits and other proceedings involving patent and other intellectual property rights in the high-technology industries, including patent infringement lawsuits, interferences, oppositions, and reexamination proceedings before the USPTO and corresponding foreign patent offices. Numerous U.S. and foreign issued patents and pending patent applications, which are owned by third parties, exist in the fields in which we are developing products and technologies. As the conductive ink industry expands and more patents are issued, the risk increases that our products and technologies may be subject to claims of infringement of the patent rights of third parties.

Third parties may assert that we are employing their proprietary technology without authorization. There may be third-party patents or patent applications with claims to materials, formulations, or methods of manufacture related to the use or manufacture of our products and technologies. Because patent applications can take many years to issue, there may be currently pending patent applications that may later result in issued patents that our products and technologies may infringe. In addition, third parties may obtain patents in the future and claim that use of our technologies infringes upon these patents. If any third-party patents were held by a court of competent jurisdiction to cover the manufacturing process of any of our products and technologies, the holders of any such patents may be able to block our ability to commercialize such product or technology unless we obtained a license under the applicable patents, or until such patents expire or are finally determined to be invalid or unenforceable.

Similarly, if any third-party patents were held by a court of competent jurisdiction to cover aspects of our formulations, processes for manufacture, or methods of use, the holders of any such patents may be able to block our ability to develop and commercialize the applicable product or technology unless we obtained a license or until such patent expires or is finally determined to be invalid or unenforceable. In either case, such a license may not be available on commercially reasonable terms or at all.

Parties making claims against us may obtain injunctive or other equitable relief, which could effectively block our ability to further develop and commercialize one or more of our products and technologies. Defense of these claims, regardless of their merit, would involve substantial litigation expense and would be a substantial diversion of employee resources from our business. In the event of a successful claim of infringement against us, we may have to pay substantial damages (including treble damages and attorneys' fees for willful infringement), pay royalties, redesign our infringing products or obtain one or more licenses from third parties, which may be impossible or require substantial time and monetary expenditure.

We may be involved in lawsuits to protect or enforce our patents or the patents of our licensors, which could be expensive, time consuming, and unsuccessful.

Competitors may infringe our patents or the patents of our licensors. If we or one of our licensing partners were to initiate legal proceedings against a third party to enforce a patent covering one of our products or technologies, the defendant could counterclaim that the patent covering our product or technology is invalid and/or unenforceable. In patent litigation in the United States, defendant counterclaims alleging invalidity and/or unenforceability are commonplace. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, including lack of novelty, obviousness, or non-enablement. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld relevant information from the USPTO, or made a misleading statement to the USPTO, during prosecution. The outcome following legal assertions of invalidity and unenforceability is unpredictable.

Interference proceedings provoked by third parties or brought by us or declared by the USPTO may be necessary to determine the priority of inventions with respect to our patents or patent applications or those of our licensors. An unfavorable outcome could require us to cease using the related technology or to attempt to license rights to it from the prevailing party. Our business could be harmed if the prevailing party does not offer us a license on commercially reasonable terms. Our defense of litigation or interference proceedings may fail and, even if successful, may result in substantial costs and distract our management and other employees.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. There could also 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 material adverse effect on the price of our Ordinary Shares.

We may be subject to claims that our employees, consultants, or independent contractors have wrongfully used or disclosed confidential information of third parties or that our employees have wrongfully used or disclosed alleged trade secrets of their former employers.

We employ individuals and engage consultants, including our Chief Executive Officer, who were previously employed at other high-technology companies, including our competitors or potential competitors. Although we try to ensure that our employees, consultants, and independent contractors do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or our employees, consultants, or independent contractors have inadvertently or otherwise used or disclosed intellectual property, including trade secrets or other proprietary information, of any of our employees' former employers or other third parties. Litigation may be necessary to defend against these claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel, which could adversely impact our business. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees.

We may be subject to claims that former or current employees, collaborators or other third parties have an interest in our patents or other intellectual property as an inventor or co-inventor. For example, we may have inventorship disputes arise from conflicting obligations of consultants or others who are involved in developing our products in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights, such as exclusive ownership of, or right to use, valuable intellectual property. Such an outcome could have a material adverse effect on our business. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees.

Under the Israeli Patent Law, 5727-1967, or the Patent Law, inventions conceived by an employee during the scope of his or her employment with a company are regarded as "service inventions," which belong to the employer, absent a specific agreement between the employee and employer giving the employee service invention rights. The Patent Law also provides that if there is no such agreement between an employer and an employee, the Israeli Compensation and Royalties Committee, or the Committee, a body constituted under the Patent Law, shall determine whether the employee is entitled to remuneration for his or her inventions. Recent decisions by the Committee have created uncertainty in this area, as it held that employees may be entitled to remuneration for their service inventions unless they specifically waived their rights under the Patent Law. Further, the Committee has not yet determined the method for calculating this Committee-enforced remuneration or the criteria or circumstances under which an employee's assignment of all rights and/or waiver of his or her right to remuneration will be disregarded. Although our employees have agreed to assign to us service invention rights, we may face claims demanding remuneration in consideration for assigned inventions. As a consequence of such claims, we could be required to pay additional remuneration or royalties to our current and/or former employees, or be forced to litigate such claims, which could negatively affect our business.

If we fail to comply with our obligations in the agreements under which we license intellectual property and other rights from third parties or otherwise experience disruptions to our business relationships with our licensors, we could lose license rights that are important to our business.

We are a party to a number of intellectual property license agreements that are important to our business and may enter into additional license agreements in the future. Our existing license agreements impose, and we expect that future license agreements will impose, various diligence, reporting, royalty, minimum annual license fees, and other obligations on us. If we fail to comply with our obligations under these agreements, or we are subject to a bankruptcy, we may be required to make certain payments to the licensor, we may lose the exclusivity of our license, or the licensor may have the right to terminate the license, in which event we would not be able to develop or market products covered by the license. Additionally, the royalty payments associated with these licenses will make it less profitable for us to develop our products and technologies.

We may not be successful in obtaining or maintaining necessary rights to our products and technologies through acquisitions and in-licenses.

We currently have rights to the intellectual property, through licenses from third parties and under patents that we own, to develop our products and technologies. Because our programs may require the use of proprietary rights held by third parties, the growth of our business will likely depend in part on our ability to acquire, in-license, or use these proprietary rights. In addition, our products and technologies may require specific formulations to work effectively and efficiently and the rights to these formulations may be held by others. We may be unable to acquire or in-license any compositions, methods of use, processes, or other third-party intellectual property rights from third parties that we identify as necessary for our products and technologies. The licensing and acquisition of third-party intellectual property rights is a competitive area, and a number of more established companies are also pursuing strategies to license or acquire third-party intellectual property rights that we may consider attractive. These established companies may have a competitive advantage over us due to their size, cash resources, and greater development and commercialization capabilities.

In addition, companies that perceive us to be a competitor may be unwilling to assign or license rights to us. We also may be unable to license or acquire third-party intellectual property rights on terms that would allow us to make an appropriate return on our investment. If we are unable to successfully obtain rights to required third-party intellectual property rights, we may have to abandon development of that program and our business and financial condition could suffer.

We may not be able to fully enforce covenants not to compete with our key employees, and therefore we may be unable to prevent our competitors from benefiting from the expertise of such employees.

Our employment agreements with our key employees contain non-compete provisions. These provisions prohibit our key employees, if they cease working for us, from competing directly with us or working for our competitors for a limited period of time. We may be unable to enforce these provisions under applicable laws in Israel where all of our key employees reside. In Israel, the Basic Law: Freedom of Occupation, as interpreted by binding case law, may restrict our ability to enforce non-compete provisions against our employees. If we cannot enforce our non-compete provisions against our employees, we may be unable to prevent our competitors from benefiting from the expertise of such employees. Even if these provisions are enforceable, they may not adequately protect our interests. As a result, if one or more of our employees leaves our employment and subsequently becomes employed by one of our competitors, our business, results of operations and ability to capitalize on our proprietary information may be materially adversely affected.

We may not be able to protect our intellectual property rights throughout the world.

Filing, prosecuting, and defending patents on products and technologies in all countries throughout the world would be prohibitively expensive, and our intellectual property rights in some countries outside the United States can be less extensive than those in the United States. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as federal and state laws in the United States.

Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and may also export otherwise infringing products to territories where we have patent protection, but enforcement is not as strong as that in the United States. These products may compete with our products and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents, trade secrets, and other intellectual property protection, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our proprietary rights generally. Proceedings to enforce our patent rights in foreign jurisdictions, whether or not successful, could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

Risks Related to Our Operations in Israel

Our headquarters and other significant operations are located in Israel and, therefore, our results may be adversely affected by political, economic and military instability in Israel.

Our executive offices are located in Migdal Ha'Emek, Israel. In addition, following the acquisition of Digiflex, we have an additional office in Kfar Saba, Israel. In addition, the majority of our officers and directors are residents of Israel. Accordingly, political, economic and military conditions in Israel 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 countries and militia groups. 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. Certain of these conflicts involved missile strikes against civilian targets in various parts of Israel, including the city in which our headquarters are located as well as areas in which our employees and some of our consultants are located, and negatively affected business conditions in Israel. Recently, Israel was involved in a military operation against Hamas militants in Gaza. In connection with this operation, Israel called up a large number of reservists to active duty. Furthermore, Hamas militants in Gaza have fired thousands of rockets at Israel, including Tel Aviv, Israel's main financial center. Any armed conflicts, terrorist activities or political instability in the region could adversely affect business conditions and 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. 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. Israel also faces threats from more distant neighbors, in particular, Iran, an ally of Hezbollah and Hamas. There is current unrest in Egypt and a civil war in Syria, both of which are neighboring countries to Israel.

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. These restrictions may limit materially our ability to obtain raw materials from these countries or sell our products to companies or persons in these countries. Any hostilities involving Israel or the interruption or curtailment of trade between Israel and its present trading partners, or significant downturn in the economic or financial condition of Israel, could adversely affect our operations and product development, cause our sales to decrease and, if our securities become publicly traded, adversely affect the share price of our securities.

Our commercial insurance does not cover losses that may occur as a result of an event associated with the security situation in the Middle East. Although the Israeli government is currently committed to covering the reinstatement value of direct damages that are 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. 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.

Our operations may be disrupted as a result of the obligation of management or key personnel to perform military service.

Although none of our management or key personnel are presently subject to the following, our male employees and consultants in Israel, including possibly, in the future, members of our senior management may be obligated to perform one month, and, in some cases, longer periods, of annual military reserve duty until they reach the age of 45 (or older, for citizens who hold certain positions in the Israeli armed forces reserves), and, in the event of a military conflict, may be called to active duty. In response to increases in terrorist activity, there have been periods of significant call-ups of military reservists (including during the recent military operation in Gaza, as described above). 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. Such disruption could materially adversely affect our business and operations.

The Israeli government grants we have received for research and development expenditures restrict our ability to manufacture products and transfer technologies outside of Israel and require us to satisfy specified conditions. If we fail to satisfy these conditions, we may be required to refund grants previously received together with interest and penalties.

We have received grants from the Israel Innovation Authority, or the Authority (formerly operating as Office of the Chief Scientist of the Ministry of Economy of the State of Israel, or the OCS), for research and development programs and intend to apply for further grants in the future. In order to maintain our eligibility for these grants, we must comply with the requirements of the Research Law. Under the Research Law, we are prohibited from manufacturing products developed using these grants outside of the State of Israel without special approvals. As of the date of this annual report, we have not sought to obtain such approvals, as we do not have immediate plans to manufacture outside of Israel. We may not receive the required approvals for any proposed transfer of manufacturing activities. Even if we do receive approval to manufacture products developed with government grants outside of Israel, the royalty rate may be increased and we may be required to pay up to 300% of some or all of the grant amounts requiring repayment plus interest, depending on the manufacturing volume that is performed outside of Israel. This restriction may impair our ability to outsource manufacturing or engage in our own manufacturing operations for those products or technologies.

Additionally, under the Research Law, we are prohibited from transferring, including by way of license, the Authority financed technologies and related intellectual property rights and knowhow outside of the State of Israel, except under limited circumstances and only with the approval of the Authority Research Committee. As of the date of this annual report, we have not sought to obtain such approvals, as we do not have immediate plans to transfer the Authority financed technologies and related intellectual property rights and knowhow outside of Israel. We may not receive the required approvals for any proposed transfer and, even if received, we may be required to pay the Authority a portion of the consideration that we receive upon any sale of such technology to a non-Israeli entity up to 600% of the grant amounts plus interest. The scope of the support received, the royalties that we have already paid to the Authority, the amount of time that has elapsed between the date on which the knowhow or the related intellectual property rights were transferred and the date on which the Authority grants were received and the sale price and the form of transaction will be taken into account in order to calculate the amount of the payment to the Authority. Approval of the transfer of technology to residents of the State of Israel is required, and may be granted in specific circumstances only if the recipient abides by the provisions of applicable laws, including the restrictions on the transfer of knowhow and the obligation to pay royalties. No assurance can be made that approval to any such transfer, if requested, will be granted.

These restrictions may impair our ability to sell our technology assets or to perform or outsource manufacturing outside of Israel, engage in change of control transactions or otherwise transfer our knowhow outside of Israel and may require us to obtain the approval of the Authority for certain actions and transactions and pay additional royalties and other amounts to the Authority. In addition, any change of control and any change of ownership of our ordinary shares that would make a non-Israeli citizen or resident an "interested party," as defined in the Research Law, requires prior written notice to the Authority, and our failure to comply with this requirement could result in criminal liability.

These restrictions will continue to apply even after we have repaid the full amount of royalties on the grants. If we fail to satisfy the conditions of the Research Law, we may be required to refund certain grants previously received together with interest and penalties, and may become subject to criminal charges.

The Government of Israel has reduced the grants available under the Authority's program in recent years, and this program may be discontinued or curtailed in the future. If we do not receive additional grants in the future, we will be required to allocate other funds to product development at the expense of other operational costs.

We have received a grant from the Office of the Authority of the Ministry of National Infrastructures, Energy and Water Resources, or the Ministry of Infrastructures, for one of our research and development programs. In order to maintain our eligibility for this grant, we must meet specified conditions, including the payment of royalties with respect to the grant received. If we fail to comply with these conditions in the future, sanctions (such as the cancellation of the grant) might be imposed on us, and we could be required to refund any payments previously received. Even following full repayment of any Ministry of Infrastructures grants, we must nevertheless continue to comply with the requirements of our agreement with the Ministry of Infrastructures. The terms of the Ministry of Infrastructures' grant require us to obtain the Ministry of Infrastructures' approval prior to any assignment of knowhow developed under the research and development program funded with its grant. The Ministry of Infrastructures also has a right to receive a nonexclusive royalty free license to the know how developed under any such program to the extent necessary for national needs (as determined by the Minister of Science and Technology, the Minister of Treasury and the Minister of Justice). Pursuant to the terms of the grant, we will be required to notify the Ministry of Infrastructures of any new investment we receive, and any new investor will be required to undertake in writing to the Ministry of Infrastructures to make reasonable efforts to ensure that the Company shall observe the terms of the research and development agreement with the Ministry of Infrastructures and the law governing the grant program of the Ministry of Infrastructures. In addition, in any case where one or more new investors makes an investment with the Company, the Ministry of Infrastructures has a right to negotiate with such investor(s) for the repayment by us of the grant provided to us by the Ministry of Infrastructures. At our request, the Ministry of Infrastructures confirmed our interpretation that the registration of the securities herein will not be deemed as a new investment.

Exchange rate fluctuations between the U.S. dollar and the New Israeli Shekel currencies may negatively affect our earnings.

We incur expenses both in U.S. dollars and New Israeli Shekels, but our financial statements are denominated in U.S. dollars. As a result, we are exposed to the risks that the New Israeli Shekel may appreciate relative to the U.S. dollar, or, if the New Israeli Shekel instead devalues relative to the U.S. dollar, that the inflation rate in Israel may exceed such rate of devaluation of the New Israeli Shekel, or that the timing of such devaluation may lag behind inflation in Israel. In any such event, the U.S. dollar cost of our operations in Israel would increase and our U.S. dollar-denominated results of operations would be adversely affected. We cannot predict any future trends in the rate of inflation in Israel or the rate of devaluation (if any) of the New Israeli Shekel against the U.S. dollar.

Provisions of Israeli law and our Fourth Amended Articles of Association, or our Articles of Association, may delay, prevent or make undesirable an acquisition of all or a significant portion of our shares or assets.

Provisions of Israeli law and our Articles of Association could have the effect of delaying or preventing a change in control of our Company; may make it more difficult for a third-party to acquire us; may make it more difficult for our shareholders to elect different individuals to our board of directors, even if doing so would be considered to be beneficial by some of our shareholders; and may limit the price that investors may be willing to pay in the future for our Ordinary Shares. Among other things:

- Israeli corporate law regulates mergers and requires that a tender offer be effected when more than a specified percentage of shares in a company are purchased;
- Israeli corporate law does not provide for shareholder action by written consent unless such consent is unanimous, thereby requiring all shareholder actions to be taken at a general meeting of shareholders in the absence of unanimity among our shareholders;
- our Articles of Association generally require a vote of the holders of a majority of our outstanding Ordinary Shares entitled to vote and present at a general meeting of shareholders,; however, the amendment of a limited number of provisions related to the board of directors, proceedings of the board of directors, and business combinations require a vote of the holders of 60% of our outstanding Ordinary Shares entitled to vote and present at a general meeting (excluding abstentions);
- our Articles of Association require a vote of the holders of 60% of our outstanding Ordinary Shares entitled to vote and present at a general meeting (excluding abstentions) for the removal of directors prior to the expiration of his or her term of office;
- our Articles of Association provide that director vacancies may only be filled by our board of directors; and
- our Articles of Association prevent “business combinations” with “interested shareholders” for a period of three (3) years after the date of the transaction in which the person became an interested shareholder, unless the business combination is approved in accordance with our Articles of Association by a general meeting of our shareholders or satisfies other requirements specified in our Articles of Association.

On September 24, 2015, we held a general meeting of shareholders at which our shareholders approved, among other things, an amendment to the provisions of our Articles of Association applicable to the election of directors to provide for a board of directors consisting of no less than three (3) and no more than seven (7) directors, with all directors (other than the external directors, whose appointment is required under the Companies Law, as described below) divided into three (3) classes with staggered three-year terms with each class of directors to consist, as nearly as possible, of one-third of the total number of directors other than the external directors. This provision may make it more difficult for our shareholders to elect different individuals to our board of directors, even if doing so would be considered to be beneficial by some of our shareholders, may limit the price that investors may be willing to pay in the future for our Ordinary Shares, and may make it more difficult for a potential acquiror to effect a change of control of our Company or may deter potential acquirors from seeking to effect a change of control.

Further, Israeli tax considerations may make potential transactions undesirable to us or to some of our shareholders whose country of residence does not have a tax treaty with Israel granting tax relief to such shareholders from Israeli tax. With respect to mergers, Israeli tax law allows for tax deferral in certain circumstances but makes the deferral contingent on the fulfillment of numerous conditions, including a holding period of two (2) years from the date of the transaction during which certain sales and dispositions of shares of the participating companies are restricted. Moreover, with respect to certain share swap transactions, the tax deferral is limited in time, and when such time expires, the tax becomes payable even if no actual disposition of the shares has occurred. For additional information, see "Description of Share Capital - Mergers and Acquisitions under Israeli Law" in Amendment No. 1 to our Registration Statement on Form F-1, filed with the Securities and Exchange Commission, or SEC, on September 22, 2015.

The tax benefits that are available to us as a preferred enterprise require us to continue to meet various conditions and may be terminated or reduced in the future, which could increase our costs and taxes.

We have not yet elected to be treated as a preferred enterprise for Israeli tax purposes, a designation which would allow us to receive certain tax benefits, since we are still not at a stage where we have to pay tax due to carry forward losses. Once we are liable for tax payments, we may be entitled to reduced tax rates and other tax benefits. See "Item 10. Additional Information –Taxation – Law for the Encouragement of Capital Investments, 5719-1959". If these tax benefits were reduced or eliminated or if we no longer comply with the various pre-conditions required, the amount of taxes that we pay would consequently be subject to corporate tax at the standard rate, which could adversely affect our results of operations.

It may be difficult to enforce a judgment of a United States court against us and our officers and directors and the Israeli experts named in this annual report located in Israel or the United States, to assert United States securities laws claims in Israel or to serve process on our officers and directors and these experts.

We were incorporated in Israel. Our Chief Executive Officer and substantially all of our directors reside outside of the United States, and all of our assets and most of the assets of these persons are located outside of the United States. Therefore, a judgment obtained against us, or any of these persons, including a judgment based on the civil liability provisions of the U.S. federal securities laws, may not be collectible in the United States and may not necessarily be enforced by an Israeli court. It also may be difficult for you to effect service of process on these persons in the United States or to assert U.S. securities law claims in original actions instituted in Israel. Additionally, it may be difficult for an investor, or any other person or entity, to initiate an action with respect to United States securities laws in Israel. Israeli courts may refuse to hear a claim based on an alleged violation of United States securities laws, reasoning that Israel is not the most appropriate forum in which to bring such a claim. In addition, even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not United States law is applicable to the claim. If United States law is found to be applicable, the content of applicable United States law must be proven as a fact by expert witnesses, which can be a time consuming and costly process. Certain matters of procedure will also be governed by Israeli law. There is little binding case law in Israel that addresses the matters described above. As a result of the difficulty associated with enforcing a judgment against us in Israel, you may not be able to collect any damages awarded by either a United States or foreign court.

Risks Related to Our Securities

Your rights and responsibilities as a shareholder will be governed by Israeli law which differs in some material respects from the rights and responsibilities of shareholders of U.S. companies.

The rights and responsibilities of our shareholders are governed by Israeli law and our Articles of Association. These rights and responsibilities differ in some material respects from the rights and responsibilities of shareholders in typical U.S.-based corporations. In particular, a shareholder of an Israeli company has a duty to act in good faith and in a customary manner in exercising its rights and performing its obligations towards the company and other shareholders and to refrain from abusing its power in the company, including, among other things, in voting at general meetings of shareholders on certain matters, such as an amendment to the company's articles of association, an increase of the company's authorized share capital, a merger of the company and approval of related party transactions that require shareholder approval. A shareholder also has a general duty to refrain from discriminating against other shareholders. In addition, a controlling shareholder or a shareholder who knows that it possesses the power to determine the outcome of a shareholders' vote or to appoint or prevent the appointment of an office holder in the company has a duty to act in fairness towards the company. However, Israeli law does not define the substance of this duty of fairness. There is limited case law available to assist us in understanding the nature of this duty or the implications of these provisions. These provisions may be interpreted to impose additional obligations and liabilities on our shareholders that are not typically imposed on shareholders of U.S. corporations.

We do not plan to pay dividends to holders of Ordinary Shares.

We do not anticipate paying cash dividends to the holders of our Ordinary Shares at any time. Moreover, the Companies Law imposes certain restrictions on our ability to declare and pay dividends. For additional information, see "Description of Share Capital — Dividends" in Amendment No. 1 to our Registration Statement on Form F-1, filed with the SEC on September 22, 2015. Accordingly, investors in our securities must rely upon subsequent sales after price appreciation as the sole method to realize a gain on investment. There are no assurances that the price of Ordinary Shares will ever appreciate in value.

We rely on an outsourced financial consultant to assist in the preparation of our consolidated financial statements. We believe that our financial consultant has sufficient experience with U.S. GAAP to assist in the preparation of our consolidated financial statements, which was gained, among other things, through service as the Chief Financial Officer and other senior accounting positions with several public and private companies that prepared financial statements in accordance with U.S. GAAP and by maintaining subscriptions to accounting resources made available by the "Big Four" accounting firms in Israel, which allows our outsourced financial consultant to obtain accounting and regulatory updates through their distribution lists, including updates with regard to U.S GAAP. Our outsourced financial consultant also has access to disclosure checklists for financial statement preparation compliance purposes and related accounting materials. Our outsourced financial consultant attends training conferences on accounting and regulatory updates, including updates with regard to U.S GAAP. Our historical consolidated financial statements for the years ended December 31, 2016 and 2015 were prepared by our former outsourced financial consultant as well as our former internal Chief Financial Officer, while our consolidated financial statements for the year ended December 31, 2017 were prepared by our current outsourced financial consultant. Our Company does not have a full-time Chief Financial Officer and outsources certain matters to a part-time consultant. If there are errors in our consolidated financial statements and/or we are required to restate certain of our consolidated financial statements as a result of our arrangement to outsource certain financial matters, we could be required to implement expensive and time-consuming remedial measures.

Our directors, executive officers and controlling persons as a group have significant voting power and may take actions that may not be in the best interest of shareholders.

Our directors, executive officers and controlling persons as a group beneficially own approximately 38% of our Ordinary Shares. As a result, they will have the ability to exert substantial influence over all matters requiring approval by our shareholders, including the election and removal of directors and any proposed merger, consolidation or sale of all or substantially all of our assets. In addition, due to their share ownership, our executive officers and controlling persons could dictate the management of our business and affairs. This concentration of ownership could have the effect of delaying, deferring or preventing a change in control, or impeding a merger or consolidation, takeover or other business combination that could be favorable to you. This significant concentration of share ownership may also adversely affect the trading price for our Ordinary Shares, if a public market further develops for such securities, because investors may perceive disadvantages in owning stock in a company with controlling affiliated shareholders.

We incur significant increased costs as a result of operating as a public company, and our management is required to devote substantial time to new compliance initiatives.

We are subject to the requirements to file periodic and annual reports under the Exchange Act, and are otherwise subject to laws applicable to public reporting companies in the United States. As a public reporting company, we incur significant legal, accounting, and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act, as amended, and the rules and regulations of the SEC thereunder, have imposed various requirements on public companies. Shareholder activism, the current political environment, and the current high level of government intervention and regulatory reform may lead to substantial new regulations and disclosure obligations, which may lead to additional compliance costs and impact the manner in which we operate our business in ways we cannot currently anticipate. Our management and other personnel need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations increase our legal and financial compliance costs and will make some activities more time consuming and costly.

As an "emerging growth company," as defined in the JOBS Act, we are entitled (and intend) to take advantage of certain temporary exemptions from various reporting requirements including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. When these exemptions cease to apply, we expect to incur additional expenses and devote increased management effort toward ensuring compliance with them. We cannot predict or estimate the amount of additional costs we may incur as a result of becoming a public reporting company or the timing of such costs.

We are a "foreign private issuer" and have disclosure obligations that are different from those of U.S. domestic reporting companies.

We are a foreign private issuer and are not subject to the same requirements that are imposed upon U.S. domestic issuers by the SEC. Under the Exchange Act, we are subject to reporting obligations that, in certain respects, are less detailed and less frequent than those of U.S. domestic reporting companies. For example, we are not required to issue quarterly reports, proxy statements that comply with the requirements applicable to U.S. domestic reporting companies. Furthermore, although under a recent amendment to the regulations promulgated under the Companies Law, as an Israeli public company listed overseas we are required to disclose the compensation of our five (5) most highly compensated officers on an individual basis (rather than on an aggregate basis, as was previously permitted for Israeli public companies listed overseas prior to such amendment), this disclosure is not as extensive as that required of U.S. domestic reporting companies. We also have four (4) months after the end of each fiscal year to file our annual reports with the SEC and are not required to file current reports as frequently or promptly as U.S. domestic reporting companies. Furthermore, our officers, directors and principal shareholders are exempt from the requirements to report short-swing profit recovery contained in Section 16 of the Exchange Act. Also, as a "foreign private issuer," we are also not subject to the requirements of Regulation FD (Fair Disclosure) promulgated under the Exchange Act. These exemptions and leniencies will reduce the frequency and scope of information and protections available to you in comparison to those applicable to a U.S. domestic reporting companies.

Offers or availability for sale of a substantial number of our Ordinary Shares may cause the price of our Ordinary Shares to decline.

If our shareholders sell substantial amounts of our Ordinary Shares in the public market (if one develops) or if there is a perception in the market that substantial sales may occur in the future upon the expiration of any statutory holding period, under Rule 144, or upon the exercise of outstanding options or Warrants, the market price of our Ordinary Shares could fall. The occurrence of such substantial sales or the perception that substantial sales of common stock may occur in the future could also make it more difficult for us to raise additional financing through the sale of equity or equity related securities in the future at a time and price that we deem reasonable or appropriate.

The market price of our Ordinary Shares may fluctuate significantly.

If a public trading market further develops for our Ordinary Shares, the market price of the Ordinary Shares may fluctuate significantly in response to numerous factors, some of which are beyond our control, such as:

- the announcement of new products or product enhancements by us or our competitors;
- developments concerning intellectual property rights and regulatory approvals;
- variations in our and our competitors' results of operations;
- changes in earnings estimates or recommendations by securities analysts, if the Ordinary Shares are covered by analysts;
- fluctuations in economic and market conditions that affect the price of, and demand for, conventional and non-solar renewable energy sources, such as increases or decreases in the price of natural gas, coal, oil, and other fossil fuel;
- developments in the nanotechnology and alternative energy industries;
- the results of product liability or intellectual property lawsuits;
- future issuances of Ordinary Shares or other securities;
- the addition or departure of key personnel;
- announcements by us or our competitors of acquisitions, investments or strategic alliances; and
- general market conditions and other factors, including factors unrelated to our operating performance.

Further, in recent years, the stock market has experienced extreme price and volume fluctuations. Continued or renewed market fluctuations could result in extreme volatility in the price of our Ordinary Shares, which could cause a decline in the value of the Ordinary Shares. Price volatility of our Ordinary Shares might be significant if the trading volume of the Ordinary Shares is low, which often occurs with respect to newly traded securities on the OTCQB.

Because our Ordinary Shares are traded as a "penny stock," it may be more difficult for investors to sell our Ordinary Shares, and the market price of our Ordinary Shares may be adversely affected.

Our Ordinary Shares are deemed a "penny stock" since, among other things, the stock price is currently trading below $5.00 per share. Broker-dealers who sell penny stocks must provide purchasers of these stocks with a standardized risk-disclosure document prepared by the SEC. This document provides information about penny stocks and the nature and level of risks involved in investing in the penny-stock market. A broker must also give a purchaser, orally or in writing, bid and offer quotations and information regarding broker and salesperson compensation, make a written determination that the penny stock is a suitable investment for the purchaser and obtain the purchaser's written agreement to the purchase. Broker-dealers must also provide customers that hold penny stock in their accounts with such broker-dealer a monthly statement containing price and market information relating to the penny stock. If a penny stock is sold to an investor in violation of the penny stock rules, the investor may be able to cancel its purchase and get its money back.

The penny stock rules may make it difficult for investors to sell their Ordinary Shares. Because of the rules and restrictions applicable to a penny stock, there is less trading in penny stocks and the market price of the Ordinary Shares may be adversely affected. Also, many brokers choose not to participate in penny stock transactions. Accordingly, investors may not always be able to resell their Ordinary Shares publicly at times and prices that they feel are appropriate.

Compliance with changing regulations concerning corporate governance and public disclosure may result in additional expenses.

There have been changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act, new regulations promulgated by the SEC and rules promulgated by the national securities exchanges. These new or changed laws, regulations and standards are subject to varying interpretations in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. As a result, our efforts to comply with evolving laws, regulations and standards are likely to continue to result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. Our directors, Chief Executive Officer, Chief Financial Officer and Chief Operating Officer could face an increased risk of personal liability in connection with the performance of their duties. As a result, we may have difficulty attracting and retaining qualified directors and executive officers, which could harm our business. If our efforts to comply with new or changed laws, regulations and standards differ from the activities intended by regulatory or governing bodies, we could be subject to liability under applicable laws or our reputation may be harmed.

Any of the risk factors referred to above could significantly and negatively affect our business, results of operations or financial condition, which may reduce our ability to pay dividends and lower the trading price of our ordinary shares. The risks referred to above are not the only ones that may exist. Additional risks not currently known by us or that we deem immaterial may also impair our business operations.

ITEM 4. Information on the Company.

Historical Background and Corporate Structure

P.V. Nano Cell, Ltd. was incorporated in Israel on June 24, 2009 as a private limited liability company. In September 2015, we successfully filed our Registration Statement on Form F-1 in the United States. We have two (2) wholly owned subsidiaries, Nano Size Ltd., or Nano Size, a private company organized under the laws of the state of Israel which we acquired on December 31, 2009, and Digiflex, which we acquired on December 3, 2017. We also own 40% of the outstanding equity securities of Leed PV Nano Science and Technology (Suzhou) Company Ltd., a Chinese joint venture among us, Infinity IP Bank International (Suzhou) Co., Ltd. (or IPB), an investor in the Company, and Leed, which is inactive and will automatically dissolve by next year. Additionally, we indirectly own, through Digiflex, two (2) subsidiaries of Digiflex, one in the USA (Digiflex Inc.) and one in Hong Kong (Digiflex HK Limited).

Our Registration Statement on Form F-1 was declared effective by the SEC on September 30, 2015, and a FINRA-registered market maker subsequently filed an application on Form 211 with FINRA to quote the Ordinary Shares on the OTCQB. On March 31, 2016, the application on Form 211 with FINRA to make a market in our Ordinary Shares was approved by FINRA, and on December 15, 2016, our Ordinary Shares began trading on the OTCQB under the ticker symbol “PVNNF”.

Our principal offices are located at 8 Hamasger Street, Migdal Ha’Emek, Israel 2310102. Our telephone number is (972) 4-654-6881. Our website address is http://www.pvnanocell.com. This website address is included in this annual report as an inactive textual reference only. The information and other content appearing on our website are not part of this annual report. The Company does not have a registered agent in the United States.

Business Overview

We are a conductive ink manufacturing company focused on developing, manufacturing, marketing and commercializing conductive inks for digital conductive printing applications (mainly inkjet and aerosol printing technologies). We have developed the Sicrys™ family of single crystal nano-metric conductive inks, which we believe enables a significantly less costly and less wasteful alternative to current screen printing and, in some cases, photolithography etching processes for PV and PE applications. We also adapt our basic inks to specific customer requirements. We began low volume sales of our Sicrys™ silver-based inks for PV applications in 2010 and are in the process of seeking to expand our sales efforts to include sales of Sicrys™ inks for a wide range of PE applications, including for the printing of circuit boards, mobile phone antennas, 3D printed electronic devices, radio-frequency identification chips, sensors and touchscreens, among other digitally printed electronics. We have also developed what we believe is the first available commercially viable copper-based nano-metric ink for mass-production of printed electronics. We believe that copper inks represent a significant improvement over silver-based inks given copper’s significantly lower cost and nearly identical electrical and conductive properties. We began low volume sales of our copper-based ink for printed electronics applications in the second half of 2014.

Recent Developments

Partnership with Meyer Burger Technology Ltd.

On March 22, 2017, we announced a partnership with Meyer Burger Technology Ltd., or Meyer Burger, a leading global technology company specializing in innovative electronics systems and processes, including inkjet printing technology. Our Sicrys™ silver and copper inks will be used with Meyer Burger's Pixdro JETx printers for high volume production applications specifically in the fields of semiconductors, packaging, and the metallization of solar cells with additional plans to expand in other segments in the future. We have been collaborating with Meyer Burger on several projects in the fields of solar cells and semiconductors in order to enhance the rate of adoption of additive digital printing of conductive materials in the mass production of electronics.

Loan Agreement

On March 22, 2017, we received a loan for a principal amount of $162,000 from YA II PN, Ltd., or YA II, according to a promissory note executed between the parties. In connection with the loan, commitment fees in the total amount of $12,000 were deducted from the consideration received. The loan bears an interest rate of 12% annually, which must be repaid in five (5) equal monthly installments, commencing on May 31, 2017 and ending on September 30, 2017, subject to any early repayment in accordance with the terms set forth in the promissory note. In addition, pursuant to the loan agreement, YA II received a five-year Warrant to purchase 50,000 Ordinary Shares, at an exercise price of $1.50 per share. The loan was fully repaid by the Company on January 2, 2018.

Convertible Loan Agreements

In August 2017, we entered into several Securities Purchase Agreements with Alpha Capital Anstalt, or Alpha Capital, First Fire Global Opportunities Fund LLC, or First Fire, and additional existing shareholders, whereby we issued and sold to such holders senior secured convertible notes in an aggregate principal amount of $905,555 in consideration for an aggregate subscription amount of $815,000 and warrants to purchase 905,555 Ordinary Shares.

The notes include a 10% original issue discount on the consideration paid and bear interest at 6% per annum. Except for the notes of Alpha Capital and First Fire, which mature after 14 months, the notes mature after 24 months and may be converted into shares, subject to the terms of such notes. The initial conversion price of the notes was $1.00 but it was adjusted in January 2018 to $0.50 pursuant to the terms of the notes. In February 2018, Alpha Capital converted $10,313 worth of the notes into 20,626 shares and, in April 2018, Alpha Capital converted $26,025 worth of the notes into 52,050 shares. In April 2018, First Fire converted $8,889 worth of the notes into 17,778 shares. We may require mandatory conversion of the notes in certain circumstances.

The term of the warrants is for five (5) years and the initial exercise price of the warrants was $1.20 per Ordinary Share, subject to adjustment in accordance with their terms. The notes and the warrants include full ratchet anti-dilution purchase price adjustment rights and other mechanisms for adjustment of the purchase price. As a result, following the issuance of warrants to Jet CU at an exercise price of $0.50 per share, the conversion and exercise prices of these notes and warrants was adjusted to $0.50 per share. In February 2018, Alpha converted US $10,313 of its notes into 20,626 shares. In April 2018, Alpha converted US $26,025 of its notes into 52,050 shares and First Fire converted 8,889 of its notes into 17,778 shares.

Share Exchange Agreement with Digiflex

On December 3, 2017, we entered into and closed a Share Exchange Agreement with Digiflex according to which the Digiflex shareholders, representing the entire share capital of Digiflex on a fully diluted basis, sold to and exchanged with us all shares of Digiflex which they held in consideration for our Ordinary Shares, par value NIS 0.01 per share at a conversion rate of 33.698 shares of Digiflex for each share of the Company.

Digiflex offers a number of key printer technologies and inks which we believe may allow us to expand our "Complete Solution Approach" for our customers. As a result, we would have the unique ability to support additive digital printing design, prototyping and mass production of electronic devices, such as PCBs, all in one. We believe this approach will be very attractive to customers, especially when coupling it with our cost-efficient and mass production compatible line of Sicrys™ silver and copper conductive inks. Historically, Digiflex printers have been used for low volume printing. We are in the process of adapting these printers to serve the electronics market and to be compatible with our Sicrys™ inks, as well as adapting the non-conductive polymeric inks developed by Digiflex so that they could be utilized in the printing of full PCBs.

Private Placement

Between November 2014 and December 2017, we completed several closings of a private placement offering of an aggregate of 2,817,512 units (which includes the issuance of 200,000 units under a SEDA agreement (as defined herein)), of which 2,074,140 units were sold at a price of $1.50 per unit and 743,372 units were sold at a price of $1.125 per unit. Each unit consists of (i) one Ordinary Share and (ii) a five-year Warrant to purchase one Ordinary Share at an exercise price of $1.50 per share. To date, the Company received aggregate proceeds of $3,947,414 from the sale of such units. The private placement offering has been extended several times and recently expired on March 31, 2018.

Issuance of Shares to Sunrise Securities LLC (Service Provider)

On January 9, 2017, we entered into a Financial Advisory Agreement with Sunrise Securities LLC, or Sunrise, with respect to the transactions with Digiflex and any of its shareholders for the provision of financial advisory and investment services. On December 6, 2017, in connection with the abovementioned placement agent services, Mr. Amnon Mendelbaum was further issued warrants to purchase 675,926 ordinary shares at an exercise price of NIS 0.01 per share. The amount of ordinary shares underlying such warrants is equal to 10% of the aggregate number of fully diluted ordinary shares purchased by Digiflex shareholders. The warrants may be exercised, in whole or in part, for a period of seven (7) years.

On February 22, 2017, we entered into a Placement Agent Agreement with Sunrise and Trump Securities LLC, or Trump, whereby Sunrise and Trump would provide us with placement agent services with respect to raising financing from potential investors. In exchange for the aforementioned services and in addition to a retainer fee, Mr. Amnon Mandelbaum, President of Sunrise, was issued warrants to purchase 16,666 ordinary shares at an exercise price of $1.00 per share, and warrants to purchase 16,666 ordinary shares at an exercise price of $1.20 per share, and Mr. Steven Zadka, Managing Director of Sunrise, was issued warrants to purchase 16,666 ordinary shares at an exercise price of $1.00 per share, and warrants to purchase 16,666 ordinary shares at an exercise price of $1.20 per share. The warrants may be exercised, in whole or in part, for a period of five (5) years. The amount of ordinary shares underlying such warrants is equal to 5% of the aggregate number of warrants and fully diluted ordinary shares deemed to be issuable to Alpha Capital at the closing of the Securities Purchase Agreements.

In February 2017, we issued 60,000 restricted ordinary shares to Haytarr LLC in accordance with the Consulting and Engagement Agreements entered into between us and Haytarr. Furthermore, between March and May 2017, we issued 5,000 restricted ordinary shares to Trident Partners Ltd., 9,000 restricted ordinary shares to John H. Cierski, 9,000 restricted ordinary shares to Anton J. Gerdes and 27,000 restricted ordinary shares to David S. Kaplan, all on behalf of Madison Global Partners, LLC in accordance with the Consulting and Engagement Agreements entered into between us and Madison. Additionally, in December 2017 we issued 75,000 restricted ordinary shares to Tysadco Partners LLC, a service provider of the Company.

Share Purchase Agreement with Jet CU P.C.B. Ltd.

On December 27, 2017, we entered into a Share Purchase Agreement with Jet CU P.C.B. Ltd., or Jet CU, as supplemented by that certain Supplement to Share Purchase Agreement dated January 3, 2018, pursuant to which we received aggregate gross proceeds of $992,615 from Jet CU in exchange for 992,615 Ordinary Shares and a warrant to purchase 300,000 Ordinary Shares at an exercise price of $0.50 per share. The warrants may be exercised, in whole or in part, for a period of five (5) years, i.e. until January 3, 2023.

Jet CU is a company owned by some of the former investors in Digiflex. We have used and intend to use the proceeds of this transaction with Jet CU primarily for the organization and integration of Digiflex into the Company, finalization of the development of our products, payment of accrued debts of Digiflex and the Company and ongoing operations.

On March 8, 2018, we entered into a Share Purchase Agreement with Jet CU, pursuant to which Jet CU provided us with a convertible loan in an aggregate principal amount of $150,000 and received from us warrants to purchase 400,000 Ordinary Shares at an exercise price of $0.50 per share. The loan amount bears interest of 5% per annum. The warrants may be exercised, in whole or in part, for a period of five (5) years, i.e. until March 8, 2023. Jet CU may receive warrants to purchase an additional 200,000 Ordinary Shares at an exercise price of $0.50 per share, if the price of our shares by the end of December 2018 is lower than $1.00.

Memorandum of Understanding with Dip-Tech Ltd.

In February 2018, we entered into a Memorandum of Understanding or MOU with Dip-Tech Ltd. or Dip-Tech, which sets forth the key terms, including the intellectual property rights, of the collaboration between the parties for the development and commercialization of conductive Dip-Tech digital ink for glass digital printers based on our dispersion. The MOU is in effect for a period of twelve (12) months as of the date of its execution. If, within said twelve (12) months, the cooperation is successful, the parties will commence negotiations in regards to the terms of a definitive commercial agreement.

Background

Photovoltaic Cell Metallization

PV cells (commonly known as solar cells) are the building blocks of solar module arrays that convert energy from sunlight into electricity. Multiple PV cells in an integrated group, all oriented in one plane, constitute a solar photovoltaic panel or module, and a group of connected modules make up an array. An array of PV cells is capable of converting solar energy into a usable amount of direct current electricity.

Most modern solar cells are made from either crystalline silicon or thin-film semiconductor material. Crystalline silicon cells (representing an estimated 94% of the PV cell market) are more efficient at converting sunlight to electricity, but generally have higher manufacturing costs. Thin-film materials are typically less efficient at converting sunlight into electricity, but can be cheaper to manufacture.

A key part of the PV crystalline silicon cell manufacturing process is the metallization of the cell – i.e., laying down metal electrodes to collect the electricity generated by the cell when exposed to sunlight. Typically, the metallization process is completed by the application of a silver paste to the front side and aluminum-silver pastes on the rear side of the cell using a screen printing process. This process is one of the main bottlenecks to reducing the costs of the cells and the cost of electricity produced by the cells due to: high usage of metal (expensive silver), loss of paste in the process (some paste stays in the screens), cell breakage in the printing process (contact printing), wide printed patterns (higher shading of cells, less surface exposed to the light) and limited electrical properties of the pastes. As a result, "grid parity" – a term used to refer to the ability to produce electricity through an alternative energy source (such as solar cells) at a cost that is equal to or lower than the price of purchasing power from the electricity grid – remains elusive and many solar PV systems rely on government subsidies and grants in order to lower the costs of production and approach grid parity.

The market for solar power generated by PV arrays worldwide was estimated at 77.3 GW (GW is the method in which the market is measured), with cumulative installation of 320 GW worldwide in 2017.

This represents approximately 1.3% of the worldwide electricity production. For example, prices of PV electricity in Germany (end of 2016) were: Price PV rooftop system ~ 1500 €/kWp End of 2016, PV power plant ~ 8 ct€ / kWh and PV-Tender Price 4.33 ct€ / kWh (Feb. 2018). Spot prices to buy PV cells are as low as 36 cents per watt, or around $1.45 per cell. Photovoltaics is a fast growing market: The Compound Annual Growth Rate (CAGR) of PV installations was 40% between 2010 to 2016.

Silver demand for photovoltaic applications was estimated at 2700 tons in 2016.

The leading new PV cells needs only one-fifth as much silver as a decade before. The silver now used in new PV cells costs just less than 5 cents at current prices. Silver accounts for 15%-25% of the total manufacturing cost of PV panels, therefore it is a main focus in cost reduction.

We believe that industry changes since 2011, steep price reductions of cells and modules, including steep reductions in silicon pricing (driven in large part by Chinese policies, which may be unsustainable in the long term), and technological improvements such as increased efficiency and reduction in silver usage have brought the PV industry closer to the goal of achieving grid parity, thereby spurring greater interest in technologies that can further lower costs. Given that metallization costs continue to be the highest cost element of PV cell production (due primarily to the high cost of silver), many have focused cost-cutting efforts on improving efficiencies and reducing costs in the metallization process.

We believe that a significant market opportunity exists for a non-contact metallization solution that is significantly cheaper than the traditional screen printing process, does not break silicon cells, permits for thinner PV cell wafers (thus reducing silicon costs, which we believe to be a major obstacle to the wider proliferation of solar cell technologies), increases the active area of the cell by printing narrower conductors, and yields better electrical performance than screen-printed conductors. We believe that the market for inks to be used in inkjet printing for PV applications is a small subset of the market for silver pastes and inks in PV cell production generally, as described above, which we believe has the potential to grow over time given the benefits of inkjet printers and the benefits of our Sycris™ inks, which, among others, apply to a range of printer devices, and present a lower cost and simpler operating procedures when compared to photolithography processes. See "– Our Solutions — Printed Electronics."

The vast majority of the present crystalline silicon solar cells are made with silver conductors and are not compatible with copper metal. There are a few companies developing copper based solutions (e.g. Sunpower, Sunpreme and others). We are planning to develop copper based inkjet solutions for these solar cells types.

Printed Electronics

Printed electronics is a set of methodologies by which electrical devices are printed onto various substrates (i.e., base material) by depositing electrically functional inks (and possibly other additional functional inks such as insulating materials) on the substrate, creating active or passive devices, such as conductors, thin film transistors or resistors. The use of printed electronics presents an opportunity to facilitate widespread, low cost production of electronics for a variety of applications, including notably for use in circuit boards, radio-frequency identification chips, sensors and touchscreens, among other digitally printed electronics.

The total addressable worldwide market for the sale of inks which the Company is aiming to penetrate is predicted to be in excess of US$75 billion by 2022. The total addressable market could be increased by an increase in the need and future capability to print embedded passive components economically.

The total addressable worldwide market is more specifically projected as set forth below:

Field	Market in 2022 (US$ billion)	Comment
PCB	73[1]	The complete PCB (both conductive & dielectric ink)
Internet of Things	4.2[2]	Ink Only
PV Photovoltaic cells		
Capacitors (passive component)	22.3[3]	
Resistors (passive component)	5.7 in 2020[4]	Probably ~50% of Capacitor market size
Conductive 3D printing	1.7 in 2027	Assumed 7% is conductive

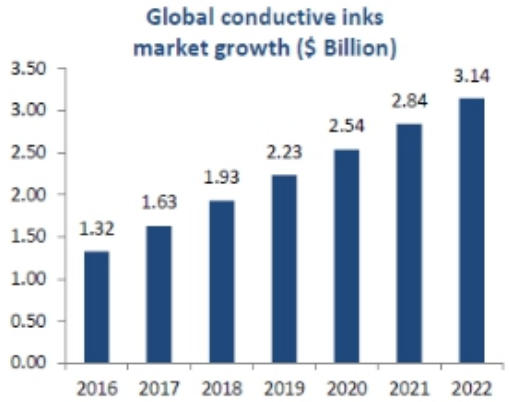
(1) The global PCB market is expected to reach an estimated $72.6 billion by 2022 and is forecast to grow at a CAGR of 3.2% from 2017 to 2022.

(2) According to a 2016 Markets and Markets report, the market size of conductive inks was $3.17 billion in 2015 and is projected to reach $3.91 billion by 2021, registering a CAGR of 3.5% between 2016 and 2021. In this report, 2015 is considered as the base year and forecast period is between 2016 and 2021. The global market for conductive inks is projected to reach $3.1 billion by 2022. The global conductive inks market is expected to grow at a CAGR of 15.49% during 2016 to 2022. Also reported in Merkle & Sears Market Report 2017 “Global Conductive Inks Market Analysis.”

According to the 2018 Market Research Future Report (“MRFR”), the global conductive inks market is expected to reach more than $4.22 billion by 2022 with a CAGR of 4%. The major factors which are likely to push the growth of the global conductive ink market are superior physical properties, growing application industries, huge demand from Asia-pacific regions, replacing traditional circuit and energy consuming wires and others. On the basis of product types, silver conductive inks have accounted for the largest market share and automotive is expected to be the largest segment on the basis of applications. Geographically, Asia-Pacific is expected to lead the global market.

(3) According to a 2013 and 2015 report by Lucintel and Global Industry Analysts, the global capacitor industry is estimated to reach $20.2 billion in total revenue by 2018, with a CAGR of 2.5% over the next five years. Competition is high in the industry because there are a large number of players and low product differentiation. We believe the industry will trend to and favor companies that focus on advancement in paper capacitors and modifications to aluminum electrolytic capacitors. “Growth Opportunities in the Global Capacitor Market”, published: January 2013; “Global Industry Analysts, Inc.”, published October 2015.

(4) According to the 2015 and 2018 press releases by Global Industry Analysts and Research Markets, global electronic resistor market will reach $5.7 billion by 2020. This massive growth in the use and applications of 3D Printers is encouraging growth in the market for 3D printing materials. Detailed forecasts, using information from interviews with 90 key players in the industry and disclosed financial information, estimate key materials are expected to have a total market of over $24 billion by 2027. “Global Industry Analysts, Inc.” press release, Published April 10th 2015; “Research and Markets” press release published, Jan. 30, 2018 (GLOBE NEWSWIRE).



Merkle & Sears Market Report 2017 “Global Conductive Inks Market Analysis”

We believe that the current printing methods have inherent limitations when implemented in flexible electronics, 3D (three dimensional) electronics and in customized and small scale printing. Furthermore, these processes currently utilize expensive inks and produce toxic byproducts which must be disposed of, which increases overall production costs. We believe that a significant market opportunity exists for inks, such as ours, that enable digital inkjet conductive printing, enabling printing on flexible substrates, three-dimensional printing and customized and small scale printing at a lower price.

The Market

The analog printed electronics market today is in excess of $65 billion, aiming to exceed $75 billion by 2022. The analog process is very complicated, environmentally unfriendly, and inefficient as it contains many production steps, and is capex expensive and limited in its performance.

Digitally printing electronics present many advantages over the traditional analog method, including:

- It is an additive process, no etching, or dangerous waste are involved or generated;
- No need to prepare masks and fixtures (Time to Part measured in hours as opposed to days);
- Single machine will produce the final PCB (today the part is transferred between more than 10 different production machines);
- Shorten time to product;
- Digital process will allow printing of passive components (resistors & capacitors) embedded in the layers ($75 billion addressable market excluding the sale of inks to print embedded passive components);
    a. Free mounting area on the outer surfaces (will allow minimizing the surface area and thickness).
    b. Saving component mounting costs and complexity.
- Shows narrower line and gap capabilities (will allow minimizing the surface area, thickness and production of denser circuitry);
- The digital process will allow any electrical connections between the different layers – easier design;
- Digital additive manufacturing processes are less sensitive to substrates types.

While there are quite a few companies that have silver conductive inks (which are not compatible with mass production processes), there are very few companies offering copper nano particle dispersions, which, to our knowledge, are not inks. The Company offers silver and copper based inks.

Silver metal is approximately 80 times more expensive than copper metal which may eventually allow us to price copper inks at 2-3 times lower than silver inks and easily compete with analog conductive inks and processes.

Product Development

The Company offers and sells several conductive inks based on either silver or copper. Inks are sold through our web site. Our operations team is well-trained for prompt delivery at a consistently high quality. To date, although we have had limited sales, we have not had any product returns.

Our Research and Development, or R&D, team's efforts are focused on 3 main goals:

1. Continuous improvement and ink optimization (technical customer support):
    a. Adapting the inks to the different available printers in the market;
    b. Developing inks for new applications; and
    c. Reducing the sintering, or the process that physically connects between the nano metal particles to produce a continuous conductive layer, temperature.
2. Development of the Digiflex Integrated Prototype Design and R&D Printer (Digiflex printer adapted for the electronic field) in three main steps using the same frame and infrastructure:
    a. Integrated Prototype, design and R&D printers for one conductive layer;
    b. Integrated Prototype, design and R&D printer for one conductive layer and embedded passive components; and
    c. Integrated Prototype, design and R&D printers for full multi-layer PCB including embedded passive components, and inter layer connectors.

    This printer is intended to include all the necessary elements to print electronics in the same tool. These capabilities include the capability to print up to ten inks in parallel with very high accuracy, sintering, drying, and inspection capabilities at an affordable price.

3. Develop full PCB printing capability:

    a. R&D with respect to conductive inks already developed so that can be produced in commercially required quantities.
    b. Finalize inks development:

        i. Dielectric inks (Nonconductive inks to print insulator layers);
        ii. Resistor inks (Less conductive inks to print resistor embedded components);
        iii. Capacitor inks (Nonconductive inks to print capacitors embedded components);
        iv. Conductive ink (New formulated inks to print vias, which are the electronic connections between PCB layers)

    c. Materialize the printing process.

Our Solutions

Photovoltaic Cell Metallization

Our Sicrys™ family of inks are low viscosity, nano-particle inks optimized for inkjet printing. We believe that PV cell metallization via inkjet printing utilizing our Sicrys™ inks results in the following benefits relative to traditional screen printing processes:

- Immediate cost savings of around 15%, due to substantially lower metallization costs and increased cell efficiency;
- Potential future cost savings due to the ability to utilize thinner wafers for PV cells, thus reducing silicon costs and potentially further increasing cell efficiency;
- A more efficient printing process without breakage of PV cells (estimated to occur at a rate of 0.15% to 5% in traditional screen printing processes) and without the need to regularly replace printing screens; and
- Enhanced performance due to improved conductive properties enabling printing of contact lines that are significantly thinner than the lines that can be produced with screen printing.

Printed Electronics

We currently offer silver-based Sicrys™ inks and our newly developed copper-based Sicrys™ for use in the production of PE utilizing inkjet printers. We believe that inkjet production of PE utilizing our Sicrys™ inks results in the following benefits relative to traditional screen printing and photolithography processes:

- Significant cost reductions, as we estimate that we will be able to market our copper based inks at 30% to 50% of the price of inks currently used in screen printing and photolithography processes;
- Applications for flexible and customized electronics and three-dimensional (3D) printed device manufacturing, due to digital (non-contact) printing and the lower sintering temperatures required for nano-based inks;
- Lower overall cost and simpler processes (e.g., estimated 50% reduction in costs for printing displays when compared to photolithography processes), thus potentially supporting customized and small batch printing;
- Significant reductions in the generation of hazardous waste byproducts;
- Implementation of additive production processes as opposed to the etching process commonly used today (for example for production of printed circuit boards by digital printing);
- Implementation of additive digital printing processes that will enable additional new design and production capabilities, e.g. print embedded passive components in the layers of PCB (resistors, capacitors and coils); and
- Replace wet chemistry processes to make electronic devices (for example replace the LDS production process to make 3D mobile phone antennas by a digital printing process).
- We are currently involved in projects in the fields of mobile phones (antennas and touch screens), one layer PCB and printed electronics, solar cells, semiconductor packaging and 3D printed, in which our Sicrys™ inks are been used.

Our Strategy

Our goal is to become a leading producer of conductive inks for digital electronic printing applications. Our strategy is to concentrate our efforts on mass production applications opportunities by selling inks to be used in mass production printers with high throughputs and high consumption of inks per year. We are currently developing our "Complete Solution Approach," in which we will work with equipment producers to supply our customers with equipment, process and inks for their applications. We intend to provide a service to customers by not only selling inks, but also securing equipment suitable for implementation in their production lines, including Digiflex printers, and by working with them to develop the production processes suitable to the relevant applications and their needs (including printing strategy, printing temperature, sintering temperatures and time).

To date, we have generated limited sales and market our products primarily via our presence on social networking websites and applications (such as LinkedIn, Twitter, Facebook), and through printed electronics exhibitions such as LOPEC and IDTEch. However, we are currently in advanced negotiations with three international companies, for agreements to supply conductive dispersions and inks based on our nano metal particles (Sicrys™) that may yield sales of approximately US$600,000 in 2018 based on two signed agreements and a purchase order we are awaiting from a third company

A significant amount of our capital investment will be towards mass production printers that will be commissioned at our customer's premises against ink purchase commitments. We hope to install 4 printers in 2018, 16 in 2019 and 24 mass printers in 2020, most of which will be purchased from third party printer producers, hopefully for lower up front purchase prices and royalties. We believe that each such printer will consume at least 400 kg of ink per year. In parallel, mass production printer manufacturers will continue their efforts to sell systems through their channels.

In addition, we are continuing our efforts to:

- *Develop ink suitable for digital printing of mobile phone antennas*. We are presently in an advanced stage of optimizing the ink for one end user customer (an antenna manufacturer). This customer presently has printers installed for mass production. Upon conclusion, we will have an optimized ink which may be offered and sold broadly and we will possess an in-depth process know how which will allow us to support customers to implement this technology quickly. We are currently making samples for additional antenna producers and phone manufacturers.

- *Develop materials and technologies to fully print multi-layer PCBs*. We have recently demonstrated the feasibility to print one layer one side PCBs. We have also demonstrated that we can print the inner layers in multi-layer PCBs. Printing the inner layers has the potential to reduce costs and hazardous waste levels. We have installed the first beta printer at a customer site in Israel, which we are currently debugging and the customer is developing its printed products. The customer is developing its product on the printer and has started some small volume sales of printed products with the printer. The customer is negotiating an $0.5 million agreement for printed products.

- *Develop a network of third party distributors and sales agents.* We are presently searching for suitable distributors and sales agents, and have commenced negotiations with potential sales agents.

- *Heighten market awareness of our products and technologies*. We are attempting to raise our profile in the relevant markets, as well as raise awareness of our product and technology offerings, by attending conferences, exhibitions and trade shows. In November 2015, we received the award for "Best Innovative Material From 3D Printing" from IDTech, and in January 2016, we were named as one of the 100 companies to follow in the cleantech field by The Global Cleantech Group.

- *Have our inks qualified and recommended for use with inkjet printers and printer heads produced by leading manufacturers in the industry*. We have been in discussions with numerous printer manufacturers to have our inks recommended for use with their printers. FujiFilm Dimatix Inc. (a subsidiary of FujiFilm) has qualified our inks and has recommended our inks to certain of its customers. M-Solv (a United Kingdom company) has tested our inks for high throughput long term printing and provided a positive report. We are also negotiating an agreement with a printer producer to market our inks and their printer together.

- *Partner with leading digital inkjet manufacturers to supply PE and PV potential customers a "Complete Solution Approach."* We are in discussions with four (4) printer manufacturers, to seek to develop a "complete solution" marketing approach which bundles a suitable printer together with the appropriate process and inks (taking into account quality, through put, pricing and other similar considerations), thereby providing our customers a complete solution for implementing a digital conductive printing technology into their production processes.

- We are currently developing a "complete solution" approach (printer, ink and process) to print the conductors on touch screens. We have aligned in this process a customer (Germany) and an inkjet printer manufacturer (Germany). Samples have been provided to the customer.

- *Pursue alternative marketing methods, such as printer leasing, profit sharing or a modified "razor blade" model, to increase sales of our inks by distributing printers at low cost*. We have purchased an inkjet printer from a leading producer for the PCB application, and we are in advanced negotiations with an additional printer producer to develop additional inkjet printers for touch screens, antennas, solar cells and sensors.

- *Develop a localized marketing and production presence in key markets*. In the future, we intend to develop marketing and production facilities near the large manufacturing centers for mobile phones, antennas, PCB and PV cells, including China and certain South American markets (e.g., Brazil, which we believe is poised to become a leading site for PV cell manufacturing).

- *Develop copper based digital printing inks for solar cells applications*. We are working to develop a copper ink and process (printing and sintering) which will be compatible with HJT type solar cells. This printing process would replace the wet plating chemistry used today to build the conductive patterns.

We have co-founded two (2) development consortiums in the framework of the European Horizon 2020, an R&D support program in the European Community which provides grants for research and development, including to companies in Israel which are a part of the organization. The grants will be used to expand our knowhow and network through research and development that we commit to, the costs of which will be reimbursed in part by European Horizon 2020.

The first development consortium, DIMAP, was founded in October 2015 to develop novel ink materials and processes for 3D polyjet printing. Our main partners in this project are Stratasys (Israel), Profactor (Austria), Borealis (Austria) and Phillips (Netherlands). We have been granted a budget from DIMAP of €259,600 (approximately $312,771 based on the exchange rate of $1.00 / 0.83 in effect as of December 31, 2017) to develop these ink materials and processes. The grants received up to December 31, 2017 were €220,656 in the aggregate (approximately $265,851 based on the exchange rate of $1.00 / 0.83 in effect as of December 31, 2017). This project is expected to be completed in late 2018.

Our other development consortium, HIPERLAM, which started in November 2016, is aiming to develop novel ink materials and processes for LIFT printing technology. Our main partners in this project are Orbotech (Israel), TNO (Netherlands) and Oxford Lasers Ltd. (U.K.). We have been granted a budget by HIPERLAM of €260,713 (approximately $ 329,452 based on the exchange rate of $1.00 / € 0.83 in effect as of December 31, 2017). We received the entire grant through December 31, 2017. This project is expected to be completed in late 2019.

Additional projects have been approved for financing in 2018:

· An Eureka project has been approved for Digiflex – SINTERINK. The budget approved was NIS 2,019,291 (40% grant, twelve (12) months. The goal of the project is to develop the Digiflex printer for conductive printing (laser and NIR), and optimized inks for laser sintering. The project is with other partners in the field of laser technologies, namely, Forth, Eulambia and Vector, all based in Greece.

· The Manunet project has been approved for PVN – DIGIMAN. The budget approved was NIS 1,052,217 (60% grant, 12 months). The goal of the project is to develop digitally printed sensors. The project is expected to be performed with certain partners (but we are waiting for approval by the German grant entity to start), namely, Chemnitz University (Germany), National Research Nuclear University (Russia), MEPHI (Russia), IKTS (Germany), VIA (Germany) and CPC (Israel).

Competition

The digital electronic printing and inkjet conductive ink manufacturing industries are extremely competitive. We are currently aware of various existing products in the market and in development that may compete with our products and technologies. To our knowledge, more than twenty other companies are currently developing silver-based inkjet inks for PE digital electronic inkjet printing applications. Some of these companies already sell conductive inkjet inks for PE applications. Of those, to our knowledge, no other company claims to have metallization inkjet inks for silicon nitride based PV applications. We are aware of at least six (6) companies seeking to develop copper-based inks for inkjet printing, including NovaCentrix, Hitachi Chemical Co. Ltd., IntrinsiQ Materials Ltd. Cupro, Promethean Particles, Copprint and Nanotec-USA. However, to our knowledge none of our competitors has copper based inks in mass production and at a commercially viable price and quantity.

We believe that a number of other companies and entities, that we are not completely familiar with, claim to be able to supply nano silver particles, dispersions or inks. These include:

Applied Nanotech	Advanced Nano Products
BASF: laser transfer printing	Electroninks
Mitsubishi	Clariant
Genes'Ink	Paralec
Inframat Advanced Materials	Paru
Intrinsiq	Dupont
Methode Development Company (MDC)	Amepox (Poland)
Nanogap	Nanodimention (own consumption)
Trident	Poly ink
Sunjet (by Sun Chemicals)	Nanomass
InkTec	Cima NanoTech
Xerox	Ulvac –Harima
Novacentrix	PCHem Associates Inc

To our knowledge, our competitors' inks differ substantially from our inks. We believe that our inks have the following competitive advantages, relative to those currently being sold by our competitors, especially when aiming to print on mass production applications and throughputs:

- Higher metal load at low viscosities, which results in a more cost-efficient printing process;
- Higher stability and for a longer period of time (over one year for Sicrys™ at room temperatures as compared to less than six (6) months for our competitors, some of which require their inks to be stored at low temperatures to remain stable for an extended period of time);

- Copper inks with a similar stability profile as our silver inks (including its chemical stability), which is difficult to achieve due to the low oxidation point for copper, which results in certain of our competitors offering copper oxide inks as opposed to pure copper inks;
- More robust printing;
- Proven narrow pattern printing (< 50 µm);
- Low resistivity. (ρ < 2.5 x bulk. Laser and thermal sintering);
- Low sintering temperature (< 150 °C);
- Unique products – Silver environmental resistance, copper and solar cell metallization inks;
- Lower cost (due to low production costs for the inks and, with respect to our copper inks, the lower cost of copper as compared to silver);
- Silver inks suitable for solar cells metallization which can show higher efficiency due to enhanced electrical properties after firing the cells (low contact resistance and resistivity);
- Customizable per wafer type;
- Compatibility with high throughput industrial printing (high jetting frequencies for long periods of time); and
- Sicrys™ production process – 2 metric tons/year (soon 20 metric tons/year):
  - Scaled up.
  - Efficient and green process.
  - Low cost equipment & process.

Furthermore, we believe that there is a high barrier to entry for competitors to develop and successfully bring competing inks to market due to the long lead times required to develop particles of an appropriate size to formulate inks compatible with inkjet printing and the difficulty in producing nano-based inks in large-scale quantities. Moreover, in order to be suitable for use in a silicon nitride solar cell metallization process, nano-based inks require the use of additional additives. These additives are not readily commercially available, and we have an exclusive license for these additives from IKTS, which developed them especially for our inks. Pursuant to the license, IKTS has agreed to manufacture for us these ingredients in a limited quantity per year. If we require greater quantities, IKTS has agreed to transfer the production file and knowhow to our chosen manufacturer. We are required to pay royalties of €25 per kg of these ingredients which will not be manufactured by IKTS. In addition, we are obligated to pay a minimum annual royalty amount deductible against royalties due. To date, we have acquired the needed quantities of these ingredients solely from IKTS.

Notwithstanding the foregoing, many of our competitors have substantially greater financial, technical, and other resources, such as larger research and development staff and experienced marketing and manufacturing organizations. Mergers and acquisitions in the conductive ink industry may result in even more resources being concentrated in our competitors. As a result, these companies may be more effective in selling and marketing their products. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large, established companies. Competition may increase further as a result of advances in the commercial applicability of technologies and greater availability of capital for investment in this industry. Our competitors may succeed in developing, acquiring, or licensing on an exclusive basis, products that are more effective or less costly than our current or future products or technologies, or achieve earlier patent protection, product commercialization, and market penetration than we do. Additionally, technologies developed by our competitors may render our potential products and technologies uneconomical or obsolete, and we may not be successful in marketing our products and technologies against competitors.

System Competition to our Digiflex Printer

To our knowledge, most print producers offer printers that can print one or two prints at a time and do not have the additional capabilities that the Digiflex printers include, such as drying, laser sintering and inspection. We note that one of our competitors, Nano Dimension Ltd (NASDAQ: NNDM), focuses on the 3D PCB prototype market, using silver & Dielectric inks to print at very low speeds. We are not aware as to whether they have announced plans for a mass production solution or printing passive components. Nando Dimension sells conductive ink at a much more expensive price than our price (the inks are a licensed technology from the Hebrew University).

Research and Development Agreements, License Agreements and Material Contracts

We are engaged in research and development programs with the Authority, pursuant to the Encouragement of Industrial Research and Development Law - 1984, and the regulations promulgated thereunder. Under the terms of these programs, we are required to pay to a royalty of 3.5% of sales of products resulting from research and development partially financed by the Authority. However, such royalty obligations will not exceed the grant amount received, as linked to the dollar and including accrued interest at the LIBOR rate. No grants were received during the three (3) years ended December 31, 2017, 2016 and 2015. During the years ended December 31, 2017, 2016 and 2015, we paid the Authority royalties of $305, $2,109 and $1,621 respectively. As of December 31, 2017, we and Nano Size received from the Authority grants in the amount of $1,009,506 (including interest). Our total contingent liability (including interest) with respect to royalty-bearing participation received, net of royalties paid, amounted to $1,359,216 as of December 31, 2017. As of December 31, 2017, our new subsidiary, Digiflex, received grants for research and development efforts from the Authority in an aggregate amount of approximately $2.2 million, out of which an amount of approximately $0.5 million was repaid by Digiflex and Jet CU and approximately $1.0 million was repaid to the Authority by Jet CU due to a spinoff Jet CU conducted which was authorized by the Authority. The contingent remaining liability was therefore reduced to approximately $0.7 million.

In 2003, Nano Size initiated and co-founded a Nano Functional Material Consortium, or the NFM Consortium, which performed general research on nanotechnology, sponsored by the Authority, as part of the MAGNET program. Between 1997 and 2003, Nano Size received from the Authority, principal funding of $575,336 (to which interest amounting to the LIBOR rate known on the date of the first payment is added), for which royalties are due. Between 2003 and 2008, Nano Size received additional funding in an amount of NIS 2,509,154 (approximately $723,725 based on the exchange rate of $1.00 / NIS 3.467 in effect as of December 31, 2017). No royalties are payable to the Authority with respect to the additional funding; however, the technology related to nano silver developed in the NFM Consortium is subject to the Research Law.

In September 2009, we entered into a Research and License Agreement with Ramot-Tel Aviv University, or Ramot, for a joint research program. The program was approved by the Magneton committee of the Authority, a committee focused on facilitating knowledge transfer between industry and academic institutions. Under the terms of the Magneton program, we received from the Authority an aggregate amount of NIS 1,467,683 ($423,329 based on the exchange rate of $1.00 / NIS 3.467 in effect as of December 31, 2017). No royalties are payable to the Authority with respect to this funding; however, any technology developed in the Magneton program is subject to the Research Law. Pursuant to this agreement, we were required to fund the research and development of the technology during the research period (two (2) years starting September 2009) in a total amount of NIS 1,077,000 ($310,643 based on the exchange rate of $1.00 / NIS 3.467 in effect as of December 31, 2017). In addition, we issued to Ramot Warrants to purchase 117,209 Ordinary Shares (see Note 11e to our consolidated financial statements included in this Annual report) at an exercise price equal to their par value, i.e. NIS 0.01 per Ordinary Share. We will be required to pay to Tel Aviv University royalties of between 3.4% and 3.9% on all net sales of any product, component, device or material that is used in the preparation of coated substrates meeting certain specifications, or Licensed Film, and services resulting from the license; royalties of between 2.4% and 3.0% on all net sales of Licensed Film products and services; and a sublicense fee equal to 25% of all sublicense fees that we may receive with respect to the intellectual property developed under such agreement. In addition, license fees in the amount of $20,000 were paid in 2015 and 2014. In January 2016, the parties agreed to terminate the Magneton program and the license agreement. Pursuant to the settlement between us and Ramot, Ramot will maintain the joint patent developed by the parties, which we will jointly own, and will pay us royalties on the joint patent, once it generates income. No amounts were paid to Ramot as part of the settlement. Ramot retained its warrants in the Company.

In November 2009, we entered into a Share Purchase Agreement with the shareholders of Nano Size pursuant to which we purchased all of the outstanding shares of Nano Size for consideration consisting of a cash purchase price of $120,000, which was paid at closing, plus royalty payments equal to 3% of net revenues from sales of products and services by us that utilize or are based upon Nano Size's technologies and 10% of any sublicense fees received by us in respect of Nano Size's intellectual property, up to an aggregate cap for all royalty payments of $1,400,000, of which $60,000 was paid as an advance and will be off set against future royalty payments which will be payable by us from sales of products and services. As of the date hereof, the aggregate amount of royalties off set by us from the advance has not reached $60,000, however we expect the full advance to be offset and additional amounts to be paid if and when we increase commercial sales of our Sicrys™ inks.

In October 2010, we entered into a Convertible Loan Agreement with Israel Electric Corporation Ltd., or IEC, which agreement was amended in April 2012. Pursuant to this agreement, IEC loaned us an aggregate amount of NIS 3,000,000 ($865,301 based on the exchange rate of $1.00 / NIS 3.467 in effect as of December 31, 2017) at an interest rate of 8% per annum. In April 2013, we entered into a Share Purchase Agreement with a new investor pursuant to which the aggregate principal amount of such loan and all accrued but unpaid interest thereon were converted into 172,190 Series B-1 Preferred Shares, which were ultimately converted in the Share Split into 1,278,166 Ordinary Shares. Pursuant to the terms of the Convertible Loan Agreement, IEC is also entitled to royalty payments equal to 2% of net sales of the Company's products, up to an aggregate of NIS 8,000,000 ($2,307,470 based on the exchange rate of $1.00 / NIS 3.467 in effect as of December 31, 2017). In addition, for a period of 10 years from the date of the first commercial sale of our products, IEC will be entitled to purchase our products, licenses and services, at prices which are at the lowest rate then offered or provided by the Company to any of its other customers for the same products, licenses or services (excluding demonstration units, pilot units, samples, and other customary promotional discounts which are sporadic in nature and do not represent on-going commercial basis prices with respect to the

client), given similar quantities and commercial conditions.

On December 15, 2011, we signed a research and development agreement with the Ministry of Infrastructures. Under such agreement, the Ministry of Infrastructures was to pay us up to 62.5% of our expenses related to the project up to a maximum of NIS 625,000 (approximately $180,271 based on the exchange rate of $1.00 / NIS 3.467 in effect as of December 31, 2017) in exchange for our agreement to pay royalties of 5% of any revenues generated from the intellectual property generated under the program. The term of the program was 18 months starting January 1, 2012. During the years ended December 31, 2017, 2016 and 2015, we did not receive grants from the Ministry of Infrastructures. During the years ended December 31, 2017 and 2016, we recorded liabilities in respect of royalties payable under this agreement in the amount of $148 and $281, respectively. As of December 31, 2017, our aggregate contingent liability to the Ministry of Infrastructures was $178,559.

In September 2012, we entered into a Know-How License Agreement with IKTS pursuant to which IKTS agreed to manufacture for us a limited quantity of certain additives required to be included in our inks to make them suitable for use in solar cell metallization processes. If we require greater quantities, IKTS has agreed to transfer the production file and knowhow to our chosen manufacturer. We will be required to pay royalties of €25 ($30 based on the exchange rate of $1.00 / € 0.83 in effect as of December 31, 2017) per kg of the ingredients not manufactured by IKTS. As of December 31, 2017 and 2016, we have acquired the needed quantities of these ingredients from IKTS and paid IKTS the minimum royalty fees of €2,000 per year (approximately $2,410 based on the exchange rate of $1.00 / € 0.83 in effect as of December 31, 2017).

On March 11, 2013, we entered into a Joint Venture Agreement with IPB and Leed, pursuant to which we agreed to establish a joint venture to develop, manufacture, market, distribute and commercialize inkjet solar metallization silver and copper inks in China, Hong Kong, Macau and Taiwan. Our obligation to fund the joint venture was conditioned upon, among other things, receipt of all applicable approvals required by relevant authorities in China, Hong Kong, Macau and Taiwan within 180 days of the effective date of the joint venture agreement. The conditions in the agreement were not satisfied prior to the deadline set forth in the Joint Venture Agreement and, as a result, the parties have agreed to dissolve the joint venture. Thereafter, in January 2014, we received a letter from Leed demanding that we reimburse Leed for its expenses associated with the joint venture, in an aggregate amount of $68,426. In March 2014, we received a subsequent letter from Leed in which Leed offered to settle its $68,426 claim for an aggregate of $50,905 if we paid such amount prior to March 30, 2014. We dispute Leed's claim that they are entitled to be reimbursed by us for their expenses incurred in connection with the joint venture, but have included a reserve of $40,000 for this potential liability in our financial statements for the year ended December 31, 2017.

In May 2014, we entered into a collaboration agreement with XaarJet Limited, or Xaar, which establishes procedures for the certification of our inks for use with Xaar printer heads. Once the first ink (Silver Nano-Particle Ink) is certified by Xaar, both we and Xaar will refer to the ink as certified to be used with Xaar Printheads. Following such certification, we will be required to pay Xaar a fee for all certified inks sold for use with Xaar print heads as follows: 2% of the certified ink price until the cumulative value of the fees received by Xaar exceeds £50,000 (approximately $67,567 based on the exchange rate of $1.00 / £ 0.74 in effect as of December 31, 2017), and thereafter, 1% of the certified ink price. Once the cumulative value of the fees received by Xaar with respect to all products exceeds £1,000,000 (approximately $1,351,351 based on the exchange rate of $1.00 / £ 0.74 in effect as of December 31, 2017), we and Xaar have agreed to review the percentage payable in the light of the prevailing business conditions.

On July 9, 2015, we entered into a Standby Equity Distribution Agreement, or the SEDA, with YA Global, pursuant to which we may, at our election and in our sole discretion, issue and sell to YA Global, from time to time after the Effective Date, and YA Global has agreed to purchase (subject to the limitations and contained therein), up to $3,000,000 of Ordinary Shares at a price per share equal to 95% of the lowest daily volume weighted average price of the Ordinary Shares for the five (5) consecutive trading days following our election to issue and sell shares to YA Global thereunder. Pursuant to the terms of the SEDA, we paid a structuring and due diligence fee in an amount equal to $15,000 and a commitment fee in an aggregate amount of $150,000, which was paid by the issuance of 100,000 ordinary shares on March 15, 2017. In addition, pursuant to the SEDA, YA Global purchased in October 2015, 100,000 units, at a purchase price of $1.50 per unit. Each unit consists of (i) one Ordinary Share and (ii) a five-year warrant to purchase one ordinary share at an exercise price of $1.50 per share.

Share Exchange Agreement with Digiflex

On December 3, 2017, we entered into a Share Exchange Agreement with Digiflex according to which the Digiflex shareholders, representing the entire share capital of Digiflex on a fully diluted basis, sold to and exchanged with us all shares of Digiflex which they held in consideration for our Ordinary Shares, at a conversion rate of 33.698 shares of Digiflex for each share of the Company.

Share Purchase Agreement with Jet CU

On December 27, 2017, we entered into a Share Purchase Agreement with Jet CU, as supplemented by that certain Supplement to Share Purchase Agreement dated January 3, 2018, pursuant to which we received aggregate gross proceeds of $992,615 from Jet CU in exchange for 992,615 Ordinary Shares and a warrant to purchase 300,000 Ordinary Shares at an exercise price of $0.50 per share. The warrants may be exercised, in whole or in part, for a period of five (5) years, i.e. until January 3, 2023.

Jet CU is a company owned by some of the former investors in Digiflex. We have used and intend to use the proceeds of this transaction with Jet CU primarily for the organization and integration of Digiflex into the Company, finalization of the development of our products, payment of accrued debts of Digiflex and the Company and ongoing operations.

On March 8, 2018, we entered into a Share Purchase Agreement with Jet CU, pursuant to which Jet CU provided us with a convertible loan in an aggregate principal amount of $150,000 and received from us warrants to purchase 400,000 Ordinary Shares at an exercise price of $0.50 per share. The loan amount bears interest of 5% per annum. The warrants may be exercised, in whole or in part, for a period of five (5) years, i.e. until March 8, 2023. Jet CU may receive warrants to purchase an additional 200,000 Ordinary Shares at an exercise price of $0.50 per share, if the price of our shares by the end of December 2018 is lower than $1.00.

Convertible Loan Agreements

In August 2017, we entered into several Securities Purchase Agreements with Alpha Capital Anstalt, or Alpha Capital, First Fire Global Opportunities Fund LLC, or First Fire, and additional existing shareholders, whereby we issued and sold to such holders senior secured convertible notes in an aggregate principal amount of $905,555 in consideration for an aggregate subscription amount of $815,000 and warrants to purchase 905,555 Ordinary Shares.

The notes include a 10% original issue discount on the consideration paid and bear interest at 6% per annum. Except for the notes of Alpha Capital and First Fire, which mature after 14 months, the notes mature after 24 months and may be converted into shares, subject to the terms of such notes. The initial conversion price of the notes was $1.00 but it was adjusted in January 2018 to $0.50 pursuant to the terms of the notes. In February 2018, Alpha Capital converted $10,313 worth of the notes into 20,626 shares and, in April 2018, Alpha Capital converted $26,025 worth of the notes into 52,050 shares. In April 2018, First Fire converted $8,889 worth of the notes into 17,778 shares. We may require mandatory conversion of the notes in certain circumstances.

The term of the warrants is for five (5) years and the initial exercise price of the warrants was $1.20 per Ordinary Share, subject to adjustment in accordance with their terms. The notes and the warrants include full ratchet anti-dilution purchase price adjustment rights and other mechanisms for adjustment of the purchase price. As a result, following the issuance of warrants to Jet CU at an exercise price of $0.50 per share, the conversion and exercise prices of these notes and warrants was adjusted to $0.50 per share. In February 2018, Alpha converted US $10,313 of its notes into 20,626 shares. In April 2018, Alpha converted US $26,025 of its notes into 52,050 shares and First Fire converted 8,889 of its notes into 17,778 shares.

Memorandum of Understanding with Dip-Tech Ltd.

In February 2018, we entered into a Memorandum of Understanding or MOU with Dip-Tech Ltd. or Dip-Tech, which sets forth the key terms, including the intellectual property rights, of the collaboration between the parties for the development and commercialization of conductive Dip-Tech digital ink for glass digital printers based on our dispersion. The MOU is in effect for a period of twelve (12) months as of the date of its execution. If, within said twelve (12) months, the cooperation is successful, the parties will commence negotiations in regards to the terms of a definitive commercial agreement.

Term Sheet with Large Chemical Pharmaceutical Company

In April 2018, we entered into a non-binding Term Sheet with a large chemical pharmaceutical company, subject to the execution of a supply agreement, which sets forth the key terms for the supply of nano silver particle dispersions to such company pursuant to purchase orders to be supplied by such company to us. Pursuant to the Term Sheet, the Company will grant such company an exclusive license to use the ink it will purchase in such company's decorative applications. The Term Sheet is in effect for three (3) years.

Share Purchase Agreement with Slobel NV

On May 8, 2018, we entered into a Share Purchase Agreement with Slobel NV, pursuant to which Slobel provided us with a convertible loan in an aggregate principal amount of $170,000 and received from us warrants to purchase 170,000 Ordinary Shares at an exercise price of $0.50 per share. The loan includes a 10% original issue discount and bears interest of 6% per annum. The warrants may be exercised, in whole or in part, for a period of five (5) years, i.e. until May 7, 2023.

Intellectual Property

An important part of our business and product development strategy is to seek, when appropriate, protection for our products and proprietary technology through the use of various United States and foreign patents. Our patent application covering silver single crystal particle inks and dispersions have been granted in China, Russia, Japan and the USA. We currently have patent applications pending in the European Union, India, Israel, Brazil and South Korea supporting our silver-based inks. We have patent applications based on PCT/IB2015/051536, relating to copper-based ink, filed on March 3, 2015, which have been submitted to national phase. We have an approved joint patent with Ramot for "Conductive Nanowire Films" which Ramot maintains pursuant to the termination settlement of the Magneton Program.

The silver family (granted in USA (9,556,350), Russia (RU 2593311), China (CN 103282969) and Japan (JP 6067573)) main claims are on the concentrated dispersions and inks made of a majority of single crystal Nano silver particles and the method for producing them. The single crystal particles are easy to police. The priority date is December 6, 2010. The silver application has been submitted in Europe, India, Israel, Brazil, Korea and United Kingdom.

The copper family relates to nano-metric copper formulations and stable dispersions containing single-crystal metallic copper particles, and to the method of producing such formulations and dispersions. It is in national phase in the United Kingdon, Europe, Brazil, India, S. Korea, Japan, China, Israel, Russia and the United States. The priority date is March 3, 2015.

In 2013, we submitted a joint patent with Tel Aviv University: Device and process to make transparent conductive coatings based on very high aspect ratio nano-wires which form on the substrate: US 9,373,515 B2 Conductive Nanowires Films.

PVN IP **Sicrys™** inks: PVN owns the trade mark Sicrys™.

Our wholly-owned subsidiary, Nano Size, has been granted several patents in the field of ultrasonic manufacturing of nano materials (7,157,058 (US); 7,504,075 (US); 144638 (IL); 149932 (IL)). We do not believe that these patents are material to our business. We intend to continue to seek patent protection for our products that we may develop in the future.

Digiflex has been granted several patents for inks, primers and primer lamination in the field of graphic arts in several countries, including, but not limited to, the United States, European Union, Canada, China, France, Germany, United Kingdom, Germany, India and Israel.

The patenting of technology-related products and processes involves uncertain and complex legal and factual questions. To date, no consistent policy has emerged regarding the breadth of claims of such technology patents. Therefore, there is no assurance that our pending applications will issue, or what scope of protection any issued patents will provide, or whether any such patents ultimately will be upheld as valid by a court of competent jurisdiction in the event of a legal challenge. The costs of such proceedings would be significant and an unfavorable outcome could result in the loss of rights to the invention at issue in the proceedings. If we fail to obtain patents for our technology and are required to rely on unpatented proprietary technology, there is no assurance that we can protect our rights in such unpatented proprietary technology, or that others will not independently develop substantially equivalent proprietary products and techniques, or otherwise gain access to our proprietary technology.

Competitors have filed applications for, or have been issued patents, and may obtain additional patents and proprietary rights relating to products or processes used in, necessary to, competitive with, or otherwise related to, our patents. The scope and validity of these patents, and the extent to which we may be required to obtain licenses under these patents or under other proprietary rights and the cost and availability of licenses is unknown. This may limit our ability to license our technology. Litigation concerning these or other patents could be protracted and expensive. If suit were brought against us for patent infringement, a challenge in the suit by us as to the validity of the other patent would have to overcome a legal presumption of validity. There can be no assurance that the validity of the patent would not be upheld by the court or that, in such event, a license of the patent to us would be available. Moreover, even if a license were available, the payments that would be required are unknown and could materially reduce the value of our interest in the affected products.

We also rely upon unpatented trade secrets. No assurances can be given that others will not independently develop substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets or disclose such technology or that we can meaningfully protect our rights to our unpatented trade secrets. We require our employees, consultants, advisors, and any third parties who have access to our proprietary know-how, information, or technology to enter into confidentiality agreements with us, which provide that all confidential information developed or made known to the individual during the course of the relationship is to be kept confidential and not disclosed to third parties except in specific circumstances. In the case of employees and consultants, the agreements provide that all inventions conceived by the individual will be our exclusive property or will be assigned to us. There is no assurance, however, that these agreements will provide meaningful protection for our trade secrets and other confidential proprietary information in the event of unauthorized use or disclosure of such information.

Marketing and Sales

We currently have a small marketing and sales operation consisting of one full-time employee (Inside Sales Manager) and one sales representative in Korea who has a representative in Japan. In addition, our Chief Executive Officer and Chief Operating Officer who generally devote a portion of their efforts to increasing awareness of, and marketing, our products. We intend to collaborate with additional third party distributors and sales agents with established sales and marketing operations and industry experience to market our inks. However, there can be no assurance that we will be able to enter into distribution and/or sales agency agreements on terms acceptable to us or at all, or that such distributors or sales agents will be successful in marketing our inks. We are not currently aiming to expand the

Digiflex graphics arts fields, as we transition and integrate its printers into the electronics field. As such. we are not yet marketing these printers.

Seasonality

Our business and operations are generally not affected by seasonal fluctuations or factors.

Raw Materials and Suppliers

We believe that the raw materials that we require to manufacture our inks are readily available in adequate quantities from multiple sources, except that certain additives required to make our inks suitable for use in solar cell metallization processes are not are not readily commercially available, and we have an exclusive license for these additives from IKTS as described above under "—Research and Development Agreements, License Agreements and Material Contracts." In addition, the manufacturing process for our silver-based inks utilizes a silver salt the price of which is linked to the price of silver. The price of silver is affected by numerous factors beyond our control, including inflation, fluctuation of the United States dollar and foreign currencies, global and regional demand, speculative activities by commodities traders and others and the political and economic conditions of major silver producing countries throughout the world. See "Item 3. Key Information - Risk Factors — we are subject to risks resulting from fluctuations in the price of silver."

Manufacturing

We manufacture our inks at our Migdal Ha'Emek facilities. We currently have capacity to produce an estimated two (2) tons of ink per year, and intend to upgrade our facilities (at an estimated cost of $500,000) to increase production capacity to 19 tons per year, if and when demand for our inks is projected to surpass our production capabilities and we have sufficient financing to do so. In the event that demand for our inks outgrows our internal manufacturing capacity, we intend to engage third-party manufacturers to produce additional inks. There can be no assurance that we will be able to enter into agreements with qualified manufacturers on terms acceptable to us, or at all, or that, once contracted, such manufacturers will perform as expected.

Government Regulation

We are subject to various environmental, health and safety laws, regulations and permitting requirements, including those governing the emission and discharge of hazardous materials into ground, air or water; noise emissions, the generation, storage, use, management and disposal of hazardous waste; the registration of chemicals and in the future also import and export; the cleanup of contaminated sites; and the health and safety of our employees. Under such laws and regulations, we are required to obtain environmental permits from governmental authorities for certain operations. The manufacture of our products requires storing or using certain hazardous materials. Pursuant to the Israeli Dangerous Substances Law - 1993, we are required to (and did) obtain a toxin permit from the Ministry of Environmental Protection. Our permit is valid until October 2018.

Other than applicable local laws in Israel relating to the handling and disposal of hazardous materials and waste, there are no government regulations that are material to the conduct of our business. If we establish manufacturing operations in other jurisdictions, we expect to become subject to environmental, health and safety laws, regulations and permitting requirements in those jurisdictions, which may be similar to or more onerous than those described above.

Property

We currently lease, through our subsidiary Nano Size, approximately 5,300 square feet of space in Migdal Ha'Emek, Israel for our principal offices and manufacturing facilities at a monthly cost of approximately NIS 10,030 ($2,893 based on the exchange rate of $1.00 / NIS 3.467 in effect as of December 31, 2017). The lease has been renewed and expires on June 30, 2019.

Additionally, we currently lease approximately 2,900 square feet of space at 6 Yad Haruzim, Kfar Saba, Israel for the Digiflex principal office and laboratory at a monthly cost of approximately NIS 12,500 ($3,605 based on the exchange rate of $1.00 / NIS 3.467 in effect as of December 31, 2017). The lease agreement expires on January 31, 2021.

We currently own equipment, housed in our Migdal Ha'Emek facilities, capable of producing up to two (2) tons of ink per year. We intend to upgrade our facilities (at an estimated cost of $500,000) to increase production capacity to 19 tons per year, if and when demand for our inks is projected to surpass our production capabilities.

Legal Proceedings

We are neither party to any legal or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings and those involving any third-party, nor any governmental proceedings pending or known to be contemplated, which may have, or have had in the recent past, significant effects on our financial position or profitability, except as set forth below.

On December 31, 2017, a lawsuit captioned Eshed Consulting and Financial Management Ltd. vs. P.V. Nano Cell Ltd., Claim No. 64342-12-17, was filed in the Magistrate Court in Nazareth in Israel. The complaint alleges that the Company owes Eshed a total amount of NIS 120,000 in fees for professional financial services Eshed allegedly provided to the Company. The Company disputes the debt amount. A hearing is scheduled for June 3, 2018.

On March 11, 2018, a lawsuit captioned Reinhold Cohn & Co. vs. (1) Digiflex Ltd., and (2) P.V. Nano Cell Ltd., Claim No. 21766-03-18, was filed in the Magistrate Court in Kfar Saba in Israel. The complaint alleges that the Company owes Reinhold Cohn NIS 80,298 in fees for various services involving the protection of the Company's intellectual property rights by way of registration of patents worldwide, including in the United States, Canada and Europe. The Company does not dispute the debt and intends to make full payment thereof.

ITEM 4A. Unresolved Staff Comments.

Not applicable.

ITEM 5. Operating and Financial Review and Prospects.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with "Item 3. Key Information—Selected Financial Data" above and our consolidated financial statements and related notes that appear elsewhere in this annual report. In addition to historical financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this annual report, particularly in the sections titled "Item 3. Key Information - Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements."

Overview

We are a conductive ink manufacturing company focused on developing, manufacturing, marketing and commercializing conductive inks for digital inkjet conductive printing applications. We have developed the Sicrys™ family of single crystal nano-metric conductive inks, which we believe enables a significantly less costly and less wasteful alternative to current screen printing and, in some cases, photolithography processes for PV and PE applications. We began low volume sales of our Sicrys™ silver-based inks for PV applications in 2010 and are in the process of seeking to expand our sales efforts to include sales of Sicrys™ inks for a wide range of PE applications, including for the printing of circuit boards, radio-frequency identification chips, sensors and touchscreens, among other digitally printed electronics. We have also developed what we believe is the first available commercially viable copper-based nano-metric ink for mass-production of printed electronics. We believe that copper inks represent a significant improvement over silver-based inks given copper's significantly lower cost and nearly identical electrical and conductive properties. We began low volume sales of our copper-based ink for printed electronics applications in the second half of 2014.

On December 3, 2017, we entered into and closed a Share Exchange Agreement with Digiflex according to which the Digiflex shareholders, representing the entire share capital of Digiflex on a fully diluted basis, sold to and exchanged with us all shares of Digiflex which they held in consideration for our Ordinary Shares, at a conversion rate of 33.698 shares of Digiflex for each share of the Company.

Financial Overview

We have incurred net losses since our inception in 2009, including a net loss of approximately $2.8 million for the year ended December 31, 2017. As of December 31, 2017, we had an accumulated deficit of approximately $15.1 million. We have devoted substantially all of our financial resources to identifying, acquiring, licensing, and developing our products and technologies and providing general and administrative support for these operations. To date, we have financed our operations primarily through the sale of equity and convertible securities and government grants. The amount of our future net losses will depend, in part, on the rate of our future expenditures, our ability to obtain funding through equity or debt financings, strategic collaborations, or grants and our ability to commercialize our products or technologies. We are dependent upon external sources to finance our operations and there can be no assurance that we will succeed in obtaining the necessary financing to continue our operations. As a result, our independent registered public accounting firm has expressed substantial doubt about our ability to continue as a going concern.

Critical Accounting Policies

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP). These accounting principles are more fully described in Note 2 to our consolidated financial statements included elsewhere in this annual report and require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at the time that these estimates, judgments and assumptions are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the periods presented. To the extent there are material differences between these estimates, judgments or assumptions and actual results, our financial statements will be affected. We believe that the accounting policies discussed below are critical to our financial results and to the understanding of our past and future performance, as these policies relate to the more significant areas involving management's estimates and assumptions. We consider an accounting estimate to be critical if: (1) it requires us to make assumptions because information was not available at the time or it included matters that were highly uncertain at the time we were making our estimate; and (2) changes in the estimate could have a material impact on our financial condition or results of operations.

Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. This means that an "emerging growth company" can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We are electing to delay such adoption of new or revised accounting standards. As a result, our financial statements may not be comparable to companies that comply with the public company effective date.

Revenue Recognition

Our total revenues consist of revenues received from limited commercial sales of our Sicrys™ inks and other income from sales of raw materials used in and waste byproducts resulting from our manufacturing and research and development efforts.

We recognize revenue when (1) persuasive evidence of a final agreement exists, (2) delivery has occurred, (3) the selling price is fixed or determinable, and (4) collectability is reasonably assured.

We assess collectability as part of the revenue recognition process. This assessment includes a number of factors such as an evaluation of the creditworthiness of the customer, past due amounts, past payment history, and current economic conditions. If it is determined that collectability cannot be reasonably assured, we defer recognition of revenue until collectability is assured.

Inventories

Inventories are measured at the lower of cost or market value. Cost is computed on a first-in, first-out basis. Inventory costs consist primarily of material. We periodically assess inventory for obsolescence and excess and reduce the carrying value by an amount equal to the difference between its cost and the estimated market value based on assumptions about future demand and historical sales patterns. No write offs were recorded during the fiscal years ended 2017, 2016 or 2015.

As of December 31, 2017, we had $100,883 of inventory, of which $84,078 consisted of raw materials and $16,805 consisted of finished goods. As of December 31, 2016, we had $57,072 of inventory, of which $42,561 consisted of raw materials and $14,511 consisted of finished goods. The increase is primarily due to the Digiflex inventory that was consolidated as of December 31, 2017.

Taxes

We are subject to income taxes in Israel. Significant judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes. We recognize income taxes under the liability method. Tax benefits are recognized from uncertain tax positions only if we believe that it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. Although we believe we have adequately reserved for our uncertain tax positions, no assurance can be given that the final tax outcome of these matters will not be different. We adjust these reserves when facts and circumstances change, such as the closing of a tax audit, the refinement of an estimate or changes in tax laws. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact the provision for income taxes in the period in which such determination is made. The provision for income taxes includes the effects of any reserves that are considered appropriate, as well as the related net interest and penalties.

We recognize deferred tax assets and liabilities for future tax consequences arising from differences between the carrying amounts of existing assets and liabilities under U.S. GAAP and their respective tax bases, and for net operating loss carryforwards and tax credit carryforwards. We regularly review our deferred tax assets for recoverability and establish a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized. To make this judgment, we must make predictions of the amount and category of taxable income from various sources and weigh all available positive and negative evidence about these possible sources of taxable income.

While we believe the resulting tax balances as of December 31, 2017, 2016 and 2015 are appropriately accounted for, the ultimate outcome of such matters could result in favorable or unfavorable adjustments to our consolidated financial statements and such adjustments could be material. We have filed or are in the process of filing the tax returns that may be audited by the respective tax authorities. We believe that we adequately provided for any reasonably foreseeable outcomes related to tax audits and settlement; however, our future results may include favorable or unfavorable adjustments to our estimated tax liabilities in the period the assessments are made or resolved, audits are closed or when statute of limitations on potential assessments expire.

Share-Based Compensation and Liabilities presented at fair value

Ordinary Share Valuations

Based on the fair value of our Ordinary Shares as of December 31, 2017, the intrinsic value of the awards outstanding as of December 31, 2017 was $240,986, of which $197,977 related to exercisable options.

In addition, the fair value of the Ordinary Shares was used to determine the value of the warrants presented as a liability, the value of the deemed dividend, and stock based compensation in respect of equity restructuring. The following table sets forth the fair value of our Ordinary Shares used for each significant transaction:

	Date	Ordinary Share Fair Value
590,400 employees options grant	May 23, 2013	$ 0.14
190,178 employees options grant	August 22, 2013	0.14
Deemed dividend and stock based compensation in respect of equity restructuring	November 26, 2014[1]	0.51
Deemed dividend and stock based compensation in respect of equity restructuring	November 26, 2014[2][3]	1.05
Warrants presented as a liability	December 31, 2014	1.05
240,995 employees options grant	July 15, 2015	1.02
241,768 employees options grant	October 6, 2015	1.02
Warrants presented as a liability	December 31, 2015	1.02
75,000 employees options grant	July 7, 2016	1.02
Warrants presented as a liability	December 31, 2016	1.01
12,000 employees options grant	February 9, 2017	1.01
237,500 employees options grant	November 19, 2017	1.00
80,000 Directors options grant	November 19, 2017	1.00
140,000 Service providers/consultants options grant	November 19, 2017	1.00
198,788 employees options grant	December 3, 2017	1.00
20,000 Service provider/consultant options grant	December 16, 2017	1.00
Warrants presented as a liability	December 31, 2017	$ 1.00

(1) Prior to the equity restructuring.
(2) Subsequent to the equity restructuring, the increase in ordinary share fair value derives from the termination of the preferred shares rights.
(3) The equity restructuring that occurred on November 26, 2014 resulted in a modification in accordance with ASC 718-20-35. The Company used the fair value of its Ordinary Shares prior and subsequent to the equity restructuring to determine the modification effect, which amounted to the recognition of $376,643 in stock based compensation from employees' options and warrants and a deemed dividend in the amount of $1,842,061.

The fair value of our Ordinary Shares was determined by our management with the assistance of appraiser. The valuations of our Ordinary Shares were determined in accordance with the guidelines outlined in the American Institute of Certified Public Accountants Practice Aid, Valuation of Privately-Held-Company Equity Securities Issued as Compensation, or the AICPA Practice Aid. The assumptions used in the valuation model are based on future expectations combined with management's judgment. Our management exercised significant judgment and considered numerous objective and subjective factors to determine the fair value of our Ordinary Shares as of the date of each option grant, including the following factors:

- Independent valuations performed at periodic intervals by an independent third-party valuation specialist;
- The prices, rights, preferences and privileges of our convertible preferred shares;
- Current business conditions and projections;
- Our stage of development;
- The likelihood of a liquidity event for the ordinary shares underlying these options, such as an initial public offering or sale of our Company, given prevailing market conditions;
- Any adjustments necessary due to the lack of marketability of our Ordinary Shares;
- General and industry specific economic outlook; and
- The market performance of comparable publicly traded companies.

We determined our Company's value using a market approach. We allocated the estimated enterprise value among different classes of the Company's shares by applying an option pricing method. Under the option pricing method, ordinary and preferred shares are treated as call options, with the preferred shares having an exercise price based on the liquidation preference of the preferred shares. Ordinary Shares will only have value if funds available for distribution to the stockholders exceed the value of the liquidation preference at the time of a liquidity event such as a merger, sale or initial public offering. The Ordinary Shares are modeled as call options with an exercise price equal to the liquidation preference of the preferred shares. The value of the call options is determined using the Black-Scholes-Mertons, or Black-Scholes, option-pricing model. The option pricing method requires significant assumptions; in particular, the time until investors in our company would experience an exit event and the volatility of our shares (which we determined based on public companies with business and financial risks comparable to our own).

We applied a discount to the resulting valuation due to the lack of marketability of our ordinary shares. We calculated this using an Asian put option model. The significant assumptions involved were the same as described above.

The dates of our valuations did not always coincide with the dates of our share-based compensation grants. In such instances, management's estimates were based on the most recent valuation of our Ordinary Shares. For grants occurring between valuation dates, for financial reporting purposes, we used the closest valuation date before the grant, as we believe that the Ordinary Share valuation represents the valuation at the date of grant.

Options grants in May 23, 2013 and August 22, 2013

In order to estimate the value of our equity, including both ordinary and preferred shares, we relied upon our Series B-2 preferred share price determined in the April 9, 2013 financing rounds of our Series B-2 preferred shares, which we believed to be most indicative of our value. Our management determined the fair value of our ordinary shares as of May 23, 2013 and August 22, 2013 to be $0.14 per share. As part of this determination, our management considered an independent third party valuation. We based this price using the option pricing method according to the value derived from a third-party sale of shares in an arm's length transaction.

Ordinary share price as of November 26, 2014

In order to estimate the value of our Ordinary Shares subsequent to the equity restructuring, our management used the market approach. We relied upon the Ordinary Share valuation established in our November 26, 2014 financing round. In the November 26, 2014 financing round, we issued units that consist of one Ordinary Share and one warrant to purchase an Ordinary Share at an exercise price of $1.50 per Ordinary Share. The unit price was $1.50. The Ordinary Shares were valued by performing iterations in the Black-Scholes option pricing model. Our management considered an independent third party valuation conducted for this date and determined the fair value of our Ordinary Shares as of November 26, 2014 subsequent to the equity restructuring to be $1.05. In order to estimate our equity value, including both Ordinary and Preferred Shares prior to the equity restructuring, management subtracted the November 26, 2014, financing from the valuation and applied the option pricing method as discussed above. Our management determined the fair value of our Ordinary Shares as of November 26, 2014 prior to the restructuring to be $0.51. Our Ordinary Share fair value increased from $0.51 prior to the restructuring to $1.05 subsequent to the restructuring due to the termination of the Preferred Shares rights.

Option Grants in July 15, 2015, October 6, 2015 and July 7, 2016

Our management determined the fair value of our ordinary shares as of July 15, 2015, October 6, 2015 and July 7, 2016 to be $1.02 per share. As part of this determination, our management considered an independent third party valuation. We based this price using the option pricing method according to the value derived from a third-party sale of shares in an arm's length transaction.

Option Grants in February 9, 2017, November 19, 2017, December 3, 2017 and December 16, 2017

Our management determined the fair value of our ordinary shares as of February 9, 2017 to be $1.01 and as of November 19, 2017, December 3, 2017 and December 16, 2017 to be $1.00 per share. As part of this determination, our management considered an independent third party valuation. We based this price using the option pricing method according to the value derived from a third-party sale of shares in an arm's length transaction.

Option Valuations

Under U.S. GAAP, we account for share-based compensation for employees in accordance with the provisions of the FASB's ASC Topic 718 "Compensation—Stock Based Compensation," or ASC 718, which requires us to measure the cost of options based on the fair value of the award on the grant date.

We selected the Black-Scholes option pricing model as the most appropriate method for determining the estimated fair value of options. The resulting cost of an equity incentive award is recognized as an expense over the requisite service period of the award, which is usually the vesting period. We recognize compensation expense over the vesting period using the straight-line method and classify these amounts in the consolidated financial statements based on the department to which the related employee reports.

The determination of the grant date fair value of options using the Black-Scholes option pricing model is affected by estimates and assumptions regarding a number of complex and subjective variables. These variables are estimated as follows:

- *Fair Value of our Ordinary Shares*. Because our shares are not publicly traded, we must estimate the fair value of ordinary shares as of the date of the grants, as discussed in the above "Ordinary Share Valuations".
- *Risk-free Interest Rate*. The risk-free interest rate is based on the yield from U.S. Treasury zero-coupon bonds with a term equivalent to the contractual life of the options.
- *Volatility*. The expected share price volatility was based on the historical equity volatility of the ordinary shares of comparable companies that are publicly traded with adjustments to reflect our capital structure.
- *Dividend Yield*. We have never declared or paid any cash dividends and do not presently plan to pay cash dividends in the foreseeable future. Consequently, we used an expected dividend yield of zero.
- *Expected Life.* We used the "simplified" method, meaning the expected life is set as the average of the vesting period for each vested tranche of options and the contractual term for those options.

If any of the assumptions used in the Black-Scholes option pricing model change significantly, share-based compensation for future awards may differ materially compared with the awards previously granted.

The following table presents the weighted-average assumptions used to estimate the fair value of options granted to employees, officers and consultants during the periods presented.

	Year Ended December 31,		
	2017	**2016**	**2015**
Dividend yield	0 %	0 %	0%
Expected volatility	64%-70%	68%-71 %	64%-69 %
Risk-free interest	1.78%-2.28 %	0.83%-0.97 %	1.12%-1.63 %
Expected life (in years)	7	2.98	4.375

Liabilities Presented at Fair Value

Some of our warrants are classified as liabilities in accordance with ASC No. 815-40, "Distinguishing Liabilities From Equity". Accordingly, these warrants were required to be marked to market at each reporting date.

We estimated the fair value of these warrants and such conversion feature using a Black-Scholes option pricing model, which is affected by estimates and assumptions regarding a number of complex and subjective variables. These variables are estimated as follows:

- *Fair Value of our Ordinary Shares*. Because our shares are not publicly traded, we must estimate the fair value of ordinary shares, as discussed in the above "Ordinary Share Valuations".

- *Risk-free Interest Rate*. The risk-free interest rate is based on the yield from U.S. Treasury zero-coupon bonds with a term equivalent to the contractual life of the warrants.

- *Volatility*. The expected share price volatility was based on the historical equity volatility of the ordinary shares of comparable companies that are publicly traded with adjustments to reflect our capital structure.

- *Dividend Yield*. We have never declared or paid any cash dividends and do not presently plan to pay cash dividends in the foreseeable future. Consequently, we used an expected dividend yield of zero.

In addition, the conversion feature of the Capital Note (as defined in "Item 7 Major Shareholders and Related Party Transactions – B. Related Party Transactions") issued to a shareholder, is required to be marked to market at each reporting date. We estimated the fair value of the Capital Note by taking into account the expected occurrence of certain trigger events (such as IPO or M&A), multiplied by the value in a probability that the event will occur (based on our subjective assumptions) and discounting the value in an appropriate discount factor (based on the weighted average cost of capital of the Company) for a period of 2.5 years.

Recently Issued and Adopted Accounting Pronouncements

For information with respect to recent accounting pronouncements, see Note 2s to the audited consolidated financial statements for the year ended December 31, 2017 included elsewhere in this Annual Report.

Reporting Currency

Our functional currency is the U.S. Dollar, although substantial portion of the Company's costs are incurred in NIS, the Company finances its operations mainly in U.S. dollars and a substantial portion of its costs and revenues from its primary markets are anticipated to be incurred and generated in U.S. dollars. As such, we believe that the U.S. dollar is the currency of the primary economic environment in which the Company operates.

Transactions and balances that are denominated in dollars are presented at their original amounts. Non-dollar transactions and balances have been re-measured to dollars in accordance with Accounting Standards Codification ("ASC") No. 830, "Foreign Currency Matters". All foreign currency transaction gains and losses are reflected in the statements of operations as financial income or expenses, as appropriate.

Results of Operations

The following discussion of our operating results explains material changes in our results of operations for the years ended December 31, 2017, 2016 and 2015. The discussion should be read in conjunction with our audited consolidated financial statements for the years ended December 31, 2017, 2016 and 2015 and related notes and the information contained in Item 18.

Total Revenues

With respect to the years ended December 31, 2017 and December 31, 2016 - total revenues amounted to $88,691 and $78,081, respectively, an increase of $10,610 or 14%. The increase is primarily due to revenue generated by Digiflex following the purchase date.

With respect to the years ended December 31, 2016 and December 31, 2015 - total revenues amounted to $78,081 and $68,332, respectively, an increase of $9,749 or 14%. The slight increase in sales is due to the fact some customers which are developing their applications are purchasing additional ink quantities. Our total revenues consist of revenues received from limited commercial sales of our Sicrys™ inks and other income from sales of raw materials used in and waste byproducts resulting from our manufacturing and research and development efforts

Cost of Revenues

With respect to the years ended December 31, 2017 and December 31, 2016 - total cost of revenues amounted to $94,238 and $78,622, respectively, an increase of $15,616 or 20%. The increase is consistent with the increase in revenues.

With respect to the years ended December 31, 2016 and December 31, 2015 - total revenues amounted to $78,622 and $69,051, respectively, an increase of $9,571 or 14%. The slight increase is consistent with the increase in revenues.

Amortization of intangible assets

With respect to the years ended December 31, 2017 and December 31, 2016 - total amortization of intangible assets amounted to $37,694 and $0, respectively. The amortization during the year ended December 31, 2017 related to the intangible assets that were acquired as part of the Digiflex acquisition. Such amortization was calculated from the purchase date, December 3, 2017 until the end of the calendar year.

Gross loss

With respect to the years ended December 31, 2017 and December 31, 2016 - total gross loss amounted to $43,241 and $541, respectively, an increase of $42,700 or 7,893%. The increase related to an increase of $37,694 in amortization of intangible assets and $15,616 in cost of revenues, partially offset by an increase of $10,610 in revenues.

With respect to the years ended December 31, 2016 and December 31, 2015 - total gross loss amounted to $541 and $719, respectively, a decrease of $178 or 25%. The decrease related to an increase of $9,749 in revenues, partially offset by an increase of $9,571 in cost of revenues.

Research and Development Expenses, Net

With respect to the years ended December 31, 2017 and December 31, 2016 - net research and development expenses, were $404,891 and $632,826, respectively, a decrease of $227,935 or 36%, net of $382,134 and $344,056 of grants received in 2017 and 2016, respectively. The decrease in the net research and development expenses is primarily a result of lower payroll costs and higher grants received.

With respect to the years ended December 31, 2016 and December 31, 2015 - net research and development expenses, were $632,826 and $720,997, respectively, a decrease of $88,171 or 12%, net of $344,056 and $180,033 of grants received in 2016 and 2015, respectively. The decrease in the net research and development costs is primarily a result of higher grants received, as well as a shift in the focus to increase sales.

Sales and Marketing Expenses

With respect to the years ended December 31, 2017 and December 31, 2016 - sales and marketing expenses amounted to $480,963 and $336,287, respectively, an increase of $144,676 or 43%. The increase in sales and marketing expenses is primarily due to additional payroll costs.

With respect to the years ended December 31, 2016 and December 31, 2015 - sales and marketing expenses amounted to $336,287 and $245,756, respectively, an increase of $90,531 or 37%. The increase in sales and marketing expenses in 2016 relative to 2015 is primarily attributable to an increase in costs associated with our marketing and advertising activities, as well having Menachem Biran, our former Vice President, Sales and Marketing, employed for the entire year as opposed to only a portion of 2015. Sales and marketing expenses consist primarily of labor, consulting and advertising costs.

General and Administrative Expenses

With respect to the years ended December 31, 2017 and December 31, 2016 - general and administrative expenses amounted to $1,227,632 and $571,110, respectively, an increase of $656,522 or 115%. The increase in general and administrative expenses is primarily due to (1) issuance of ordinary shares with a fair value of $198,600, as compensation for professional services we incurred, (2) $150,000 related to the fair value of ordinary shares we issued as a finder's fee in connection with the SEDA agreement, and (3) additional professional services.

With respect to the years ended December 31, 2016 and December 31, 2015 - general and administrative expenses amounted to $571,110 and $807,277, respectively, a decrease of $236,167 or 29%. The decrease in general and administrative costs is a result of a

decrease in professional fees associated with the Form F-1 in 2015.

Acquisition related costs

With respect to the years ended December 31, 2017 and December 31, 2016 – acquisition related costs amounted to $750,956 and $0, respectively. The acquisition related costs during the year ended December 31, 2017 related to finder's fee in connection with the Digiflex acquisition. Such amount includes the following: (1) $675,926 represents fair value of warrants granted and (2) $75,030 cash payment.

Operating Expenses

With respect to the years ended December 31, 2017 and December 31, 2016 - operating expenses amounted to $2,864,442 and $1,540,223, respectively, an increase of $1,324,219 or 86%. The increase related to an increase of $750,956 in acquisition related costs, $656,522 in general and administrative expenses and $144,676 in sales and marketing expenses, partially offset by a decrease of $227,935 in research and development expenses, net.

With respect to the years ended December 31, 2016 and December 31, 2015 - operating expenses amounted to $1,540,223 and $1,774,030 respectively, a decrease of $233,807 or 13%. The decrease related to a decrease of $236,167 in general and administrative expenses and $88,171 in research and development expenses, net, partially offset by an increase of $90,531 in sales and marketing expenses.

Operating Loss

With respect to the years ended December 31, 2017 and December 31, 2016 - operating loss amounted to $2,907,483 and $1,540,764, respectively, an increase of $1,366,719 or 89%. The increase in operating loss related to an increase of $1,361,913 in operating expenses and an increase of $4,806 in the gross loss.

With respect to the years ended December 31, 2016 and December 31, 2015 - operating loss amounted to $1,540,764 and $1,774,749, respectively, a decrease of $233,985 or 13%. The decrease in operating loss related to a decrease of $233,807 in operating expenses, partially offset by a decrease of $178 in gross loss.

Financial Expenses (income), net

With respect to the years ended December 31, 2017 and December 31, 2016 - financial expenses (income), net, amounted to $(63,778) and $80,636, respectively, primarily as a result of income that was recorded during the year ended December 31, 2017 in connection with the change in fair value of warrants and capital note presented at fair value. Such income was partially offset by expenses related to interest and accretion in connection with convertible loans and others and foreign exchange loss, net.

With respect to the years ended December 31, 2016 and December 31, 2015 - financial expenses (income), net, amounted to $636 and $(1,094), respectively. The main reason for the increase in financing expenses is due to the change in the fair value of the warrants and capital notes and beneficial conversion feature that was recorded with respect to a convertible loan.

Net Loss

With respect to the years ended December 31, 2017 and December 31, 2016 - net loss amounted to $2,843,705 and $1,621,400, respectively, an increase of $1,222,305 or 75%. The increase in net loss related to an increase of $1,366,719 in operating loss, partially offset by an increase of $144,414 in financial income, net.

With respect to the years ended December 31, 2016 and December 31, 2015 - net loss amounted to $1,621,400 and $1,773,655, respectively, a decrease of $152,255 or 9%. The decrease in net loss related to a decrease of $233,985 in operating loss, partially offset by a decrease of $81,730 in financial expenses (income), net.

Liquidity and Capital Resources

We currently have limited liquidity. As of December 31, 2017 and December 31, 2016, our cash on hand was $450,305 and $126,222, respectively. Based on our current cash burn rate, strategy and operating plan, we believe that our cash reserves as of May 15, 2018 will enable us to operate for a period of approximately two (2) months. In order to fund our anticipated liquidity needs beyond such two-month period (or possibly earlier if our current cash burn rate, strategy or operating plan change in a way that accelerates or increases our liquidity needs), we will need to raise additional capital.

To date, we have financed our operations primarily through the sale of equity and convertible securities and government grants. As of December 31, 2017, we had sold 2,743,115 units pursuant to private offerings for aggregate proceeds of $3,947,414. The private offering was extended several times and recently expired on March 31, 2018.

In July 2016, we had sold 1,134,667 ordinary shares in an internal equity investment round at a price per ordinary share of $0.75 for an aggregate investment amount of $851,000 including the conversion of the promissory notes described below. The closing of the round included the conversion of an aggregate of $206,000 of convertible promissory notes into 274,667 ordinary shares.

On July 9, 2015, we entered into the SEDA with YA Global, pursuant to which we may, at our election and in our sole discretion, issue and sell to YA Global, from time to time after the Effective Date, and YA Global has agreed to purchase (subject to the limitations and contained therein), up to $3,000,000 of ordinary shares at a price per share equal to 95% of the lowest daily volume weighted average price of the ordinary shares for the five consecutive trading days following our election to issue and sell shares to YA Global thereunder. Our ability to issue and sell shares under the SEDA is subject to, among other things, the qualification of our ordinary shares on the OTCQB. Pursuant to the terms of the SEDA, the Company agreed to pay a structuring and due diligence fee in an amount equal to $15,000 and a commitment fee in an aggregate amount of $150,000, payable by the issuance of 100,000 ordinary shares. In addition, pursuant to the SEDA, the investor purchased in October 2015, 100,000 units, at a purchase price of $1.50 per unit. Each unit consists of (i) one ordinary share and (ii) a five-year warrant to purchase one ordinary share at an exercise price of $1.50 per share.

In August 2017, we entered into several Securities Purchase Agreements with Alpha Capital Anstalt, or Alpha Capital, First Fire Global Opportunities Fund LLC, or First Fire, and additional existing shareholders, whereby we issued and sold to such holders senior secured convertible notes in an aggregate principal amount of $905,555 in consideration for an aggregate subscription amount of $815,000 and warrants to purchase 905,555 ordinary shares.

The notes include a 10% original issue discount on the consideration paid and bear interest at 6% per annum. Except for the notes of Alpha Capital and First Fire, which mature after 14 months, the notes mature after 24 months and may be converted into shares, subject to the terms of such notes. The initial conversion price of the notes was $1.00 but it was adjusted in January 2018 to $0.50 pursuant to the terms of the notes. In February 2018, Alpha Capital converted $10,313 worth of the notes into 20,626 shares and, in April 2018, Alpha Capital converted $26,025 worth of the notes into 52,050 shares. In April 2018, First Fire converted $8,889 worth of the notes into 17,778 shares. We may require mandatory conversion of the notes in certain circumstances.

The term of the warrants is for five (5) years and the initial exercise price of the warrants was $1.20 per ordinary share, subject to adjustment in accordance with their terms. The notes and the warrants include full ratchet anti-dilution purchase price adjustment rights and other mechanisms for adjustment of the purchase price. As a result, following the issuance of warrants to Jet CU at an exercise price of $0.50 per share, the conversion and exercise prices of these notes and warrants was adjusted to $0.50 per share.

On December 27, 2017, we entered into a Share Purchase Agreement with Jet CU, as supplemented by that certain Supplement to Share Purchase Agreement dated January 3, 2018, pursuant to which we received aggregate gross proceeds of $992,615 from Jet CU in exchange for 992,615 ordinary shares and a warrant to purchase 300,000 ordinary shares at an exercise price of $0.50 per share. The warrants may be exercised, in whole or in part, for a period of five (5) years, i.e. until January 3, 2023.

We have used and intend to use the proceeds of this transaction with Jet CU primarily for the organization and integration of Digiflex into the Company, finalization of the development of our products, payment of accrued debts of Digiflex and the Company and ongoing operations.

On March 8, 2018, we entered into a Share Purchase Agreement with Jet CU, pursuant to which Jet CU provided us with a convertible loan in an aggregate principal amount of $150,000 and received from us warrants to purchase 400,000 ordinary shares at an exercise price of $0.50 per share. The loan amount bears interest of 5% per annum. The warrants may be exercised, in whole or in part, for a period of five (5) years, i.e. until March 8, 2023. Jet CU may receive warrants to purchase an additional 200,000 ordinary shares at an exercise price of $0.50 per share, if the price of our shares by the end of December 2018 is lower than $1.00.

We expect to continue to fund our operations through equity or debt financings (including pursuant to the SEDA), strategic collaborations, grants and, to the extent our marketing and commercialization efforts are successful, sales of our products or technologies.

We have experienced cumulative losses of $15.1 million from inception through December 31, 2017. In addition, we have not yet established a stable recurring source of revenues sufficient to cover our operating costs and expect to continue to generate losses for the foreseeable future. There is no assurance that we will be able to obtain an adequate level of financing needed for our near term requirements or the long-term development and commercialization of our product. These conditions raise substantial doubt about our ability to continue as a “going concern”.

Net cash used in operating activities for the years ended December 31, 2017, 2016 and 2015 were $2,169,889, $1,281,273 and $1,106,420, respectively, an increase of $888,616 or 69% (from 2016 to 2017), and an increase of $174,853 or 16% (from 2015 to 2016). The increase in net cash used in operating activities in 2017 relative to 2016 is primarily attributable to an increase in net loss and change in fair value of warrants and capital note which were partially offset by fair value of granted warrants and professional service received in connection with issuance of ordinary shares. The increase in net cash used in operating activities in 2016 relative to 2015 is primarily attributable to changes in current assets and liabilities, mainly trade payables and current liabilities.

Net cash used in investing activities for the years ended December 31, 2017, 2016, and 2015 were $2,185, $13,860, and $42,074, respectively. The decrease in net cash used in investing activities in 2017 relative to 2016 is attributable to lower purchase of property and equipment. The decrease in net cash used in investing activities in 2016 relative to 2015 is attributable to the purchase of property and equipment on credit.

Net cash provided by financing activities for the years ended December 31, 2017, 2016 and 2015 were $2,496,157, $1,410,443 and $478,641, respectively, an increase of $1,085,714 or 80% (from 2016 to 2017) and an increase of $931,802 or 194% (from 2015 to 2016). The increase in net cash provided by financing activities in 2017 relative to 2016 is primarily attributable to the proceeds from proceeds from issuance of warrants, receipt on account of shares and warrants and proceeds from convertible loans, net of issuance costs which were partially offset by lower proceeds from issuance of shares, net. The increase in net cash provided by financing activities in 2016 relative to 2015 is primarily attributable to the proceeds from the issuance of shares and convertible loans.

Research and Development Expenses and Policies

Since our formation we have focused our research and development efforts on developing inks for solar cell metallization; developing silver inks for PE applications, developing copper based inks for PE applications and scaling up the production process for the nano particles and inks. The following table sets forth the gross amount of our research and development expenses for the last three (3) years:

	Year Ended December 31,		
	2017	2016	2015
Research and development expenses	$ 787,025	$ 976,882	$ 901,030

Trend Information

It is not possible for us to predict with any degree of accuracy the outcome of our research, development or commercialization efforts. As such, we cannot predict with any degree of accuracy any significant trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our net sales or revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause financial information to not necessarily be indicative of future operating results or financial condition. However, to the extent possible, certain trends, uncertainties, demands, commitments and events are in this "Item 5. Operating and Financial Review and Prospects."

Off-Balance Sheet Arrangements

We currently do not have any off-balance sheet arrangements that have had, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Jumpstart Our Business Startups Act of 2012

We qualify as an "emerging growth company," as defined in the JOBS Act. For as long as we are deemed an emerging growth company, we are permitted to and intend to take advantage of specified reduced reporting and other regulatory requirements that are generally unavailable to other public companies, including:

- an exemption from the auditor attestation requirement in the assessment of our internal controls over financial reporting required by Section 404 of the Sarbanes-Oxley Act; and

- an exemption from compliance with any new requirements adopted by the PCAOB, requiring mandatory audit firm rotation or a supplement to the auditor's report in which the auditor would be required to provide additional information about our audit and our financial statements.

We may take advantage of these provisions until the last day of our fiscal year following the fifth anniversary of the date of the first sale of our common equity securities pursuant to an effective registration statement under the Securities Act. However, if certain events occur prior to the end of such five-year period, including if we become a "large accelerated filer," our annual gross revenues exceed $1.0 billion or we issue more than $1.0 billion of non-convertible debt in any three-year period, we will cease to be an emerging growth company prior to the end of such five-year period.

Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. This means that an "emerging growth company" can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We are electing to delay such adoption of new or revised accounting standards. As a result, our financial statements may not be comparable to companies that comply with the public company effective date.

Contractual Obligations

As of December 31, 2017, we had no contractual obligations of the type required to be disclosed in this section.

ITEM 6. Directors, Senior Management and Employees.

A. Directors and Senior Management.

The following table sets forth information regarding our directors and senior management team as of April 30, 2018. Unless otherwise stated, the address for our directors and senior managers is c/o P.V. Nano Cell Ltd., 8 Hamasger Street, P.O. Box 236, Migdal Ha'Emek, Israel 2310102.

Name	Age	Position
Dr. Fernando de la Vega(1)	60	Chief Executive Officer and Chairman
Dr. Astorre Modena (6)	47	Director
Eyal Shpilberg (2)	58	Chief Operating Officer
Evyatar Cohen (3)	45	Chief Financial Officer
Orly Solomon (4)(6)(7)(8)	49	Director
Shai Levy (5)(7)	43	Director
Ido Lapidot (4)(6)(7)	54	Director

(1) Provides management services pursuant to a Services Agreement dated September 9, 2009, as amended from time to time
(2) Serves as VP Operations pursuant to an Employment Agreement dated September 10, 2017
(3) Provides financial services pursuant to a Consultancy Agreement dated November 12, 2017
(4) External directors pursuant to their election by the Annual General Meeting of the Shareholders on December 28, 2017
(5) Class I director pursuant to his election by the Annual General Meeting of the Shareholders on December 28, 2017
(6) Member of our Audit Committee
(7) Member of our Compensation Committee
(8) Chairman of the Audit Committee and Compensation Committee

The address of each of our executive officers and directors is c/o P.V. Nano Cell Ltd., 8 Hamasger Street Migdal Ha'Emek 2310102, Israel.

Senior Management

Set forth below is biographical information with respect to the members of our senior management team.

Dr. Fernando de la Vega co-founded PV Nano Cell Ltd. in 2009 and has served as our Chief Executive Officer and the Chairman of our board of directors since that time. Dr. de la Vega has more than 25 years industrial and entrepreneurial experience, having served in managerial positions with responsibility over research and development, quality and operations and has founded or co-founded several businesses in the fields of nano technology and functional materials. From 2001 to early 2009, Dr. de la Vega served as General Manager and a Director of Cima, a company focused on the development of innovative technologies in the field of flexible printed electronics. Dr. de la Vega also co-founded and, from 2003 through 2009, served as Chairman of the Nano Functional Materials Consortium, a five-year, $25 million research consortium which performed general research on nanotechnology, sponsored by Israel's Office of the Authority as part of the MAGNET program, a special program intended to encourage cooperation between industry and academia. Dr. de la Vega has also co-founded three European research and development consortiums. He is a co-inventor of more than 11 patent families in the fields of nanomaterials and nanotechnology and author and co-author of many scientific and technical publications (including on conductive inks for inkjet printing). Dr. de la Vega holds a Ph.D. in Applied Chemistry from the Casali Institute at the Hebrew University of Jerusalem, as well as a M.Sc. in Applied Chemistry and a B.Sc. in Chemistry from the Hebrew University of Jerusalem.

Evyatar Cohen. has served as our Chief Financial Officer since November 2017. Mr. Cohen graduated from the College of Management in Israel with B.A in Business Management in 2000 and was awarded his Masters of Law degree from the Bar Ilan University in 2003. Mr. Cohen is a licensed and certified public accountant in both the United States and Israel. Currently and prior to his appointment as our Chief Financial Officer, Mr. Cohen serves and has served as a Chief Financial Officer and financial consultant for several public companies traded in the United States, Israel and Europe as well as privately held companies. Mr. Cohen worked at PricewaterhouseCoopers in both the Tel-Aviv and New York. Mr. Cohen has gained vast experience in many industries such as high-tech, bio-tech, oil and gas, entertainment and media, and venture capital.

Eyal Shpilberg has served as our Chief Operating Officer since September 10, 2017. Mr. Shpilberg holds a B.Sc. in Mechanical Engineering and BA in Computer Science from The Technion Institute of Technology located in Israel. Mr. Shpilberg has over 30 years of industrial experience. Prior to his appointment as our chief operating officer, Mr. Shpilberg had served as the CEO of several technology based companies, including CoreFlow, from 2006 to 2012, Intelesiv, from 2013 to 2014, and SP Nano Ltd, from 2014 to 2017. Mr. Shpilberg also served as Corporate Vice President Consumables Division, of Creo Ltd. (NASDAQ: CREO) (Sold to Eastman Kodak Company in 2005.

Board of Directors

Set forth below is biographical information with respect to the members of our board of directors, other than Dr. de la Vega. See "—Senior Management" above for biographical information with respect to Dr. de la Vega.

Dr. Astorre Modena has been a member of our board of directors since 2010. In 2005, he co-founded, and currently serves as General Partner of, Terra Venture Partners, an Israeli venture capital fund focused on clean technology. Prior to co-founding Terra Venture Partners, from 2001 to 2005, Dr. Modena was Associate and then Principal at Israel Seed Partners, a leading Israeli seed-stage venture capital firm. From 1998 to 2001, Dr. Modena was a consultant with McKinsey & Co., where he consulted for leading Italian, French and Israeli manufacturing and financial corporations on strategic and operational issues. Dr. Modena holds a Ph.D. in Plasma Physics from Imperial College in London and a B.Sc. in Physics from the Hebrew University of Jerusalem (where he was a part of the Honors Program for Outstanding Students). Dr. Modena was also a researcher in the laser-plasma physics department at Imperial College in London and École Polytechnique in Paris.

Orly Solomon has served as an external director of the Company since December 2017. Ms. Solomon is co-founder, COO and CFO of Eye Sight Fitness Ltd. From 2014 to 2016, Ms. Solomon served as CFO of Future Values Ltd. In 2013, Ms. Solomon served as CEO of D. Medical Industries (NASDAQ /TASE: DMED). From 2010 to 2012, Ms. Solomon served as CFO and Deputy to CEO of Lito Group Ltd. (TASE: LTGR-M). From 2009 to 2010, Ms. Solomon served as co-founder and CFO of Atid Team, Israel. From 2006 to 2010 Ms. Solomon served as co-founder and a director of Altshuler Shacham Benefits Israel. From 2003 to 2009 Ms. Solomon served as Tax Director at Deloitte, Israel. From 2001 to 2003, she served as Senior Manager at Ernst &Young, Israel. Ms. Solomon currently serves on the board of directors of Ortus Venture Capital LLP. Ms. Solomon served on the board of directors of Shikmona, a governmental & city owned corporation in Haifa from 2014 to 2017 as a director with financial specialties, nominated by the government. She was also the chairman of the board of directors of RSL Electronics Ltd (TASE:RSL) from 2011 to 2012. Ms. Solomon holds an MBA in Finance and Economics from the Hebrew University in Jerusalem, and a Bachelor of Science Accounting, with honors, from Rutgers University at Newark, NJ, USA.

Ido Lapidot has served as an external director of the Company since December 2017. Mr. Lapidot is a "TRIZ- Effective Innovation" consultant for various companies, inter alia, Elbit, Verint, Coca Cola, Gilat, Tuff Merom Golan, Tama and HP. From 2009 to 2016, Mr. Lapidot served as a Strategic Technologies Planner and TRIZ Program Leader at Intel R&D and Intel Labs. From 2008 to 2014, Mr. Lapidot served as an External Teacher for TRIZ and Systematic Innovation at Afeka Collage for Engineering, Israel. From 2005 to 2008, Mr. Lapidot served as LEAN Manufacturing and TRIZ Program Leader at Intel Corporate Services -EMEA. From 1995 to 2005, Mr. Lapidot served as Environment, Health and Safety Manager at Intel's factories. Mr. Lapidot holds an MA in Environmental Science, a BA in Chemistry, a BA in Atmospheric Science from the Hebrew University of Jerusalem and a TRIZ L3 certification from MA-TRIZ GEN3 Partners.

Shai Levy has served as a director of the Company since December 2017. Mr. Levy currently serves as the CEO of ProSeed Venture Capital Fund and the CEO of Ratio Oil Explorations (Finance) Ltd. From 2007 to 2012, Mr. Levy served as a CFO of Elie Tahari, New York. From 2005 to 2007, Mr. Levy served as a Director of Financial Reporting & Compliance at Deutsch, New York. From 2004 to 2005, he served as Senior Associate at PricewaterhouseCoper, New York. From 2001 to 2004, he served as Senior Associate at Ernst & Young, Israel. From 1997 to 2001, Mr. Levy served as an Assistant Manager at Green Villa, Israel. Mr. Levy currently serves on the board of directors of Tehuti Networks, EnerJet PerfAction and Medic Vision Imaging Solutions Ltd. Mr. Levy served on the board of directors of Correlsense from 2012 to 2015 and is currently the Chairman of the board of directors of Capital Nature. Mr. Levy holds a Bachelor of Arts, Accounting and Finance degree from Tel Aviv University.

Family Relationships

There are no family relationships between any members of our executive management and our directors.

B. Compensation

Compensation of Senior Management and Directors

The aggregate compensation, including share-based compensation, paid by us to our senior management with respect to the year ended December 31, 2017 was $432,879, consisting of $17,919 of share based-compensation and $414,960 in cash compensation. This amount does not include business travel, professional and business association dues and expenses reimbursed to office holders, and other benefits commonly reimbursed or paid by companies in our industry.

We did not set aside or accrue any amounts to provide pension, retirement or similar benefits to any officers or directors of the Company in the year ended December 31, 2017.

For the year ended December 31, 2017, in connection with their services as board members, we issued options to purchase 20,000 Ordinary Shares at an exercise price per share of $0.917 to each of the following directors: Dr. Astorre Modena, Mr. Shai Levy, Dr. Fernando de la Vega, Ido Lapidot and Orly Solomon. The options will vest over three (3) years and will expire seven (7) years from the date of grant, subject to earlier termination in accordance with our Company's 2010 Israeli Option Plan.

Other than the compensation paid to Dr. de la Vega pursuant to his service agreement with us in connection with his service as our Chief Executive Officer and the compensation described above, we did not pay our directors for the year ended December 31 2017 any other compensation.

Compensation of External Directors

No compensation was paid in any form to the external directors in 2017.

Employment or Service Agreements with Senior Managers for the Year Ended December 31, 2017

Dr. Fernando de la Vega. We have entered into a services agreement, dated September 9, 2009 as amended, or the DBG Services Agreement, with Dr. de la Vega's wholly-owned service company, Dolev Bar-Guy Consulting and Management Ltd., or DBG, pursuant to which DBG has agreed to cause Dr. de la Vega to serve as our Chief Executive Officer during the term of the agreement. Pursuant to the terms of the DBG Services Agreement, Dr. de la Vega is entitled to a monthly fee of NIS 38,500 ($11,105 based on the exchange rate of $1.00 / NIS 3.467 in effect as of December 31, 2017) plus value added tax and a car allowance of NIS 2,500 ($721 based on the exchange rate of $1.00 / NIS 3.467 in effect as of December 31, 2017) plus value added tax per month plus reimbursement for fuel expenses and tolls. The aggregate fee paid to DBG in 2017 was NIS 492,000 ($141,909 based on the exchange rate of $1.00 / NIS 3.467 in effect as of December 31, 2017) and $433 stock based compensation. The Agreement provided for an original term of 24 months and has subsequently been extended and is made for an undefined term. Each party may terminate the DBG Services Agreement at any time for any reason upon 30 days prior written notice, or if the other party commits a breach of the DBG Services Agreement and does not cure such breach within 14 days after receipt of a written notice from the injured party.

Mr. Evyatar Cohen. We have entered into a consultancy agreement dated November 12, 2017 with Mr. Evyatar Cohen to serve as the Chief Financial Officer during the term of the agreement. Mr. Cohen's services also include the services of Ms. Moran Cohen in the position of controller. Pursuant to the terms of the agreement, Mr. Cohen is entitled to a monthly fee of NIS 33,000 ($9,518 based on the exchange rate of $1.00 / NIS 3.467 in effect as of December 31, 2017) plus value added tax. The monthly fees will increase to NIS 45,000 upon filing of this annual report ($12,980 based on the exchange rate of $1.00 / NIS 3.467 in effect as of December 31, 2017) plus value added tax. In the event of termination of the services of Mr. Cohen for any reason prior to November 12, 2018, he will be entitled to an additional gross amount of NIS 3,000 ($865 based on the exchange rate of $1.00 / NIS 3.467 in effect as of December 31, 2017) per each month of performing the service plus value added tax. Both parties are permitted to terminate Mr. Cohen's services with 45 days prior notice. The aggregate fee paid to Mr. Evyatar Cohen in 2017 was NIS 53,900 + VAT ($15,547 + VAT based on the exchange rate of $1.00 / NIS 3.467 in effect as of December 31, 2017) and $2,973 stock-based compensation.

*Eyal Shpilberg***.** We have entered into an employment agreement dated September 10, 2017 with Mr. Eyal Shpilberg to serve as chief operating officer. Mr. Shpilberg, as a full time employee, is entitled to a gross monthly salary of NIS 32,000 ($9,230 based on the exchange rate of $1.00 / NIS 3.467 in effect as of December 31, 2017); overtime pay of NIS 8,000 per month ($2,307 based on the exchange rate of $1.00 / NIS 3.467 in effect as of December 31, 2017); a car allowance of NIS 5,000 per month ($1,442 based on the exchange rate of $1.00 / NIS 3.467 in effect as of December 31, 2017) plus fuel and route 6 expenses; an amount equal to 7.5% of Mr. Shpilberg's gross monthly salary and overtime pay to an Education Fund (known in Hebrew as "Keren Hishtalmut", a short term savings plan available in Israel which is tax free to the employee up to a cap determined by law); and an amount equal to 14.58%-15.83% of Mr. Shpilberg's gross monthly salary and overtime pay to a manager's insurance fund (known in Hebrew as "Bituach Menahalim"). The Company is permitted to terminate Mr. Shpilberg's employment with one month's prior notice. The aggregate fee paid to Mr. Eyal Shpilberg in 2017 was NIS 252,106 ($72,716 based on the exchange rate of $1.00 / NIS 3.467 in effect as of December 31, 2017) and $3,034 stock-based compensation.

Menachem Biran. We entered into a Consultancy Agreement with Menachem Biran, dated June 17, 2015, pursuant to which Mr. Biran served as our Vice President, Sales and Marketing. Pursuant to such agreement, Mr. Biran was retained for an initial trial period ending on September 1, 2015, and was subsequently retained as a full time employee of the Company. Mr. Biran, as a full time employee, was entitled to a gross monthly salary of NIS 22,400 ($6,461 based on the exchange rate of $1.00 / NIS 3.467 in effect as of December 31, 2017); overtime pay of NIS 5,600 per month ($1,615 based on the exchange rate of $1.00 / NIS 3.467 in effect as of December 31, 2017); a car allowance of NIS 5,000 per month ($ 1,442 based on the exchange rate of $1.00 / NIS 3.467 in effect as of December 31, 2017) plus fuel and route 6 expenses; an amount equal to 7.5% of Mr. Biran's gross monthly salary and overtime pay to an Education Fund (known in Hebrew as "Keren Hishtalmut", a short term savings plan available in Israel which is tax free to the employee up to a cap determined by law); and an amount equal to 14.58%-15.83% of Mr. Biran's gross monthly salary and overtime pay to a manager's insurance fund (known in Hebrew as "Bituach Menahalim"). Mr. Biran's employment was terminated on February 15, 2018. The aggregate fee paid to Mr. Menachem Biran in 2017 was NIS 528,618 ($152,471 based on the exchange rate of $1.00 / NIS 3.467 in effect as of December 31, 2017) and $9,747 stock-based compensation.

Anat Eshed. We entered into an agreement with Anat Eshed, dated December 7, 2016, pursuant to which Ms. Eshsed served as our Outsourcing Chief Financial Officer. In exchange for her service, Ms. Eshed was entitled to a monthly fee of 30,000 NIS ($8,653 based on the exchange rate of $1.00 / NIS 3.467 in effect as of December 31, 2017) + VAT. The Company undertook to add Ms. Eshed and an additional employee of her office as an insured under the Company's D&O insurance in an amount of up to 3,000 NIS (based on the exchange rate of $1.00 / NIS 3.467 in effect as of December 31, 2017). Either party was entitled to terminate the agreement upon providing a three months' prior notice. The agreement was terminated in 2017. See "Item 3. Key Information - Legal Proceedings". The aggregate fee paid to Ms. Anat Eshed in 2017 was NIS 167,094 + VAT ($48,196 + VAT based on the exchange rate of $1.00 / NIS 3.467 in effect as of December 31, 2017).

Service Agreements with Directors for the Year Ended December 31, 2017

Previous directors did not receive any compensation of any type in 2017. On Dec 28, 2017, Steven Hsieh and Harold Weiner ceased to be directors. Shai Levy, Ido Lapidot and Orly Solomon were appointed as new board members by the shareholders at the annual shareholders meeting. In 2018, all board members will be compensated.

During fiscal 2017, we were not party to any service agreements with any of the members of our board of directors, other than the

DBG Services Agreement with respect to Dr. de la Vega's service as our Chief Executive Officer, which is described above, and certain option agreements entered into between the Company and the directors, pursuant to which the Company issued options to purchase 20,000 Ordinary Shares to each of the current directors.

C. Board Practices.

Board of Directors

Under the Companies Law, the management of our business is vested in our board of directors. Our board of directors may exercise all powers and may take all actions that are not specifically granted to our shareholders or to management. Our Chief Executive Officer is responsible for our day-to-day management and has responsibilities established by our board of directors. Our Chief Executive Officer is appointed by, and serves at the discretion of, our board of directors, subject to the terms of a consulting agreement that we have entered into with him. Our Chief Executive Officer may retain additional executive officers to assist in the day to day management of our business.

Election and Removal of Directors

Our Articles of Association provide for a board of directors consisting of no less than three (3) and no more than seven (7) directors, with all directors (other than the external directors, whose appointment is required under the Companies Law, as described below) divided into three classes with staggered three-year terms with each class of directors to consist, as nearly as possible, of one-third of the total number of directors other than the external directors. At each annual general meeting of our shareholders thereafter, the election or re-election of directors following the expiration of the term of office of the directors of that class of directors will be for a term of office that expires on the third annual general meeting following such election or re-election. Each director so elected will hold office until the annual general meeting of our shareholders for the year in which his or her term expires, unless the tenure of such director expires earlier pursuant to the Companies Law or unless he or she is removed from office as described below.

- Our board of directors is divided among the three staggered classes of directors (except for the external directors): the Class I director is Mr. Shai Levy, who was elected at our annual meeting of the shareholders on December 28, 2017 for a three (3) year term ending at the 2020 annual meeting.
- The Class II director was Dr. Harold Wiener, whose term ended in December 2017 with no replacement director.
- The Class III directors are Dr. Fernando de la Vega and Dr. Astorre Modena, elected for a three (3) year term ending at the 2018 annual meeting.

In addition we have appointed two (2) external directors who are not part of the staggered board, as described below.

External Directors

Under the Companies Law, companies incorporated under the laws of the State of Israel whose shares are publicly traded are required to appoint at least two (2) external directors who meet the qualification requirements set forth in the Companies Law.

At our general meeting of shareholders held in 2017, we appointed Ms. Orly Solomon and Mr. Ido Lapidot as our external directors.

The Companies Law provides for special approval requirements for the election of external directors. External directors must be elected by a majority vote of the shares present and voting at a shareholders meeting, provided that either:

- such majority includes at least a majority of the shares held by all shareholders who are not controlling shareholders and do not have a personal interest in such election (other than a personal interest which is not derived from a relationship with a controlling shareholder), present and voting at such meeting; or
- the total number of shares of non-controlling shareholders and shareholders who do not have a personal interest in such election (other than a personal interest which is not derived from a relationship with a controlling shareholder) voting against the election of an external director does not exceed 2% of the aggregate voting rights in the company.

After an initial term of three (3) years, an external director may be reelected to serve in that capacity for up to two additional terms of three (3) years each under one of two alternatives. Under the first alternative, the external director may be nominated by the board of directors, and such external director's reelection is approved by a majority of the shareholders that was required to elect such external director in such director's initial election. Under the second alternative, the external director may be nominated by a shareholder(s) holding 1% or more of the voting power and at the general meeting of shareholders such reelection is approved by a majority of those shares present and voting that are held by shareholders who are non-controlling shareholders and do not have a personal interest in the reelection, provided that such shares represent at least 2% of the total voting power in the company.

The term of office for external directors for Israeli companies traded on certain foreign stock exchanges (which does not include the OTCQB), may be extended indefinitely in increments of additional three-year terms, provided that, prior to each nomination for reelection, the audit committee and the board of directors of the company confirm that, in light of the external director's expertise and special contribution to the work of the board of directors and its committees, the reelection for such additional period is beneficial to the company and provided that the reasons for such confirmation are presented to the shareholders at the general meeting at which such reelection is being sought and the external director is reelected in accordance with the appropriate approval method described above.

External directors may be removed from office by a special general meeting of shareholders called by the board of directors, which approves such dismissal by the same shareholder vote percentage required for their election or by a court, in each case, only under limited circumstances, including ceasing to meet the statutory qualifications for appointment, or violating their duty of loyalty to the company. If an external directorship becomes vacant and there are fewer than two (2) external directors on the board of directors at the time, then the board of directors is required under the Companies Law to call a shareholders' meeting as soon as practicable to appoint a replacement external director.

Each committee of the board of directors that exercises powers of the board of directors is required to include at least one external director, and the audit and compensation committees are required to comprise entirely of external directors then serving on the board of directors. Under the Companies Law, external directors of a company are prohibited from receiving, directly or indirectly, any compensation from the company other than for their services as external directors pursuant to the provisions and limitations set forth in regulations promulgated under the Companies Law, which compensation is determined prior to their appointment and may not be changed throughout the term of their service as external directors (except for certain exceptions set forth in the regulations).

The Companies Law provides that a person is not qualified to serve as an external director if, as of the appointment date or at any time during the two (2) years preceding his or her appointment, that person or a relative, partner or employer of that person, any person to whom that person is subordinate (whether directly or indirectly), or any entity under that person's control, had any affiliation or business relationship with the company, any controlling shareholder or relative of a controlling shareholder or an entity that, as of the appointment date is, or at any time during the two (2) years preceding that date was, controlled by the company or by any entity controlling the company.

The term affiliation for this purpose includes (subject to certain exceptions):

- an employment relationship;
- a business or professional relationship maintained on a regular basis;
- control; and
- service as an office holder, excluding service as a director in a private company prior to the first offering of its shares to the public if such director was appointed as a director of the private company in order to serve as an external director following the public offering.

The Companies Law defines the term "office holder" of a company to include a general manager, chief business manager, deputy general manager, vice general manager, any other person assuming the responsibilities of any of these positions regardless of such person's title, a director and any other manager directly subordinate to the general manager.

The following additional qualifications apply to an external director:

- a person may not be elected as an external director if he or she is a relative of a controlling shareholder;
- if a company does not have a controlling shareholder or a holder of 25% or more of the voting power, then a person may not be elected as an external director if he or she (or his or her relative, partner, employer or any entity under his or her control) has, as of the date of the person's election to serve as an external director, any affiliation with the then chairman of the board of directors, Chief Executive Officer, a holder of 5% or more of the issued share capital or voting power, or the most senior financial officer of the company;
- a person may not serve as an external director if he or she (or his or her relative, partner, employer, a person to whom he or she is subordinated or any entity under his or her control) has business or professional relations with anyone with whom affiliation is prohibited as described above, and even if these relations are not on a regular basis (other than immaterial relations); and
- a person may not continue to serve as an external director if he or she accepts, during his or her tenure as an external director, direct or indirect compensation from the company for his or her role as a director, other than the amounts prescribed under the regulations promulgated under the Companies Law, indemnification, the company's undertaking to indemnify such person and insurance coverage.

Furthermore, no person may serve as an external director if that person's professional or other activities create, or may create, a conflict of interest with that person's responsibilities as a director or otherwise interfere with that person's ability to serve as an external director or if such person is an employee of the Israel Securities Authority or of an Israeli stock exchange. Following the termination of an external director's membership on the board of directors, such former external director and his or her spouse and children may not be provided a direct or indirect benefit by the company, its controlling shareholder or any entity under its controlling shareholder's control, including serving as an executive officer or director of the company or a company controlled by its controlling shareholder and cannot be employed by or provide professional services to the company for pay, either directly or indirectly, including through a corporation controlled by that former external director, for a period of two (2) years (the prohibition also applies to relatives of the former external director who are not his or her spouse or children, but only for a period of one year).

If at the time an external director is appointed, all members of the board of directors who are not controlling shareholders or their relatives are of the same gender, the external director must be of the other gender. A director of one company may not be appointed as an external director of another company if a director of the other company is acting as an external director of the first company at such time.

Pursuant to the regulations promulgated under the Companies Law, a person may be appointed as an external director only if he or she either has professional qualifications or has accounting and financial expertise as defined in those regulations. In addition, at least one of the external directors must be determined by our board of directors to have accounting and financial expertise and the board is required to determine the minimum number of board members who are required to possess accounting and financial expertise. In determining the number of directors required to have such expertise, the members of our board of directors must consider, among other things, the type and size of the company and the scope and complexity of its operations.

A director with accounting and financial expertise is a director who, due to his or her education, experience and skills, possesses a high degree of proficiency in, and an understanding of, business-accounting matters and financial statements, such that he or she is able to understand the financial statements of the company, in depth, and initiate a discussion about the manner of presentation of the financial data. A director is deemed to have professional qualifications if he or she has any of (i) an academic degree in economics, business management, accounting, law or public administration, (ii) an academic degree or has completed another form of higher education in the primary field of business of the company or in a field which is relevant to his/her position in the company, or (iii) at least five (5) years of experience serving in one of the following capacities, or at least five (5) years of cumulative experience serving in two or more of the following capacities: (a) a senior business management position in a company with a significant volume of business; (b) a senior position in the company's primary field of business; or (c) a senior position in public administration or service. The board of directors is charged with determining whether a director possesses financial and accounting expertise or professional qualifications.

Audit Committee

On November 19, 2017, our board of directors approved the establishment of the Audit Committee and to appoint the following members: Dr. Modena, Mr. Lapidot (external director) and Ms. Solomon (external director).

On February 22, 2018 our board of directors resolved to appoint Ms. Orly Solomon as Chairman of the Audit Committee and to approve the Audit Committee Charter.

Pursuant to the Companies Law, the audit committee must be comprised of at least three (3) directors, including all of the external directors, and a majority of its members must be unaffiliated directors. An unaffiliated director is an external director or a director who is appointed or classified as such, and who meets the qualifications of an external director (other than the professional qualifications/accounting and financial expertise requirement), whom the audit committee has confirmed to meet the external director qualifications, and who has not served as a director of the company for more than nine (9) consecutive years (with any period of up to two (2) years during which such person does not serve as a director not being viewed as interrupting a nine-year period). For Israeli companies traded on certain foreign stock exchanges (which does not include the OTCQB), a director who qualifies as an independent director for the purposes of such director's membership on the audit committee in accordance with the rules of such stock exchange is also deemed to be an unaffiliated director under the Companies Law. Such person must meet the non-affiliation requirements as to relationships with the controlling shareholder (and any entity controlled by the controlling shareholder, other than the company and other entities controlled by the company) and must meet the nine-year requirement described above. Following the nine-year period, a director of an Israeli company traded on such foreign stock exchange may continue to be considered an unaffiliated director for unlimited additional periods of three (3) years each, provided the audit committee and the board of directors of the company confirm that, in light of the director's expertise and special contribution to the work of the board of directors and its committees, the reelection for such additional period is beneficial to the company.

Under the Companies Law, the audit committee may not include the chairman of the board, any director employed by the company or who regularly provides services to the company (other than as a board member), a controlling shareholder or any relative of the controlling shareholder, as each term is defined in the Companies Law. In addition, the audit committee may not include any director employed by the company's controlling shareholder or by a company controlled by such controlling shareholder, or who provides services to the company's controlling shareholder or a company controlled by such controlling shareholder, on a regular basis, or a director whose main livelihood is from the controlling shareholder. The chairman of the audit committee is required to be an external director.

Audit Committee Role

Our board of directors adopted an audit committee charter that sets forth the responsibilities of the audit committee as well as the requirements for such committee under the Israeli Companies Law, including the following:

- oversight of our independent registered public accounting firm and recommending the engagement, compensation or termination of engagement of our independent registered public accounting firm to the board of directors in accordance with Israeli law;
- recommending the engagement or termination of the person filling the office of our internal auditor; and
- recommending the terms of audit and non-audit services provided by the independent registered public accounting firm for pre-approval by our board of directors.

Our audit committee provides assistance to our board of directors in fulfilling its legal and fiduciary obligations in matters involving our accounting, auditing, financial reporting, internal control and legal compliance functions by pre-approving the services performed by our independent auditors and reviewing their reports regarding our accounting practices and systems of internal control over financial reporting. Our audit committee also oversees the audit efforts of our independent auditors and takes those actions that it deems necessary to satisfy itself that the auditors are independent of management.

Under the Israeli Companies Law, our audit committee is responsible for:

- determining whether there are deficiencies in the business management practices of our company, including in consultation with our internal auditor or the independent auditor, and making recommendations to the board of directors to improve such practices;

- determining whether to approve certain related party transactions (including transactions in which an office holder has a personal interest and whether such transaction is extraordinary or material under Israeli Companies Law) and establishing the approval process for certain transactions with a controlling shareholder or in which a controlling shareholder has a personal interest (see "— Approval of Related Party Transactions under Israeli Law");

- where the board of directors approves the working plan of the internal auditor, examining such working plan before its submission to the board of directors and proposing amendments thereto;

- examining our internal controls and internal auditor's performance, including whether the internal auditor has sufficient resources and tools to dispose of its responsibilities;

- examining the scope of our auditor's work and compensation and submitting a recommendation with respect thereto to our board of directors or shareholders, depending on which of them is considering the appointment of our auditor; and

- establishing procedures for the handling of employees' complaints as to deficiencies in the management of our business and the protection to be provided to such employees.

Our audit committee may not approve any actions requiring its approval (see "— Approval of Related Party Transactions under Israeli Law"), unless at the time of the approval a majority of the committee's members are present, which majority consists of unaffiliated directors including at least one external director.

Compensation Committee

On November 19, 2017, our board of directors approved the appointment of Mr. Lapidot, Ms. Solomon and Mr. Levy as members of the Compensation Committee.

On February 22, 2018, our board of directors resolved to appoint Ms. Orly Solomon as Chairman of the Compensation Committee and to approve the Compensation Committee Charter and Compensation Policy.

Under the Companies Law, the Compensation Committee is required to be comprised of at least three (3) directors, including all of the external directors. The additional members of the Compensation Committee must be directors that receive compensation subject to the provisions and limitations set forth in the regulations promulgated under the Companies Law. Under the Companies Law, an external director must serve as the chairman of the Compensation Committee.

Under the Companies Law, the external directors shall constitute a majority of the Compensation Committee.

The compensation committee's duties include, among other things, recommending compensation policies to the board of directors, overseeing compensation policy implementation, and ratifying the compensation of executive officers.

Compensation Policy under the Companies Law

In adopting the compensation policy, the Compensation Committee is required to take into account factors such as the office holder's education, experience, past compensation arrangements with the Company, and the proportional difference between the person's compensation and the average compensation of the Company's employees. The compensation policy must be approved at least once every three (3) years at the Company's general meeting of shareholders, and is subject to the approval of a majority vote of the shares present and voting at a shareholders meeting, provided that either:

- such majority includes at least a majority of the shares held by all shareholders who are not controlling shareholders and do not have a personal interest in such election (other than a personal interest which is not derived from a relationship with a controlling shareholder), present and voting at such meeting; or

- the total number of shares of non-controlling shareholders and shareholders who do not have a personal interest in such election (other than a personal interest which is not derived from a relationship with a controlling shareholder) voting against the approval of the compensation policy does not exceed 2% of the aggregate voting rights in the company.

Our board of directors approved and adopted the compensation policy on February 22, 2018.

The compensation policy serves as the basis for decisions concerning the financial terms of employment or engagement of executive officers and directors, including exculpation, insurance, indemnification or any monetary payment or obligation of payment in respect of employment or engagement. The compensation policy relates to certain factors, including advancement of the company's objectives, the company's business and its long-term strategy, and creation of appropriate incentives for executives. It also considers, among other things, the Company's risk management, size and the nature of its operations. The compensation policy furthermore considers the following additional factors:

- the knowledge, skills, expertise and accomplishments of the relevant director or executive;
- the director's or executive's roles and responsibilities and prior compensation agreements with him or her;
- the relationship between the terms offered to the relevant director or executive and the average compensation of the other employees of the company, including those employed through outsourcing firms;
- the impact of disparities in salary upon work relationships in the Company;
- the possibility of reducing variable compensation at the discretion of the board of directors, and the possibility of setting a limit on the exercise value of non-cash variable compensation; and
- as to severance compensation, the period of service of the director or executive, the terms of his or her compensation during such service period, the Company's performance during that period of service, the person's contribution towards the Company's achievement of its goals and the maximization of its profits, and the circumstances under which the person is leaving the company.

The compensation policy also includes the following principles:

- the link between variable compensation and long-term performance and measurable criteria;
- the relationship between variable and fixed compensation, and the ceiling for the value of variable compensation;
- the conditions under which a director or executive would be required to repay compensation paid to him or her if it was later shown that the data upon which such compensation was based was inaccurate and was required to be restated in the company's financial statements;
- the minimum holding or vesting period for variable, equity-based compensation while referring to appropriate a long-term perspective based incentives; and
- maximum limits for severance compensation.

The Compensation Committee is responsible for (a) recommending the compensation policy to the Company's board of directors for its approval (and subsequent approval by our shareholders) and (b) duties related to the compensation policy and to the approval of the terms of engagement of office holders, including:

- recommending whether a compensation policy should continue in effect, if the then-current policy has a term of greater than three (3) years (approval of either a new compensation policy or the continuation of an existing compensation policy must in any case occur every three (3) years);
- recommending to the board of directors periodic updates to the compensation policy;
- assessing implementation of the compensation policy; and
- determining whether the compensation terms of a proposed new Chief Executive Officer of the Company need not be brought to approval of the shareholders.

The Compensation Committee's duties include recommending compensation policies to the board of directors, overseeing compensation policy implementation, and ratifying the compensation of executive officers.

Compensation of Directors

Under the Companies Law, the compensation of our directors requires the approval of our Compensation Committee, the subsequent approval of the board of directors and, unless exempted under the regulations promulgated under the Companies Law, the approval of the shareholders at a general meeting. Where the director is also a controlling shareholder, the requirements for approval of transactions with controlling shareholders apply, as described below under "—Approval of Related Party Transactions under Israeli Law—Disclosure of Personal Interests of a Controlling Shareholder and Approval of Acts and Transactions."

The directors are also entitled to be paid reasonable travel, hotel and other expenses expended by them in attending board meetings and performing their functions as directors of the Company, all of which is to be determined by the board of directors.

External directors are entitled to remuneration subject to the provisions and limitations set forth in the regulations promulgated under the Companies Law.

Internal Auditor

Under the Companies Law, we are required to appoint an internal auditor recommended by the audit committee and appointed by the board of directors. As of the date of this annual report, the board of directors has not appointed an internal auditor, and the Company is therefore not currently in compliance with the requirements of the Companies Law. Due to such non-compliance with the Companies Law, the Company may be subject to third parties' and/or shareholders' claims under the Israeli Torts Ordinance.

An internal auditor may not be:

- a person (or a relative of a person) who holds more than 5% of the Company's outstanding shares or voting rights;
- a person (or a relative of a person) who has the power to appoint a director or the general manager of the Company;
- an office holder or director of the Company; or
- a member of the Company's independent accounting firm, or anyone on its behalf.

The role of the internal auditor is to examine, among other things, our compliance with applicable law and orderly business procedures. The audit committee is required to oversee the activities and to assess the performance of the internal auditor as well as to review the internal auditor's work plan.

Certain Service Contracts

We have not entered into service contracts with any of our directors providing for benefits upon termination of service.

Approval of Related Party Transactions under Israeli Law

Fiduciary duties of office holders

The Companies Law imposes a duty of care and a duty of loyalty on all office holders of a company. The duty of care of an office holder is based on the duty of care set forth in connection with the tort of negligence under the Israeli Torts Ordinance (New Version) 5728-1968. This duty of care requires an office holder to act with the degree of proficiency with which a reasonable office holder in the same position would have acted under the same circumstances. The duty of care includes a duty to use reasonable means, in light of the circumstances, to obtain information on the advisability of a given action brought for his or her approval or performed by virtue of his or her position and all other important information pertaining to these actions.

The duty of loyalty requires an office holder to act in good faith and for the benefit of the company, and includes the duty to:

- refrain from any act involving a conflict of interest between the performance of his or her duties in the company and his or her other duties or personal affairs;
- refrain from any activity that is competitive with the business of the company;
- refrain from exploiting any business opportunity of the company for the purpose of gaining a personal advantage for himself or herself or others; and
- disclose to the company any information or documents relating to the company's affairs which the office holder received as a result of his or her position as an office holder.

We may approve an act performed in breach of the duty of loyalty of an office holder provided that the office holder acted in good faith, the act or its approval does not harm the company, and the office holder discloses his or her personal interest, as described below.

Disclosure of personal interests of an office holder and approval of acts and transactions

The Companies Law requires that an office holder promptly disclose to the company any personal interest that he or she may have and all related material information or documents relating to any existing or proposed transaction by the company. An interested office holder's disclosure must be made promptly and in any event no later than the first meeting of the board of directors at which the transaction is considered. An office holder is not obliged to disclose such information if the personal interest of the office holder derives solely from the personal interest of his or her relative in a transaction that is not considered an extraordinary transaction.

The term personal interest is defined under the Companies Law to include the personal interest of a person in an action or in the business of a company, including the personal interest of such person's relative or the interest of any corporation in which the person is an interested party, but excluding a personal interest stemming solely from the fact that such person holds shares in the company. A personal interest furthermore includes the personal interest of a person for whom the office holder holds a voting proxy or the interest of the office holder with respect to his or her vote on behalf of the shareholder for whom he or she holds a proxy even if such shareholder itself has no personal interest in the approval of the matter. An office holder is not, however, obliged to disclose a personal interest if it derives solely from the personal interest of his or her relative in a transaction that is not considered an extraordinary transaction.

Under the Companies Law, an extraordinary transaction that requires approval is defined as any of the following:

- a transaction other than in the ordinary course of business;
- a transaction that is not on market terms; and
- a transaction that may have a material impact on the company's profitability, assets or liabilities.

Under the Companies Law, once an office holder has complied with the disclosure requirement described above, a company may approve a transaction between the company and the office holder or a third party in which the office holder has a personal interest, or approve an action by the office holder that would otherwise be deemed a breach of duty of loyalty. However, a company may not approve a transaction or action that is adverse to the company's interest or that is not performed by the office holder in good faith.

Under the Companies Law, unless the articles of association of a company provide otherwise, a transaction with an office holder, a transaction with a third party in which the office holder has a personal interest, and an action of an office holder that would otherwise be deemed a breach of duty of loyalty requires approval by the board of directors. Our Articles of Association do not provide otherwise. If the transaction or action considered is (i) an extraordinary transaction, (ii) an action of an office holder that would otherwise be deemed a breach of duty of loyalty and may have a material impact on a company's profitability, assets or liabilities, (iii) an undertaking to indemnify or insure an office holder who is not a director, or (iv) for matters considered an undertaking concerning the terms of compensation of an office holder who is not a director, including, an undertaking to indemnify or insure such office holder, then audit committee approval is required prior to approval by the board of directors, if the Company has an audit committee. Arrangements regarding the compensation, indemnification or insurance of a director require the approval of the audit committee, if there is one, the board of directors and shareholders, in that order.

A director who has a personal interest in a matter that is considered at a meeting of the board of directors may generally not be present at the meeting or vote on the matter unless a majority of the directors have a personal interest in the matter, or, unless the chairman of the board of directors determines that he or she should be present to present the transaction that is subject to approval. If a majority of the directors have a personal interest in the matter, such matter also requires approval of the shareholders of the company.

Pursuant to the Companies Law, public company compensation arrangements such as insurance, indemnification or exculpation arrangements with office holders who are not the Chief Executive Officer or a director require compensation committee approval and subsequent approval by the board of directors. Compensation arrangements must comply with the compensation policy of the company.

In special circumstances, the compensation committee and the board of directors may approve compensation arrangements that do not match the compensation policy of the company, subject to the approval of a majority vote of the shares present and voting at a shareholders meeting, provided that either: (a) such majority includes at least a majority of the shares held by all shareholders who are not controlling shareholders and do not have a personal interest in such compensation arrangement; or (b) the total number of shares of non-controlling shareholders and shareholders who do not have a personal interest in the compensation arrangement and who vote against the arrangement does not exceed two percent of the company's aggregate voting rights, or Special Majority Vote for Compensation. In the event that the Special Majority Vote for Compensation is not obtained, the compensation committee and the board of directors may reconsider the compensation arrangement and approve it, after a detailed review.

Pursuant to the Companies Law, public company compensation arrangements with the Chief Executive Officer require compensation committee approval, approval by the board of directors and Special Majority for Compensation approval at the shareholders' meeting. Compensation arrangements with the Chief Executive Officer must comply with the compensation policy of the company. In the event that Special Majority Vote for Compensation is not obtained, then the compensation committee and the board of directors may reconsider the compensation arrangement and approve it after a detailed review. Notwithstanding the above, the compensation committee is authorized to refrain from submitting a proposed compensation arrangement with a Chief Executive Officer candidate for shareholder approval, if (a) doing so would jeopardize the company's engagement of the candidate and (b) the proposed arrangement complies with the company's compensation policy.

With respect to amending an existing compensation arrangement, only the approval of the compensation committee is required, provided the committee determines that the amendment is not material in relation to the existing compensation arrangement. With respect to amending an existing related-party transaction, only the approval of the audit committee is required, provided the committee determines that the amendment is not material in relation to the existing arrangement.

Compensation arrangements with directors who are not controlling shareholders, including compensation arrangements with directors in their capacities as executive officers, (unless exempted under the applicable regulations), require the approval of the compensation committee, the board of directors and the company's shareholders, in that order.

Disclosure of personal interests of a controlling shareholder and approval of acts and transactions

Pursuant to the Companies Law, the disclosure requirements regarding personal interests that apply to directors and executive officers also apply to a controlling shareholder of a public company. A controlling shareholder is a shareholder who has the ability to direct the activities of a company, including a shareholder who holds 25% or more of the voting rights if no other shareholder holds more than 50% of the voting rights. For this purpose, the holdings of all shareholders who have a personal interest in the same transaction will be aggregated.

An extraordinary transaction between a public company and a controlling shareholder, or in which a controlling shareholder has a personal interest, and the terms of any compensation arrangement of a controlling shareholder who is an office holder or his relative, require the approval of a company's audit committee (or compensation committee with respect to compensation arrangements), board of directors and shareholders, in that order. In addition, the shareholder approval must fulfill one of the following requirements:

- at least a majority of the voting rights in the company held by shareholders who have no personal interest in the transaction and who are present and voting at the general meeting, must be voted in favor of approving the transaction (for this purpose, abstentions are disregarded); or

- the voting rights held by shareholders who have no personal interest in the transaction and who are present and voting at the general meeting, and who vote against the transaction, do not exceed 2% of the voting rights in the company.

To the extent that any such transaction with a controlling shareholder or his relative is for a period extending beyond three (3) years, shareholder approval is required once every three (3) years, unless, in respect to certain transactions, the audit committee determines that the duration of the transaction is reasonable under the circumstances.

Pursuant to regulations adopted under the Companies Law, a transaction with a controlling shareholder that would otherwise require approval of the shareholders is exempt from shareholders' approval if the audit committee and the board of directors determine that the transaction is on market terms and in the ordinary course of business and does not otherwise harm the company. Under these regulations, a shareholder holding at least 1% of the issued share capital of the company may require, within 14 days of the publication of such determination, that despite such determination by the audit committee and the board of directors, such transaction will require shareholder approval under the same majority requirements that otherwise apply to such transactions.

Duties of Shareholders

Under the Companies Law, a shareholder has a duty to refrain from abusing its power in the company and to act in good faith and in an acceptable manner in exercising its rights and performing its obligations to the company and other shareholders, including, among other things, voting at general meetings of shareholders on the following matters:

- an amendment to the company's articles of association;
- an increase in the company's authorized share capital;
- a merger; and
- the approval of related party transactions and acts of office holders that require shareholder approval.

A shareholder also has a general duty to refrain from discriminating against other shareholders.

The remedies generally available upon a breach of contract will also apply to a breach of the above mentioned duties, and in the event of discrimination against other shareholders, additional remedies are available to the injured shareholder.

In addition, any controlling shareholder, any shareholder that knows that its vote can determine the outcome of a shareholder vote and any shareholder that, under a company's articles of association, has the power to appoint or prevent the appointment of an office holder, or has another power with respect to a company, is under a duty to act with fairness towards the company. The Companies Law does not describe the substance of this duty except to state that the remedies generally available upon a breach of contract will also apply in the event of a breach of the duty to act with fairness, taking the shareholder's position in the company into account.

Exculpation, Insurance and Indemnification of Office Holders

Under the Companies Law, a company may not exculpate an office holder from liability for a breach of the duty of loyalty. An Israeli company may exculpate an office holder in advance from liability to the company, in whole or in part, for damages caused to the company as a result of a breach of duty of care but only if a provision authorizing such exculpation is inserted in its articles of association. Our Articles of Association include such a provision. An Israeli company may not exculpate a director from liability arising out of a prohibited dividend or distribution to shareholders.

An Israeli company may indemnify an office holder in respect of the following liabilities and expenses incurred for acts performed as an office holder, either in advance of an event or following an event, provided a provision authorizing such indemnification is contained in its articles of association:

- financial liability imposed on him or her in favor of another person pursuant to a judgment, settlement or arbitrator's award approved by a court (except that, if an undertaking to indemnify an office holder with respect to such liability is provided in advance, then such an undertaking must be limited to events which, in the opinion of the board of directors, can be foreseen based on the company's activities when the undertaking to indemnify is given, and to an amount or according to criteria determined by the board of directors as reasonable under the circumstances, and such undertaking shall detail the abovementioned events and amount or criteria);
- reasonable litigation expenses, including attorneys' fees, incurred by the office holder: (1) as a result of an investigation or proceeding instituted against him or her by an authority authorized to conduct such investigation or proceeding (provided that (i) no indictment was filed against such office holder as a result of such investigation or proceeding; and (ii) no financial liability, such as a criminal penalty, was imposed upon him or her as a substitute for the criminal proceeding as a result of such investigation or proceeding or, if such financial liability was imposed, it was imposed with respect to an offense that does not require proof of criminal intent); and (2) in connection with a monetary sanction; and
- reasonable litigation expenses, including attorneys' fees, incurred by the office holder or imposed by a court in proceedings instituted against him or her by the company, on its behalf or by a third party or in connection with criminal proceedings in which the office holder was acquitted or as a result of a conviction for an offense that does not require proof of criminal intent.

An Israeli company may insure an office holder against the following liabilities incurred for acts performed as an office holder if and to the extent provided in the company's articles of association:

- a breach of duty of loyalty to the company, to the extent that the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the company;
- a breach of duty of care to the company or to a third party, including a breach arising out of the negligent conduct of the office holder; and
- a financial liability imposed on the office holder in favor of a third party.

An Israeli company may not indemnify or insure an office holder against any of the following:

- a breach of duty of loyalty, except to the extent that the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the company;
- a breach of duty of care committed intentionally or recklessly, excluding a breach arising out of the negligent conduct of the office holder;
- an act or omission committed with intent to derive illegal personal benefit; or
- a civil fine, monetary sanction or forfeit levied against the office holder.

Under the Companies Law, exculpation, indemnification and insurance of office holders must be approved by the audit committee (if any) and the board of directors and, with respect to directors, by shareholders.

Pursuant to the Israeli Securities Law, 5728-1968, or the Israeli Securities Law, and the Companies Law, the Israeli Securities Authority may impose administrative sanctions against companies like ours, and their office holders, for certain violations of the Israeli Securities Law or the Companies Law. These sanctions include monetary sanctions and certain restrictions on serving as a director or senior officer of a public company for certain periods of time. The amendments to the Israeli Securities Law and to the Companies Law provide that only certain types of such liabilities may be reimbursed by indemnification and insurance. Specifically, legal expenses (including attorneys' fees) incurred by an individual in the applicable administrative enforcement proceeding and certain compensation payable to injured parties for damages suffered by them are permitted to be reimbursed via indemnification or insurance, provided that such indemnification and insurance are authorized by the company's articles of association, and receive the requisite corporate approvals. Pursuant to the Israeli Securities Law and the Companies Law, only certain types of such liabilities may be reimbursed by indemnification and insurance. Specifically, legal expenses (including attorneys' fees) incurred by an individual in the applicable administrative enforcement proceeding and any compensation payable to injured parties for damages suffered by them (as described in the immediately preceding paragraph) are permitted to be reimbursed via indemnification or insurance, provided that such indemnification and insurance are authorized by the company's articles of association.

Our Articles of Association allow us to insure our office holders, to the extent fully permitted by law (including any expansion thereof), for any liability imposed on them as a consequence of an act (including any omission) which was performed by virtue of being an office holder. Our Articles of Association also allow us to provide insurance in connection with administrative enforcement proceedings, including without limitation, the proceedings described above.

Our office holders are currently covered by a directors and officers' liability insurance policy. As of the date of this annual report, no claims for directors' and officers' liability insurance have been filed under this policy and we are not aware of any pending or threatened litigation or proceeding involving any of our directors or officers in which indemnification is sought. Pursuant to the approval of our shareholders, we carry directors' and officers' insurance covering each of our directors and executive officers for acts and omissions.

We have entered into indemnification agreements with each of our directors exculpating them from a breach of their duty of care to us to the fullest extent permitted by law, subject to limited exceptions. This indemnification is limited to events determined as foreseeable by the board of directors based on our activities, and to an amount or according to criteria determined by the board of directors as reasonable under the circumstances. We intend to enter into new agreements with each of our directors and executive officers exculpating them from liability to us for damages caused to us as a result of a breach of duty of care and undertaking to indemnify them, in each case, to the fullest extent permitted by our amended and restated articles of association to be effective upon the effectiveness of our registration statement and the Israeli Companies Law, including with respect to liabilities resulting from this offering to the extent that these liabilities are not covered by insurance. The maximum aggregate amount of indemnification that we may pay to all of our directors and office holders together based on the indemnification agreement is $5,000,000. Such indemnification amounts will be in addition to any amounts available under our directors' and office holders' liability insurance policy.

There is no pending litigation or proceeding against any of our directors or officers as to which indemnification is being sought, nor are we aware of any pending or threatened litigation that may result in claims for indemnification by any director or officer.

D. Employees.

As of December 31, 2017, we had 10 full time employees, 1 part time employee in PVN and 8 full time employees in Digiflex, located in Israel. There is one additional employee in the United States, employed by Digiflex Inc. Israeli labor laws govern the length of the workday, minimum wages for employees, procedures for hiring and dismissing employees, determination of severance pay, annual leave, sick days, advance notice of termination of employment, equal opportunity and anti-discrimination laws and other conditions of employment of our Israeli employees. Subject to certain exceptions, Israeli law generally requires severance pay upon the retirement, death or dismissal of an employee, and requires us and our employees to make payments to the National Insurance Institute, which is similar to the U.S. Social Security Administration. Our Israeli employees have pension plans in accordance with the applicable Israeli legal requirements.

While none of our employees are party to any collective bargaining agreements, certain provisions of the collective bargaining agreements between the Histadrut (General Federation of Labor in Israel) and the Coordination Bureau of Economic Organizations (including the Industrialists' Associations) are applicable to our employees by extension orders issued by the Israeli Ministry of Industry, Trade and Labor. These provisions primarily concern the length of the workday, minimum daily wages for professional workers, pension fund benefits for all employees, insurance for work-related accidents, procedures for dismissing employees, determination of severance pay and other conditions of employment. We generally provide our employees with benefits and working conditions beyond the required minimums.

E. Share Ownership.

Beneficial Ownership of Senior Management and Directors

The following table sets forth information regarding the beneficial ownership of our outstanding Ordinary Shares as of April 30, 2018, of each of our directors and executive officers individually and as a group based on information provided to us by our directors and executive officers. The information in this table is based on 22,998,386 Ordinary Shares outstanding as of such date. The number of Ordinary Shares beneficially owned by a person includes Ordinary Shares subject to options or warrants held by that person that were currently exercisable at, or exercisable within 60 days of, April 30, 2018. The Ordinary Shares issuable under these options and warrants are treated as if they were outstanding for purposes of computing the percentage ownership of the person holding these options and warrants but not the percentage ownership of any other person. None of the holders of the Ordinary Shares listed in this table have voting rights different from other holders of the Ordinary Shares.

	No. of Shares Beneficially Owned	Percentage Owned
Executive officers and directors:		
Dr. Fernando de la Vega	1,566,565(1)	6.74
Steven Hsieh	1,320,002(2)	5.91
Dr. Astorre Modena	5,883,852(3)	25.28
Dr. Harold Wiener	5,883,852(3)	25.28
Evyatar Cohen	*	*
Menachem Biran	50,001(4)	*
Eyal Shpilberg	-	-
Shai Levy	-	-
Ido Lapidot	-	-
Orly Solomon	-	-
Anat Eshed	-	-

(1) Includes options to purchase 230,425 Ordinary Shares exercisable within 60 days of April 30, 2018 and 222,690 ordinary shares held in trust by Eli Klein for Dr. Fernando de la Vega.

(2) Includes 120,000 Ordinary Shares issuable upon the exercise of outstanding options exercisable within 60 days of April 30, 2018. Steven Hsieh is a Managing Director of Infinity Group, the parent company of Infinity IP Bank International (Suzhou) Co., Ltd. Steven Hsieh has sole voting and dispositive power over all shares owned by Infinity IP Bank International (Suzhou) Co., Ltd.

(3) Includes 271,960 ordinary shares issuable upon the exercise of Warrants and exercisable within 60 days of April 30, 2018. The shares listed as beneficially owned by Terra Venture Partners, or Terra, are held of record by Terra Venture Partners S.C.A. Sicar and Terra Venture Partners, L.P. Dr. Harold Wiener is a General Partner of Terra Ventures Partners, the manager of Terra Venture Partners S.C.A. Sicar and Terra Venture Partners, L.P. Dr. Harold Wiener has shared voting and dispositive power over all shares owned by Terra.

(4) Includes 50,001 ordinary shares issuable upon the execution of outstanding options exercisable within 60 days of April 30, 2018. Menachem Biran's employment with the Company was terminated on February 15, 2018. Pursuant to his option agreements, Mr. Biran may exercise the vested options up to 5 years post-termination.

* Represents beneficial ownership amount of less than 1%.

See "—Incentive Compensation Plan," below for information regarding options held by our senior management and directors.

Incentive Compensation Plan

The purpose of the Plan is to serve as an incentive to attract new employees, directors, consultants and service providers, and to retain persons of training, experience and ability by providing them with opportunities to purchase securities, including shares of the Company, pursuant to the Plan, as approved by the board of directors of the Company. As of December 31, 2017, a total of 193,803 Ordinary Shares were reserved for issuance under the Plan, of which options to purchase 728,287 Ordinary Shares were issued, outstanding and exercised thereunder. The number of Ordinary Shares reserved for issuance under the Plan may be changed from time to time in the sole discretion of the board of directors.

The Plan is administered by our board of directors, provided that the board of directors may delegate responsibility for the administration of the Plan to a committee designated by the board of directors. The board of directors has authority to: designate grantees of awards under the Plan and the terms of any award granted, including the type of securities to be granted, the vesting terms of any securities granted, and any restrictions on transfer of any securities granted under the Plan.

Pursuant to the Plan, the Company may (1) grant awards of securities under the Plan under the capital gains track pursuant to Section 102 of the Israeli Income Tax Ordinance, or the Ordinance, to our directors, officers and employees who are not holders of 10% or more of our total share capital and are not otherwise controlling shareholders, and (2) grant awards pursuant to Section 3(i) of the Ordinance to non-employee Israeli service providers, consultants and shareholders who hold 10% or more of our total share capital or are otherwise controlling shareholders.

Section 102 of the Ordinance allows employees, directors and officers, who are not controlling shareholders and are considered Israeli residents, to receive favorable tax treatment for compensation in the form of shares or options. Our non-employee Israeli service providers, consultants and controlling shareholders, which includes any shareholder holding 10% or more of the Company's Ordinary Shares on a fully diluted basis, may only be granted options under Section 3(i) of the Ordinance, which does not provide for similar tax benefits. Section 102 of the Ordinance includes two alternatives for tax treatment involving the issuance of options or shares to a trustee for the benefit of the grantees and also includes an additional alternative for the issuance of options or shares directly to the grantee. Section 102(b)(2) of the Ordinance, the most favorable tax treatment for grantees, permits the issuance to a trustee under the "capital gains" track. However, under this track we are not allowed to deduct any expense with respect to the issuance of the options or shares. In order to comply with the terms of the capital gains track, all options granted under the Plan pursuant and subject to the provisions of Section 102 of the Ordinance, as well as the Ordinary Shares issued upon exercise of these options and other shares received subsequently following any realization of rights with respect to such options, such as share dividends and share splits, must be granted to a trustee for the benefit of the relevant employee, director or officer and should be held by the trustee for at least two (2) years after the date of the grant. If such options or shares are sold by the trustee or are transferred to the grantee before the end of the two-year period, then the grantee would be taxed at top marginal rates upon selling the shares.

Options granted under the Plan will vest in accordance with the vesting dates determined by the board of directors with respect to each grant. Options that are not exercised within seven years from the grant date will expire, unless a shorter or longer term is provided for by the board of directors. Generally, if we terminate a grantee's employment or services to the Company, all options granted to such grantee that are then vested will be exercisable for a period of six (6) months after the termination date (unless a shorter period is determined by the board of directors) or, if earlier, the expiration date of such options. If we terminate a grantee's employment or service for cause, all of the grantee's vested and unvested unexercised options will expire and terminate on the date of termination. In case of termination for reasons of disability or death, the grantee or his legal successor may exercise options that have vested prior to termination within a period of twelve (12) months from the date of disability or death.

In the event of a merger or consolidation of our company subsequent to which we would no longer exist as a legal entity, or a sale of all, or substantially all, of our Ordinary Shares or assets or other transaction having a similar effect on us, the Company will seek to cause the acquirer in such transaction to substitute all outstanding and unexercised options under the Plan for an appropriate number of the same type of shares or other securities of the successor company as were distributed to the Company or the shareholders in connection with such transaction. If the acquirer refuses to substitute the options, unvested options held by any grantee will vest in accordance with the following formula: X+Y*X/Z, where X = the number of vested options held by the grantee, Y = the number of unvested options held by the grantee, and Z = the number of options held by the grantee.

As of December 31, 2017, we have granted to our senior management and directors options to purchase up to 590,425 Ordinary Shares under the Plan, as follows.

Name	Number of Options Held	Option Exercise Price		Option Grant Date	Option Expiration Date
Dr. Fernando de la Vega	230,425(1)	NIS	0.01	May 23, 2013	May 23, 2023
Dr. Fernando de la Vega	20,000(2)	USD	0.917	Nov. 19, 2017	Nov. 19, 2024
Dr. Astorre Modena	20,000(2)	USD	0.917	Nov. 19, 2017	Nov. 19, 2024
Ido Lapidot	20,000(2)	USD	0.917	Nov. 19, 2017	Nov. 19, 2024
Shai Levy	20,000(2)	USD	0.917	Nov. 19, 2017	Nov. 19, 2024
Orly Solmon	20,000(2)	USD	0.917	Nov. 19, 2017	Nov. 19, 2024
Eyal Shpilberg	140,000(3)	USD	0.917	Nov. 19, 2017	Nov. 19, 2024
Evyatar Cohen	120,000(4)	USD	0.917	Nov. 19, 2017	Nov. 19, 2024

(1) Fully Vested. On November 19, 2017 we extended the expiration date of such granted options by an additional three (3) years.
(2) 6,666 options to vest on December 31, 2018; 13,334 options to vest quarterly over the 2 years thereafter.
(3) 46,666 options to vest on December 31, 2018; 93,334 options to vest quarterly over the 2 years thereafter.
(4) 3,341 options to vest on November 30, 2017; and an additional 3,333 options to vest at the last calendar day of each calendar month thereafter until October 31, 2019. 1,682 options to vest at the last calendar day of the first calendar month following the filing of the Company's Form 20-F for the year ended December 31, 2017; and an additional 1,666 options to vest at the last calendar day of each calendar month thereafter over 23 additional months. In the event of termination of Evyatar Cohen's continuous service for any reason, except for cause, he may choose within six (6) months after the date of such termination, with respect to all options granted to him which have become vested prior to such termination date, to: (a) exercise all vested options in accordance with the provisions of the plan, after paying the applicable purchase price of each vested option; or (b) exercise only 50% of the vested options, at a purchase price per share of NIS 0.01, and the remaining vested options shall expire immediately and he shall have no further rights with respect thereto.

ITEM 7. Major Shareholders and Related Party Transactions.

A. Major Shareholders.

The following table sets forth certain information regarding the beneficial ownership of our outstanding ordinary shares as of April 30, 2017, by each person or entity known to beneficially own 5% or more of our outstanding ordinary shares. The information with respect to beneficial ownership of the ordinary shares is given based on information reported in such shareholder's Schedule 13G, and if no Schedule 13G was filed, based on the information provided to us by the shareholders.

The information in this table is based on 22,998,386 Ordinary Shares outstanding as of such date. In determining the number of ordinary shares beneficially owned by a person, we include any shares as to which the person has sole or shared voting power or investment power, as well as any ordinary shares subject to options or warrants held by that person that were currently exercisable at, or exercisable within 60 days of April 30, 2017. The Ordinary Shares issuable under these options and warrants are treated as if they were outstanding for purposes of computing the percentage ownership of the person holding these options and warrants but not the percentage ownership of any other person. None of the holders of the ordinary shares listed in this table have voting rights different from other holders of ordinary shares.

To the best of our knowledge, we are not owned or controlled, directly or indirectly, by another corporation or by any foreign government. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our Company.

We believe that the shareholders named in this table have sole voting and investment power with respect to all shares shown to be beneficially owned by them, based on information provided to us by such shareholders.

	No. of Shares Beneficially Owned	Percentage Owned
Holders of more than 5% of our voting securities:		
Dr. Fernando de la Vega	1,566,565(1)	6.74%
Steven Hsieh	1,320,002(2)	5.91%
Hermetic Trust (1975) Ltd. (in trust for Israel Electric Corporation, Ltd.)	1,278,166(3)	5.56%
Slobel NV	2,078,841(4)	8.84%
Dr. Astorre Modena	5,883,852(5)	25.28%
Dr. Harold Wiener	5,883,852(5)	25.28%
Teuza – A Fairchild Technology Venture Ltd.	1,783,593(6)	7.73%
Legov Ltd.	1,768,619(7)	7.68%
Jet CU P.C.B. Ltd.	1,692,615(8)	7.14%

(1) Includes options to purchase 230,425 ordinary shares exercisable within 60 days of April 30, 2018 and 222,690 ordinary shares held in trust by Eli Klein for Dr. Fernando de la Vega.
(2) Includes 120,000 ordinary shares issuable upon the exercise of outstanding options exercisable within 60 days of April 30, 2018. Steven Hsieh is a Managing Director of Infinity Group, the parent company of Infinity IP Bank International (Suzhou) Co., Ltd. Steven Hsieh has sole voting and dispositive power over all shares owned by Infinity IP Bank International (Suzhou) Co., Ltd.
(3) Hermetic Trust (1975) Ltd. has sole voting and dispositive power over all shares held by Hermetic Trust (1975) Ltd. in trust for Israel Electric Corporation Ltd.
(4) Includes 516,568 ordinary shares issuable upon the exercise of Warrants exercisable within 60 days of April 30, 2018.
(5) Includes 271,960 ordinary shares issuable upon the exercise of Warrants and exercisable within 60 days of April 30, 2018. The shares listed as beneficially owned by Terra Venture Partners or Terra are held of record by Terra Venture Partners S.C.A. Sicar and Terra Venture Partners, L.P. Each of Dr. Astorre Modena and Dr. Harold Wiener is a General Partner of Terra Ventures Partners, the manager of Terra Venture Partners S.C.A. Sicar and Terra Venture Partners, L.P. Each of Dr. Astorre Modena and Dr. Harold Wiener has shared voting and dispositive power over all shares owned by Terra.
(6) Includes 70,800 Ordinary Shares issuable upon the exercise of Warrants exercisable within 60 days of April 30, 2018.
(7) Includes 40,000 Ordinary Shares issuable upon the exercise of Warrants exercisable within 60 days of April 30, 2018.
(8) Includes 700,000 Ordinary Shares issuable upon the exercise of Warrants exercisable within 60 days of April 30, 2018.

The Company has 20 U.S. shareholders, comprising of 10.12% of the Company's outstanding ordinary shares [(1)].

(1) Shares held by Cede & Co. are held on behalf of multiple shareholders, the identity of whom we do not know, and therefore they were not taken into account in the above calculation.

B. Related Party Transactions.

The following is a description of the material terms of all transactions between us and certain related parties. Except as described below, since January 1, 2017, we have not entered into any transactions with (a) any enterprises that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, us; (b) our associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the company, and close members of any such individual's family; (d) our executive officers and directors; and (e) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence.

IEC Convertible Loan Agreement. On October 2010, we entered into a Convertible Loan Agreement with IEC, which is currently a significant shareholder, which agreement was amended on April 2012. Pursuant to this agreement, IEC loaned us an aggregate amount of NIS 3,000,000 ($865,301 based on the exchange rate of $1.00 / NIS 3.467 in effect as of December 31, 2017) at an interest rate of 8% per annum. In April 2013, we entered into a Share Purchase Agreement with IEC pursuant to which the aggregate principal amount of such loan and all accrued but unpaid interest thereon were converted into 172,190 Series B-1 Preferred Shares. On November 26, 2014, as part of the Private Placement these shares were converted into our Ordinary Shares and following the shares split IEC holds 1,278,166. Pursuant to the terms of the Convertible Loan Agreement, IEC is also entitled to royalty payments equal to 2% of net sales of the Company's products, up to an aggregate of NIS 8,000,000 ($2,307,470 based on the exchange rate of $1.00 / NIS 3.467 in effect as of December 31, 2017). In addition, for a period of 10 years from the date of the first commercial sale of our products, IEC will be entitled to purchase our products, licenses and services, at prices which are at the lowest rate then offered or provided by the Company to any of its other customers for the same products, licenses or services (excluding demonstration units, pilot units, samples, and other customary promotional discounts which are sporadic in nature and do not represent on-going commercial basis prices with respect to the client), given similar quantities and commercial conditions.

IPB Side Agreement. On July 17, 2014, we entered into an agreement with IPB in connection with the termination agreement described above. Pursuant to this side agreement, we agreed to issue to IPB, upon the Initial Closing, a Warrant to purchase up to 120,000 ordinary shares at an exercise price of $0.917 per share. Such Warrant will be exercisable until the first to occur of an M&A Event (as defined in the Articles of Association) or the completion by us of a public offering pursuant to a registration statement under the Securities Act or any equivalent law of another jurisdiction, in any locality, with a fully diluted pre-offering valuation of the Company of no less than $70,000,000 and with net proceeds to the Company of no less than $10,000,000, or a Qualified IPO. In addition, pursuant to this side agreement, we have issued to IPB a note in the aggregate principal amount of $100,000 (the "Capital Note"), which note will become due and payable upon the earlier to occur of: (i) an M&A Transaction, (ii) a Qualified IPO or (iii) an equity financing by the Company resulting in aggregate gross proceeds of at least $6,000,000 (excluding our most recent private placement, and the conversion of the Series 2 Notes).

Employment and Services Agreements. Employment and services agreements entered into with our senior managers, as described above under "Item 6. Directors, Senior Management and Employees—Compensation—Employment or Service Agreements with Senior Managers."

Indemnification Agreements with Directors and Senior Managers. Customary indemnification agreements with our directors and senior managers, as described above under "Item 6. Directors, Senior Management and Employees – Board Practices —Exculpation, Insurance and Indemnification of Office Holders."

Option Agreement with Directors and Senior Managers. Option Agreements entered into with our directors and senior managers, as described above under "Item 6. Directors, Senior Management and Employees —Share Ownership—Incentive Compensation Plan".

Securities Purchase Agreement with Terra and Slobel. On August 16, 2017 Terra, Slobel and certain existing shareholders entered into a Securities Purchase Agreement, pursuant to which they purchased 433,333 warrants to purchase ordinary shares in consideration for $393,939.

Share Purchase Agreement with Jet CU. On December 27, 2017, we entered into a Share Purchase Agreement with Jet CU, as supplemented by that certain Supplement to Share Purchase Agreement dated January 3, 2018, pursuant to which we received aggregate gross proceeds of $992,615 from Jet CU in exchange for 992,615 ordinary shares and a warrant to purchase 300,000 ordinary shares at an exercise price of $0.50 per share. The warrants may be exercised, in whole or in part, for a period of five (5) years, i.e. until January 3, 2023.

Loan Agreement with Jet CU. On March 8, 2018, we entered into a Share Purchase Agreement with Jet CU, pursuant to which Jet CU provided us with a convertible loan in an aggregate principal amount of $150,000 and received from us warrants to purchase 400,000 Ordinary Shares at an exercise price of $0.50 per share. The loan amount bears interest of 5% per annum. The warrants may be exercised, in whole or in part, for a period of five (5) years, i.e. until March 8, 2023. Jet CU may receive warrants to purchase an additional 200,000 Ordinary Shares at an exercise price of $0.50 per share, if the price of our Ordinary Shares by the end of December 2018 is lower than $1.00.

We believe that we have executed all of our transactions with related parties on terms no less favorable to us than those we could have obtained from unaffiliated third parties. We are required by Israeli law to ensure that all future transactions between us and our officers, directors and principal shareholders and their affiliates are approved by a majority of our board of directors, including a majority of the independent and disinterested members of our board of directors, and that they are on terms no less favorable to us than those that we could obtain from unaffiliated third parties.

C. Interests of Experts and Counsel.

Not applicable.

ITEM 8. Financial Information.

A. Consolidated Financial Statements and Other Financial Information.

See "Item 18. Financial Statements" for a list of all financial statements filed as part of this Annual Report on Form 20-F.

Legal Matters

On December 31, 2017, a lawsuit captioned Eshed Consulting and Financial Management Ltd. vs. P.V. Nano Cell Ltd., Claim No. 64342-12-17, was filed in the Magistrate Court in Nazareth in Israel. The complaint alleges that the Company owes Eshed, a total amount of NIS 120,000 in fees for professional financial services Eshed allegedly provided to the Company. The Company is disputing such claims and claims it has paid in full for the financial services it received from Eshed. A hearing has been scheduled for June 3, 2018.

On March 11, 2018, a lawsuit captioned Reinhold Cohn & Co. vs. (1) Digiflex Ltd. and (2) P.V. Nano Cell Ltd., Claim No. 21766-03-18, was filed in the Magistrate Court in Kfar Saba in Israel. The complaint alleges that the Company owes Reinhold Cohn NIS 80,298 in fees for various services involving the protection of the Company's intellectual property rights by way of registration of patents worldwide, including in the United States, Canada and Europe. The Company does not dispute the debt and intends to make full payment thereof.

Dividend Policy

We have never declared or paid any cash dividends on our ordinary shares and do not anticipate paying any cash dividends 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 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.

Payment of dividends may also be subject to Israeli withholding taxes. See "Item 10. Additional Information—E. Taxation—Certain Israeli Tax Considerations" for additional information.

B. Significant Changes.

No significant changes with respect to our consolidated financial statements have occurred since December 31, 2017.

ITEM 9. The Offer and Listing.

9.A.4 Offer and Listing Details

There is currently no public trading market for our Ordinary Shares.

9.B. Plan of distribution

Not applicable.

9.C. Market for Ordinary Shares

Not applicable.

9.D. Selling shareholders

Not applicable.

9.E. Dilution

Not applicable.

9.F. Expenses of the issue

Not applicable.

ITEM 10. Additional Information.

A. Share Capital.

Not applicable.

B. Memorandum and Articles of Association.

Our original articles of association were registered with the Israeli Registrar of Companies at the time of incorporation of the Company on June 24, 2009, under our Israeli registration number 514287093. Our purpose is set forth in Section 4 of our articles of association and includes every lawful purpose.

C. Material Contracts

The following are summary descriptions of certain material agreements to which we are a party. The descriptions provided below do not purport to be complete and are qualified in their entirety by the complete agreements, which are attached as exhibits to this annual report on Form 20-F.

For a description of our material agreements relating to our strategic collaborations and research arrangements and other material agreements, please refer to "Item 4. Information on the Company—Research and Development Agreements, License Agreements and Material Contracts."

Employment Agreements

See "Item 6. Directors, Senior Management and Employees—B. Compensation—Employment Agreements and Arrangements with Directors and Related Parties."

D. Exchange Controls.

There are no Israeli government laws, decrees or regulations that restrict or that affect our export or import of capital or the remittance of dividends, interest or other payments to non-resident holders of our securities, including the availability of cash for use by us and our wholly-owned subsidiaries, except for ownership by nationals of certain countries that are, or have been, declared as enemies of Israel or otherwise as set forth under "Item 10. Additional Information—E. Taxation."

E. Taxation.

The following description is not intended to constitute a complete analysis of all tax consequences relating to the ownership or disposition of our ordinary shares. You should consult your own tax advisor concerning the tax consequences of your particular situation, as well as any tax consequences that may arise under the laws of any state, local, foreign, including Israel, or other taxing jurisdiction.

Certain Israeli Tax Considerations

The following is a brief summary of the material Israeli income tax laws applicable to us. This section also contains a discussion of material Israeli tax consequences concerning the ownership and disposition of our ordinary shares. This summary does not discuss all the aspects of Israeli tax law that may be relevant to a particular investor in light of his or her personal investment circumstances or to some types of investors subject to special treatment under Israeli law. Examples of this kind of investor include residents of Israel or investors in securities who are subject to special tax regimes not covered in this discussion. To the extent that the discussion is based on new tax legislation that has not yet been subject to judicial or administrative interpretation, we cannot assure you that the appropriate tax authorities or the courts will accept the views expressed in this discussion. This summary is based on laws and regulations in effect as of the date hereof and does not take into account possible future amendments which may be under consideration.

General Corporate Tax Structure in Israel

Israeli resident companies (as defined below), such as the Company, were subject to corporate tax at the rate of 24% and 25% of their taxable income during 2017 and 2016, respectively, a reduction from the corporate tax rate of 26.5% in 2015 and 2014.

Capital gains derived by an Israeli resident company are generally subject to tax at the same rate as the corporate tax rate. Under Israeli tax legislation, a corporation will be considered an "Israeli resident" if it meets one of the following: (i) it was incorporated in Israel; or (ii) the control and management of its business are exercised in Israel.

Law for the Encouragement of Industry (Taxes), 5729-1969

The Law for the Encouragement of Industry (Taxes), 5729-1969, which we refer to as the Industry Encouragement Law, provides several tax benefits for "Industrial Companies," which are defined as Israeli resident-companies of which 90% or more of their income in any tax year is derived from an "Industrial Enterprise" that it owns, or an enterprise whose principal activity in a given tax year is industrial production. Eligibility for benefits under the Industry Encouragement Law is not contingent upon approval of any governmental authority.

The following corporate tax benefits, among others, are available to Industrial Companies:

- amortization over an eight-year period of the cost of purchasing a patent, rights to use a patent and rights to know-how, which are used for the development or advancement of the company, commencing in the year in which such rights were first exercised;
- under limited conditions, an election to file consolidated tax returns with related Industrial Companies; and
- deductions of expenses related to a public offering in equal amounts over a three-year period.

There can be no assurance that we will qualify as an industrial company or that the benefits described above will be available in the future.

Law for the Encouragement of Capital Investments, 5719-1959

The Law for the Encouragement of Capital Investments, 5719-1959, which we refer to as the Investment Law, provides certain incentives for capital investments in production facilities (or other eligible assets). The Investment Law was significantly amended effective April 1, 2005 and further amended as of January 1, 2011, or the 2011 Amendment. The 2011 Amendment introduced new benefits to replace those granted in accordance with the provisions of the Investment Law in effect prior to the 2011 Amendment.

Tax Benefits under the 2011 Amendment

The 2011 Amendment canceled the availability of the benefits granted to Industrial Companies under the Investment Law prior to 2011 and, instead, introduced new benefits for income generated by a "Preferred Company" through its "Preferred Enterprise" (as such terms are defined in the Investment Law) as of January 1, 2011.

The definition of a Preferred Company includes a company incorporated in Israel that is not fully owned by a governmental entity, and that has, among other things, a Preferred Enterprise and is controlled and managed from Israel. Under a recent amendment announced in August 2013, or the 2013 Amendment, beginning in 2014 and in each year thereafter, a Preferred Company may only be entitled to reduced corporate tax rates of 16%, unless the Preferred Enterprise is located in a specified development zone, in which case the rate will be 9%. Income derived by a Preferred Company from a "Special Preferred Enterprise" (as such term is defined in the Investment Law) would be entitled, during a benefit period of ten (10) years, to further reduced tax rates of 8%, or 5% if the Special Preferred Enterprise is located in a certain development zone.

As of January 1, 2014, dividends paid out of income attributed to a Preferred Enterprise are subject to withholding tax at source at the rate of 20% unless a different tax rate is provided under an applicable tax treaty. However, if such dividends are paid to an Israeli company, no tax is required to be withheld.

A Beneficiary Company may elect to file a notice until May 31st of each year in order to avail itself of the benefits of the 2011 Amendments pursuant to Sections 131 and 132 of the Income Tax Ordinance (New Version) - 1961, referred to herein as the Israeli Tax Ordinance, and such benefits will apply on the tax year subsequent to the year in which such notice was filed.

Currently, we are not entitled to receive the tax benefits described above and there can be no assurance that we will be entitled to receive such benefits at any time in the future. Furthermore, there can be no assurance that even if in the future we meet the relevant requirements for such tax benefits, that such tax benefits will be available to us at all.

Taxation of Our Israeli Individual Shareholders on Receipt of Dividends

Israeli residents who are individuals are generally subject to Israeli income tax for dividends paid on our ordinary shares (other than bonus shares or share dividends) at a rate of 25%, or 30% if the recipient of such dividend is a Substantial Shareholder (as defined below) at the time of distribution or at any time during the preceding twelve (12) month period. Beginning in 2013, an additional tax at a rate of 2% may be imposed upon shareholders whose annual taxable income from all sources exceeds a certain amount.

A "Substantial Shareholder" is generally a person who alone, or together with his or her relative or another person who collaborates with him or her on a regular basis, holds, directly or indirectly, at least 10% of any of the "means of control" of a corporation. "Means of control" generally include the right to vote, receive profits, nominate a director or an officer, receive assets upon liquidation or instruct someone who holds any of the aforesaid rights regarding the manner in which he or she is to exercise such right(s), all regardless of the source of such right.

With respect to individuals, the term "Israeli resident" is generally defined under Israeli tax legislation as a person whose center of life is in Israel. The Israeli Tax Ordinance (as amended by Amendment Law No. 132 of 2002), states that in order to determine the center of life of an individual, consideration will be given to the individual's family, economic and social connections, including: (i) place of permanent residence; (ii) place of residential dwelling of the individual and the individual's immediate family; (iii) place of the individual's regular or permanent occupation or the place of his or her permanent employment; (iv) place of the individual's active and substantial economic interests; (v) place of the individual's activities in organizations, associations and other institutions. The center of life of an individual will be presumed to be in Israel if: (i) the individual was present in Israel for 183 days or more in the tax year; or (ii) the individual was present in Israel for 30 days or more in the tax year, and the total period of the individual's presence in Israel in that tax year and the two previous tax years is 425 days or more. Such presumption may be rebutted either by the individual or by the assessing officer.

Taxation of Israeli Resident Corporations on Payment of Dividends

Israeli resident corporations are generally exempt from Israeli corporate income tax with respect to dividends paid on ordinary shares held by such Israeli resident corporations as long as the profits out of which the dividends were paid were derived in Israel.

Tax Benefits under the Amendment to the Economic Efficiency Law

On December 22, 2016 the plenary Knesset passed the Economic Efficiency Law (Legislative Amendments for Achieving the Budget Targets for 2017 and 2018), 2016, or the 2017 Amendment, which provides, among other things, new tax benefits for two types of "Technology Enterprises", as described below, and is in addition to the other existing tax beneficial programs under the Investment Law.

The 2017 Amendment provides that a technology company satisfying certain conditions will qualify as a "Preferred Technology Enterprise" and will thereby enjoy a reduced corporate tax rate of 12% on income that qualifies as "Preferred Technology Income", as defined in the Investment Law. The tax rate is further reduced to 7.5% for a Preferred Technology Enterprise located in development zone A. In addition, a Preferred Technology Company will enjoy a reduced corporate tax rate of 12% on capital gain derived from the sale of certain "Benefited Intangible Assets" (as defined in the Investment Law) to a related foreign company if the Benefited Intangible Assets were acquired from a foreign company on or after January 1, 2017 for at least NIS 200 million, and the sale receives prior approval from the National Authority for Technological Innovation (referred to as NATI).

The 2017 Amendment further provides that a technology company satisfying certain conditions will qualify as a "Special Preferred Technology Enterprise" and will thereby enjoy a reduced corporate tax rate of 6% on "Preferred Technology Income" regardless of the company's geographic location within Israel. In addition, a Special Preferred Technology Enterprise will enjoy a reduced corporate tax rate of 6% on capital gain derived from the sale of certain "Benefited Intangible Assets" to a related foreign company if the Benefited Intangible Assets were either developed by an Israeli company or acquired from a foreign company on or after January 1, 2017, and the sale received prior approval from NATI. A Special Preferred Technology Enterprise that acquires Benefited Intangible Assets from a foreign company for more than NIS 500 million will be eligible for these benefits for at least ten (10) years, subject to certain approvals as specified in the Investment Law.

Dividends distributed by a Preferred Technology Enterprise or a Special Preferred Technology Enterprise, paid out of Preferred Technology Income, are subject to withholding tax at source at the rate of 20%, and if distributed to a foreign company and other conditions are met, the withholding tax rate will be 4%.

Currently, we are not entitled to receive the tax benefits described above and there can be no assurance that we will be entitled to receive such benefits at any time in the future. Furthermore, there can be no assurance that even if in the future we meet the relevant requirements for such tax benefits, that such tax benefits will be available to us at all.

Capital Gains Taxes Applicable to Israeli Resident Shareholders

The income tax rate applicable to real capital gains derived by an Israeli individual resident from the sale of shares that were purchased after January 1, 2012, whether listed on a stock exchange or not, is 25%. However, if such shareholder is considered a Substantial Shareholder at the time of sale or at any time during the preceding twelve (12) month period, such gain will be taxed at the rate of 30%. In addition, as noted above, beginning in 2013, an additional tax at a rate of 2% may be imposed upon shareholders whose annual taxable income from all sources exceeds a certain amount.

Moreover, capital gains derived by a shareholder who is a dealer or trader in securities, or to whom such income is otherwise taxable as ordinary business income, are taxed in Israel at ordinary income rates (currently 25% for corporations and up to 50% for individuals, according to the individual's marginal tax rate).

Taxation of Non-Israeli Shareholders on Receipt of Dividends

Non-Israeli residents are generally subject to Israeli income tax on the receipt of dividends paid on our ordinary shares at the rate of 25% (or 30% for individuals, if such person is a Substantial Shareholder at the time he or she receives the dividend or on any date in the twelve (12) months preceding such date), which tax will be withheld at source, unless a different rate is provided under an applicable tax treaty between Israel and the shareholder's country of residence.

A non-Israeli resident who has dividend income derived from or accrued in Israel, from which the full amount of tax was withheld at source, is generally exempt from the duty to file tax returns in Israel in respect of such income; provided that (i) such income was not derived from a business conducted in Israel by the taxpayer and (ii) the taxpayer has no other taxable sources of income in Israel.

For example, under the Convention Between the Government of the United States of America and the Government of Israel with Respect to Taxes on Income, as amended, or the U.S.-Israel Tax Treaty, Israeli withholding tax on dividends paid to a U.S. resident for treaty purposes may not, in general, exceed 25%, or 15% in the case of dividends paid out of the profits of an Approved Enterprise (as such term is defined in the Investment Law), subject to certain conditions. Where the recipient is a U.S. corporation owning 10% or more of the voting shares of the paying corporation during the part of the paying corporation's taxable year which precedes the date of payment of the dividend and during the entirety of its prior taxable year (if any) and the dividend is not paid from the profits of an Approved Enterprise, the Israeli tax withheld may not exceed 12.5%, subject to certain conditions.

Capital Gains Income Taxes Applicable to Non-Israeli Shareholders

Non-Israeli resident shareholders are generally exempt from Israeli capital gains tax on any gains derived from the sale, exchange or disposition of our ordinary shares, provided that such shareholders did not acquire their shares prior to January 1, 2009 and such gains were not derived from a permanent business or business activity of such shareholders in Israel. However, non-Israeli corporations will not be entitled to the foregoing exemptions if an Israeli resident (i) has a controlling interest of more than 25% in such non-Israeli corporation or (ii) is the beneficiary of or is entitled to 25% or more of the revenues or profits of such non-Israeli corporation, whether directly or indirectly.

In addition, a sale of securities by a non-Israeli resident may be exempt from Israeli capital gains tax under the provisions of an applicable tax treaty. For example, under the U.S.-Israel Tax Treaty, the sale, exchange or disposition of our ordinary shares by a shareholder who is a U.S. resident (for purposes of the U.S.-Israel Tax Treaty) holding the ordinary shares as a capital asset and is entitled to claim the benefits afforded to such a resident by the U.S.-Israel Tax Treaty, or a Treaty U.S. Resident, is generally exempt from Israeli capital gains tax unless: (i) such Treaty U.S. Resident is an individual and was present in Israel for 183 days or more during the relevant taxable year; (ii) such Treaty U.S. Resident holds, directly or indirectly, shares representing 10% or more of our voting power of the Company during any part of the twelve (12) month period preceding such sale, exchange or disposition, subject to certain conditions; or (iii) the capital gains arising from such sale, exchange or disposition are attributable to a permanent establishment of the Treaty U.S. Resident located in Israel, subject to certain conditions. In any such case, the sale, exchange or disposition of our ordinary shares would be subject to Israeli tax, to the extent applicable. However, under the U.S.-Israel Tax Treaty, such Treaty U.S. Resident would be permitted to claim a credit for such taxes against U.S. federal income tax imposed on any gain from such sale, exchange or disposition, under the circumstances and subject to the limitations specified in the U.S.-Israel Income Tax Treaty.

Regardless of whether shareholders may be liable for Israeli income tax on the sale of our ordinary shares, the payment of the consideration may be subject to withholding of Israeli tax at the source. Accordingly, shareholders may be required to demonstrate that they are exempt from tax on their capital gains in order to avoid withholding at source at the time of sale.

Estate and Gift Tax

Israeli law presently does not impose estate or gift taxes.

Certain Material U.S. Federal Income Tax Considerations

The following is a general summary of what we believe to be certain material U.S. federal income tax consequences relating to the purchase, ownership and disposition of our ordinary shares by U.S. Holders (as defined below). This summary is based on the Internal Revenue Code, or the Code, the regulations of the U.S. Department of the Treasury issued pursuant to the Code, or the Treasury Regulations, the income tax treaty between the United States and Israel, or the U.S.-Israel Tax Treaty, and administrative and judicial interpretations thereof, all as in effect on the date hereof and all of which are subject to change, possibly with retroactive effect, or to different interpretation. No ruling has been sought from the IRS with respect to any U.S. federal income tax consequences described below, and there can be no assurance that the IRS or a court will not take a contrary position. This summary is no substitute for consultation by prospective investors with their own tax advisors and does not constitute tax advice. This summary addresses only those U.S. Holders of our ordinary shares who hold such equity interests as capital assets within the meaning of Section 1221 of the Code. Furthermore, his summary does not address all of the tax considerations that may be relevant to specific U.S. Holders in light of their particular circumstances or to U.S. Holders subject to special treatment under U.S. federal income tax law (including, without limitation, banks, insurance companies, tax-exempt entities, retirement plans, regulated investment companies, partnerships, dealers in securities, brokers, real estate investment trusts, certain former citizens or residents of the United States, persons who acquire our ordinary shares as part of a straddle, hedge, conversion transaction or other integrated investment, persons who acquire our ordinary shares through the exercise or cancellation of employee stock options or otherwise as compensation for their services, persons that have a "functional currency" other than the U.S. dollar, persons that own (or are deemed to own, indirectly, or by attribution) 10% or more of our shares, U.S. expatriates, or persons that mark their securities to market for U.S. federal income tax purposes). This summary does not address any U.S. state or local or non-U.S. tax considerations, any U.S. federal estate, gift or alternative minimum tax considerations, or any U.S. federal tax consequences other than U.S. federal income tax consequences.

As used in this summary, the term "U.S. Holder" means a beneficial owner of our ordinary shares that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any state thereof, or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source, or (iv) a trust with respect to which a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions, or that has a valid election in effect under applicable Treasury Regulations to be treated as a "United States person."

If an entity treated as a partnership for U.S. federal income tax purposes holds our ordinary shares, the tax treatment of such partnership and each partner thereof will generally depend upon the status and activities of the partnership and such partner. A holder that is treated as a partnership for U.S. federal income tax purposes should consult its own tax advisor regarding the U.S. federal income tax considerations applicable to it and its partners of the purchase, ownership and disposition of our ordinary shares.

Prospective investors should be aware that this summary does not address the tax consequences to investors who are not U.S. Holders. Prospective investors should consult their own tax advisors as to the particular tax considerations applicable to them relating to the purchase, ownership and disposition of our ordinary shares, including the applicability of U.S. federal, state and local tax laws and non-U.S. tax laws.

Taxation of U.S. Holders

Distributions. Subject to the discussion below under "Passive Foreign Investment Company," a U.S. Holder that receives a distribution with respect to an ordinary share generally will be required to include the amount of such distribution in gross income as a dividend (without reduction for any Israeli tax withheld from such distribution) when actually or constructively received to the extent of the U.S. Holder's pro rata share of our current and/or accumulated earnings and profits (as determined under U.S. federal income tax principles). Any distributions in excess of our earnings and profits will be applied against and will reduce (but not below zero) the U.S. Holder's tax basis in its ordinary shares, and, to the extent they exceed that tax basis, will be treated as gain from the sale or exchange of our ordinary shares. We do not expect to maintain calculations of our earnings and profits under U.S. federal income tax principles. Therefore, a U.S. Holder should expect that the entire amount of any distribution generally may be reported as dividend income.

If we were to pay dividends, we expect to pay such dividends in NIS. A dividend paid in NIS, including the amount of any Israeli taxes withheld, will be includible in a U.S. Holder's income as a U.S. dollar amount calculated by reference to the exchange rate in effect on the date such dividend is received, regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted to U.S. dollars on the date of receipt, a U.S. Holder generally will not recognize a foreign currency gain or loss. However, if the U.S. Holder converts the NIS into U.S. dollars on a later date, the U.S. Holder must include, in computing its income, any gain or loss resulting from any exchange rate fluctuations. The gain or loss will be equal to the difference between (i) the U.S. dollar value of the amount included in income when the dividend was received and (ii) the amount received on the conversion of the NIS into U.S. dollars. Such gain or loss will generally be ordinary income or loss and will be U.S. source income or loss for U.S. foreign tax credit purposes. U.S. Holders should consult their own tax advisors regarding the tax consequences to them if we pay dividends in NIS or any other non-U.S. currency.

Subject to certain significant conditions and limitations, any Israeli taxes paid on or withheld from distributions from us and not refundable to a U.S. Holder may be credited against the U.S. Holder's U.S. federal income tax liability or, alternatively, may be deducted from the U.S. Holder's taxable income. The election to deduct, rather than credit, foreign taxes, is made on a year-by-year basis and applies to all foreign taxes paid by a U.S. Holder or withheld from a U.S. Holder that year. Dividends paid on the ordinary shares generally will constitute income from sources outside the United States and be categorized as "passive category income" or, in the case of some U.S. Holders, as "general category income" for U.S. foreign tax credit purposes. If a U.S. Holder is eligible for benefits under the U.S.-Israel Tax Treaty or are otherwise entitled to a refund for the taxes withheld, that U.S. Holder will not be entitled to a foreign tax credit or deduction for the amount of any Israeli taxes withheld in excess of the maximum rate under the Treaty or for the taxes with respect to which that U.S. Holder can obtain a refund from the Israeli taxing authorities. A foreign tax credit for Israeli taxes imposed on distributions may be denied if the U.S. Holder does not satisfy certain minimum holding period requirements. Because the rules governing foreign tax credits are complex, U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits in their particular circumstances.

Dividends paid on the ordinary shares will not be eligible for the "dividends-received" deduction generally allowed to corporate U.S. Holders with respect to dividends received from U.S. corporations.

Under current U.S. federal income tax law, certain distributions treated as dividends that are received by an individual U.S. Holder from a "qualified foreign corporation" generally qualify for a 20% reduced maximum tax rate so long as certain holding period and other requirements are met. A non-U.S. corporation (other than a corporation that is treated as a PFIC for the taxable year in which the dividend is paid or the preceding taxable year) generally will be considered to be a qualified foreign corporation (i) if it is eligible for the benefits of a comprehensive tax treaty with the United States which the Secretary of Treasury of the United States determines is satisfactory for purposes of this provision and which includes an exchange of information program, or (ii) with respect to any dividend it pays on stock which is readily tradable on an established securities market in the United States. The 20% reduced maximum tax rate does not apply unless certain holding period requirements are satisfied. Furthermore, dividends paid by us in a taxable year in which we are not a PFIC and with respect to which we were not a PFIC in the preceding taxable year are expected to be eligible for the 20% reduced maximum tax rate, although we can offer no assurances in this regard. However, any dividend paid by us in a taxable year in which we are a PFIC or were a PFIC in the preceding taxable year will be subject to tax at regular ordinary income rates (along with any applicable additional PFIC tax liability, as discussed below). As discussed below under "Passive Foreign Investment Company," we have not determined whether we have been a PFIC for 2017 or any previous year, or in any future years.

The additional 3.8% "net investment income tax" (described below) may apply to dividends received by certain U.S. Holders who meet certain modified adjusted gross income thresholds.

Sale, Exchange or Other Disposition of Ordinary Shares. Subject to the discussion under "Passive Foreign Investment Company" below, a U.S. Holder generally will recognize capital gain or loss upon the sale, exchange, or other disposition of our ordinary shares in an amount equal to the difference between the amount realized on the sale, exchange, or other disposition and the U.S. Holder's adjusted tax basis (determined under U.S. federal income tax rules) in such ordinary shares. This capital gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period in our ordinary shares exceeds one year, provided that certain conditions are met, including certain holding period requirements and the absence of certain risk reduction transaction .. Preferential tax rates for long-term capital gain (currently, with a maximum rate of 20% for taxable years) will apply to individual U.S. Holders. The deductibility of capital losses is subject to limitations. The gain or loss will generally be income or loss from sources within the United States for U.S. foreign tax credit purposes, subject to certain possible exceptions under the U.S.-Israel Tax Treaty. The additional 3.8% "net investment income tax" (described below) may apply to gains recognized upon the sale, exchange, or other taxable disposition of our ordinary shares by certain U.S. Holders who meet certain modified adjusted gross income thresholds.

U.S. Holders should consult their own tax advisors regarding the U.S. federal income tax consequences of receiving currency other than U.S. dollars upon the disposition of their ordinary shares.

Passive Foreign Investment Company

In general, a non-U.S. corporation will be treated as a PFIC for U.S. federal income tax purposes in any taxable year in which either (i) at least 75% of its gross income is "passive income," or (ii) on average at least 50% of its assets by value produce passive income or are held for the production of passive income. Passive income for this purpose generally includes, among other things, certain dividends, interest, royalties, rents and gains from commodities and securities transactions and from the sale or exchange of property that gives rise to passive income. Passive income also includes amounts derived by reason of the temporary investment of funds, including those raised in a public offering. Assets that produce or are held for the production of passive income include cash, even if held as working capital or raised in a public offering, marketable securities and other assets that may produce passive income. In determining whether a non-U.S. corporation is a PFIC, a proportionate share of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest (by value) is taken into account.

A foreign corporation's PFIC status is an annual determination that is based on tests that are factual in nature, and our status for any year will depend on the corporation's income, assets, and activities for such year. We have not determined whether we have been a PFIC for 2016 or any previous year, or whether we will be a PFIC in 2017 or in any future years.

U.S. Holders should be aware of certain tax consequences of investing directly or indirectly in us due to our classification as a PFIC. A U.S. Holder is subject to different rules depending on whether the U.S. Holder makes an election to treat us as a "qualified electing fund," referred to herein as a "QEF election," for the first taxable year that the U.S. Holder holds ordinary shares makes a "mark-to-market" election with respect to the ordinary shares, or makes neither election. An election to treat us as a QEF will not be available if we do not provide the information necessary to make such an election. It is not expected that a U.S. Holder will be able to make a QEF election because we do not intend to provide U.S. Holders with the information necessary to make a QEF election.

QEF Election. One way in which certain of the adverse consequences of PFIC status can be mitigated is for a U.S. Holder make a QEF election. Generally, a shareholder making the QEF election is required for each taxable year to include in income a pro rata share of the ordinary earnings and net capital gain of the QEF, subject to a separate election to defer payment of taxes, which deferral is subject to an interest charge. An election to treat us as a QEF will not be available if we do not provide the information necessary to make such an election. It is not expected that a U.S. Holder will be able to make a QEF election because we do not intend to provide U.S. Holders with the information necessary to make a QEF election.

Mark-to-Market Election. Alternatively, if our ordinary shares are treated as "marketable stock," a U.S. Holder would be allowed to make a "mark-to-market" election with respect to our ordinary shares, provided the U.S. Holder completes and files IRS Form 8621 in accordance with the relevant instructions and related Treasury Regulations. If that election is made, the U.S. Holder generally would include as ordinary income in each taxable year the excess, if any, of the fair market value of our ordinary shares at the end of the taxable year over such holder's adjusted tax basis in such ordinary shares. The U.S. Holder would also be permitted an ordinary loss in respect of the excess, if any, of the U.S. Holder's adjusted tax basis in our ordinary shares over their fair market value at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A U.S. Holder's tax basis in our ordinary shares would be adjusted to reflect any such income or loss amount. Gain realized on the sale, exchange or other disposition of our ordinary shares would be treated as ordinary income, and any loss realized on the sale, exchange or other disposition of our ordinary shares would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included in income by the U.S. Holder, and any loss in excess of such amount will be treated as capital loss. Amounts treated as ordinary income will not be eligible for the favorable tax rates applicable to qualified dividend income or long-term capital gains.

A mark-to-market election will not apply to our ordinary shares held by a U.S. Holder for any taxable year during which we are not a PFIC, but will remain in effect with respect to any subsequent taxable year in which we become a PFIC. Such election will not apply to any PFIC subsidiary that we own.

Generally, stock will be considered marketable stock if it is "regularly traded" on a "qualified exchange" within the meaning of applicable Treasury Regulations. A class of stock is regularly traded on an exchange during any calendar year during which such class of stock is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. To be marketable stock, our ordinary shares must be regularly traded on a qualifying exchange (i) in the United States that is registered with the SEC or a national market system established pursuant to the Exchange Act or (ii) outside the United States that is properly regulated and meets certain trading, listing, financial disclosure and other requirements. Since our ordinary shares are quoted only on the OCTQB, they may not currently qualify as marketable stock for purposes of the election and therefore the election may not be available to a U.S. Holder. U.S. Holders should consult their own tax advisors regarding the availability and tax consequences of a mark-to-market election in respect to our ordinary shares under their particular circumstances.

Each U.S. Holder should consult its own tax adviser with respect to the applicability of the "net investment income tax" (discussed below) where a mark-to-market election is in effect.

Default PFIC Rules. A U.S. Holder who does not make a timely QEF election (we do not currently intend to prepare or provide the information that would enable a U.S. Holder to make a QEF election) or a mark-to-market election, referred to in this summary as a "Non-Electing U.S. Holder," will be subject to special rules with respect to (i) any "excess distribution" (generally, the portion of any distributions received by the Non-Electing U.S. Holder on the ordinary shares in a taxable year in excess of 125% of the average annual distributions received by the Non-Electing U.S. Holder in the three preceding taxable years, or, if shorter, the Non-Electing U.S. Holder's holding period for the ordinary shares), and (ii) any gain realized on the sale or other disposition of such ordinary shares. Under these rules:

- the excess distribution or gain would be allocated ratably over the Non-Electing U.S. Holder's holding period for such ordinary shares;
- the amount allocated to the current taxable year and any year prior to us becoming a PFIC would be taxed as ordinary income; and
- the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year.

If a Non-Electing U.S. Holder who is an individual dies while owning our ordinary shares, the Non-Electing U.S. Holder's successor would be ineligible to receive a step-up in tax basis of such ordinary shares. Non-Electing U.S. Holders should consult their tax advisors regarding the application of the "net investment income tax" (described below) to their specific situation.

To the extent a distribution on our ordinary shares does not constitute an excess distribution to a Non-Electing U.S. Holder, such Non-Electing U.S. Holder generally will be required to include the amount of such distribution in gross income as a dividend to the extent of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) that are not allocated to excess distributions. The tax consequences of such distributions are discussed above under "Item 10. Additional Information – Taxation—Taxation of U.S. Holders — Distributions." Each U.S. Holder is encouraged to consult its own tax advisor with respect to the appropriate U.S. federal income tax treatment of any distribution on our ordinary shares.

If we are treated as a PFIC for any taxable year during the holding period of a Non-Electing U.S. Holder, we will continue to be treated as a PFIC for all succeeding years during which the Non-Electing U.S. Holder is treated as a direct or indirect Non-Electing U.S. Holder even if we are not a PFIC for such years. A U.S. Holder is encouraged to consult its tax advisor with respect to any available elections that may be applicable in such a situation, including the "deemed sale" election of Code Section 1298(b)(1) (which will be taxed under the adverse tax rules described above).

We may invest in the equity of foreign corporations that are PFICs or may own subsidiaries that own PFICs. If we are classified as a PFIC, under attribution rules, U.S. Holders will be subject to the PFIC rules with respect to their indirect ownership interests in such PFICs, such that a disposition of the ordinary shares of the PFIC or receipt by us of a distribution from the PFIC generally will be treated as a deemed disposition of such ordinary shares or the deemed receipt of such distribution by the U.S. Holder, subject to taxation under the PFIC rules. There can be no assurance that a U.S. Holder will be able to make a QEF election, and a U.S. Holder may not make a mark-to-market election, with respect to PFICs in which we invest. Each U.S. Holder is encouraged to consult its own tax advisor with respect to tax consequences of an investment by us in a corporation that is a PFIC.

In addition, U.S. Holders should consult their tax advisors regarding the IRS information reporting and filing obligations that may arise as a result of the ownership of ordinary shares in a PFIC, including IRS Form 8621, Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund.

The U.S. federal income tax rules relating to PFICs elections are complex. U.S. Holders are urged to consult their own tax advisors with respect to the purchase, ownership and disposition of our ordinary shares, any elections available with respect to such ordinary shares and the IRS information reporting obligations with respect to the purchase, ownership and disposition of our ordinary shares.

Certain Reporting Requirements

Certain U.S. Investors are required to file IRS Form 926, Return by U.S. Transferor of Property to a Foreign Corporation, and certain U.S. Investors may be required to file IRS Form 5471, Information Return of U.S. Persons With Respect to Certain Foreign Corporations, reporting transfers of cash or other property to us and information relating to the U.S. Investor and us. Substantial penalties may be imposed upon a U.S. Investor that fails to comply.

In addition, certain U.S. Investors are required to report information on IRS Form 8938 with respect to their investments in certain "foreign financial assets," which would include an investment in our Ordinary Shares, to the IRS.

Investors who fail to report required information could become subject to substantial civil and criminal penalties. U.S. Investors should consult their tax advisors regarding the possible implications of these reporting requirements and any other applicable reporting requirement with respect to their investment in and ownership of our Ordinary Shares.

Disclosure of Reportable Transactions

If a U.S. Investor sells or disposes of the Ordinary Shares at a loss or otherwise incurs certain losses that meet certain thresholds, such U.S. Investor may be required to file a disclosure statement with the IRS. Failure to comply with these and other reporting requirements could result in the imposition of significant penalties.

Backup Withholding Tax and Information Reporting Requirements

Generally, information reporting requirements will apply to distributions on our Ordinary Shares or proceeds on the disposition of our Ordinary Shares paid within the United States (and, in certain cases, outside the United States) to U.S. Investors other than certain exempt recipients, such as corporations. Furthermore, backup withholding (currently at 28%) may apply to such amounts if the U.S. Investor fails to (i) provide a correct taxpayer identification number, (ii) report interest and dividends required to be shown on its U.S. federal income tax return, or (iii) make other appropriate certifications in the required manner. U.S. Investors who are required to establish their exempt status generally must provide such certification on IRS Form W-9.

Backup withholding is not an additional tax. Amounts withheld as backup withholding from a payment may be credited against a U.S. Investor's U.S. federal income tax liability and such U.S. Investor may obtain a refund of any excess amounts withheld by filing the appropriate claim for refund with the IRS and furnishing any required information in a timely manner.

Medicare Tax on Investment Income

Certain U.S. persons, including individuals, estates and trusts, will be subject to an additional 3.8% Medicare tax, or "net investment income tax," on unearned income. For individuals, the additional net investment income tax applies to the lesser of (i) "net investment income" or (ii) the excess of "modified adjusted gross income" over $200,000 ($250,000 if married and filing jointly or $125,000 if married and filing separately). "Net investment income" generally equals the taxpayer's gross investment income reduced by the deductions that are allocable to such income. Investment income generally includes passive income such as interest, dividends, annuities, royalties, rents, and capital gains. U.S. Investors are urged to consult their own tax advisors regarding the implications of the additional net investment income tax resulting from their ownership and disposition of our Ordinary Shares.

THIS SUMMARY OF MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES IS NOT TAX ADVICE. THE DETERMINATION OF THE ACTUAL TAX CONSEQUENCES FOR A U.S. HOLDER WILL DEPEND ON THE U.S. HOLDER'S SPECIFIC SITUATION. U.S. HOLDERS OF ORDINARY SHARES SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF ACQUIRING, OWNING AND DISPOSING OF OUR ORDINARY SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF THE ALTERNATIVE MINIMUM TAX AND ANY STATE, LOCAL, FOREIGN OR OTHER TAX LAWS AND OF CHANGES IN THOSE LAWS.

F. Dividends and Paying Agents.

Not applicable.

G. Statements by Experts.

Not applicable.

H. Documents on Display.

You may read and copy this Annual Report on Form 20-F, including the related exhibits and schedules, and any document we file with the SEC without charge at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, DC 20549. You may also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, N.E., Room 1580, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC also maintains an Internet website that contains reports and other information regarding issuers that file electronically with the SEC. Our filings with the SEC are also available to the public through the SEC's website at http://www.sec.gov.

As a "foreign private issuer," we are subject to the information reporting requirements of the Exchange Act that are applicable to foreign private issuers, and under those requirements file reports with the SEC. Those other reports or other information may be inspected without charge at the locations described above. As a "foreign private issuer," we are exempt from the rules under the Exchange Act related to the furnishing and content of proxy statements, and our officers, directors and principal shareholders will be exempt from the reporting and "short-swing" profit recovery provisions contained in Section 16 of the Exchange Act with respect to their purchases and sales of ordinary shares. Furthermore, as a "foreign private issuer," we are also not subject to the requirements of Regulation FD (Fair Disclosure) promulgated under the Exchange Act.

We maintain a corporate website at http://www. pvnanocell.com. Information contained on, or that can be accessed through, our website is not incorporated by reference into this annual report and does not constitute a part of this annual report. We have included our website address in this annual report solely as an inactive textual reference.

I. Subsidiary Information.

We have two (2) wholly owned subsidiaries, Nano Size Ltd., a private company organized under the laws of the state of Israel which we acquired on December 31, 2009, and Digiflex Ltd., which we acquired on December 3, 2017.

ITEM 11. Quantitative and Qualitative Disclosures About Market Risk.

Quantitative and Qualitative Disclosure About Market Risk

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position, results of operations or cash flows due to adverse changes in financial market prices and rates, including interest rates and foreign exchange rates, of financial instruments.

Foreign Currency Exchange Risk

Our foreign currency exposures give rise to market risk associated with exchange rate movements of the NIS mainly against the U.S. dollar because a large portion of our expenses are denominated in NIS. Our NIS expenses consist principally of payments made to employees, sub-contractors, professional services, other research and development activities and general and administrative activities. We anticipate that a large portion of our expenses will continue to be denominated in currencies other than the U.S. dollar. Our financial position, results of operations and cash flow are subject to fluctuations due to changes in foreign currency exchange rates. Our results of operations and cash flow are, therefore, subject to fluctuations due to changes in foreign currency exchange rates and may be adversely affected in the future due to changes in foreign exchange rates. Approximately 75% of our expenses are denominated in NIS. Changes of 5% and 10% in the U.S. dollar to NIS exchange rate will increase/decrease our operation expenses by less than 3.8% and 7.5%, respectively. To date, fluctuations in the exchange rates have not materially affected our results of operations or financial condition for the periods under review.

To date, we have not engaged in hedging our foreign currency exchange risk. In the future, we may enter into formal currency hedging transactions to decrease the risk of financial exposure from fluctuations in the exchange rates of our principal operating currencies. These measures, however, may not adequately protect us from the material adverse effects of such fluctuations.

Interest Rate Risk

Our exposure to interest rate risk for changes in interest rates relates primarily to the interest income generated by excess cash invested in bank deposits. We have not used any derivative financial instruments in our investment portfolio or for cash management purposes. Interest-earning instruments carry a degree of interest rate risk. We have not been exposed nor do we anticipate being exposed to material risks due to changes in interest rates. However, our future interest income may fall short of expectations due to changes in interest rates.

ITEM 12. Description of Securities Other Than Equity Securities.

A. Debt Securities.

Not applicable.

B. Warrants and Rights.

Not applicable.

C. Other Securities.

Not applicable.

D. American Depositary Shares.

Not applicable.

PART II

ITEM 13. Defaults, Dividend Arrearages and Delinquencies.

Not applicable.

ITEM 14. Material Modifications to the Rights of Security Holders and Use of Proceeds.

A. Not applicable.

B. Not applicable.

C. Not applicable.

D. Not applicable.

E. Not applicable.

ITEM 15. Controls and Procedures.

Disclosure Controls and Procedures

We performed an evaluation of the effectiveness of our disclosure controls and procedures that are designed to ensure that information required to be disclosed in this Annual Report on Form 20-F and filed with the SEC is recorded, processed, summarized and reported timely within the time period specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act, is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. There can be no assurance that our disclosure controls and procedures will detect or uncover all failures of persons within our Company to disclose information otherwise required to be set forth in our reports. Nevertheless, our disclosure controls and procedures are designed to provide reasonable assurance of achieving the desired control objectives. Based on our evaluation, our management has concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15(d) - 15(e) of the Exchange Act) as of the end of the period covered by this report are effective at such reasonable assurance level.

Management's Annual Report on 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 Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, we conducted an evaluation of the effectiveness of our internal control over financial reporting. Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2017. In making this assessment, it used the criteria established in the updated framework in the Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 1992 and updated in May 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO. Based on our assessment, as of December 31, 2017, our internal control over financial reporting is ineffective.

The specific material weakness we identified in our internal control over financial reporting related to the lack of sufficient qualified internal control personnel with appropriate understanding of U.S. GAAP and SEC reporting requirements commensurate with our financial reporting requirements, which resulted in a number of internal control deficiencies that were identified as being significant. Also, as a small company, we do not have sufficient internal control personnel to set up adequate review functions at each reporting level.

In order to cure the foregoing material weakness, we have taken or are taking the following remediation measures:

1. We are seeking internal control staff with relevant U.S. GAAP accounting, SEC reporting and internal control experience, skills and knowledge in improving standards and procedures according to the requirements of the Sarbanes-Oxley Act;

2. We have hired an outsourced chief financial officer with significant U.S. GAAP and SEC reporting experience; and

3. We established an Audit Committee and Compensation Committee. Ms. Orly Solomon, a member of each of these committees, serves as the Chairperson of each and has relevant U.S. GAAP accounting, SEC reporting and internal control experience.

We intend to complete the remediation of the material weaknesses discussed above as soon as practicable but we can give no assurance that we will be able to do so. Designing and implementing an effective disclosure controls and procedures is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to devote significant resources to maintain a financial reporting system that adequately satisfies our reporting obligations. The remedial measures that we have taken and intend to take may not fully address the material weakness that we have identified, and material weaknesses in our disclosure controls and procedures may be identified in the future. Should we discover such conditions, we intend to remediate them as soon as practicable. We are committed to taking appropriate steps for remediation, as needed.

All internal control systems, no matter how well designed, have inherent limitations. Even systems determined to be effective can only provide reasonable assurance regarding financial statement preparation and presentation and may not prevent or detect misstatements. In addition, any evaluation of effectiveness in future periods is subject to the risk that controls may become inadequate because of changes in future conditions.

Attestation Report of the Registered Public Accounting Firm

This annual report does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of the company's registered public accounting firm due to an exemption provided to emerging growth companies under the JOBS Act.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the year ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16. [RESERVED]

ITEM 16A. Audit Committee Financial Expert.

We have an audit committee, comprised of Dr. Astorre Modena, Mr. Ido Lapidot (external director) and Ms. Orly Solomon (external director). Ms. Solomon serves as the Chairman of the Audit Committee and is our audit committee financial expert and is an independent director as defined by the rules of the NASDAQ Capital Market.

ITEM 16B. Code of Ethics.

We have not adopted a code of ethics that applies to our principal executive officer and principal financial officer due to our focus on the share exchange transaction with Digiflex and its integration with the Company. We intend to adopt a Code of Ethics as we develop our business.

ITEM 16C. Principal Accountant Fees and Services.

Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, an independent registered public accounting firm, served as our independent public accountants for the fiscal years ended December 31, 2017 and 2016, for which audited financial statements appear in this Annual Report on Form 20-F.

The following table presents the aggregate fees for professional services rendered by such accountants to us during their respective term as our principal accountants in 2017 and 2016.

	2017	2016
Audit Fees	$ 100	$ 80
Audit-Related Fees	-	
Tax Fees	5	5
All Other Fees	-	
Total	$ 105	$ 85

"Audit fees" are the aggregate fees billed for the audit of our annual financial statements. This category also includes services that generally the independent accountant provides, such as consents and assistance with and review of documents filed with the SEC.

"Audit-related fees" are the aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit and are not reported under audit fees. These fees primarily include accounting consultations regarding the accounting treatment of matters that occur in the regular course of business, implications of new accounting pronouncements and other accounting issues that occur from time to time.

"Tax fees" include fees for professional services rendered by our independent registered public accounting firm for tax compliance and tax advice on actual or contemplated transactions.

"Other fees" include fees for services rendered by our independent registered public accounting firm with respect to government incentives and other matters.

Audit Committee Pre-Approval Policies and Procedures

Our audit committee, established in February 2018, provides assistance to our board of directors in fulfilling its legal and fiduciary obligations in matters involving our accounting, auditing, financial reporting, internal control and legal compliance functions by pre-approving the services performed by our independent accountants and reviewing their reports regarding our accounting practices and systems of internal control over financial reporting. Our audit committee also oversees the audit efforts of our independent accountants and takes those actions that it deems necessary to satisfy itself that the accountants are independent of management. Our Board has authorized all auditing and non-auditing services provided by Kost Forer Gabbay & Kasierer during 2016 and 2017 and the fees paid for such services. Our audit committee will authorize all auditing and non-auditing services from the date of its establishment onward.

ITEM 16D. Exemptions from the Listing Standards for Audit Committees.

Not applicable.

ITEM 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

Not applicable.

ITEM 16F. Change in Registrant's Certifying Accountant.

Not applicable.

ITEM 16G. Corporate Governance.

Not applicable.

ITEM 16H. Mine Safety Disclosure.

Not applicable.

PART III

ITEM 17. Financial Statements.

We have responded to Item 18 in lieu of responding to this item.

ITEM 18. Financial Statements.

Please refer to the financial statements beginning on page F-1. The following financial statements, financial statement schedules and related notes are filed as part of this Annual Report on Form 20-F, together with the report of the independent registered public accounting firm.

ITEM 19. Exhibits

Exhibit No.	Exhibit Description
1.1**	Fourth Amended and Restated Articles of Association of P.V. Nano Cell Ltd.
4.1*	Agreement, dated December 15, 2011, by and between P.V. Nano Cell Ltd. and the Ministry of National Infrastructures, Energy and Water Resources
4.2*	Share Purchase Agreement, effective November 29, 2009, by and among the shareholders of Nano Size Ltd. and P.V. Nano Cell Ltd.
4.3*	Convertible Loan Agreement, dated as of October 28, 2010, by and between P.V. Nano Cell Ltd. and Israel Electric Corporation
4.4*	Amendment to Convertible Loan Agreement, dated April 2012, by and between P.V. Nano Cell Ltd. and Israel Electric Corporation
4.5*	Partnership Agreement, dated May 21, 2014, by and between P.V. Nano Cell Ltd. and XaarJet Limited
4.6*	Side Agreement, dated July 20, 2014, by and between P.V. Nano Cell Ltd. and IP Bank International (Suzhou) Co., Ltd.
4.7*	First Amendment to the Side Agreement dated July 20, 2014, entered into as of November 26, 2014, by and between P.V. Nano Cell Ltd. and IP Bank International (Suzhou) Co., Ltd.
4.8*	Capital Note of IP Bank International (Suzhou) Co., Ltd., dated November 26, 2014
4.9*	Securities Purchase Agreement, dated November 26, 2014, by and among the Company and the purchasers party thereto
4.10*	Registration Rights Agreement, dated November 26, 2014, by and among the Company and the purchasers party thereto
4.11*	Standby Equity Distribution Agreement, dated July 9, 2015, by and between P.V. Nano Cell Ltd. and YA Global Master SPV LTD.
4.12±*	Agreement, dated September 9, 2009, by and between P.V. Nano Cell Ltd. and Dolev Bar-Guy Consulting and Management Ltd.
4.13±*	First Addendum to the Consultancy Agreement, dated April 9, 2013, by and between P.V. Nano Cell Ltd. and Dolev Bar-Guy Consulting and Management Ltd.
4.14±*	Second Addendum to the Consultancy Agreement, dated May 23, 2013, by and between P.V. Nano Cell Ltd. and Dolev Bar-Guy Consulting and Management Ltd.
4.15±*	Consultancy Agreement, dated June 17, 2015, by and between P.V. Nano Cell Ltd. and Menachem Biran
4.16±*	P.V. Nano Cell Ltd. 2010 Option Plan (unofficial English translation from Hebrew original)
4.17	Form of Share Exchange Agreement, effective December 3, 2017, by and between Digiflex Ltd. and P.V. Nano Cell Ltd.
4.18	Form of Share Purchase Agreement, dated December 27, 2017, by and between P.V. Nano Cell Ltd. and Jet CU P.C.B. Ltd.
4.19	Form of Share Purchase Agreement Supplement, dated January 3, 2018, by and between P.V. Nano Cell Ltd. and Jet CU P.C.B. Ltd.
4.20	Form of Securities Purchase Agreement, dated August 16, 2017, by and between P.V. Nano Cell Ltd. and Alpha Capital Anstalt
4.21	Form of Securities Purchase Agreement, dated August 29, 2017, by and between P.V. Nano Cell Ltd. and FirstFire Global Opportunities Fund LLC
4.22	Financial Advisory Agreement, dated January 9, 2017, by and between P.V. Nano Cell Ltd. and Sunrise Securities LLC
4.23	Placement Agent Agreement, dated February 22, 2017, by and between P.V. Nano Cell Ltd. and Sunrise Securities LLC
4.24	Form of Warrant executed in favor of Amnon Mendelbaum and Steven Zadka
4.25	Share Purchase Agreement, dated May 8, 2018, by and between P.V. Nano Cell Ltd. and Slobel NV

Exhibit No.	Exhibit Description
4.26±	Consultancy Agreement, dated November 12, 2017, by and between P.V. Nano Cell Ltd. and Evyatar Cohen
4.27±	Employment Agreement, dated September 10, 2017, by and between P.V. Nano Cell Ltd. and Eyal Shpilberg
8.1	List of Subsidiaries
12.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a), promulgated under the Securities Exchange Act of 1934, as amended
12.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a), promulgated under the Securities Exchange Act of 1934, as amended
13.1	Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

± Compensation Plan or Arrangement or Management Contract.

* Filed as part of our Registration Statement on Form F-1 filed with the Securities and Exchange Commission on September 2, 2015 (File No. 333-206723).

** Filed as part of Amendment No. 1 to our Registration Statement on Form F-1 filed with the Securities and Exchange Commission on September 22, 2015.

^ Filed as part of our Annual Report on Form 20-F for the 2015 fiscal year filed with the Securities and Exchange Commission and incorporated herein by reference.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

P.V. Nano Cell Ltd.

By: /s/ Fernando de la Vega
Fernando de la Vega
Chief Executive Officer

Date: May 15, 2018

P.V. NANO CELL LTD. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017

IN U.S. DOLLARS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACOUNTING FIRM

To The Shareholders and Board of Directors of

P.V. NANO CELL LTD.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of PV Nano Cell Ltd. (the "Company") and its subsidiaries as of December 31, 2017 and 2016, the related consolidated statements of operations, changes in shareholders' equity (deficit), and cash flows, for each of the three years in the period ended December 31, 2017, and 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 and its subsidiaries at December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017, in conformity with US generally accepted accounting principles.

The Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1b to the financial statements, the Company has suffered recurring losses from operations, has a working capital deficiency, and has stated that substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 1b. 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.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. 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 audits 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 financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no opinion.

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

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

We have served as the Company's auditor since 2009.
Tel-Aviv, Israel
May 15, 2018

P.V. NANO CELL LTD. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

U.S. dollars

	December 31,	
	2017	**2016**
ASSETS		
CURRENT ASSETS:		
Cash	$ 450,305	$ 126,222
Restricted cash	15,380	-
Accounts receivable, net	81,345	18,607
Other current assets	55,298	133,897
Inventories	100,883	57,072
Total current assets	703,211	335,798
LONG-TERM ASSETS:		
Property and equipment, net	431,772	400,992
Intangible asset, net	4,292,617	-
Goodwill	3,187,417	-
Total long-term assets	7,911,806	400,992
Total assets	8,615,017	736,790
LIABILITIES AND SHAREHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Short term bank credit	64,900	18,677
Short term loans	97,618	-
Trade payables	1,006,052	673,537
Employees and payroll accruals	433,145	171,798
Accrued expenses and other current liabilities	1,025,161	614,183
Convertible loans	492,385	-
Total current liabilities	3,119,261	1,478,195
LONG TERM LIABILITIES:		
Warrants presented at fair value	2,035,378	1,117,321
Capital note	57,658	45,493
Receipt on account of shares and warrants	600,000	-
Total long term liabilities	2,693,036	1,162,814
Total liabilities	5,812,297	2,641,009
SHAREHOLDERS' EQUITY (DEFICIT):		
Share capital -		
Ordinary shares of NIS 0.01 par value - Authorized: 100,000,000 shares at December 31, 2017 and 2016; Issued and outstanding: 21,737,263 and 14,505,126 shares at December 31, 2017 and 2016, respectively	58,559	37,648
Additional paid in capital	17,830,361	10,300,428
Accumulated deficit	(15,086,200)	(12,242,295)
Total shareholders' equity (deficit)	2,802,720	(1,904,219)
Total liabilities and shareholders' equity (deficit)	$ 8,615,017	$ 736,790

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

P.V. NANO CELL LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

U.S. dollars

	Year ended December 31,		
	2017	**2016**	**2015**
Revenues	$ 88,691	$ 67,678	$ 60,740
Other income	-	10,403	7,592
Total revenues	88,691	78,081	68,332
Cost of revenues	94,238	78,622	69,051
Amortization of intangible assets	37,694	-	-
Gross loss	43,241	541	719
Operating expenses:			
Research and development	787,025	976,882	901,030
Less - research and development grants	(382,134)	(344,056)	(180,033)
Research and development, net	404,891	632,826	720,997
Sales and marketing	480,963	336,287	245,756
General and administrative	1,227,632	571,110	807,277
Acquisition related costs	750,956	-	-
Total operating expenses	2,864,442	1,540,223	1,774,030
Operating loss	2,907,683	1,540,764	1,774,749
Financial expenses (income), net	(63,778)	80,636	(1,094)
Net loss	$ 2,843,905	$ 1,621,400	$ 1,773,655
Net loss per share:			
Basic and diluted net loss per share	$ 0.19	$ 0.12	$ 0.14
Weighted average number of ordinary shares used in computing basic and diluted net loss per share	15,249,947	13,704,673	12,745,710

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

P.V. NANO CELL LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)

U.S. dollars

	Ordinary shares		Additional paid-in Capital	Accumulated deficit	Total
	Number of shares	Amount			
Balance as of January 1, 2015	12,611,085	$ 32,726	$ 8,620,957	$ (8,842,861)	$ (189,178)
Issuance of ordinary shares, net of issuance cost	296,813	780	297,684	-	298,464
Stock based compensation	-	-	8,788	-	8,788
Net loss	-	-	-	(1,773,655)	(1,773,655)
Balance as of December 31, 2015	12,907,898	33,506	8,927,429	(10,616,516)	(1,655,581)
Issuance of ordinary shares, net of issuance cost	1,234,001	3,199	1,010,609	-	1,013,808
Beneficial conversion feature related to bridge financing notes	-	-	74,160	-	74,160
Conversion of bridge financing notes to ordinary shares	274,667	713	205,287	-	206,000
Exercise of warrants	28,638	76	26,175	-	26,251
Exercise of options	59,922	154	-	-	154
Stock based compensation	-	-	52,389	-	52,389
Cumulative effect adjustment from adoption of ASU 2016-09	-	-	4,379	(4,379)	-
Net loss	-	-	-	(1,621,400)	(1,621,400)
Balance as of December 31, 2016	14,505,126	37,648	10,300,428	(12,242,295)	(1,904,219)
Issuance of ordinary shares, net of issuance cost	7,232,137	20,911	7,393,799	-	7,414,710
Stock based compensation	-	-	136,134	-	136,134
Net loss	-	-	-	(2,843,905)	(2,843,905)
Balance as of December 31, 2017	21,737,263	$ 58,559	$ 17,830,361	$ (15,086,200)	$ 2,802,720

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

P.V. NANO CELL LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars

	Year ended December 31,		
	2017	**2016**	**2015**
Cash flows from operating activities:			
Net loss	$(2,843,905)	$(1,621,400)	$(1,773,655)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	88,289	55,212	50,826
Amortization	37,694	-	-
Fair value of warrants granted for services	738,091	-	-
Interest and accretion back in connection with convertible loans	(282,015)	-	-
Interest expense in connection with a short term loan	13,289	-	-
Share-based compensation	136,134	52,389	8,788
Professional service received in connection with issuance of ordinary shares	298,600	-	-
Beneficial conversion feature related to bridge financing notes	-	74,160	-
Change in accounts receivable	28,087	(18,807)	-
Change in other current assets	274,179	19,223	(60,243)
Change in inventories	(11,311)	5,613	(20,228)
Change in trade payables	(153,892)	164,926	234,939
Change in employees and payroll accruals	90,028	33,314	44,204
Change in accrued expenses and other current liabilities	(91,273)	(20,167)	428,227
Change in fair value of warrants and capital note	(491,884)	(25,936)	(19,278)
Net cash used in operating activities	(2,169,889)	(1,281,273)	(1,106,420)
Cash flows from investing activities:			
Purchase of property and equipment	(2,185)	(13,860)	(42,074)
Net cash used in investing activities	(2,185)	(13,860)	(42,074)
Cash flows from financing activities:			
Proceeds from convertible loans, net of issuance costs	774,400	206,000	-
Proceeds from issuance of shares, net	388,019	1,013,808	298,464
Proceeds from issuance of warrants	684,015	-	-
Receipt on account of shares and warrants	600,000	-	-
Proceeds from warrants exercise	-	26,251	-
Proceeds from stock options exercise	-	154	-
Proceeds from issuance of warrants presented as liability	-	183,260	142,470
Increase (decrease) in short term bank credit	37,723	(19,030)	37,707
Proceeds in connection with a promissory note	162,000	-	-
Repayment of the promissory note principal	(150,000)	-	-
Net cash provided by financing activities	2,496,157	1,410,443	478,641
Increase (decrease) in cash	324,083	115,310	(669,853)
Cash at the beginning of the year	126,222	10,912	680,765
Cash at the end of the year	$ 450,305	$ 126,222	$ 10,912
Supplemental information and disclosure of non-cash financing activities			
Issuance of shares in connection with acquisition (see also Note 3)	$ 6,728,091	$ -	$ -
Conversion of convertible loans including interest in to shares	$ -	$ 206,000	$ -
Purchase of property and equipment on credit	$ -	$ 224,550	$ -

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

NOTE 1:- GENERAL

a. P.V. Nano Cell Ltd. (the "Company") was incorporated in June 2009 under the laws of Israel. The Company has a wholly-owned subsidiary, Nano Size Ltd., a company incorporated under the laws of Israel ("Nano Size"). The Company and Nano Size are mainly engaged in developing, manufacturing, marketing and commercializing conductive inks for digital inkjet conductive printing applications. As of December 31, 2017, the Company had only limited sales of its products and had not yet commenced larger scale commercial production or sales.

During 2013, the Company formed a Chinese joint venture ("JV") together with three shareholders. The Company owns 40% of the outstanding equity securities of the JV. The JV is inactive and is in the process to be dissolved.

Refer to Note 3 for details regarding the acquisition of Digiflex Ltd. on December 3, 2017.

b. Since its inception, the Company has incurred operating losses and has used cash in its operations. During the year ended December 31, 2017, the Company used cash in operating activities of approximately $2.2 million, incurred a net loss of approximately $2.8 million and had a total accumulated deficit of approximately $15.1 million as of December 31, 2017. The Company requires additional financing in order to continue to fund its current operations and pay existing and future liabilities.

The Company intends to finance operating costs over the next twelve months through issuance of equity securities and by increasing its revenue. The Company is currently negotiating with third parties in an attempt to obtain additional sources of funds which, in management's opinion, would provide adequate cash flows to finance the Company's operations. The satisfactory completion of these negotiations is essential to provide sufficient cash flow to meet current operating requirements. However, the Company cannot give any assurance that it will be able to achieve a level of profitability from the sale of its products to sustain its operations in the future. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

The accompanying consolidated financial statements do not include any adjustments to reflect the possible future effects on recoverability and reclassification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are prepared according to United States generally accepted accounting principles ("U.S. GAAP").

a. Use of estimates:

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. The Company's management believes that the estimates, judgments and assumptions used are reasonable based upon information available at the time they are made. Actual results could differ from those estimates.

On an ongoing basis, the Company's management evaluates estimates, including those related to tax assets and liabilities, fair values of stock-based awards, warrants to purchase the Company's shares, capital note and inventories write-offs. Such estimates are based on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

b. Financial statements in U.S. dollars:

The accompanying consolidated financial statements have been prepared in U.S. dollars ("dollar" or "dollars").

A substantial portion of the Company's costs are incurred in New Israeli Shekels ("NIS"). However, the Company finances its operations mainly in U.S. dollars and a majority of the Company's revenues are denominated in dollars. As such, the Company's management believes that the U.S. dollar is the currency of the primary economic environment in which the Company operates. Thus, the functional and reporting currency of the Company is the U.S. dollar.

Transactions and balances that are denominated in dollars are presented at their original amounts. Non-dollar transactions and balances have been re-measured to dollars in accordance with Accounting Standards Codification ("ASC") No. 830, "Foreign Currency Matters". All foreign currency transaction gains and losses are reflected in the consolidated statements of operations as financial income or expenses, as appropriate.

c. Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries, intercompany transactions and balances have been eliminated upon consolidation.

d. Inventories:

Inventories are measured at the lower of cost and net realizable value, cost is computed on a first-in, first-out basis. The inventories consist of finished goods and raw materials.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

e. Property and equipment:

Property and equipment are stated at cost net of accumulated depreciation. Depreciation is calculated by the straight-line method, over the estimated useful lives of the assets, at the following annual rates:

	%
Computers	15 – 33
Equipment	7 – 33
Office furniture	6 – 15
Leasehold improvements	(*)

(*) Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term (including the extension option held by the Company and intended to be exercised) and the expected life of the improvement.

Long-lived assets of the Company are reviewed for impairment in accordance with ASC No. 360, "Property, Plant and Equipment", whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. During 2017, 2016 and 2015, no impairment losses were identified.

f. Goodwill:

Goodwill reflects the excess of the consideration transferred plus the fair value of any non-controlling interest in the acquiree at the business combination date over the fair values of the identifiable net assets acquired. Goodwill is not amortized but rather is tested for impairment annually at the reporting unit level, or whenever events or circumstances present an indication of impairment. Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized.

The primary items that generate goodwill include the value of the synergies between the acquired companies and the Company and the acquired assembled workforce, neither of which qualifies for recognition as an intangible asset.

Goodwill is tested for impairment on an annual basis in the fourth quarter and whenever indicators of potential impairment requires an interim goodwill impairment analysis. The Company may first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the Company performs a qualitative assessment and concludes that it is more likely than not that the fair value of a reporting unit exceeds its carrying value, goodwill is not considered impaired and the two-step impairment test is not required. However, if the Company concludes otherwise, it is then required to perform a quantitative assessment for goodwill impairment.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

f. Goodwill (cont.):

The Company has early adopted a new guidance which simplifies the test for goodwill impairment. Under the new guidance, the Company performs its quantitative goodwill impairment test by comparing the fair value of its reporting unit with its carrying value. If the reporting unit's carrying value is determined to be greater than its fair value, an impairment charge is recognized for the amount by which the carrying value exceeds the reporting unit's fair value. If the fair value of the reporting unit is determined to be greater than its carrying amount, the applicable goodwill is not impaired and no further testing is required.

The evaluation of goodwill impairment requires the Company to make assumptions about future cash flows of the reporting unit being evaluated that include, among others, growth in revenues, margins realized, level of operating expenses and cost of capital. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts.

No goodwill was determined to be impaired during 2017.

g. Intangible assets:

Intangible assets and their useful lives are as follows:

	Estimated useful life
Technology	Ten (10) years
Backlog	One (1) year

Intangible assets represent acquired technology and backlog. Definite life intangible assets are amortized using the straight-line method over their estimated period of useful life, which is determined by identifying the period over which most of the cash flows are expected to be generated.

For definite life intangible assets, the Company reviews the carrying amounts for potential impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In evaluating recoverability, the Company groups assets and liabilities at the lowest level such that the identifiable cash flows relating to the group are largely independent of the cash flows of other assets and liabilities. The Company then compares the carrying amounts of the asset or asset groups with their respective estimated undiscounted future cash flows. If the definite life intangible asset or asset group are determined to be impaired, an impairment charge is recorded at the amount by which the carrying amount of the asset or asset group exceeds their fair value.

No intangible assets were determined to be impaired during 2017.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

h. Revenue Recognition:

Revenues from ink and services are recognized in accordance with ASC No. 605-15, "Revenue Recognition" when delivery has occurred, persuasive evidence of an agreement exists, the vendor's fee is fixed or determinable, and collectability is reasonably assured.

Other income, represent a recurring sale of production waste.

i. Cost of revenues:

Cost of revenues is comprised of cost of materials production, employees' salaries and related costs, allocated overhead expenses, packaging, import taxes, royalties paid to third parties, intangible amortization and to the Government of Israel and other programs, as described in Note 9.

j. Research and development, net:

Research and development expenses are charged to the consolidated statements of operations as incurred, net of grants received, as described in Note 2k.

k. Government grants:

The Company receives participation funds and grants, which represents participation of the government of Israel and European grants. These amounts are recognized on the accrual basis as a reduction of research and development costs as such costs are incurred.

l. Income taxes:

The Company accounts for income taxes in accordance with ASC No. 740, "Income Taxes". This Statement prescribes the use of the liability method whereby deferred tax assets and liability account balances are determined based on differences between financial reporting and tax bases 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 amounts that more likely than not to be realized.

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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

m. Accounting for stock-based compensation:

The Company accounts for share based compensation in accordance with ASC No. 718, "Compensation - Stock Compensation" that requires companies to estimate the fair value of equity-based payment awards on the date of grant using an option-pricing model. The Company recognizes compensation expenses for the value of its awards granted based on the straight-line attribution method over the requisite service period of each of the awards. The Company recognizes forfeitures of awards as they occur.

The Company selected the Black-Scholes option pricing model as the most appropriate fair value method for its stock-options awards. The Black-Scholes option-pricing model requires a number of assumptions, of which the most significant are the expected stock volatility and the expected option term. Expected volatility was calculated based upon similar traded companies' historical stock price movements. The Company uses the simplified method until such time as there is sufficient historical exercise data to allow the Company to make and rely upon assumptions as to the expected life of outstanding options. The risk-free interest rate is based on the yield from U.S. treasury bonds with an equivalent term to the expected life of the options. Historically, the Company has not paid dividends and in addition has no foreseeable plans to pay dividends, and therefore uses an expected dividend yield of zero in the option pricing model.

The fair value for options granted is estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	Year ended December 31,		
	2017	2016	2015
Dividend yield	0%	0%	0%
Expected volatility	64%-70%	68%-71%	64%- 69%
Risk-free interest	1.78%-2.28%	0.83%-0.97%	1.12%-1.63%
Expected life (in years)	7	2.98	4.38

n. Concentrations of credit risks:

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash. The Company's cash balances are managed in major banks in Israel.

The majority of the Company's cash and cash equivalents and short-term bank deposits are deposited in major banks in Israel. Deposits in Israel are not insured. Generally, these deposits may be withdrawn upon demand and therefore bear low risk.

The Company's trade receivables are derived from sales mainly in Israel, Europe and the US. Concentration of credit risk with respect to trade receivables is limited by ongoing credit evaluation and account monitoring procedures. The Company performs ongoing credit evaluations and establishes an allowance for doubtful accounts based on factors that may affect a customers' ability to pay, such as known disputes, age of the receivable balance and past experience. Allowance for doubtful accounts amounted to $2,720 and $0 as of December 31, 2017 and 2016, respectively. The Company writes off receivables when they are deemed uncollectible, having exhausted all collection efforts. Actual collection experience may not meet expectations and may result in increased bad debt expense.

o. Severance pay:

Pursuant to Section 14 of Israel's Severance Pay Law, 5723-1963 ("Section 14"), the Company's employees, covered by this section, are entitled only to monthly deposits, at a rate of 8.33% of their monthly salary, made on their behalf by the Company to an Israeli insurance company. Payments in accordance with Section 14 release the Company from any future severance liabilities in respect of those employees. Neither severance pay liability nor severance pay fund under Section 14 for such employees is recorded on the Company's balance sheet.

Severance expenses for the years ended December 31, 2017, 2016 and 2015 amounted to $40,568, $44,511 and $39,194, respectively.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

p. Fair value of financial instruments:

The Company applies ASC 820, "Fair Value Measurements and Disclosures". Under this standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the inputs as follows:

Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 - Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

In accordance with ASC 480, the Company measures its warrants to purchase the Company's shares classified as liability and the capital note at fair value. The carrying amounts of cash, other current assets, trade payables and other accounts liabilities approximate their fair value due to the short-term maturity of such instruments.

The following table presents liabilities measured at fair value on a recurring basis as of December 31, 2017:

	Fair value measurements using input type			
	Level 1	Level 2	Level 3	Total
Warrants	-	-	$ 2,035,378	$ 2,035,378
Capital note	-	-	57,658	57,658
Total financial liabilities	-	-	$ 2,093,036	$ 2,093,036

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

p. Fair value of financial instruments (cont.):

The following table presents liabilities measured at fair value on a recurring basis as of December 31, 2016:

	Fair value measurements using input type			
	Level 1	Level 2	Level 3	Total
Warrants	$ -	$ -	$ 1,117,321	$ 1,117,321
Capital note	-	-	45,493	45,493
Total financial liabilities	$ -	$ -	$ 1,162,814	$ 1,162,814

The following table presents reconciliations for the Company's liabilities measured and recorded at fair value on a recurring basis, using significant unobservable inputs (Level 3):

	Level 3
Balance at January 1, 2015	$ 882,298
Fair value of warrants issued and capital note	142,470
Changes in Fair value of warrants and capital note	(19,278)
Balance at December 31, 2015	1,005,490
Fair value of warrants issued to investors	183,260
Changes in Fair value of warrants and capital note	(25,936)
Balance at December 31, 2016	1,162,814
Proceeds from issuance of shares	684,015
Fair value of warrants granted for services	738,091
Changes in Fair value of warrants and capital note	(491,884)
Balance at December 31, 2017	$ 2,093,036

q. Basic and diluted net loss per share:

Basic net loss per share is computed based on the weighted average number of ordinary shares outstanding during each year. Diluted net loss per share is computed based on the weighted average number of ordinary shares outstanding during each year, plus the dilutive potential of ordinary shares considered outstanding during the year in accordance with ASC 260, "Earnings Per Share". Diluted loss per share is computed based on the weighted average number of ordinary shares outstanding during the period, plus the dilutive effect of ordinary shares considered outstanding during the period.

The total number of shares related to the outstanding stock options excluded from the calculations of diluted loss per share, since it would have an anti-dilutive effect, was 1,429,713, 836,514 and 1,021,917 for 2017, 2016 and 2015, respectively. The total number of warrants to purchase ordinary shares related to the outstanding options excluded from the calculations of diluted loss per share, since it would have an anti-dilutive effect, was, 4,879,701, 2,834,410 and 2,542,262 for 2017, 2016 and 2015, respectively.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

r. Business combination:

The Company accounted for business combination in accordance with ASC 805, "Business Combinations". ASC 805 requires recognition of assets acquired, liabilities assumed, and any non-controlling interest at the acquisition date, measured at their fair values as of that date. Any excess of the fair value of net assets acquired over purchase price and any subsequent changes in estimated contingencies are to be recorded in earnings.

Acquisition related costs are expensed to the statement of operations in the period incurred.

s. Recently issued accounting standards:

1. In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2014-09, "Revenue from Contracts with Customers" Topic 606). This ASU provides a five-step approach to account for revenue arising from contracts with customers. The ASU requires an entity to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new revenue standard permits companies to either apply the requirements retrospectively to all prior periods presented or apply the requirements in the year of adoption through a modified retrospective approach with a cumulative adjustment. Due to the Company's emerging growth company status, these new standards will become effective for the Company starting the first quarter of 2019. The Company is in the process of determining the method of adoption and assessing the impact of ASU on the Company's consolidated financial position, results of operations and cash flows.

2. In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. This update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

s. Recently issued accounting standards (cont.):

This update also requires an entity to disclose the nature of restrictions on its cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. ASU No. 2016-18 will be effective from the first quarter of 2019 and early adoption is permitted.

The Company is currently reviewing this standard to assess the potential impacts on its consolidated financial statements.

3. In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which will require lessees to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP, which requires only capital leases to be recognized on the balance sheet, the new guidance will require both types of leases to be recognized on the balance sheet. guidance will be effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020 and early adoption is permitted. The Company is currently evaluating the effects that the adoption of ASU No. 2016-02 will have on its consolidated financial statements.

NOTE 3:- ACQUISITION

Digiflex Ltd:

On December 3, 2017 ("Transaction Date"), the Company consummated the acquisition of 100% of the shares of Digiflex Ltd ("Digiflex") and its two wholly-owned subsidiaries: Digiflex Inc. and Digiflex HK Limited in an all-stock transaction. Digiflex was incorporated in Israel in March 2008, it manufactures printing machines, which offers solutions for inkjet print-quality technologies. Digiflex develops a unique bi-component ink, which enables the use of ink-jet technology in various industrial procedures. Digiflex Inc. was incorporated in the United States and is engaged in sales and marketing of the Digiflex's products. Digiflex HK Limited was incorporated in Hong-Kong and is inactive since inception. The Company issued 6,560,471 shares and 198,788 stock options to Digiflex former shareholders and option holders. Upon closing, the Company was owned 25% by the pre closing Digiflex shareholders and option holders and 75% by the pre closing shareholders and option holders of Company on a fully diluted basis as defied in the agreement.

In addition, as part of the purchase agreement, Digiflex former shareholders' also invested $200 thousand in Digiflex prior to the transaction to satisfy some of its liabilities.

NOTE 3:- ACQUISITION (Cont.)

Digiflex Ltd (Cont.):

The Company incurred acquisition related costs totaling $75,000 in cash and also granted 675,926 warrants to the Company's consultants at an exercise price of NIS 0.01 per ordinary share, the fair value of the warrants amounted to $675,926 and were included within acquisition related costs on the statement of operations. The issued 675,926 warrants are exercisable on a cashless basis under certain circumstances. In accordance with ASC 480, as of December 31, 2017, the Company classified the warrants as liabilities in the amount of $675,926.

The main reason for the acquisition is to get the special technologies developed by Digiflex, a special cost efficient printer based on a commercial printing platform, very high accuracy (ten (10) inks in parallel printing) and special polymeric inks.

The Digiflex transaction is reflected in accordance with ASC Topic 805, "Business Combinations", using the acquisition method of accounting. The total purchase price was allocated to Digiflex's net tangible and intangible assets based on their estimated fair values as set forth below. The excess of the purchase price over the net tangible assets and intangible assets was recorded as goodwill. The goodwill is attributable primarily to the fact the technology has been developed and proven in the market, thereby hopefully reducing its risks. The related goodwill and intangible assets are not deductible for tax purposes.

The allocation of the purchase price to assets acquired and liabilities assumed is as follows:

Restricted cash	$ 15,380
Accounts receivable	90,825
Prepaid expenses and other current assets	195,580
Inventory	32,500
Property and equipment	116,884
Short-term bank loan	(80,829)
Trade payable	(486,407)
Employees and payroll accruals	(171,319)
Accrued expenses and other current liabilities	(502,251)
Intangible assets	4,330,311
Goodwill	3,187,417
Total purchase price	$ 6,728,091

NOTE 3:- ACQUISITION (Cont.)

Intangible assets:

The fair value of intangible assets was based on the market participant approach to valuation, performed by a third party valuation firm using estimates and assumptions provided by management. The following table sets forth the components of intangible assets associated with the Digiflex acquisition:

	Purchase price	Estimated useful life
Technology	$ 4,284,315	Ten (10) years
Backlog	45,996	One (1) year
Total amount allocated to intangible assets	$ 4,330,311	

The following unaudited condensed combined pro forma information for the years ended December 31, 2017 and 2016, gives effect to the acquisition of Digiflex as if it had occurred on January 1, 2016. The pro forma information is not necessarily indicative of the results of operations, which actually would have occurred had the acquisition been consummated on that date, nor does it purport to represent the results of operations for future periods.

	Year ended December 31	
	2017	2016
Revenues	$ 471,543	$ 670,889
Net loss	4,669,232	4,206,916
Basic and diluted net loss per share	$ 0.31	$ 0.31

NOTE 4:- OTHER CURRENT ASSETS

	December 31,	
	2017	2016
Government authorities	$ 50,169	$ 70,332
Grants from the Authority	-	56,514
Other	5,129	7,051
	$ 55,298	$ 133,897

NOTE 5:- PROPERTY AND EQUIPMENT, NET

	December 31,	
	2017	2016
Cost:		
Computers	$ 9,060	$ 43,964
Equipment	634,203	661,051
Office furniture	23,260	14,394
Leasehold improvements	75,841	23,458
	742,364	742,867
Accumulated depreciation:	310,592	341,875
Property and equipment, net	$ 431,772	$ 400,992

Depreciation expenses for the years ended December 31, 2017, 2016 and 2015 were $88,289, $55,212 and $50,826, respectively.

NOTE 6:- INTANGIBLE ASSETS, NET

	December 31,	
	2017	2016
Cost:		
Technology	$ 4,284,315	$ -
Backlog	45,996	-
	4,330,311	-
Accumulated amortization:	37,694	-
Intangible assets, net	$ 4,292,617	$ -

Amortization expenses for the years ended December 31, 2017, 2016 and 2015 were $37,694, $0 and $0, respectively.

NOTE 7:- ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	December 31,	
	2017	2016
Provision for professional fees	$ 572,875	$ 254,430
Government authorities	132,612	-
Grants received in advance	107,162	299,421
Provision for legal claims	74,612	40,000
Other	137,900	20,332
	$ 1,025,161	$ 614,183

NOTE 8:- LOANS AND CONVERTIBLE BRIDGE FINANCING

a. In February and March 2016, the Company issued convertible bridge financing notes (the "Additional Notes") with an aggregate principal amount of $206,000. Each Additional Note may be converted at the choice of the holder into the same class of securities offered by the Company in its next equity financing transaction completed within six months after the issuance date of such note, or, if no such transaction is completed within such six month period, the notes will be converted into units at a price of $1.50 per unit.

The Additional Notes accrue interest at a rate of 6% per year. No interest shall accrue if the principal sum is converted pursuant to the terms of the Additional Note as stated above.

Upon the issuance by the Company of ordinary shares in July 2016, the Additional Notes were converted into 274,667 ordinary shares based on a conversion price of $0.75 per share. The Company determined that the Additional Notes contained a beneficial conversion feature. In accordance with the accounting guidance on convertible instruments, the beneficial conversion feature of $74,160 was recognized as additional interest expense during the year ended December 31, 2016 when the Additional Notes were converted into ordinary shares.

b. On March 22, 2017, the Company received a loan for a principal amount of $162,000 from a lender according to a promissory note executed between the parties. In connection with the loan, commitment fees in the total amount of $12,000 were deducted from the consideration received. The loan bears an interest rate of 12% annually, which must be repaid in five (5) equal monthly installments, commencing on May 31, 2017 and ending on September 30, 2017, subject to any early repayment in accordance with the terms set forth in the promissory note. In addition, pursuant to the loan agreement, the lender received a five-year warrant to purchase 50,000 ordinary shares, at an exercise price of $1.50 per share. The warrants are exercisable on a cashless basis under certain circumstances. In accordance with ASC 480, the Company classified the warrants as liabilities in the amount of $24,573 (the Company used the following assumptions: 0% dividend yield, 71% expected volatility, 2.12% risk free rate and 4.22 expected life in years). As of December 31, 2017 the fair value of the warrants amounted to $22,998. $150,000 out of the loan and accrued interest was repaid prior to December 31, 2017 while the unpaid portion of the loan and accrued interest aggregating $25,510 was repaid on January 2, 2018, and is presented within the short term loans on the balance sheet.

c. In August 2017, the Company entered into several Securities Purchase Agreements with new investors and additional existing shareholders, whereby the Company issued and sold to such holders senior secured convertible notes in an aggregate principal amount of $905,555 in consideration for an aggregate subscription amount of $774,400 net of issuance costs of $40,600 and five-year warrants to purchase 33,332 ordinary shares, at an exercise price of $1.20 and additional five-year warrants to purchase 33,332 ordinary shares, at an exercise price of $1.00 that were granted as additional issuance costs. The warrants are exercisable on a cashless basis under certain circumstances. In accordance with ASC 480, warrants in the amount of $37,592 (the Company used the following assumptions: 0% dividend yield, 69% expected volatility,2.16% risk free rate and 4.63 expected life in years) were recorded as a liability. As of December 31, 2017, the fair value of the warrants amounted to $36,582.

NOTE 8:- LOANS AND CONVERTIBLE BRIDGE FINANCING (Cont.)

As part of the secured convertible notes, the Company also issued a five-year warrant to purchase 905,555 ordinary shares, at an exercise price of $1.20 per share. Those warrants are exercisable on a cashless basis under certain circumstances. In accordance with ASC 480, warrants in the amount of $492,034 (the Company used the following assumptions: 0% dividend yield, 69% expected volatility, 2.16% risk free rate and 4.64 expected life in years) were recorded as a liability. As of December 31, 2017, the fair value of the warrants amounted to $478,642.

The notes include a 10% original issue discount on the consideration paid and bear interest at 6% per annum. The notes mature after 14-24 months and may be converted into shares, subject to the terms of such notes. The initial conversion price of the notes was $1.00, but it was adjusted in January 2018 to $0.50 pursuant to the terms of the notes. In February 2018, $10,313 of the convertible notes were converted into 20,626 shares and, in April 2018, $26,025 of the convertible notes were converted into 52,050 shares. In April 2018, $8,889 of the convertible notes were converted into 17,778 shares. The Company may require mandatory conversion of the notes in certain circumstances and pay the convertible note in cash upon event of fundamental transaction and change of control transaction as described in the convertible note agreement.

The term of the warrants is for five (5) years and the initial exercise price of the warrants was $1.20 per ordinary share, subject to adjustment in accordance with their terms. The notes and the warrants include full ratchet anti-dilution purchase price adjustment rights and other mechanisms for adjustment of the purchase price. As a result, following the issuance of warrants to Jet CU P.C.B. Ltd. (“Jet CU”), a company owned by some of the former investors in Digiflex, at an exercise price of $0.50 per share, the conversion and exercise prices of these notes and warrants was adjusted to $0.50 per share.

NOTE 9:- COMMITMENTS AND CONTINGENT LIABILITIES

a. The Company was engaged in research and development programs with the National Technological Innovation Authority, or the “Authority” (formerly operating as Office of the Chief Scientist of the Ministry of Economy of the State of Israel, or the OCS). The Company is committed to pay royalties to the Authority at the rate of 3.5% of sales of products resulting from research and development partially financed by the Authority. The amount shall not exceed the grant amount received, linked to the dollar, including accrued interest at the LIBOR rate. The obligation to pay these royalties is contingent on actual sales of the products and in the absence of such sales, no payment is required.

No grants were received during the three (3) years ended December 31, 2017. During 2017, 2016 and 2015, the Company paid royalties to the Authority in the amount $305, $2,109 and $1,621, respectively.

NOTE 9:- COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

As of December 31, 2017, the Company and Nano Size received from the Authority grants in the amount of $1,009,506 (including interest). The Company's total contingent liability (including interest) with respect to royalty-bearing participation received, net of royalties paid, amounted to $1,359,216 as of December 31, 2017.

Up to December 31, 2017 our new subsidiary, Digiflex, received grants for research and development efforts from the Authority in an aggregate amount of approximately $2.2 million, out of which an amount of approximately $0.5 million was repaid by Digiflex and Jet CU and approximately $1.0 million was repaid to the Authority by Jet CU due to a spinoff Jet CU conducted which was authorized by the Authority and resulted in such payment. The contingent remaining liability was reduced to approximately $0.7 million.

b. In September 2009, the Company entered into a License Agreement with Ramot - Tel Aviv University ("Ramot") for a joint research program. The program was approved by the Magneton committee of the Authority. The Magneton program supports cooperative research programs between industry and academia and encourages the transfer of technology from academic institutions to commercial firms. Under the terms of the Magneton program, the Company received from the Authority an aggregate amount of NIS 1,467,683 ($423,329 based on the exchange rate of $1.00 / NIS 3.467 in effect as of December 31, 2017), and no royalties are payable to the Authority with respect to this program. Pursuant to the terms of the License Agreement, the Company was required to fund the research and development of the technology subject to such agreement during the research period (two years starting September 2009) in a total amount of NIS 1,077,000 ($310,643 based on the exchange rate of $1.00 / NIS 3.467 in effect as of December 31, 2017). In addition, the Company issued to Ramot warrants to purchase 117,209 ordinary shares. The warrants are exercisable until the occurrence of an exit event, as defined in the agreement, at an exercise price of NIS 0.01 per share.

In return, the Company was required to pay to Tel Aviv University royalties of between 3.4% and 3.9% on all net sales of any product, component, device or material that is used in the preparation of coated substrates meeting certain specifications ("Licensed Film") and services resulting from the license; and royalties of between 2.4% and 3.0% on all net sales of Licensed Film products and services, and a sublicense fee at a rate of 25% of all sublicense fees the Company receives with respect to the intellectual property developed under such agreement. The royalties and sublicense fees may be creditable against the annual license fee due to Ramot in such calendar year and the following calendar year, in the amount of $20,000 in the three years that follow the research period, $50,000 for the fourth, fifth and sixth years and $75,000 from the seventh year. License fees in the amount of $0, $0 and $20,000 were paid in 2017, 2016 and 2015, respectively. As of December 31, 2017, revenues related to the license agreement had not yet started.

On January 4, 2016, Ramot provided the Company with a notice of termination of the License Agreement due to failure to meet the development milestones. The termination of the agreement was effective on January 4, 2016. No fees were due with respect to 2016.

NOTE 9:- COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

c. On December 15, 2011, the Company signed a research and development agreement with the Israeli Ministry of National Infrastructures, Energy and Water Resources. Pursuant to the agreement, the ministry will fund up to 62.5% of the Company's expenses related to the approved program up to a maximum amount of NIS 625,000 ($180,271 based on the exchange rate of $1.00 / NIS 3.467 in effect as of December 31, 2017), in exchange for the Company's agreement to pay royalties of 5% of any revenues generated from the intellectual property generated under the program. The period of the program was 18 months starting January 1, 2012.

No grants were received during the three (3) years ended December 31, 2017. During the years ended December 31, 2017 and 2016, the Company accrued royalties in the amount of $148 and $281, respectively.

As of December 31, 2017, the aggregate contingent liability to the Israeli Ministry of National Infrastructures, Energy and Water Resources amounted to $178,559.

d. In October 2010, the Company entered into a Convertible Bridge Financing Agreement with Israel Electric Corporation ("IEC") and, as part of the agreement, the Company committed to pay IEC royalties equal to 2% of the total net sales of the Company's products and service revenues from the product developed and manufactured through this agreement, up to a cap of NIS 8,000,000 ($2,307,470 based on the exchange rate of $1.00 / NIS 3.467 in effect as of December 31, 2017).

During the years ended December 31, 2017 and 2016, the Company accrued royalties in the amount of $1,558 and $3,577, respectively.

e. In connection with previously made acquisition of Nano Size, the Company is obligated to pay 3% from future sales and 10% of sublicense fees derived from Nano Size's intellectual property, until the aggregate consideration amounts to $1,400,000. The consideration included a minimum consideration of $60,000 which was paid during 2011, and will be off set against future royalty payments which will be payable by the Company from sales of products and services.

f. On March 11, 2013, the Company entered into a Joint Venture Agreement for the establishment of a joint venture in China. The closing conditions in the Joint Venture Agreement have not been met, and the parties resolved to dissolve the joint venture. The Company received from one of the parties to the Joint Venture Agreement, a payment demand for reimbursement of expenses. The Company disputes the claim but has offered to settle the claim, and therefore recorded a provision of $40,000 which represent management's assessment for such settlement.

NOTE 9:- COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

g. In September 2012, the Company entered into a Know-How License Agreement with Fraunhofer Institute for Ceramic Technologies and Systems IKTS ("IKTS"), pursuant to which the Company purchases from IKTS certain additives. The Company has the right to receive the production file and knowhow to its chosen manufacturer, in consideration for payment to IKTS of royalties of €25 ($30 based on the exchange rate of $1.00 / € 0.83 in effect as of December 31, 2017) per kilogram of the ingredients not manufactured by IKTS. In addition, as of December 31, 2017, the Company is obligated to pay IKTS a minimum annual royalty amount deductible against royalties.

During the year ended December 31, 2017, 2016 and 2015, the Company recorded royalty expenses in the amount of $2,396, $2,202 and $2,177, respectively.

h. In May 2014, the Company entered into an agreement with XaarJet Limited, or Xaar, a producer of printer heads. Once the first ink (Silver Nano-Particle Ink) is certified by Xaar, the Company will be required to pay Xaar a fee for all certified inks sold for use with Xaar print heads as follows: 2% of the certified ink price until the cumulative value of the fees received by Xaar exceeds £50,000 ($67,567 based on the exchange rate of $1.00 / £ 0.74 in effect as of December 31, 2017), and thereafter, 1% of the certified ink price. Once the cumulative value of the fees received by Xaar with respect to all products exceeds £1,000,000 ($1,351,351 based on the exchange rate of $1.00 / £ 0.74 in effect as of December 31, 2017), the Company and Xaar have agreed to review the percentage payable in the light of the prevailing business conditions. As of December 31, 2017, no such sales commenced.

i. The first development consortium, DIMAP, was founded in October 2015 to develop novel ink materials and processes for 3D polyjet printing. The Company's main partners in this project are Stratasys (Israel), Profactor (Austria), Borealis (Austria) and Phillips (Netherlands). The Company have been granted a budget from DIMAP of €259,600 (approximately $312,771 based on the exchange rate of $1.00 / 0.83 in effect as of December 31, 2017) to develop these ink materials and processes. The grants received up to December 31, 2017 aggregated to €220,656 (approximately $265,851 based on the exchange rate of $1.00 / 0.83 in effect as of December 31, 2017). This project is expected to be completed in late 2018.

j. Our other development consortium, HIPERLAM, which started in November 2016, is aiming to develop novel ink materials and processes for LIFT printing technology. The Company's main partners in this project are Orbotech (Israel), TNO (Netherlands) and Oxford Lasers Ltd. (U.K.). the Company have been granted a budget by HIPERLAM of €260,713 (approximately $ 329,452 based on the exchange rate of $1.00 / € 0.83 in effect as of December 31, 2017). The Company received the entire grant up to December 31, 2017. This project is expected to be completed in late 2019.

k. A Eureka project has been approved for Digiflex – SINTERINK. The budget approved was NIS 2,019,291 ($582,432 based on the exchange rate of $1.00 / NIS 3.467 in effect as of December 31, 2017) - 40% grant, twelve (12) months. The goal of the project is to develop the Digiflex printer for conductive printing (laser and NIR), and optimized inks for laser sintering. The project is with other partners in the field of laser technologies, namely, Forth, Eulambia and Vector, all based in Greece. No grants received as of December 31, 2017 or the date of this report.

NOTE 9:- COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

l. The Manunet project has been approved for the Company – DIGIMAN. The budget approved was NIS 1,052,217 ($303,495 based on the exchange rate of $1.00 / NIS 3.467 in effect as of December 31, 2017) - 60% grant, twelve 12 months. The goal of the project is to develop digitally printed sensors. The project is expected to be performed with certain partners (but we are waiting for approval by the German grant entity to start), namely, Chemnitz University (Germany), National Research Nuclear University (Russia) , MEPHI (Russia), IKTS (Germany), VIA (Germany) and CPC (Israel). No grants received as of December 31, 2017 or the date of this report.

m. From time to time, the Company is party to other various legal proceedings, claims and litigation that arise in the normal course of business. It is the opinion of management that the ultimate outcome of these matters will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

n. The Company currently lease, through Nano Size, approximately 5,300 square feet of space in Migdal Ha'Emek, Israel for its principal offices and manufacturing facilities at a monthly cost of approximately NIS 10,030 ($2,893 based on the exchange rate of $1.00 / NIS 3.467 in effect as of December 31, 2017). The lease has been renewed and expires on June 30, 2019.

Additionally, Digiflex currently lease approximately 2,900 square feet of space at 6 Yad Haruzim, Kfar Saba, Israel for its principal office and laboratory at a monthly cost of approximately NIS 12,500 ($3,605 based on the exchange rate of $1.00 / NIS 3.467 in effect as of December 31, 2017). The lease agreement expires on January 31, 2021.

As of December 31, 2017, the future minimum aggregate office space commitment under non-cancelable agreements are as follows:

As of ended December 31,	Office space
2018	$ 77,981
2019	60,623
2020	43,265
2021	3,605
	$ 185,474

NOTE 10:- TAXES ON INCOME

a. Tax rates:

Taxable income is subject to the Israeli corporate tax at the rate as follows: 2017 – 24%, 2016 - 25% and 2015 - 26.5%.

In December 2016, the Israeli Parliament approved the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2018 and 2017 Budget Years), which reduces the corporate income tax rate to 24% effective from January 1, 2017 and to 23% effective from January 1, 2018.

Israeli companies are generally subject to Capital Gains Tax at the corporate tax rate.

b. Net operating losses carryforwards:

As of December 31, 2017, the Company and its Israeli subsidiaries has accumulated losses for tax purposes in the amount of $33 million which may be carried forward and offset against taxable income for an indefinite period.

NOTE 10:- TAXES ON INCOME (Cont.)

c. Accounting for uncertainty in income taxes:

For the years ended December 31, 2017, 2016 and 2015, the Company did not have any unrecognized tax benefits and no interest and penalties related to unrecognized tax benefits had been accrued. The Company does not expect that the amount of unrecognized tax benefits will change significantly within the next 12 months.

d. Tax assessments:

Tax reports filed by the Company and its Israeli subsidiaries through the year ended December 31, 2011 are considered final.

e. Deferred taxes on income:

Significant components of the Company's deferred tax assets are as follows:

	December 31,	
	2017	2016
Deferred tax assets		
Operating loss carryforward	$ 7,687,141	$ 2,767,407
Temporary differences	275,807	150,883
Total deferred tax assets	7,962,948	2,918,290
Valuation allowance	(7,962,948)	(2,918,290)
Net deferred tax assets	$ -	$ -

The net change in the total valuation allowance for the year ended December 31, 2017 primarily relates to the operating loss derived from Digiflex for which a full valuation allowance was recorded. The change in corporate income tax rate decreased valuation allowance (Refer to note 10a). In assessing the likelihood that deferred tax assets will be realized, management considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets depends on the generation of future taxable income during the periods in which those temporary differences and tax loss carryforwards are deductible.

NOTE 10:- TAXES ON INCOME (Cont.)

f. Reconciliation of the theoretical tax benefit and the actual tax expense:

	Year ended December 31,		
	2017	2016	2015
Loss before tax benefit	$ (2,843,905)	$ (1,621,400)	$ (1,773,655)
Statutory tax rate	24%	25%	26.5%
Income tax benefit	682,537	405,350	470,019
Effect of:			
Losses and timing differences for which valuation allowance was provided, net	(474,700)	(347,128)	(463,890)
Foreign exchange differences (*)	-	-	(10,104)
Non-deductible expenses and other permanent differences	(159,580)	(27,055)	(482)
Other	(48,257)	(31,167)	4,457
Income tax expense recognized in profit or loss	$ -	$ -	$ -

(*) Results for tax purposes are measured under measurement of results for tax purposes under the Income Tax (Inflationary Adjustments) Law, 1985, in terms of earnings in NIS. As explained in Note 2b, the financial statements are measured in U.S. dollars. The NIS/dollar exchange rate variance during the year caused a difference between taxable income and the income before taxes shown in the consolidated financial statements. In accordance with ASC 740-10-25-3(F), the Company has not provided deferred income taxes in respect of the difference between the functional currency and the tax bases of assets and liabilities.

NOTE 11:- SHARE CAPITAL

a. Issuance of ordinary shares:

1. On July 9, 2015, the Company entered into a Standby Equity Distribution Agreement (the "SEDA") with a new investor, pursuant to which the Company may, at its election and sole discretion, issue and sell to the investor, from time to time ordinary shares as provided in the SEDA. The maximum investment amount is $3,000,000 at a price per share equal to 95% of the lowest daily volume weighted average price of the ordinary shares for the five consecutive trading days following the election date. The Company's ability to issue shares under the SEDA is subject to, among other things, the qualification of the ordinary shares on the OTCQB and the filing and effectiveness of a registration statement registering for resale the ordinary shares issuable to the investor under the SEDA. Pursuant to the terms of the SEDA, the Company agreed to pay a structuring and due diligence fee in an amount equal to $15,000 and a commitment fee in an aggregate amount of $150,000 which was paid by the issuance of 100,000 ordinary shares on March 15, 2017. In addition, pursuant to the SEDA, the investor purchased in October 2015 100,000 units, at a purchase price of $1.50 per unit. Each unit consists of (i) one ordinary share and (ii) a five-year warrant to purchase one ordinary share at an exercise price of $1.50 per share.

NOTE 11:- SHARE CAPITAL (Cont.)

a. Issuance of ordinary shares (cont.):

Between July 2015 and December 31, 2015, as part of the Private Placement and the SEDA, the Company issued and sold an aggregate of 296,813 units (which includes the issuance of 100,000 units under SEDA agreement, as described above) at a price of $1.50 per unit. Each unit includes one ordinary share and one warrant to purchase ordinary share at an exercise price of $1.50 per share. The Company received aggregate net proceeds of $445,219 from the sale of such units, net of issuance costs of $4,285. The warrants may be redeemed by their holders, without the control of the Company, upon the occurrence of certain fundamental transactions such as "change in control" as defined in the warrant agreement. The warrants are exercisable on a cashless basis under certain circumstances.

In accordance with ASC 815, as of December 31, 2017 and 2016, warrants in the amount of $87,560 and $135,762 (the Company used the following assumptions: 0% dividend yield, 64.12% and 75.8% expected volatility, 1.95% and 1.61% risk free rate, and 2.62 and 3.63 expected life in years, respectively) were recorded as liability. The Company measures the warrants at fair value by using the Black-Scholes option pricing model in each reporting period until they are exercised or expired, with changes in the fair values being recognized in the Company's statement of operations as financial expense (income), net.

2. Between January and October 2016, as part of the Private Placement, the Company issued 374,001 units at a price of $1.50 per unit. Each unit consists of (i) one ordinary share and (ii) a five-year warrant to purchase one ordinary share at an exercise price of $1.50 per share. The Company received aggregate net proceeds of $561,000 from the sale of such units, net of issuance costs of $9,709. The warrants may be redeemed by their holders, without the control of the Company, upon the occurrence of certain fundamental transactions such as "change in control" as defined in the warrant agreement. The warrants are exercisable on a cashless basis under certain circumstances.

NOTE 11:- SHARE CAPITAL (Cont.)

a. Issuance of ordinary shares (cont.):

In accordance with ASC 815, warrants in the amount of $183,260 (the Company used the following assumptions: 0% dividend yield, 68.11% expected volatility, 1.14% risk free rate and 5 expected life in years) were recorded as liability. The Company measures the warrants at fair value by using the Black-Scholes option pricing model in each reporting period until they are exercised or expired, with changes in the fair values being recognized in the Company's statement of operations as financial expense (income), net. As of December 31, 2017, the fair value of the warrants amounted to $144,931.

3. On July 7, 2016, the board approved an internal equity investment round in an aggregate amount of up to $900,000 at a price per Ordinary Share of $0.75, to be raised from existing shareholders. The investment round resulted in the issuance of 860,000 Ordinary Shares in consideration for an aggregate investment amount of $645,000.

In connection with the conversion of the Additional Notes, as discussed in note 8a, the Company issued 274,667 Ordinary Shares in July 2016.

4. In February 2017, the Company issued 53,333 units at a price of $1.50 per unit. Each unit consists of (i) one ordinary share and (ii) a five-year warrant to purchase one ordinary share at an exercise price of $1.50 per share. The Company received aggregate net proceeds of $80,000 from the sale of such units. The warrants may be redeemed by their holders, without the control of the Company, upon the occurrence of certain fundamental transactions such as "change in control" as defined in the warrant agreement. The warrants are exercisable on a cashless basis under certain circumstances.

In accordance with ASC 815, warrants in the amount of $26,296 (the Company used the following assumptions: 0% dividend yield, 71.39% expected volatility, 2.10% risk free rate and 4.1 expected life in years) were recorded as a liability. The Company measures the warrants at fair value by using the Black-Scholes option pricing model in each reporting period until they are exercised or expired, with changes in the fair values being recognized in the Company's statement of operations as financial expense (income), net. As of December 31, 2017, the fair value of the warrants amounted to $24,344.

NOTE 11:- SHARE CAPITAL (Cont.)

a. Issuance of ordinary shares (cont.):

5. During 2017 the Company issued 60,000 restricted shares and 50,000 ordinary shares under several consulting agreements. The value of the shares of $110,810 was recognized as expense over the service period.

   According to agreement additional 60,000 restricted shares were to be issued in August 2017 but were issued in January 2018, the proportional share of the service in the amount of $50,000 was recorded as expense against additional paid in capital.

6. In December 2017 the Company issued 75,000 restricted ordinary shares to service provider of the Company. 37,500 shares vested immediately, the remaining shares shall vest during 2018 every 60 days according to the vesting schedule set forth in the agreements. The value of the vested shares of $37,500 was recognized as expense over the service period.

7. In December 2017 the Company issued 6,560,471 to the former owners of Digiflex as part of the merger agreement, refer to Note 3.

8. In addition, the Company issued to new investor and some of the former owners of Digiflex 333,333 units at a price of $1.50 per unit. Each unit consists of (i) one ordinary share and (ii) a five-year warrant to purchase one ordinary share at an exercise price of $1.50 per share. The Company received aggregate net proceeds of $500,000 from the sale of such units. In accordance with ASC 815, warrants in the amount of $165,685 (the Company used the following assumptions: 0% dividend yield, 68.59% expected volatility, 2.19% risk free rate and 4.92 expected life in years) were recorded as a liability. The Company measures the warrants at fair value by using the Black-Scholes option pricing model in each reporting period until they are exercised or expired, with changes in the fair values being recognized in the Company's statement of operations as financial expense (income), net. As the occurrence of certain fundamental transactions defined in the warrant agreement that may lead to liquidation are not expected to occur, the Company included the warrants within long-term liabilities. As of December 31, 2017, the fair value of the warrants amounted to $162,624.

9. On December 27, 2017, the Company entered into a Share Purchase Agreement with Jet CU as supplemented by that certain Supplement to Share Purchase Agreement dated January 3, 2018, pursuant to which the Company received aggregate gross proceeds of $992,615 from Jet CU in exchange for 992,615 Ordinary Shares and 300,000 warrants to purchase 300,000 Ordinary Shares at an exercise price of $0.50 per share. The warrants may be exercised, in whole or in part, for a period of five (5) years, i.e. until January 3, 2023.

   Out of the total amount, $600,000 was received in December 2017 and was recorded as receipt on account of shares and warrants with long term liabilities on the balance sheet.

b. Rights of ordinary shares:

Ordinary shares confer upon their holders the rights to elect all of the directors of the Company, to participate and vote in the general meetings of the Company, to receive dividends, if and when declared, subject to the payment in full of all preferential dividends to which the holders of the Preferred Share are entitled under the Company's articles of association and to participate in the distribution of the surplus assets and funds of the Company in the event of liquidation, subject to the liquidation preference of the Preferred Shares (if any). Each ordinary share entitles its holder to one vote on all matters submitted to a vote of the Company's shareholders.

c. Stock option plan:

Under the Company's 2010 option plan, options may be granted to officers, directors, employees, consultants and service providers of the Company.

The vesting period of the options is subject for Board approval and can vary from grant to grant. Options vest over a period of zero to three years from date of grant. Any options that are cancelled or forfeited before expiration become available for future grants. The options may be exercised for a period of seven years from grant.

The total number of shares available for future grants as of December 31, 2017 was 193,802.

NOTE 11:- SHARE CAPITAL (Cont.)

c. Stock option plan (cont.):

A summary of the Company's stock option activities and related information for the year ended December 31, 2017, is as follows:

	Number of options	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic-value
Outstanding at the beginning of the year	836,514	$ 0.63		
Granted*	688,288	$ 1.09		
Options forfeited	(95,089)	$ 0.92		
Outstanding at the end of the year	1,429,713	$ 0.83	$ 6.29	$ 240,986
Exercisable as of December 31	913,617	$ 0.78	$ 5.89	$ 197,977

(*) Include 198,788 options that were granted in connection with the Digiflex acquisition, refer to Note 3 for additional information.

The options granted to officers, directors, employees, consultants and service providers of the Company which were outstanding as of December 31, 2017 have been classified into exercise prices as follows:

	Outstanding		Exercisable	
Exercise price	Number of options	Weighted average remaining contractual life (years)	Number of options	Weighted average remaining contractual life (years)
*	230,425	5.4	230,425	5.4
0.45	63,097	2.7	63,097	2.7
0.92	937,403	6.6	421,307	6.1
*	37,924	3.3	37,924	3.3
0.03	102,096	9.8	102,096	9.8
0.34	8,020	6.1	8,020	6.1
4.72	1,068	4.2	1,068	4.2
5.05	2,769	4.2	2,769	4.2
5.73	37,623	4.3	37,623	4.3
6.23	9,648	7	9,648	7
	1,429,713		913,617	

(*) Represents an amount lower than $0.01.

As of December 31, 2017, the total compensation cost related to options granted to employees, consultants and service providers, not yet recognized, amounted to $319,955 and is expected to be recognized over a weighted average period of 1.43 years.

NOTE 11:- SHARE CAPITAL (Cont.)

d. Stock based compensation amounted to $136,134, $52,389 and $8,788 in 2017, 2016 and 2015, respectively, and were recorded as follows:

	Year Ended December 31,		
	2017*	2016	2015
Cost of revenues	$ -	$ (99)	$ 107
Research and Development	17,956	8,828	2,597
Sales and Marketing	9,747	7,220	839
General and Administrative	108,431	36,440	5,245
	$ 136,134	$ 52,389	$ 8,788

* On November 19, 2017 the Company provided an additional exercise period for a few employees. Such modification resulted in recording an additional $54,598 stock based compensation. Such amount is presented within the 2017 stock based compensation

e. The Company's outstanding warrants classified as equity as of December 31, 2017 are as follows:

Issuance date	Outstanding	Exercise price	Exercisable through
2009	117,209	(***)	Exit event
2013	59,384	$ 0.92	2023
2013	8,182	$ 0.92	(*)
2014	51,096	$ 1.50	(*)
2016	7,832	$ 1.50	(**)
2016	333	$ 0.75	(**)
	244,036		

(*) The earlier of: 5 years from the issuance date or the consummation of Initial Public Offering ("IPO") or Merger and Acquisition ("M&A") Transaction.

(**) The earlier of: 2 years from the issuance date or the consummation of IPO or M&A Transaction

(***) Represents an amount lower than $0.01

All warrants are exercisable to ordinary shares. The exercise price of the warrants and the number of shares issuable thereunder is subject to standard anti-dilution features, including dividends, stock splits, combinations and reclassifications of the Company's capital stock. In accordance with ASC 815, "Derivatives and Hedging", the warrants were classified as equity instruments.

NOTE 11:- WARRANTS PRESENTED AT FAIR VALUE

The Company's outstanding warrants classified as a liability as of December 31, 2017 are as follows:

Outstanding	Exercise price	Issuance year	Exercisable through	Fair value	
1,016,668	$ 1.50	2014	2019	$ 210,576	(****)
743,372	$ 1.50	2014	2019	154,041	(****)
120,000	$ 0.92(*)	2014	(**)	37,155	(****)
296,813	$ 1.50	2015	2020	87,560	Refer to Note 11a1
374,001	$ 1.50	2016	2021	144,930	Refer to Note 11a2
905,555	$ 1.20	2017	2022	478,642	Refer to Note 8e
333,333	$ 1.50	2017	2022	162,624	Refer to Note 11a8
53,333	$ 1.50	2017	2022	24,344	Refer to Note 11a4
50,000	$ 1.50	2017	2022	22,998	Refer to Note 8b
33,332	$ 1.20	2017	2022	17,598	Refer to Note 8c
33,332	$ 1.00	2017	2022	18,984	Refer to Note 8c
675,926	(***)	2017	2022	675,926	Refer to Note 3
4,635,665				$ 2,035,378	

(*) Subject to changes as describe in the agreement.
(**) M&A or qualified IPO as described in the agreement.
(***) Less than $0.01.
(****) Issued in connection with 2014 financing rounds.

NOTE 12:- FINANCIAL EXPENSES (INCOME), NET

	Year ended December 31,		
	2017	2016	2015
Financial income:			
Change in fair value of warrants and capital note presented at fair value	$ (491,884)	$ (25,936)	$ (19,278)
Financial expenses:			
Interest and accretion back in connection with convertible loans	282,015	-	-
Beneficial conversion feature related to bridge financing notes	-	74,160	-
Foreign exchange loss, net	127,328	17,982	8,111
Other	18,763	14,430	10,073
	$ (63,778)	$ 80,636	$ (1,094)

NOTE 13:- ADDITIONAL INFORMATION TO THE STATEMENTS OF OPERATIONS

Geographic information:

Revenues reported in the financial statements derived from the Company's country of domicile (Israel) and foreign countries based on the location of the customers, are as follows:

	Year ended December 31,		
	2017	2016	2015
Israel	$ 28,058	$ 18,903	$ 9,632
Germany	5,169	16,040	9,350
France	782	7,126	8,681
Holland	7,082	4,936	1,740
Austria	633	1,135	14,967
United states	21,105	16,935	11,395
Other	19,047	13,006	12,567
	$ 88,691	$ 78,081	$ 68,332

All of the Company's long-lived assets are located in Israel.

NOTE 14:- SUBSEQUENT EVENTS

a. On March 8, 2018, the Company entered into a Share Purchase Agreement with Jet CU, pursuant to which Jet CU provided the Company with a convertible loan in an aggregate principal amount of $150,000 and received from the Company warrants to purchase 400,000 Ordinary Shares at an exercise price of $0.50 per share. The loan amount bears interest of 5% per annum. The warrants may be exercised, in whole or in part, for a period of five (5) years, i.e. until March 8, 2023. Jet CU may receive warrants to purchase an additional 200,000 Ordinary Shares at an exercise price of $0.50 per share, if the price of share by the end of December 2018 is lower than $1.00.

b. On May 8, 2018, the Company entered into a Share Purchase Agreement with Slobel NV, pursuant to which Slobel provided us with a convertible loan in an aggregate principal amount of $170,000 and received from the Company warrants to purchase 170,000 Ordinary Shares at an exercise price of $0.50 per share. The loan includes a 10% original issue discount and bears interest of 6% per annum. The warrants may be exercised, in whole or in part, for a period of five (5) years, i.e. until May 7, 2023.

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SHARE EXCHANGE AGREEMENT

THIS SHARE EXCHANGE AGREEMENT is made and entered into as of December 3, 2017, by and among PV Nano Cell Ltd., an Israeli Company (the "*Purchaser*"), Digiflex Ltd., an Israeli company (the "*Company*"), the stockholders of the Company as set forth on the signature pages to this Agreement (collectively, the " *Stockholders*" and, individually, a *"Stockholder"* and together with the Company *"Seller Parties")* and Moshe Zimmerman as Stockholder Representative (the *"Stockholder Representative")*.

Recitals

Whereas, the Stockholders, representing the entire share capital of the Company on a fully diluted basis, desire to sell to and exchange with the Purchaser all of the securities of the Company that they hold for securities of the Purchaser as set forth herein (the transactions set forth herein, the *"Transactions");*

Whereas, concurrently with the execution and delivery of this Agreement, and as a condition and inducement to the Purchaser's willingness to enter into this Agreement, the Stockholders listed on Schedule A and Jet CU P.C.B Ltd ("**Jet CU**") shall invest in the Purchaser an aggregate amount of US $ 1,100,000 under the terms of the Share Purchase Agreement attached hereto as Schedule B (the *"Investment Transaction" "SPA*" respectively*),* and as a condition to the Transactions under this Agreement, out of which an amount of US $56,344 was already advanced to the Company and shall be part of the Investment Transaction. The investment amount will be transferred by the applicable Stockholders to a trustee prior to the Closing and will be transferred to the Purchaser as detailed below.

Whereas. all capitalized terms used in this Agreement but not otherwise defined in this Agreement shall have the meanings set forth in EXHIBIT 1 hereto.

Now, **Therefore**, in consideration of the respective covenants, agreements and representations and warranties set forth in this Agreement, the parties to this Agreement, intending to be legally bound, agree as follows:

ARTICLE I DESCRIPTION OF TRANSACTION

Section 1.1 Exchange of Shares and Investment Transaction

(a) Subject to the terms and conditions in this Agreement, at the Closing, each Stockholder agrees to sell, transfer, assign and deliver to the Purchaser such number of (i) Ordinary Shares of the Company, par value NIS 0.01 per share *("Shares")* and (ii) Preferred A Shares, Preferred B Shares and Preferred C Shares of the Company, par value NIS 0.01 per share ("*Preferred A Shares"*, "*Preferred B Shares"* and "*Preferred C Shares"* and, together with the Ordinary Shares, the *"Shares"),* set forth opposite its name on Schedule C, together with any additional Shares which may be issued to a Stockholder after the date hereof, but prior to Closing, as a result of the conversion of any Company Notes and the exercise of any Company Options or Company Warrants, free and clear of all Liens, and the Purchaser agrees to sell and issue to all such Stockholders, as applicable, in exchange for the Shares, such number of shares of common stock, par value NIS 0.01 per share of the Purchaser representing in the aggregate 25% of the share capital of the Purchaser on a fully diluted basis at closing, free and clear of all Liens (the "*Purchaser Common Stock*") in accordance with the conversion rate and the agreed valuation described in Schedule C ("**Agreed Value**") and as set forth opposite each Stockholder's name on Schedule C.

(b) Transfer Restrictions. The Purchaser Common Stock may only be disposed of in compliance with state and federal securities laws. In connection with any transfer of Purchaser's shares other than pursuant to an effective registration statement or Rule 144, to the Purchaser or to an Affiliate of a Stockholder or in connection with a pledge, the Purchaser may require the transferor thereof to provide, at the transferor's expense, an opinion of counsel selected by the transferor and reasonably acceptable to the Purchaser, the form and substance of which opinion shall be reasonably satisfactory to the Purchaser, to the effect that such transfer does not require registration of such transferred shares under the Securities Act. As a condition of transfer, any such transferee shall agree in writing to be bound by the terms of this Agreement and shall have the rights and obligations of a Stockholder under this Agreement and the other Ancillary Agreements.

(c) The investment amount under the Investment Transaction will be transferred to Purchaser as follows:

An amount of US $443,656 shall be transferred to the Purchaser at the Closing and US $56,344 was already advanced to the Company, totaling US $500,000 ("First Payment");

An amount of USD 600,000 shall be transferred to the Purchaser by Jet CU no later than December 30 2017 ("Second Payment").

(d) The Stockholders who are shareholders or office holders in Jet CU ("**Affiliated Stockholders**") shall cause Jet CU to perform under the SPA. Failure by Jet CU to pay the Second Payment by December 30 2017 which is not cured by January 30, 2018, shall results in, without derogating from any other remedy available to the Purchaser under this Agreement, the forfeiture of all the shares issued to the Affiliated Stockholders in the Investment Transaction and in addition forfeiture of 400,000 Purchaser Common Stock issued to the Affiliated Stockholders in connection with the Share exchange, in accordance with the allocation described in Schedule A or in accordance with the written instructions signed by all the Affiliated Stockholders. The Purchaser shares issued to the Affiliated Stockholders under the SPA of the Investment Transaction, shall be deposited with the Paying Agent in escrow until the Second Payment is made by Jet CU. The provisions of the Escrow Agreement shall apply also to the release of the Purchaser Units (as defined in the SPA|) issued to the Affiliated Stockholders under the SPA. The terms of subsections (c) and (d) of this Section 1.1 shall prevail any contradicting terms of the SPA.

Section 1.2 Conversion of Company Notes

(a) Subject to the terms and conditions in this Agreement, effective as of the Closing, all outstanding Indebtedness of the Company under the Company's outstanding convertible notes (the "*Company Notes")* shall be converted into Shares in accordance with their terms. If such Company Notes have not been converted as of the date of the Closing, such Company Note shall be deemed automatically cancelled and forfeited, effective immediately prior to the Closing. As a result of such conversion or forfeiture, each Company Note holder will be the holder of that number of Shares set forth opposite such Company Notes holder's name on Schedule C hereto which shall be updated prior to the Closing, as of immediately prior to the Closing, and such shares will be exchanged pursuant to the Transactions, as described in Section 1.1(a) above. The Company Notes will be cancelled after such conversion.

Section 1.3 Assumption and Substitution of Company Options and Exercise of Warrants.

(a) Subject to the terms and conditions in this Agreement, effective as of the Closing, all the issued, outstanding and unexercised options (the "*Company Options*") to purchase or otherwise receive Ordinary Shares of the Company that were granted under the Company's 2010 Employee Share Option Plan (the *"Company Option Plan")* that are held individually or by the trustee of the Company Option Plan (the *"Trustee")* for the benefit of certain individuals, in each case as set forth on Schedule D hereto (the *"Company Option Holders"),* which represents all of the outstanding Company Options whether vested or unvested, shall be assumed and substituted by the Purchaser for the number of options to acquire shares of Purchaser Common Stock set forth opposite such Company Option Holder's name on Schedule D hereto (each a *"Replacement Option").* Each Company Option so assumed and substituted by the Purchaser pursuant to this Section 1.3(a) shall continue to have the same expiration date, vesting schedule and aggregate exercise price as in effect immediately prior to the Closing; *provided* that (x) such Replacement Option shall be exercisable for that number of whole shares of Purchaser Common Stock set forth opposite such Company Option Holder's name set forth on Schedule D hereto and (y) the per share exercise price for the shares of Purchaser Common Stock issuable upon exercise of such substituted Company Option shall be as set forth opposite such Company Option Holder's name set forth on Schedule D hereto. The Replacement Options shall be governed by the Purchaser's 2010 Option Plan and individual option grant agreements or other similar agreements. The Company shall obtain the consent of the Company Option Holders to the replacement of their Company Options, in the form attached hereto as Schedule E including their confirmation that they understand that there is no guarantee that the Replacement Options shall enjoy a preferred tax arrangement and that neither the Purchaser nor the Company are obligated towards the Option Holders to apply for any tax ruling.

(b) Subject to the terms and conditions in this Agreement, each Person who holds warrants (each a "*Company Warrant Holder*") to purchase or otherwise acquire Shares of the Company, as set forth on Schedule C hereto, which represents all of the outstanding warrants to purchase or otherwise acquire Ordinary Shares of the Company, (the *"Company Warrants*") whether vested or unvested and that are unexercised as of the date of this Agreement, hereby agrees and acknowledges that (i) prior to the Closing such Company Warrant Holder will exercise their Company Warrants in accordance with the exercise procedures set forth in the Company Warrants, and (ii) that if such Company Warrant has not been exercised as of the date of the Closing, such Company Warrant shall be deemed automatically forfeited and cancelled, effective immediately prior to the Closing. As a result of such exercise or forfeiture, each Company Warrant Holder will be the holder of that number of Shares set forth opposite such Company Warrant Holder's name on Schedule C hereto as updated immediately prior to the Closing, and such shares will be exchanged pursuant to the Transactions, as described in Section 1.1(a) above. The Stockholder Representative and the Company shall determine the final Schedule C, and all Stockholders agree that their determination shall be binding and final.

Section 1.4 Withholding. The Stockholders shall be responsible for the payment of any and all Taxes levied on account of the Purchaser Common Stock issued to Stockholders by Purchaser under this Agreement. Stockholders shall obtain an unequivocal approval or certification from the applicable taxing authorities evidencing the payment of the applicable Taxes or an exemption from such withholding. The provisions of the Paying Agent Agreement shall apply to withholding of any Taxes due by the Stockholders. Each Stockholder confirms that he/she/it understands that failure to provide a withholding certificate shall impose tax liability according to the ITO and to the extent that such Stockholder did not wire the cash amount covering the applicable Tax to the Paying Agent when due, the certificate(s) representing the Shares will be returned to Purchaser, and the Purchaser shall hold them in accordance with the applicable terms of the Paying Agent Agreement, mutatis mutandis. By signing this Agreement, each Stockholder hereby agrees to be included in the Tax Ruling and to comply with its terms, to the extent submitted by the Company, and to sign each and any document required for that purpose.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF THE STOCKHOLDERS

Each Stockholder hereby represents and warrants to the Purchaser, severally and not jointly, as of the date hereof and as of the Closing Date, all the representations and warranties contained in Exhibit 2 attached hereto. Such representations and warranties are subject to the qualifications and exceptions set forth in the applicable schedules referred to herein. References to the knowledge or awareness of each of Stockholder are deemed to include the actual knowledge or awareness of such Stockholder and any knowledge that such Stockholder should have obtained after reasonable inquiry taking into consideration his involvement with the Company and its Affiliates, *provided however* that with respect to representation regarding the Company and its Affiliates, such references are deemed to also include the best knowledge or awareness of any of the Company's and its Affiliates officers and any knowledge that such officer should have obtained after reasonable inquiry in the course of the performance of his/her respective duties on behalf of the Company and its Affiliates. The term Company is this Section shall also refer to the Company's Affiliates.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser represents and warrants to the Seller Parties that each statement contained in Exhibit 3 attached hereto is true and correct as of the date hereof and as of the Closing Date. Such representations and warranties are subject to the qualifications and exceptions set forth in the applicable schedules referred to in Exhibit 3. References to the knowledge or awareness of each the Purchaser is deemed to include the actual knowledge or awareness of the Purchaser's CEO and any knowledge that the CEO should have obtained after reasonable inquiry in the course of the performance of his respective duties on behalf of the Company and its Affiliates.

ARTICLE IV

CERTAIN COVENANTS AND AGREEMENTS

Section 4.1 Conduct of Business Pending Closing. From the date hereof until the Closing, the Company will:

(a) maintain its existence in good standing;

(b) maintain the general character of its business and properties and conduct its business in the Ordinary Course of Business, except as otherwise expressly permitted by this Agreement;

(c) maintain its business and accounting records consistent with past practices;

(d) the Company will file on a timely basis with the appropriate taxing authorities all tax returns required to be filed, and pay all Taxes due, before the Closing Date; and

(e) use commercially reasonable efforts to (i) preserve its business intact, and (ii) keep available to the Company the services of its present officers and employees.

(f) with respect to any Company Option Holder who exercises their option to acquire Ordinary Shares, for purposes of the Transactions described herein, (i) treat such Company Option Holder as a Stockholder, (ii) treat any shares issued pursuant to the exercise of such Company Options as Ordinary Shares, and (iii) have such Company Option Holder sign an addendum to this Agreement, joining this Agreement as a Stockholder with respect to the Ordinary Shares acquired by such Option Holder upon exercise of their Company Option.

(g) Convert and Exercise all Company Notes and Company Warrants, as further described in Sections 1.2 and 1.3 above.

(h) Obtain the approval of the Purchaser's auditors to the audited financial statements of the Company as and for the period ended December 31, 2015 and December 31, 2016 and unaudited financial statements as and for the period ended September 30, 2017 (the *"Financial Statements")*, in accordance with United States generally accepted accounting principles**;**

Section 4.2 Prohibited Actions Pending Closing. Unless otherwise expressly permitted herein or approved by the Purchaser or the Company in writing, as applicable, from the date hereof until the Closing, neither the Company nor the Purchaser shall:

(a) allow any Material Change to its business;

(b) enter into or amend a material contracts or transactions or agreements;

(c) make or commit to any significant liaberilities or other commitments, not in the ordinary course of business;

(d) acquire, sell, assign, encumber or otherwise dispose any material assets;

(e) alter or agree to alter its incorporation documents;

(f) declare, set aside or pay any dividend or other distribution in respect of any shares of capital stock or repurchase, redeem or acquire any outstanding shares of capital stock or other securities of, or other ownership interest in;

(g) change accounting or tax reporting principles, methods or policies;

(h) make, change or rescind any material election concerning Taxes or tax returns, file any amended tax return, enter into any closing agreement with respect to Taxes, settle or compromise any material Tax claim or assessment or surrender any right to claim a refund of Taxes or obtain any tax ruling;

(i) cause to occur, by act or omission, an event or series of event, whether related or not, which may have, from the perspective of the other party, a Material Adverse Effect on the business, assets or financial condition of the other party or on the transactions contemplated by this Agreement;

(j) make or commit to make any capital expenditures or capital additions or betterments in excess of $10,000 individually or $40,000 in the aggregate except that the Purchaser shall not be subject to such limitation with respect to ordinary course expenditures;

(k) (i) mortgage, pledge or subject to any lien any of its assets, or (ii) acquire any assets or sell, assign, transfer, convey, lease or otherwise dispose of any assets of the Company, except in the case of clause (ii), in the Ordinary Course of Business;

(l) make any loans or capital contributions to, or investments in, any Person or pay any fees to any director, officer, partner or Affiliate thereof or to any Company Stockholder (who is not a director, officer or partner) or Affiliate of any Company Stockholder (other than business expenses incurred in the Ordinary Course of Business);

(m) institute or settle any legal proceeding; and

(n) agree, commit, arrange or enter into any understanding to do anything set forth in this Section 4.2.

(o) Without derogating from the above,

(i) the Purchaser shall not be precluded from completing the following transactions which are currently contemplated: financing transaction through equity/debt/convertible loan not to exceed USD $2,000,000, purchase additional printers and establish of new joint venture in China. Purchaser may also continue to raise equity investments in the framework of the Private Placement Offering as described in the F-20 submitted by Purchaser to the SEC.

(ii) the Purchaser, the Company and the Stockholders shall not be precluded from any action or activity that is required or advisable for the fulfillment or the performance of the Purchaser, the Stockholders' and/or Company's obligations under this Agreement.

Section 4.3 Access to Information. The Company shall cause its officers, directors, employees and agents to, afford the officers, employees and agents of the Purchaser complete access at all reasonable times, from the date hereof to the Closing, to its officers, employees, agents, properties, books and records, and shall furnish Purchaser all financial, technical, operating and other data and information as Purchaser, through its officers, employees or agents, may reasonably request. The information shall include the delivery of complete formulas of the Company's inks and other products sold by the Company, at least two weeks before Closing. Purchaser shall keep all information discovered in the course of such investigation confidential.

Section 4.4 Reasonable Efforts to Close. Subject to the terms and conditions provided in this Agreement, each of the parties hereto shall use reasonable best efforts to take promptly, or cause to be taken promptly, all actions, and to do promptly, or cause to be done promptly, all things necessary, proper or advisable under applicable Law to consummate and make effective the Transactions and the other transactions contemplated hereby as promptly as practicable, including by using commercially reasonable efforts to take all action necessary to satisfy all of the conditions to the obligations of the other party or parties hereto to effect the Transactions, to obtain all necessary waivers, consents, approvals and other documents required to be delivered hereunder and to effect all necessary registrations and filings and to remove any injunctions or other impediments or delays, legal or otherwise, in each case in order to consummate and make effective the Transactions and the other transactions contemplated by this Agreement for the purpose of securing to the parties hereto the benefits contemplated by this Agreement.

Section 4.5 Cooperation on Tax Matters.

(i) The parties hereto shall cooperate fully, as and to the extent reasonably requested by the other party, in connection with the filing of tax returns related to the Transaction and any audit or legal proceeding with respect to Taxes. Such cooperation shall include the retention and (upon the other party's request) the provision of records and information which are reasonably relevant to any such audit or legal proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder.

(ii) Stockholder Representative, on behalf of the Stockholders, further agree, upon request, to use its respective best efforts to obtain any certificate or other document from any taxing authority or any other Person as may be necessary to mitigate, reduce, or eliminate any tax that could be imposed (including, but not limited to, with respect to the transactions contemplated hereby).

(iii) The Stockholders shall obtain no later than 180 days of the Closing the following tax rulings from the Israel Tax Authority: ruling regarding the exchange of the options of the Option Holders ("**Tax Ruling**").

(iv) Survival of Obligations. Notwithstanding any other provision in this Agreement to the contrary, the obligations of the parties set forth in this Section *4.5* shall be unconditional and absolute and shall remain in effect without limitation as to time or amount.

Section 4.6 Publicity. No party to this Agreement shall directly or indirectly make any public announcement or statement regarding this Agreement, the Ancillary Agreements or the transactions contemplated hereby or thereby without the prior consent of Purchaser and the Company, such consent not to be unreasonably withheld. No consent shall be required if such announcement is required by Law or the rules or regulations of any United States or foreign securities exchange or automated quotation system.

Section 4.7 Confidentiality. Each of the Stockholders and Purchaser shall (and shall cause each of its respective representatives to) maintain in confidence and not directly or indirectly, use, disseminate, disclose or publish, or use for such Stockholder's or Purchaser's benefit or the benefit of any person, firm, corporation or other entity any Confidential Information of the other Parties, or deliver to any person, firm, corporation or other entity any document, record, notebook, computer program or similar repository of or containing any such Confidential Information. Each of the Stockholders and Purchaser hereby stipulate and agree that as between them, the Confidential Information is important, material and affects the successful conduct of the business of the Company as currently conducted and as contemplated to be conducted by the Company following the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements. After the Closing the Confidential Information of the Company shall be deemed Confidential Information of the Purchaser.

Section 4.8 Appointment of Directors and Officers of the Purchaser.

(a) As soon as possible post Closing, the Purchaser shall bring to the vote of the General Meeting the nomination of Mr. Shai Levy to the Board of Directors (the "*Purchaser Director*") and shall take such other action as is necessary to accomplish the foregoing. The appointment is conditioned upon the Purchaser Director meeting the qualification requirements under applicable Law and signing any documents reasonably required by the Purchaser to comply with applicable Law.

Section 4.9 Further Assurances. From time to time, as and when requested by any Party, each Party shall execute and deliver, or cause to be executed and delivered, all such documents and instruments and shall take, or cause to be taken, all such further or other actions, as such other Party may reasonably deem necessary or desirable to consummate the transactions contemplated by this Agreement.

ARTICLE V CONDITIONS TO CLOSING

Section 5.1 Conditions Precedent to Each Party's Obligation to Effect the Transactions. The respective obligations of each party hereto to effect the Transactions shall be subject to the fulfillment or satisfaction, prior to or on the Closing Date of the following conditions:

(a) Completion of the Financing Round. On or before the Closing Date, Purchaser shall have raised an equity investment of at least US $1,400,000 including the amount to be invested by certain Stockholders under the Investment Transaction.

(b) No Legal Impediments. As of the Closing Date, there shall not be any Legal Proceeding by any Governmental Body before any court or Governmental Body seeking to restrain or prohibit the consummation of this Agreement or any of the other transactions contemplated by this Agreement.

(c) Other Consents. On or before the Closing Date, Purchaser and the Company have each obtained and delivered, as applicable, all necessary board, shareholder and third party consents required to adopt and approve this Agreement and to consummate the Transactions or the other transaction contemplated hereby.

(d) Completion of Due Diligence. Each of Purchaser and the Company, in its reasonable discretion, shall have completed to its satisfaction all necessary technical, financial and legal due diligence including the review of the Company's inks formulas and products.

Section *5*. 2 Conditions Precedent to Obligations of the Purchaser. All obligations of the Purchaser under this Agreement are further subject to the fulfillment, satisfaction or (to the extent permitted by Law) waiver by the Purchaser, prior to or on the Closing Date, of each of the following conditions precedent:

(a) Representations and Warranties. Each of the Company's and the Stockholders' representations and warranties contained in Exhibit 2 of this Agreement shall be true and correct in all material respects on and as of the Closing Date with the same effect as though such representations and warranties were made on and as of the Closing Date, except to the extent that any representations and warranties expressly relate to an earlier date, in which case such representations and warranties shall be evaluated as of such earlier date.

(b) Covenants. The Company and the Stockholders shall have performed and complied in all material respects with all covenants and obligations under this Agreement required to be performed and complied with by the Company and the Stockholders prior to the Closing.

(c) Officer's Certificate. Purchaser shall have received a certificate from the Company, validly executed by the Chairman of the Company's Board for and on the Company's behalf, to the effect that, as of the Closing the conditions with respect to the Company set forth in Sections 5.1 (b), 5.1 (c), *5*.2(a) and *5*.2(b) have been satisfied in the form attached hereto as Schedule 5.2(c).

(d) No Material Liabilities. Purchaser shall have received a certificate from the Company, validly executed by the Company's Chairman of the Board that as of the Closing Date, the Company's Liabilities do not exceed One Million sixty five thousand ($1,065,000) (excluding the Liabilities to the OCS) in the form of accounts payable, notes payable and accrued expenses (not including allowance for vacation), including the legal and accounting expenses in connection with the Transactions and that the Company has a cash balance of US 200,000 as of the Closing. The Company shall not be a party to or bound by any instrument or agreement relating to any material indebtedness that would limit the issuance or cancellation of any securities pursuant to this Agreement.

(e) Amendment of the Jet CU License Agreement. Purchaser shall have received executed copies of the License Agreement in the form attached hereto as Schedule 5.2(e).

(f) Service Agreement with Jet CU. Company and Jet CU shall have executed the Service Agreement in the form attached hereto as Schedule 5.2(f).

(g) Share Transfer Deeds and Share Certificates. The Purchaser shall have received all physical original certificates evidencing all securities of the Company held by the Stockholders or an affidavit of lost, stolen or destroyed certificate, and a share transfer deed, both in form attached hereto as Schedule 5.2(g), appropriately completed and signed.

(h) Approval of Financial Statements. The Purchaser shall have received the Financial Statements approved by the Purchaser's auditors as set forth in Section 4.1(i) above.

(i) No Material Adverse Effect on the Company. As of the Closing Date, there shall not have occurred any event and no circumstance shall exist which, alone or together with any one or more other events or circumstances has had, is having or would reasonably be expected to have a Material Adverse Effect on the Company.

(j) Accredited Investor Questionnaire. The Purchaser shall have received an accredited investor questionnaire, in form reasonably satisfactory to the Purchaser, executed by each Stockholder that is an "accredited investor" as defined in Rule 501(a) of Regulation D promulgated under the Securities Act in the form attached hereto as Schedule 5.2(j).

(k) Regulation S Certification. The Purchaser shall have received a Regulation S Certification, in the form and substance of the certificate annexed hereto as Schedule 5.2(k), executed by each Stockholder that is not a U.S. Person and is not an "accredited investor" as defined in Rule 501(a) of Regulation D promulgated under the Securities Act.

(l) Closing of the Investment Transaction. The closing of the Investment Transaction has occurred in accordance with the SPA, and the Purchaser shall have received the Purchase Price due at such closing, as detailed in the SPA and in Section 1.1 (c) above.

(m) The Purchaser shall receive executed resignation letters of all the members of the Board of the Company and its subsidiaries, attached hereto as Schedule 5.2(m).

(n) Company Investment. Certain Stockholders of the Company have invested in the equity of the Company an amount of $200,000, immediately prior to the Closing, and that the Company shares issued to them in respect of such investment are described on Schedule C.

Section 5.3 Conditions Precedent to the Company's and the Stockholder's Obligations. All obligations of the Company and the Stockholders under this Agreement are further subject to the fulfillment, satisfaction, or (to the extent permitted by Law) waiver by the Company and the Stockholders prior to or on the Closing Date, of each of the following conditions precedent:

(a) Representations and Warranties. The Purchaser's representations and warranties contained in Exhibit 3 of this Agreement shall be true and correct in all respects on and as of the Closing with the same effect as though such representations and warranties were made on and as of the Closing, except to the extent that any representations and warranties expressly relate to an earlier date, in which case such representations and warranties shall be evaluated as of such earlier date.

(b) Covenants. The Purchaser shall have performed and complied in all material respects with all covenants and obligations under this Agreement required to be performed and complied with by the Company prior to the Closing.

(c) Officer's Certificate. The Company shall have received a certificate from the Purchaser, validly executed by the Chief Executive Officer of Purchaser for and on the Purchaser's behalf, to the effect that, as of the Closing the conditions set forth in Sections *5*.3(a) and *5*.3(b), have been satisfied.

Section 5.4 Frustration of Closing Conditions. None of the Company, Purchaser or the Stockholder Representative may rely on the failure of any condition set forth in Sections *5*.1, *5*.2 or *5*.3, as the case may be, to be satisfied if such failure was caused by such party's failure to use reasonable best efforts to consummate the Transactions and the other transactions contemplated by this Agreement, as required by and subject to Section 5.4.

ARTICLE VI CLOSING

Section 6.1 Closing. Unless otherwise mutually agreed between the Purchaser, the Company and the Stockholders' Representative, the Closing shall take place at the offices of Primes, Shiloh, Givon, Meir - Law Firm, 16 Derech Hayam St., Haifa 3474110, Israel, on the 2nd Business Day following the day on which the last to be satisfied or waived of the conditions set forth in ARTICLE V and ARTICLE VI shall be satisfied or waived in accordance with this Agreement (other than those conditions that by their terms are to be satisfied at the Closing, it being understood that the occurrence of the Closing shall remain subject to the satisfaction or waiver of such conditions at the Closing). The date on which the Closing actually takes place is referred to in this Agreement as the *"Closing Date*".

Section 6.2 Stockholder and Company Closing Deliveries. At the Closing, the Stockholders and the Company, as applicable, shall deliver, or cause to be delivered, to the Purchaser, the deliverables, agreements and documents required pursuant to Section 5.2, each of which shall be in full force and effect.

Section 6.3 Purchaser Closing Deliveries. At the Closing, the Purchaser shall deliver, or cause to be delivered, to the Company or the Stockholders' Representative, as applicable, the deliverables, agreements and documents required by Section 5.3, each of which shall be in full force and effect.

Section 6.4 Post Closing Actions.

(i) Transfer Agent. The Company shall issue irrevocable instructions to its transfer agent to issue share certificates representing the Shares to the Escrow Agent and to the Paying Agent on behalf of each Stockholder.

(ii) Tax Ruling. The Stockholders shall apply and obtain the Tax Ruling from the ITA with respect to the exchange of the Options.

ARTICLE VII TERMINATION

Section 7.1 Termination Events.

(a) This Agreement may be terminated prior to the Closing:

(i) by mutual written consent of the Purchaser, the Company and the Stockholders' Representative;

(ii) by written notice from the Purchaser to the Company and the Stockholders' Representative, if there has been a breach of any representation, warranty, covenant or agreement by the Company or the Stockholders, or any such representation or warranty shall become untrue after the date of this Agreement, such that the conditions in Section 5.1 or Section 5.2 would not be satisfied and such breach is not curable or, if curable, is not cured within the earlier of (A) twenty (21) days after written notice thereof is given by the Purchaser to the Company and the Stockholders' Representative, and (B) the Expiration Date;

(iii) by written notice from the Stockholders' Representative to the Purchaser, if there has been a breach of any representation, warranty, covenant or agreement by the Purchaser, or any such representation or warranty shall become untrue after the date of this Agreement, such that the conditions in Section 5.1 or Section 5.3 would not be satisfied and such breach is not curable or, if curable, is not cured within the earlier of (A) ten (10) days after written notice thereof is given by the Stockholders' Representative to the Purchaser, and (B) the Expiration Date; or

(iv) by five (5) days' prior written notice by the Stockholders' Representative to the Purchaser or the Purchaser to the Company and the Stockholders' Representative, as the case may be, in the event the Closing has not occurred on or prior to December 31, 2017 (the *"Expiration Date*") for any reason other than delay or nonperformance of or breach by the party seeking such termination; *provided* that the parties may mutually agree, in writing, to extend the Expiration Date.

(b) In the event of termination of this Agreement pursuant to this ARTICLE VIII, this Agreement shall forthwith become void and there shall be no liability on the part of any party to this Agreement or its partners, officers, directors, stockholders, members or other equity holders, except for obligations under Section 4.7 (Confidentiality), Section 10.3 (Fees and Expenses), Section 10.4 (Waiver; Amendment), Section 10.5 (Entire Agreement), Section 10.6 (Execution of Agreement; Counterparts; Electronic Signatures), Section 10.7 (Governing Law; Venue), Section 10.8 (Attorneys' Fees), Section 10.9 (Assignment and Successors), Section 10.11 (Notices), Section 10.12 (Severability), Section 10.13 (Schedules and Exhibits) and this Section and the definitions used in each of the foregoing sections, including those set forth in **Exhibit 1** hereto, all of which shall survive such termination and the Termination Date. In addition, within two (2) days of the termination date, the Company shall return the Purchaser the loan amount provided to the Company by Purchaser, in a principal amount of US $96,295together with any accrued interest. Notwithstanding the foregoing, nothing contained in this Agreement shall relieve any party from liability for any breach of this Agreement.

ARTICLE VIII INDEMNIFICATION

Section 8.1 Survival of Representations and Warranties . The representations and warranties provided for in this Agreement shall survive the Closing.

Section 8.2 Indemnification.

(a) Each Stockholder, severally and not jointly, shall indemnify and hold harmless the Purchaser and its Affiliates, against and in respect of any and all claims, costs, expenses, direct damages, losses, including, without limitation, reasonable attorney fees paid for to any suit, action or proceeding of the above, but excluding any indirect or contingent damages or losses (the "*Damages*") resulting from (i) any inaccuracy in any representation or the breach of any warranty made by such Stockholder in this Agreement; (ii) the breach by any Stockholder or the Company until the Closing of any covenant or agreement to be performed hereunder; (iii) any fees, expenses or other payments incurred or owed by the Seller Parties to any agent, broker, investment banker or other firm or Person retained or employed by it in connection with the transactions contemplated by this Agreement or the Ancillary Agreements; (iv) any Indebtedness of the Company; (v) any and all Taxes of the Company or its Affiliates (or the non-payment thereof), including any and all Taxes of any Person (other than the Company or its Affiliates) imposed on the Company, its Affiliates or any other Indemnified Persons as a transferee, successor, by contract, agreement or other arrangement, pursuant to any Law or otherwise for the period prior to the Closing or payable in connection with or as a result of the Transaction; (vi) failure to obtain Governmental Authorizations; (vii) only with respect to the Affiliated Stockholders, failure of Jet CU to pay the Second Payment; and (vii) any Liabilities.

(b) No Indemnification by the Company . The Stockholders acknowledge and agree that, upon and following the Closing: (i) the Company shall not have any liability or obligation to indemnify, save or hold harmless or otherwise pay, reimburse or make Stockholders whole for or on account of any indemnification or other claims made by any Purchaser Indemnitee hereunder; (ii) the Stockholder shall have no right of contribution against the Company with respect to any such indemnification or other claim. By signing this Agreement each Stockholder confirms that effective as of Closing it/he/she irrevocably waives and releases the Company and its Affiliates from any and all claims it may have against the Company for any reason whatsoever.

(c) The Purchaser shall indemnify and hold harmless each Stockholder and their respective Affiliates, against and in respect of any and all Damages arising out of, resulting from or incurred in connection with (i) any inaccuracy in any representation or the breach of any warranty made by the Purchaser in this Agreement or the breach by the Purchaser of any covenant or agreement to be performed by it hereunder.

(d) Any Person providing indemnification pursuant to the provisions of this Section 8.2 is hereinafter referred to as an "Indemnifying Party" and any Person entitled to be indemnified pursuant to the provisions of this Section 8.2 is hereinafter referred to as an "Indemnified Party".

Section 8.3 Procedures for Third Party Claims. In the case of any claim for indemnification arising from a claim of a third party (a *"Third Party Claim"),* an Indemnified Party shall give prompt written notice to the Indemnifying Party of any claim or demand which such Indemnified Party has knowledge and as to which it may request indemnification hereunder. The Indemnifying Party shall have the right to defend and to direct the defense against any such Third Party Claim, in its name or in the name of the Indemnified Party, as the case may be, at the expense of the Indemnifying Party, and with counsel selected by the Indemnifying Party unless

(a) such Third Party Claim seeks an order, injunction or other equitable relief against the Indemnified Party, or (b) the Indemnified Party shall have reasonably concluded that (i) there is a conflict of interest between the Indemnified Party and the Indemnifying Party in the conduct of the defense of such Third Party Claim or (ii) the Indemnified Party has one or more defenses not available to the Indemnifying Party. Notwithstanding anything in this Agreement to the contrary, the Indemnified Party shall, at the expense of the Indemnifying Party, cooperate with the Indemnifying Party, and keep the Indemnifying Party fully informed, in the defense of such Third Party Claim. The Indemnified Party shall have the right to participate in the defense of any Third Party Claim with counsel employed at its own expense; provided, however, that, in the case of any Third Party Claim described in clause (a) or (b) of the second preceding sentence or as to which the Indemnifying Party shall not in fact have employed counsel to assume the defense of such Third Party Claim, the reasonable fees and disbursements of such counsel shall be at the expense of the Indemnifying Party. The Indemnifying Party shall have no indemnification obligations with respect to any Third Party Claim which shall be settled by the Indemnified Party without the prior written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed.

Section 8.4 Procedures for Inter-Party Claims. In the event that an Indemnified Party determines that it has a claim for Damages against an Indemnifying Party hereunder (other than as a result of a Third Party Claim), the Indemnified Party shall give prompt written notice thereof to the Indemnifying Party, specifying the amount of such claim and any relevant facts and circumstances relating thereto. The Indemnified Party shall provide the Indemnifying Party with reasonable access to its books and records for the purpose of allowing the Indemnifying Party a reasonable opportunity to verify any such claim for Damages. The Indemnified Party and the Indemnifying Party shall negotiate in good faith regarding the resolution of any disputed claims for Damages. In the event of disagreement on the Damages, the Indemnified Party shall be entitled to submit a claim to the authorized court in Israel against the Indemnifying Party and the cost of such proceedings (including costs of investigation and reasonable attorney fees and disbursements) shall be awarded to the prevailing party.

Section 8.5. Limitation on indemnification. Notwithstanding anything to the contrary in this Agreement, the total aggregate liability of any Indemnifying Party to pay indemnification amounts, is expressly limited as set forth in each and all of the provisions below, except in the case of fraud.

(a) No claim for indemnification may be made after expiration of the Survival Periods as set forth below in this Section 8.5(a). However, if prior to the end of the applicable Survival Period an Indemnified Party submits a claim to court regarding an indemnifiable event that has previously occurred or surfaced, the Indemnified Party will be entitled to indemnification for the Damages arising from such event (subject to the limitations set forth elsewhere in this Section **Error! Reference source not found.**) even if the final resolution of this matter occurs after the end of such Survival Period.

(i) The Survival Period with regard to each Purchaser's and Stockholders' representations concerning the right to sell or issue the Shares or the Purchaser Stock, as applicable, shall be seven (5) years as of the Closing Date;

(ii) The Survival Period with regard to Stockholders representations concerning Taxes, shall be seven (5) years as of the Closing Date;

(iii) The Survival Period with regard to all other representations, shall be twenty four (24) months as of the Closing Date.

(b) Where Purchaser Damages are based on breach of a representation regarding the Company or its Subsidiaries, all Stockholders shall participate in the payment of Damages, each according solely to his pro-rata share in the Company's shares immediately prior to the Closing, always subject to the limitations set forth in this Section 8.5.

(c) Where Purchaser Damages arise from a breach by a certain Stockholder of his representations regarding his Shares, the indemnification amount due to the Indemnified Parties, shall be due solely and exclusively from such Stockholder and no other Stockholder shall be held liable for it, always subject to the procedure and limitations set forth in this Section **Error! Reference source not found.**.

(d) The maximum aggregate indemnification liability of each Stockholder (whether arising in law or equity, in contract, tort, any other theory of law or otherwise) towards any and all Indemnified Parties for any Purchaser Damages giving rise to indemnification or otherwise in connection with this Agreement, shall not exceed the value of the Purchaser Stock held by such Stockholder at the Closing or upon such claim, according to the higher.

(e) The maximum aggregate indemnification liability of the Purchaser (whether arising in law or equity, in contract, tort or any other theory of law) towards any and all Indemnified Parties for any Stockholders Damages giving rise to indemnification, shall not exceed the value of the Shares at the Closing date.

(f) no claim for indemnification pursuant to this Agreement with respect to the Company's representations, shall be brought against any Stockholder unless and until the aggregate amount of Purchaser Damages for which indemnification is due from all Stockholders in the aggregate equals or exceeds US$50,000, in which case of a claim or claims in excess of the aforesaid threshold the full amount of such Purchaser Damages shall be paid from the first dollar thereof.

(g) Without prejudice to any of the limitation provisions of this Section **Error! Reference source not found.**, no Party shall be liable for special, punitive, exemplary, consequential, or indirect damages, or lost profits, whether based on contract, tort, strict liability, other theory of law or otherwise.

(h) The aforesaid limited liability according to all the provisions of this Section **Error! Reference source not found.** constitutes the sole and exclusive remedy for the Indemnified Parties under and arising from this Agreement. However, none of the aforesaid limitations shall apply in case of fraud by any Stockholder or by the Purchaser.

Section 8.6 Indemnity Escrow. Subject in all instances to the limitations and provisions provided for in this Section 8, at the Closing, the Purchaser shall deposit the Indemnity Escrow Stock with the Escrow Agent pursuant to the Escrow Agreement attached hereto as Schedule 8.6. The Indemnity Escrow Stock shall be governed by the terms of the Escrow Agreement. The Indemnity Escrow Stock shall be held in escrow until the first Business Day following the two year anniversary of the Closing Date. The Indemnity Escrow Stock, as long as it is held in escrow, shall be available to settle certain contingencies as provided in Section 8. Each Stockholder's portion of any Purchaser Stock contained in the Indemnity Escrow Stock (as defined in the Escrow Agreement) which are not issued or set aside for the satisfaction of such contingencies will be released to the Stockholders in accordance with the Escrow Agreement, subject to required withholding.

ARTICLE IX STOCKHOLDERS' REPRESENTATIVE

Section 9.1 Stockholders' Representative.

(i) Moshe Zimmerman, the Stockholder Representative, is hereby appointed as representative, attorney-in-fact and agent, with full power of substitution to act in the name, place and stead of each Stockholder to take all actions necessary or appropriate in the judgment of the Stockholder Representative for the accomplishment of the terms of this Agreement, and to act on behalf of each Stockholder in any amendment of or litigation or arbitration involving this Agreement or any Ancillary Agreements and to do or refrain from doing all such further acts and things, and to execute all such documents, as such Stockholder Representative shall deem necessary or appropriate in conjunction with any of the transactions contemplated by this Agreement, including the power:

(i) to take all action necessary or desirable in connection with the waiver of any condition to the obligations of the Stockholders to consummate the transactions contemplated by this Agreement and the Ancillary Agreements;

(ii) to negotiate, execute and deliver all statements, certificates, statements, notices, approvals, extensions, waivers, undertakings, amendments and other documents required or permitted to be given in connection with the consummation of the transactions contemplated by this Agreement (it being understood that a Stockholder shall execute and deliver any such documents which the Stockholder Representative agrees to execute);

(iii) to give and receive all notices and communications to be given or received under this Agreement and to receive service of process in connection with the any claims under this Agreement, including service of process in connection with arbitration; and

(iv) to take all actions or refrain from doing any further act or deed on behalf of the Stockholders which the Stockholder Representative deems necessary or appropriate in his sole discretion relating to the subject matter of this Agreement as fully and completely as a Company Stockholder could do if personally present.

(j) Notwithstanding the enumerated powers granted to the Stockholder Representative in Section 9.1(a) above, the Stockholder Representative shall not have the power to:

(i) waive the condition to the obligations of the Stockholders to consummate the transactions set forth in Section 5.3(f);

(k) If the Stockholder Representative becomes unable to serve as Stockholder Representative, such other Person or Persons as may be designated by him who shall be one of the Stockholders holding the majority of the Purchaser Common Stock, shall succeed as the Stockholder Representative.

(l) The Stockholder Representative shall not be held liable by any of the Stockholders for actions or omissions in exercising or failing to exercise all or any of the power and authority of the Stockholder Representative pursuant to this Agreement, except in the case of the Stockholder Representative's gross negligence, bad faith or willful misconduct. The Stockholder Representative shall be entitled to rely on the advice of counsel, public accountants or other independent experts that it reasonably determines to be experienced in the matter at issue, and will not be liable to any Stockholder for any action taken or omitted to be taken in good faith based on such advice. The Stockholders will, severally and not jointly, indemnify (in accordance with their pro rata percentages) the Stockholder Representative from any losses arising out of its serving as the Stockholder Representative hereunder, except for losses arising out of or caused by the Stockholder Representative's gross negligence, bad faith or willful misconduct. The Stockholder Representative is serving in his capacity as such solely for purposes of administrative convenience, and is not personally liable in such capacity for any of the obligations of the Stockholders hereunder, and the Purchaser and the Company agree that they will not look to the personal assets of the Stockholder Representative, acting in such capacity, for the satisfaction of any obligations to be performed by the Stockholders hereunder except to the extent of the Stockholder Representative's gross negligence, bad faith or willful misconduct.

ARTICLE X MISCELLANEOUS PROVISIONS

Section 10.1 Further Assurances. Each party to this Agreement shall execute and cause to be delivered to each other party to this Agreement such instruments and other documents, and shall take such other actions, as such other parties may reasonably request (prior to, at or after the Closing) for the purpose of carrying out or evidencing any of the transactions contemplated by this Agreement.

Section 10.2 Regulation S Disclosures. THE PURCHASER COMMON STOCK ISSUED TO STOCKHOLDERS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES OR TO U.S. PERSONS (OTHER THAN DISTRIBUTORS, AS SUCH TERM IS DEFINED IN REGULATION S) UNLESS THE PURCHASER COMMON STOCK IS REGISTERED UNDER THE SECURITIES ACT, OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IS AVAILABLE. HEDGING TRANSACTIONS INVOLVING THE PURCHASER COMMON STOCK ISSUED TO STOCKHOLDERS MAY NOT BE CONDUCTED UNLESS IN COMPLIANCE WITH THE SECURITIES ACT.

Section 10.3 Fees and Expenses. Each party to this Agreement shall bear and pay all fees, costs and expenses (including legal fees and accounting fees) that have been incurred or that are incurred by such party in connection with the transactions contemplated by this Agreement.

Section 10.4 Waiver; Amendment. Any agreement on the part of a party to this Agreement to any extension or waiver of any provision of this Agreement shall be valid only if set forth in an instrument in writing signed on behalf of such party. A waiver by a party to this Agreement of the performance of any covenant, agreement, obligation, condition, representation or warranty shall not be construed as a waiver of any other covenant, agreement, obligation, condition, representation or warranty. A waiver by any party to this Agreement of the performance of any act shall not constitute a waiver of the performance of any other act or an identical act required to be performed at a later time. Prior to the Closing, this Agreement may not be amended, modified or supplemented except by written agreement among the Purchaser, the Company and the Stockholders' Representative. Following the Closing, this Agreement may not be amended, modified, altered or supplemented except by written agreement between the Purchaser and the Stockholders' Representative.

Section 10.5 Entire Agreement. This Agreement and the other agreements referred to in this Agreement constitute the entire agreement among the parties to this Agreement and supersede all other prior agreements and understandings, both written and oral, among or between any of the parties with respect to the subject matter of this Agreement and thereof.

Section 10.6 Execution of Agreement; Counterparts; Electronic Signatures.

(a) This Agreement may be executed in several counterparts, each of which shall be deemed an original and all of which, when taken together, shall constitute one and the same instrument, and shall become effective when counterparts have been signed by each of the parties to this Agreement and delivered to the other parties to this Agreement; it being understood that all parties to this Agreement need not sign the same counterparts. Facsimile and ".pdf' copies of signed signature pages shall be deemed binding originals and no party to this Agreement shall raise the use of facsimile machine or electronic transmission in ".pdf' as a defense to the formation of a contract.

Section 10.7 Governing Law and Venue. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Israel, without regard to any provision thereof that would require the application of the law of any other jurisdiction except for securities laws applicable to the Parties. Each party hereby submits to the exclusive jurisdiction of the courts of the State of Israel.

Section 10.8 Attorneys' Fees. If any Legal Proceeding relating to the enforcement of any provision of this Agreement is brought against any party to this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees, costs and disbursements (in addition to any other relief to which the prevailing party may be entitled).

Section 10.9 Assignment and Successors. No party to this Agreement may assign any of its rights or delegate any of its obligations under this Agreement without the prior written consent of the other parties to this Agreement. Subject to the preceding sentence, this Agreement shall apply to, be binding in all respects upon and inure to the benefit of the successors and permitted assigns of the parties to this Agreement.

Section 10.10 Parties in Interest. Except for the provisions of ARTICLE IX, none of the provisions of this Agreement is intended to provide any rights or remedies to any Person other than the parties to this Agreement and their respective successors and assigns (if any).

Section 10.11 Notices. All notices, requests, claims, demands, consents, waivers and other communications required or permitted by this Agreement shall be in writing and shall be deemed given to a party to this Agreement when (a) delivered to the appropriate address by hand or by nationally recognized overnight courier service (costs prepaid), or (b) sent e-mail with confirmation of transmission by the transmitting equipment confirmed with a copy delivered as provided in clause (a), in each case to the following addresses, facsimile numbers or e-mail addresses and marked to the attention of the Person (by name or title) designated below (or to such other address, facsimile number, e-mail address or Person as a party may designate by notice to the other parties to this Agreement):

If to the Company and the Stockholders' Representative of behalf of the Stockholders:

Moshe Zimmerman

If to the Purchaser:
Dr. Fernando de la Vega, CEO
fernando@pvnanocell.com
Tel: +972-4-6546881, Fax: +972-4-6546880, Mobile phone: +972-54-5599061

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

Primes, Shiloh, Givon, Meir – Law Firm
Attn.: Meytal Katz, Adv. Meytal@pgs-law.co.il
16, Derech Hayam, Haifa Israel 34741
Fax: ++972-4-8381401

(a) Interpretation. In this Agreement, unless a clear contrary intention appears:

(i) the singular number includes the plural number and vice versa;

(ii) reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are not prohibited by this Agreement, and reference to a Person in a particular capacity excludes such Person in any other capacity or individually;

(iii) reference to any gender includes each other gender;

(iv) reference to any agreement, document or instrument means such agreement, document or instrument as amended or modified and in effect from time to time in accordance with the terms thereof;

(v) reference to any Law means such Law as amended, modified, codified, replaced or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder, and reference to any section or other provision of any Law means that provision of such Law from time to time in effect and constituting the substantive amendment, modification, codification, replacement or reenactment of such section or other provision;

(vi) "including" means including without limiting the generality of any description preceding such term;

(vii) references to documents, instruments or agreements shall be deemed to refer as well to all addenda, exhibits, schedules or amendments thereto; and

(viii) reference to a "Section" or "Article" in this Agreement shall mean a Section or Article, respectively, of this Agreement unless otherwise provided.

(a) Legal Representation of the Parties. This Agreement was negotiated by the parties to this Agreement with the benefit of legal representation and any rule of construction or interpretation otherwise requiring this Agreement to be construed or interpreted against any party to this Agreement shall not apply to any construction or interpretation of this Agreement.

(b) Headings. The headings contained in this Agreement are for the convenience of reference only, shall not be deemed to be a part of this Agreement and shall not be referred to in connection with the construction or interpretation of this Agreement.

(c) Dollar Amounts. All references to "$" contained in this Agreement shall refer to United States Dollars unless otherwise stated.

Section 10.12 Severability. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement shall remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree shall remain in full force and effect to the extent not held invalid or unenforceable.

Section 10.13 Schedules and Exhibits. The Schedules and Exhibits attached to this Agreement (including the Disclosure Schedule) are hereby incorporated into this Agreement and are hereby made a part of this Agreement as if set out in full in this Agreement.

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[Share Exchange Agreement – Signature Page]

IN WITNESS WHEREOF, the parties hereto have caused this Share Exchange Agreement to be duly executed, as of the date first above written.

THE PURCHASER:

By: _____
Name: Dr. Fernando de la Vega
Title: CEO

THE COMPANY:

By: _____
Name:
Title:

STOCKHOLDERS' REPRESENTATIVE:

STOCKHOLDER

For individuals:

By: _____
Name:

For entities: Stockholder Name:

By: _____
Name:
Title:

Address for notices:
Tax ID Number:

Jet CU P.C.B Ltd.

We hereby confirm our agreement to be bound and comply with the terms of the SPA and the terms of Section 1.1(c) and 1.1(d) of this Agreement.

By: _____
Name:
Title:

Definitions

For purposes of the Agreement (including this **EXHIBIT 1**):

"*Affiliate*" means, with respect to any specified Person, any other Person who or which, directly or indirectly, controls, is controlled by, or is under common control with such specified Person, including, without limitation, any general partner, limited partner, member, officer, director or manager of such Person and any venture capital or private equity fund now or hereafter existing that is controlled by one or more general partners or managing members of, or shares the same management company with, such Person. For purposes of this definition, the terms *"controls," "controlled by,"* or *"under common control with"* means the possession, direct or indirect, of power to direct or cause the direction of management or policies (whether through ownership of voting securities, by contract or otherwise).

"*Agreement*" means the Share Exchange Agreement of which this Exhibit 1 is a part, as amended or restated from time to time.

"Ancillary Agreements" means the Escrow Agreement, the Paying Agent Agreement and the transaction documents entered into among the Purchaser, the Company and the other parties thereto in connection with the Investment Transaction.

"*Business Day*" means any day of the year on which national banking institutions in Israel are open to the public for conducting business and are not required or authorized to close.

"Closing" means the consummation of the purchase and sale of the Shares as set forth in ARTICLE VI of the Agreement.

"*Confidential Information*" means any data or information concerning the Company (including trade secrets), without regard to form, regarding (for example and including) (a) business process models, (b) proprietary software, (c) research, development, products, services, marketing, selling, business plans, budgets, unpublished financial statements, licenses, prices, costs, Agreements, suppliers, customers, and customer lists, (d) the identity, skills and compensation of employees, contractors, and consultants, (e) specialized training, discoveries, developments, trade secrets, processes, formulas, data, lists, and all other works of authorship, mask works, ideas, concepts, know-how, designs, and techniques, whether or not any of the foregoing is or are patentable, copyrightable, or registrable under any intellectual property Laws or industrial property Laws in the United States or elsewhere. Notwithstanding the foregoing, no data or information constitutes "Confidential Information" if such data or information is publicly known and in the public domain through means that do not involve a breach by the Company or a Stockholder of any covenant or obligation set forth in the Agreement.

"Contingent Obligation" means, as to any Person, any direct liability of that Person with respect to any indebtedness, lease, dividend or other obligation of another Person if the primary purpose or intent of the Person incurring such liability, or the primary effect thereof, is to provide assurance to the obligee of such liability that such liability will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such liability will be protected (in whole or in part) against loss with respect thereto.

"*Contract*" means any written, oral or other agreement, contract, subcontract, lease, understanding, instrument, note, warranty, license, sublicense, insurance policy, benefit plan or legally binding commitment or undertaking of any nature, whether express or implied.

"*Escrow Agent*" means ESOP Management and Trust Services Ltd.

"*Escrow Agreement*" means the agreement signed at the Closing between the Escrow Agent, the Purchaser and the Stockholders Representative and the Company, substantially in the form of Schedule 8.5.

"*Entity*" means any corporation (including any non-profit corporation), general partnership, limited partnership, limited liability partnership, joint venture, estate, trust, company (including any limited liability company or joint stock company), firm or other enterprise, association, organization or entity.

"GAAP" means United States generally accepted accounting principles as in effect from time to time.

"*Governmental Authorization*" means any (a) approval, permit, license, certificate, certificate of approval, franchise, permission, clearance, registration, qualification or other authorization issued, granted, given or otherwise made available by or under the authority of any Governmental Body or pursuant to any Law, or (b) right under any Contract with any Governmental Body.

"*Governmental Body*" means any domestic or foreign multinational, federal, state, provincial, municipal or local government (or any political subdivision thereof) or any domestic or foreign governmental, regulatory or administrative authority or any department, commission, board, agency, court, tribunal, judicial body or instrumentality thereof, or any other body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power of any nature (including any arbitral body).

"Indebtedness" means any of the following: (a) any indebtedness, whether or not contingent, for borrowed money; (b) any obligations evidenced by bonds, debentures, notes or other similar instruments; (c) any obligations to pay the deferred purchase price of property or services; (d) any obligations as lessee under leases that have been, or should be, recorded as capitalized leases; (e) any indebtedness created or arising under any conditional sale or other title retention agreement with respect to acquired property; (f) any obligations, contingent or otherwise, under or with respect to acceptance credit, letters of credit or similar facilities; (g) any obligation with respect to interest rate and currency cap, collar, hedging or swap Contracts; (h) any obligation secured by a Lien; (i) a guarantee of the obligations of any other Person (other than guarantee provided to the lessor of the Company's premises); (j) any guaranty of any of the foregoing; (k) any accrued interest, fees and charges in respect of any of the foregoing; and (l) any prepayment premiums and penalties, and any other fees, expenses, indemnities and other amounts payable as a result of the prepayment or discharge of any of the foregoing.

"Indemnity Escrow Stock" means with respect to each Stockholder, 15% of the Purchaser Stock issued to such Stockholder.

"Law" means any Israeli and US federal, national, state, provincial, territorial, local, municipal, foreign or international, multinational other law, statute, constitution, principle of common law, resolution, ordinance, code, edict, decree, rule, regulation, ruling or requirement issued, enacted, adopted, promulgated, implemented or otherwise put into effect by or under the authority of any Governmental Body.

"Legal Proceeding" means any ongoing or threatened action, suit, litigation, arbitration, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding), hearing, order, inquiry, audit, examination or investigation commenced, brought, conducted or heard by or before, or otherwise involving, any court or other Governmental Body or any arbitrator or arbitration panel.

"Liabilities" means any direct liabilities, obligations, expenses, Indebtedness, claims, and commitments.

"Lien" means any lien, pledge, hypothecation, charge, mortgage, security interest, encumbrance, claim, infringement, interference, option, right of first refusal, preemptive right, community property interest or restriction of any nature affecting property, real or personal, tangible or intangible, including any restriction on the voting of any security, any restriction on the transfer of any security or other asset, any restriction on the receipt of any income derived from any asset, any restriction on the use of any asset, any restriction on the possession, exercise or transfer of any other attribute of ownership of any asset, any lease in the nature thereof and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statute of any jurisdiction).

"Material Adverse Effect" means, with respect to each party, a material adverse effect on (i) the financial condition, business, assets, prospects or results of operations of the party, taken as a whole, (ii) the ability of the party to perform its obligations under this Agreement or (iii) the ability of the party to consummate the Transactions and the other transactions contemplated hereby; provided, however, that in no event shall any change resulting from conditions affecting the industry in which such party operates or from changes in general business or economic conditions be taken into account in determining whether there has been a Material Adverse Effect except to the extent such change has a disproportionate impact on the applicable party relative to other businesses operating in the same industry.

"Ordinary Course of Business" means the ordinary and usual course of day-to-day operations of the business of the Company through the date hereof consistent with past practice.

"Paying Agent Agreement" means the agreement between ESOP Management and Trust Services Ltd, the Purchaser, the Stockholders to be signed at the Closing date.

"Person" means any individual, Entity, trust, Governmental Body or other organization.

"Regulation S" means Regulation S under the Securities Act, as the same may be amended from time to time, or any similar rule or regulation hereafter adopted by the United States Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"*Rule 144*" means Rule 144 promulgated by the United States Securities and Exchange Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

"*Taxes*" means (a) any and all taxes, charges, fees, levies or other similar assessments or liabilities in the nature of a tax, including income, gross receipts, ad valorem, premium, value-added, net worth, capital stock, capital gains, documentary, recapture, alternative or add-on minimum, disability, estimated, registration, recording, excise, escheat, real property, personal property, sales, use, license, lease, service, service use, transfer, withholding, employment, unemployment, insurance, employment insurance, social security, business license, business organization, environmental, worker's compensation, pension, payroll, profits, severance, stamp, occupation, windfall profits, customs, franchise and other taxes of any kind whatsoever imposed by the United States, or any state, provincial, local or foreign government, or any agency or political subdivision thereof, (b) any interest, penalties or additions to tax imposed with respect to such items or any contest or dispute thereof or in connection with the failure to timely or properly file any Tax Return; (c) any liability for payment of amounts described in clause (a) or (b) whether as a result of transferee liability, of being a member of an affiliated, consolidated, combined or unitary group for any period or otherwise through operation of law; and (d) any liability for the payment of amounts described in clauses (a), (b) or (c) as a result of any tax sharing, tax indemnity or tax allocation agreement or any other express or implied agreement to indemnify any other Person.

"Tax Returns" means any and all reports, returns, or declarations relating to Taxes filed or required to be filed with any Governmental Body, including any schedule or attachment thereto, including any amendment thereof.

"Termination Date" means the date prior to the Closing on which the Agreement is terminated in accordance with ARTICLE VIII of the Agreement.

"U.S. Person" has the meaning set forth in Regulation S.

Exhibit 4.18

SHARE PURCHASE AGREEMENT

THIS SHARE PURCHASE AGREEMENT (this "**Agreement**") is made as of December 27, 2017 by and among **P.V. Nano Cell Ltd**., a company incorporated under the laws of the State of Israel, with offices located at 8 Hamasger St., PO Box 236, Migdal Ha-Emek, 2310102, Israel (the "**Company**") and **Jet CU P.C.B Ltd. ("Investor"** or "**Jet CU**" respectively).

The Parties hereby agree as follows:

1. The Company wishes to raise capital by means of issuance of Ordinary Shares, par value NIS 0.01 each, of the Company (the **"Ordinary Shares**").

2. The Investor desires to make an equity investment in the Company and the Company desires to issue and sell the Purchased Shares (as such term is defined below) to the Investor, on the terms and conditions as set forth herein.

3. At the date of this Agreement first set out above, the Investor agrees to transfer to the Company an advance in an amount of US $600,000, on account of shares to be purchased by the Investor on January 17, 2017 ("**Advance**" and "**Closing**" respectively).

4. At the Closing, the Investor agrees to transfer to the Company an additional amount of US $392,615 ("**Closing Amount**" and together with the Advance "**Total Investment**").

5. At the Closing and upon receipt of Total Investment, the Company shall issue to the Investor or to a trustee designated by the Investor in writing, 992,615 Ordinary Shares of the Company, at a price per share of US $1.00 (the "**Purchased Shares**" and the "**PPS**", respectively). The Investor shall be entitled to registration rights with respect to the Purchased Shares, in accordance with the Registration Rights Agreement, to be signed by the Parties at the Closing, materially in the form attached to the SPA (as defined below).

6. Upon receipt of the Total Investment, Section 1.1(c) of the SEA (as defined below) with respect to the Second Payment (as defined thereat) shall be cancelled and be deemed replaced by this Agreement.

7. If for any reason, the Total Investment (totaling USD $992,615) is not transferred when due, this Agreement shall terminate and all the amounts previously received hereunder (the Advance and any additional amount on account of the Closing Amount, " **Partial Amount**") shall be invested in accordance with the terms of that certain SHARE EXCHANGE AGREEMENT dated December 3, 2017, by and among the Company, Digiflex Ltd., and the stockholders of Digiflex Ltd. ("**SEA**") and the Partial Amount shall be deemed as an Investment by Jet CU under the SPA (Schedule B to the SEA) and this Agreement shall be deemed as a joinder to said SPA.

8. If the last price on the trading day before the Closing is lower than US 1.00 (and the price is not increased during the Closing date trading), the parties shall negotiate in good faith granting Jet CU with additional warrants. The Company's CEO and the Stockholder Representative (as defined in the SEA) are empowered on behalf of the parties to conduct such negotiations, which shall not derogate or delay the performance of the transactions herein.

9. Jet CU will transfer the Total Investment to the Company's bank account by wire transfer.

10. The Purchased Shares issued and purchased hereunder shall have the rights, preferences and privileges as set forth in the Articles of Association of the Company.

11. Promptly following the Closing and receipt of the Total Investment, the Company shall record the issuance and allotment of the Purchased Shares according to Section 5 above.

12. The Investor further confirms and acknowledges that the Purchased Shares are being purchased "As Is", except for the express warranties set out in the SPA as of the date they were provided thereunder.

13. The Investor confirms that the representations set out in Section 2 of the SPA are true and correct with respect to the Investor.

14. Transfer Restrictions. The Purchased Shares may only be disposed of in compliance with applicable Israeli and US state and federal securities laws. In connection with any transfer of the Purchased Shares other than pursuant to an effective registration statement or Rule 144 to an Affiliate of the Investor or in connection with a pledge, the Company may require the transferor thereof to provide, at the transferor's expense, an opinion of counsel selected by the transferor and reasonably acceptable to the Company, the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that such transfer does not require registration of such transferred shares under the Securities Act.

15. This Agreement shall be governed by and construed solely in accordance with the laws of the State of Israel, without giving effect to the rules respecting conflict of law. The Parties hereby irrevocably submit to the jurisdiction of the courts of Haifa in respect of any dispute or matter arising out of or connected with this Agreement.

16. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. Facsimile or scanned signatures of a Party shall be binding as evidence of such Party's agreement hereto and acceptance hereof.

IN WITNESS WHEREOF, each Investor and the Company have caused their respective signature page to this Agreement to be duly executed as of the date first written above.

INVESTOR:	**COMPANY:**
Jet CU P.C.B Ltd.	**P.V. NANO CELL LTD.**
By: Moshe Zimmerman, Director	By: Dr. Fernando de la Vega, Director

Exhibit 4.19

SUPPLEMENT TO SHARE PURCHASE AGREEMENT DATED DECEMBER 27 2017 ("Original SPA")

THIS SUPPLEMENT TO THE ORIGINAL SPA (this "**Supplement**") is made as of January 3, 2018 by and among **P.V. Nano Cell Ltd**., a company incorporated under the laws of the State of Israel, with offices located at 8 Hamasger St., PO Box 236, Migdal Ha-Emek, 2310102, Israel (the "**Company**") and **Jet CU P.C.B Ltd. ("Investor"** or "**Jet CU**" respectively).

WHEREAS the Parties wish to supplement the Original SPA according to the terms set forth below; and

NOW, THEREFORE, THE PARTIES HAVE AGREED AS FOLLOWS:

1. The Recitals form an integral and binding part of this Supplement.

2. Capitalized terms used herein which are not defined shall have the meaning ascribed to them in the Original SPA.

3. Further to Section 8 to the Original SPA, it is agreed that upon receipt by the Company of the Closing Amount (as defined in the Original SPA), the Company will grant Jet CU a warrant to purchase 300,000 Ordinary Shares of the Company par value NIS 0.01 each, at an exercise price per share of US $0.5.

4. All other terms and provisions of the Original SPA shall continue to bind the parties without change.

5. This Supplement shall be governed by and construed solely in accordance with the laws of the State of Israel, without giving effect to the rules respecting conflict of law. The Parties hereby irrevocably submit to the jurisdiction of the courts of Haifa in respect of any dispute or matter arising out of or connected with this Agreement.

6. This Supplement may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. Facsimile or scanned signatures of a Party shall be binding as evidence of such Party's agreement hereto and acceptance hereof.

IN WITNESS WHEREOF, Jet CU and the Company have caused their respective signature page to this Agreement to be duly executed as of the date first written above.

INVESTOR:	**COMPANY:**
Jet CU P.C.B Ltd.	**P.V. NANO CELL LTD.**
By: Moshe Zimmerman, Director	By: Dr. Fernando de la Vega, Director

Exhibit 4.20

EXECUTION VERSION

SECURITIES PURCHASE AGREEMENT

This Securities Purchase Agreement (this "Agreement") is dated as of August 16, 2017, between P.V. Nano Cell Ltd., a corporation formed under the laws of the State of Israel (the "Company"), and each purchaser identified on the signature pages hereto (each, including its successors and permitted assigns, a "Purchaser" and collectively, the "Purchasers").

WHEREAS, subject to the terms and conditions set forth in this Agreement and pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"), and Rule 506 promulgated thereunder, the Company desires to issue and sell to each Purchaser, and each Purchaser, severally and not jointly, desires to purchase from the Company, securities of the Company as more fully described in this Agreement (the "Offering").

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants contained in this Agreement, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Company and each Purchaser agree as follows:

ARTICLE I.

DEFINITIONS

1.1 Definitions. In addition to the terms defined elsewhere in this Agreement: (a) capitalized terms that are not otherwise defined herein have the meanings given to such terms in the Notes (as defined herein), and (b) the following terms have the meanings set forth in this Section 1.1:

"Acquiring Person" shall have the meaning ascribed to such term in Section 4.7. "Action" shall have the meaning ascribed to such term in Section 3.1(j).

"Affiliate" means any Person that, directly or indirectly through one or more

intermediaries, controls or is controlled by or is under common control with a Person, as such terms are used in and construed under Rule 405 under the Securities Act.

"Board of Directors" means the board of directors of the Company.

"Business Day" means any day except any Saturday, any Sunday, any day which is a federal legal holiday in the United States or any day on which banking institutions in the State of New York are required by law or other governmental action to close.

"Closing" means the closing of the purchase and sale of the Securities pursuant to Section 2.1.

"Closing Date" means the Business Day on which all of the Transaction Documents have been executed and delivered by the applicable parties thereto, and all conditions precedent to (i) the Purchasers' obligation to pay the Subscription Amount at such Closing, and (ii) the Company's obligations to deliver the Securities to be issued and sold at such Closing, in each case, have been satisfied or waived, but in no event later than the tenth (10^{th}) Business Day following the date hereof.

"Commission" means the United States Securities and Exchange Commission.

"Company Counsel" means, Greenberg Traurig, P.A., 333 S.E. 2nd Avenue, Miami, FL 33131, Attn: Robert L. Grossman, Esq., facsimile: 305-961-5756, and Primes, Shiloh, Givon, Meir - Law Firm Attn. Meytal Katz, Adv.16 Derech Hayam St., Haifa 3474110, Israel Tel. +972-4-8388332 Direct. +972-4-6978223 Fax. +972-4-8381401, meytal@pgs-law.co.il.

"Conversion Price" shall have the meaning ascribed to such term in the Notes. "Digiflex" shall mean Digiflex Ltd.

"Disclosure Schedules" means the Disclosure Schedules of the Company delivered concurrently herewith.

"Disqualification Event" shall have the meaning ascribed to such term in Section 3.1(oo).

"Effective Date" means the earliest of the date that (a) a Registration Statement, has been declared effective by the Commission with respect to all of the Underlying Shares, or (b) (i) all of the Underlying Shares have been sold pursuant to Rule 144, or (ii) may be sold by the holders thereof pursuant to Rule 144 without the requirement for the Company to be in compliance with the current public information requirements of Rule 144 and without volume or manner-of-sale restrictions, and (c) Company counsel has delivered to the Transfer Agent and Purchasers a standing written unqualified opinion acceptable to the Transfer Agent that resales may then be made by such holders of the Underlying Shares pursuant to an effective Registration Statement or other registration statement or the exemption described in (b)(ii) above, which opinion shall be in form and substance acceptable to Purchasers.

"Equity Line of Credit" shall have the meaning ascribed to such term in Section 4.13.

"Evaluation Date" shall have the meaning ascribed to such term in Section 3.1(r).

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Exempt Issuance" means the issuance of (a) Ordinary Shares and options to officers, directors, or employees of the Company, prior to and after the Closing Date up to the amounts and terms set forth on Schedule 4.13 pursuant to the Stock Option Plan, (b) except as described below, other securities exercisable or exchangeable for or convertible into Ordinary Shares issued and outstanding on the date of this Agreement or which the Company is otherwise actually or contingently committed to issue on the date of this Agreement including securities to be issued in connection with the merger with Digiflex as described in the SEC Reports as modified by the Disclosure Schedules hereto and to Sunrise or any other broker-dealer involved in the sale of convertible debt instruments and Ordinary Share purchase warrants to Subsequent Purchasers (as defined in subsection (f) of this paragraph, provided that such securities and any term thereof have not been amended since the date of this Agreement to increase the number of such securities or to decrease the issue price, exercise price, exchange price or conversion price of such securities and which securities and the principal terms thereof are set forth on Schedule 3.1(g), and described in the SEC Reports filed not later than five (5) days before the Closing Date, (c) securities issued pursuant to acquisitions or strategic transactions approved by a majority of the disinterested directors of the Company, provided that any such issuance shall only be to a Person (or to the equity holders of a Person) which is, itself or through its subsidiaries, an operating company or an owner of an asset in a business synergistic with the business of the Company and shall be intended to provide to the Company substantial additional benefits in addition to the investment of funds, but shall not include a transaction in which the Company is issuing securities for the purpose of raising capital or to an entity whose primary business is investing in securities, (d) as otherwise described on Schedule 3.1(g) as an Exempt Issuance, (e) securities issued or issuable to the Purchasers and their assigns pursuant to this Agreement, the Notes or the Warrants and other Transaction Documents including without limitation, Section 4.17 and Section 4.23 herein, or upon exercise or conversion of any such securities (subject to adjustment for forward and reverse stock splits and the like that occur after the date hereof), and (f) convertible debt instruments in the principal amount not exceeding US$1,666,667 and Ordinary Share purchase warrants issued and issuable to other purchasers ("Subsequent Purchasers") or any Ordinary Shares issued pursuant to such convertible debt instruments and Ordinary Share purchase warrants on terms in no way more advantageous or preferable to such other purchasers of Notes and Warrants than the terms of the Offering and Transaction Documents and which issuances will not be inconsistent with or make burdensome the Company's compliance with obligations and undertakings to Purchasers herein (sales of Securities in this Offering and sales of convertible debt instruments and Ordinary Share purchase warrants to Subsequent Purchasers are hereinafter collectively, the "Aggregate Offering"). The Outstanding Equity Line is not an Exempt Issuance.

"Exercise Price" shall have the meaning ascribed to such term in the Warrants.

"FCPA" means the Foreign Corrupt Practices Act of 1977, as amended.

"FDA" shall have the meaning ascribed to such term in Section 3.1(nn). "FDCA" shall have the meaning ascribed to such term in Section 3.1(nn).

"Federal and State Securities Laws" means the federal securities laws of the United States and the states of the United States, as applicable.

"Form 6-K" shall have the meaning ascribed to such term in Section 4.6.

"GAAP" shall have the meaning ascribed to such term in Section 3.1(h).

"G&M" shall mean Grushko & Mittman, P.C., with offices located at 515 Rockaway Avenue, Valley Stream, New York 11581, Fax: 212-697-3575.

"Indebtedness" shall have the meaning ascribed to such term in Section 3.1(z).

"Intellectual Property Rights" shall have the meaning ascribed to such term in Section 3.1(o).

"Issuer Covered Person" shall have the meaning ascribed to such term in Section 3.1(oo).

"Legal Opinion" shall have the meaning ascribed to such term in Section 2.2(a)(ii).

"Legend Removal Date" shall have the meaning ascribed to such term in Section 4.1(d).

"Lien" means a lien, charge, pledge, security interest, encumbrance, right of first refusal, preemptive right or other restriction.

"Listing Default" shall have the meaning ascribed to such term in Section 4.11(c).

"Lockup Agreement" means the form of Lockup Agreement annexed hereto as Exhibit E.

"Majority in Interest" shall have the meaning ascribed to such term in Section 5.5.

"Material Adverse Effect" shall have the meaning assigned to such term in Section 3.1(b).

"Material Permits" shall have the meaning ascribed to such term in Section 3.1(m).

"Maximum Rate" shall have the meaning ascribed to such term in Section 5.17.

"Money Laundering Laws" shall have the meaning ascribed to such term in Section 3.1(gg).

"Notes" means the senior secured convertible notes issuable pursuant to this Agreement, in the form of Exhibit A hereto.

"OFAC" shall have the meaning ascribed to such term in Section 3.1(ii).

"Outstanding Equity Line" means the Standby Equity Distribution Agreement between the Company and YA Global entered into on July 9, 2015, and described in the Company's Form 20-F for the year ended December 31, 2016.

"Ordinary Shares" means the Ordinary Shares of the Company, par value NIS 0.01 per share, and any other class of securities into which such securities may hereafter be reclassified or changed.

"Ordinary Shares Equivalents" means any securities of the Company or any Subsidiary which would entitle the holder thereof to acquire at any time Ordinary Shares, including, without limitation, any debt, preferred stock, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Ordinary Shares.

"Participation Maximum" shall have the meaning ascribed to such term in Section 4.17(a).

"Permitted Indebtedness" means (a) any liabilities or indebtedness existing as of the date hereof described on Schedule 3.1(z), (b) any liabilities for borrowed money or amounts owed not in excess of $150,000 in the aggregate (other than trade accounts payable incurred in the ordinary course of business) incurred after the date hereof, (c) all guaranties, endorsements and other contingent obligations in respect of indebtedness of others described on Schedule 1.1, whether or not the same are or should be reflected in the Company's consolidated balance sheet (or the notes thereto) not affecting more than $150,000 in the aggregate, except guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business; (c) the present value of any lease payments not in excess of $150,000 due under leases required to be capitalized in accordance with GAAP and incurred after the date hereof; and (d) any liabilities for borrowed money that are junior to the Notes pursuant to an intercreditor agreement acceptable to Purchasers and the holders of which are not granted any security interest.

"Permitted Lien" means the individual and collective reference to the following: (a) Liens for taxes, assessments and other governmental charges or levies not yet due or Liens for taxes, assessments and other governmental charges or levies being contested in good faith and by appropriate proceedings for which adequate reserves (in the good faith judgment of the management of the Company) have been established in accordance with GAAP, (b) Liens imposed by law which were incurred in the ordinary course of the Company's business, such as carriers', warehousemen's and mechanics' Liens, statutory landlords' Liens, and other similar Liens arising in the ordinary course of the Company's business, and which (x) do not individually or in the aggregate materially detract from the value of such property or assets or materially impair the use thereof in the operation of the business of the Company and its consolidated Subsidiaries or (y) are being contested in good faith by appropriate proceedings, which proceedings have the effect of preventing for the foreseeable future the forfeiture or sale of the property or asset subject to such Lien, and (c) Liens in connection with Permitted Indebtedness under clauses (a) and (b) thereunder, and Liens incurred in connection with Permitted Indebtedness under clause (c) thereunder, provided that such Liens are not secured by assets of the Company or its Subsidiaries other than the assets so acquired or leased.

"Person" means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

"Pre-Notice" shall have the meaning ascribed to such term in Section 4.17(b).

"Proceeding" means an action, claim, suit, investigation or proceeding (including, without limitation, an informal investigation or partial proceeding, such as a deposition), whether commenced or threatened.

"Pro-Rata Portion" shall have the meaning ascribed to such term in Section 4.17(e).

"Public Information Failure" shall have the meaning ascribed to such term in Section 4.3(b).

"Public Information Failure Payments" shall have the meaning ascribed to such term in Section 4.3(b).

"Purchaser Party" shall have the meaning ascribed to such term in Section 4.10.

"Registration Statement" means an effective registration statement filed with the Commission and covering the resale of all of the Underlying Shares held or issuable to each Purchaser as provided.

"Required Approvals" shall have the meaning ascribed to such term in Section 3.1(e).

"Required Minimum" means, as of any date, the maximum aggregate number of Ordinary Shares then issued or potentially issuable in the future pursuant to the Transaction Documents, including any Underlying Shares issuable upon exercise in full of all Warrants or conversion in full of all Notes, ignoring any conversion or exercise limits set forth therein, and assuming that any previously unconverted Notes will be held until the third anniversary of the issue date of such Notes.

"Rule 144" means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

"SEC Reports" shall have the meaning ascribed to such term in Section 3.1(h). "Securities" means the Notes, the Warrants, and the Underlying Shares.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Short Sales" means "short sales" as defined in Rule 200 of Regulation SHO under the Exchange Act and all types of direct and indirect stock pledges, forward sale contracts, options, puts, calls, swaps and similar arrangements (including on a total return basis) whether such transactions are made through U.S. or non-U.S. broker dealers or foreign regulated brokers.

"Stock Option Plan" means the unamended P.V. Nano Cell Ltd. 2010 Option Plan identified as exhibit 10.18 to the Company's Form 20-F for the year ended December 31, 2016.

"Subscription Amount" means, as to each Purchaser, the aggregate amount to be paid for the Notes and Warrants purchased hereunder at the Closing as specified below such Purchaser's name on the signature page of this Agreement and next to the heading "Subscription Amount," in United States dollars and in immediately available funds.

"Subsequent Financing" shall have the meaning ascribed to such term in Section 4.17(a).

"Subsequent Financing Notice" shall have the meaning ascribed to such term in Section 4.17(b).

"Subsequent Purchasers" shall have the meaning ascribed to that term in the definition of Exempt Issuance.

"Subsidiary" means with respect to any entity at any date, any direct or indirect corporation, limited or general partnership, limited liability company, trust, estate, association, joint venture or other business entity of which (A) more than 50% of (i) the outstanding capital stock having (in the absence of contingencies) ordinary voting power to elect a majority of the board of directors or other managing body of such entity, (ii) in the case of a partnership or limited liability company, the interest in the capital or profits of such partnership or limited liability company or (iii) in the case of a trust, estate, association, joint venture or other entity, the beneficial interest in such trust, estate, association or other entity business is, at the time of determination, owned or controlled directly or indirectly through one or more intermediaries, by such entity, or (B) is under the actual control of the Company.

"Sunrise" shall mean Sunrise Securities LLC.

"Termination Date" shall have the meaning ascribed to such term in Section 2.1.

"Trading Day" means a day on which the principal Trading Market is open for trading, and if the Company has no Trading Market, shall mean a Business Day.

"Trading Market" means any of the following markets or exchanges on which the Ordinary Shares are listed or quoted for trading on the date in question: the NYSE MKT, the NASDAQ Capital Market, the NASDAQ Global Market, the NASDAQ Global Select Market, the New York Stock Exchange, the OTC Bulletin Board, the OTCQB, or the OTCQX (or any successors to any of the foregoing). As of the Closing Date, the OTCQB is the principal Trading Market.

"Transaction Documents" means this Agreement, the Notes, the Warrants, Lockup Agreements, all exhibits and schedules thereto and hereto and any other documents or agreements executed in connection with the transactions contemplated hereunder.

"Transfer Agent" means VStock Transfer, LLC and any successor transfer agent of the Company.

"Underlying Shares" means the Ordinary Shares issued and issuable upon conversion of the Notes and upon exercise of the Warrants and issued and issuable in lieu of the cash payment of interest on the Notes in accordance with the terms of the Notes and any other Ordinary Shares issued or issuable to a Purchaser in connection with or pursuant to the Securities or Transaction Documents.

"Unlegended Shares" shall have the meaning ascribed to such term in Section 4.1(d).

"Variable Priced Equity Linked Instruments" shall have the meaning ascribed to such term in Section 4.13.

"Variable Rate Transaction" shall have the meaning ascribed to such term in Section 4.13.

"VWAP" means, for any date, the price determined by the first of the following clauses that applies: (a) if the Ordinary Shares are then listed or quoted on a Trading Market, the daily volume weighted average price of the Ordinary Shares for such date (or the nearest preceding date) on the Trading Market on which the Ordinary Shares are 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)), (b) if any of the NASDAQ markets or exchanges is not a Trading Market, the volume weighted average price of the Ordinary Shares for such date (or the nearest preceding date) on the OTC Bulletin Board, (c) if the Ordinary Shares are not then listed or quoted for trading on the OTC Bulletin Board and if prices for the Ordinary Shares are then reported on the OTCQX, OTCQB or OTC Pink Marketplace maintained by the OTC Markets Group, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the volume weighted average price of the Ordinary Shares on the first such facility (or a similar organization or agency succeeding to its functions of reporting prices), or (d) in all other cases, the fair market value of a share of Ordinary Shares as determined by an independent appraiser selected in good faith by the Purchasers of a Majority in Interest then outstanding and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

"Warrants" means the Ordinary Shares purchase warrants delivered to the Purchasers at the Closing in accordance with Section 2.2(a) hereof in the form of Exhibit B attached hereto.

"Warrant Shares" means the Ordinary Shares issuable upon exercise of the Warrants.

ARTICLE II.

PURCHASE AND SALE

2.1 Closing. On the Closing Date, upon the terms and subject to the conditions set forth herein, substantially concurrent with the execution and delivery of this Agreement by the parties hereto, the Company agrees to sell, and the Purchasers, severally and not jointly, agree to purchase, an aggregate of up to US$333,333 principal amount of Notes and Warrants as determined pursuant to Section 2.2(a) (such purchase and sale being the "Closing"). Each Purchaser shall deliver to the Company such Purchaser's Subscription Amount, and the Company shall deliver to such Purchaser its respective Note and Warrants, as determined pursuant to Section 2.2(a), and the Company and Purchaser shall deliver the other items set forth in Section 2.2 deliverable at the Closing. Upon satisfaction of the covenants and conditions set forth in Sections 2.2 and 2.3, the Closing shall occur at the offices of G&M or such other location as the parties shall mutually agree. Notwithstanding anything herein to the contrary, the Closing Date shall occur on or before August 29, 2017 (the "Termination Date"). If the Closing is not held on or before the Termination Date, the Company shall cause all subscription documents and funds to be returned, without interest or deduction to each prospective Purchaser.

2.2 Deliveries.

(a) On or prior to the Closing Date, the Company shall deliver or cause to be delivered to each Purchaser the following:

(i) this Agreement duly executed by the Company;

(ii) a legal opinion of Company Counsel, substantially in the form of Exhibit C attached hereto;

(iii) a Note with a principal amount of $1.00 for each $0.90 of Subscription Amount paid by each Purchaser registered in the name of such Purchaser;

(iv) Warrants in the form of Exhibit B hereto registered in the names of such Purchaser to purchase up to a number of Ordinary Shares equal to 100% of such Purchaser's principal Note amount divided by the Conversion Price in effect on the Closing Date with a per share Exercise Price of $1.20, subject to adjustment as provided therein;

(v) the Lockup Agreement signed by each of the holders of the Company's securities identified on Schedule 2.2(a)(v);

(vi) a certificate of the Principal Executive Officer and Chief Executive Officer (each as defined in the Exchange Act) of the Company, dated as of the Closing Date, in which such officer shall certify that the conditions set forth in Section 2.3(b) have been fulfilled; and

(vii) Secretary's certificate containing (i) copies of the text of the resolutions by which the corporate action on the part of the Company necessary to approve this Agreement and the other Transaction Documents and the transactions and actions contemplated hereby and thereby, which shall be accompanied by a certificate of the corporate secretary or assistant corporate secretary of the Company dated as of the Closing Date certifying to the Purchasers that such resolutions were duly adopted and have not been amended or rescinded, (ii) an incumbency certificate dated as of the Closing Date executed on behalf of the Company by its corporate secretary or one of its assistant corporate secretaries certifying the office of each officer of the Company executing this Agreement, or any other agreement, certificate or other instrument executed pursuant hereto, and (iii) copies of (A) the Company's Articles of Association in effect on the Closing Date, and (B) the certificate evidencing the existence of Company as of a day within five (5) Business Days prior to the Closing Date; and

(b) On or prior to the Closing Date, each Purchaser shall deliver or cause to be delivered to the Company the following:

(i) this Agreement duly executed by such Purchaser; and

(ii) such Purchaser's Subscription Amount by wire transfer to the Company.

2.3 Closing Conditions.

(a) The obligations of the Company hereunder to effect Closing, unless waived by the Company, are subject to the following conditions being met:

(i) the accuracy in all material respects (determined without regard to any materiality, Material Adverse Effect or other similar qualifiers therein) on the Closing Date of the representations and warranties of the Purchasers contained herein (unless as of a specific date therein in which case they shall be accurate as of such date);

(ii) all obligations, covenants and agreements of each Purchaser required to be performed at or prior to the Closing Date shall have been performed; and

(iii) the delivery by each Purchaser of the items set forth in Section 2.2(b) of this Agreement.

(b) The respective obligations of a Purchaser hereunder to effect a Closing, unless waived by such Purchaser, are subject to the following conditions being met:

(i) the accuracy in all material respects (determined without regard to any materiality, Material Adverse Effect or other similar qualifiers therein) on the Closing Date of the representations and warranties of the Company contained herein (unless as of a specific date therein in which case they shall be accurate as of such date);

(ii) all obligations, covenants and agreements of the Company required to be performed at or prior to the Closing Date shall have been performed;

(iii) the Company shall have received executed signature pages to this Agreement with an aggregate cash Subscription Amount of up to $300,000 prior to the Closing;

(iv) the delivery by the Company of the items set forth in Section 2.2(a) of this Agreement;

(v) there shall have been no Material Adverse Effect with respect to the Company since the date hereof; and

(vi) from the date hereof to the Closing Date, trading in the Ordinary Shares shall not have been suspended by the Commission or the Company's principal Trading Market, and, at any time prior to the Closing Date, trading in securities generally as reported by Bloomberg L.P. shall not have been suspended or limited, or minimum prices shall not have been established on securities whose trades are reported by such service, or on any Trading Market, nor shall a banking moratorium have been declared either by the United States or New York State authorities nor shall there have occurred any material outbreak or escalation of hostilities or other national or international calamity of such magnitude in its effect on, or any material adverse change in, any financial market which, in each case, in the reasonable judgment of such Purchaser, makes it impracticable or inadvisable to purchase the Securities at the Closing.

ARTICLE III.

REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of the Company. Except as set forth in the SEC Reports or the Disclosure Schedules, which Disclosure Schedules shall be deemed a part hereof and shall qualify a representation made herein only to the extent of the disclosure contained in the corresponding section of the Disclosure Schedules the Company hereby makes the following representations and warranties to each Purchaser:

(a) Subsidiaries. All of the direct and indirect subsidiaries of the Company and the Company's ownership interests therein are set forth on Schedule 3.1(a). The Company owns, directly or indirectly, all of the capital stock or other equity interests of each Subsidiary free and clear of any Liens, and all of the issued and outstanding shares of capital stock of each Subsidiary are validly issued and are fully paid, non-assessable and free of preemptive and similar rights to subscribe for or purchase securities.

(b) Organization and Qualification. The Company and each Subsidiary is an entity duly incorporated or otherwise organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, with the requisite power and authority to own and use its properties and assets and to carry on its business as currently conducted. Neither the Company nor any Subsidiary is in violation nor default of any of the provisions of its respective articles of association, certificate or articles of incorporation, bylaws or other organizational or charter documents. Each of the Company and each Subsidiary is duly qualified to conduct business and is in good standing as a foreign corporation or other entity in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, would not reasonably be expected to result in: (i) a material adverse effect on the legality, validity or enforceability of any Transaction Document, (ii) a material adverse effect on the results of operations, assets, business, or condition (financial or otherwise) of the Company and each Subsidiary, taken as a whole, or (iii) a material adverse effect on the Company's ability to perform in any material respect on a timely basis its obligations under any Transaction Document (any of (i), (ii) or (iii), a "Material Adverse Effect") and, no Proceeding has been instituted in any such jurisdiction revoking, limiting or curtailing or seeking to revoke, limit or curtail such power and authority or qualification.

(c) Authorization; Enforcement. The Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by this Agreement and each of the other Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and each of the other Transaction Documents by the Company and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of the Company and no further action is required by the Company, the Board of Directors or the Company's stockholders in connection herewith or therewith other than in connection with the Required Approvals. This Agreement and each other Transaction Document to which it is a party has been (or upon delivery will have been) duly executed by the Company and, when delivered in accordance with the terms hereof and thereof, will constitute the valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except: (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(d) No Conflicts. The execution, delivery and performance by the Company of this Agreement and the other Transaction Documents, the issuance and sale of the Securities and the consummation by it of the transactions contemplated hereby and thereby to which it is a party do not and will not: (i) conflict with or violate any provision of the Company's or any Subsidiary's articles of association, certificate or articles of incorporation, bylaws or other organizational or charter documents, (ii) conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, result in the creation of any Lien upon any of the properties or assets of the Company or any Subsidiary, or give to others any rights of termination, amendment, acceleration, adjustment, exchange, reset, exercise or cancellation (with or without notice, lapse of time or both) of, any agreement, credit facility, debt, equity or other instrument (evidencing Company or Subsidiary equity, debt or otherwise) or other understanding to which the Company or any Subsidiary is a party or by which any property or asset of the Company or any Subsidiary is bound or affected, or (iii) conflict with or result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which the Company or a Subsidiary is subject (including Israeli and federal and state securities laws and regulations), or by which any property or asset of the Company or a Subsidiary is bound or affected; except in the case of each of clause (iii), such as would not reasonably be expected to result in a Material Adverse Effect.

(e) Filings, Consents and Approvals. The Company is not required to obtain any consent, waiver, authorization or order of, give any notice to, or make any filing or registration with, any court or other Israeli federal, state, local, foreign or other governmental authority or other Person in connection with the execution, delivery and performance by the Company of the Transaction Documents, other than: (i) the filings required pursuant to Section 4.6 of this Agreement, (ii) the filing of Form D with the Commission and such filings as are required to be made under applicable state securities laws, and (iii) the filings to be made under the Israeli Companies Law as described on Schedule 3.1(e). The Company represents that neither the Company nor any Subsidiary nor licensor of any Intellectual Property Rights or other rights or assets to the Company requires or will require the approval of the Israel Innovation Authority or similar or other agency to enter into and fulfill the Company's obligations pursuant to the Transaction Documents.

(f) Issuance of the Securities. The Securities are duly authorized and, when issued and paid for in accordance with the applicable Transaction Documents, will be duly and validly issued, fully paid and nonassessable, free and clear of all Liens except those created by Purchaser and restrictions on transfer arising pursuant to applicable securities laws. The Company has reserved from its duly authorized capital stock a number of Ordinary Shares for issuance of the Underlying Shares at least equal to the Required Minimum on the date hereof.

(g) Capitalization. The capitalization of the Company is as set forth in Schedule 3.1(g). The Company has not issued any capital stock since its most recently filed periodic report under the Exchange Act. Except as set forth on Schedule 3.1(g), no Person has any right of first refusal, preemptive right, right of participation, or any similar right to participate in the transactions contemplated by the Transaction Documents. Except as disclosed on Schedule 3.1(g), there are no outstanding options, employee or incentive stock option plans, warrants, scrip rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities, rights or obligations convertible into or exercisable or exchangeable for, or giving any Person any right to subscribe for or acquire any Ordinary Shares, or contracts, commitments, understandings or arrangements by which the Company or any Subsidiary is or may become bound to issue additional Ordinary Shares or Ordinary Shares Equivalents. The Company represents and warrants that as of the Closing Date, there is no outstanding equity line or similar arrangement passed by any Person which may be exercised by any Person or granting such Person the right to acquire Ordinary Shares or Ordinary Share Equivalents except for the Outstanding Equity Line. Except as set forth on Schedule 3.1(g), the issuance and sale of the Securities will not obligate the Company to issue Ordinary Shares or other securities to any Person (other than the Purchasers) and will not result in a right of any holder of Company securities to adjust the exercise, conversion, exchange or reset price under any of such securities. All of the outstanding shares of capital stock of the Company are duly authorized, validly issued, fully paid and nonassessable, have been issued in material compliance with all Israeli, federal and state securities laws, and none of such outstanding shares was issued in violation of any preemptive rights or similar rights to subscribe for or purchase securities. Except as contemplated by Section 3.1(e), no further approval or authorization of any stockholder, the Board of Directors or any other Person is required for the issuance and sale of the Securities. Except as set forth on Schedule 3.1(g), there are no stockholders agreements, voting agreements or other similar agreements with respect to the Company's capital stock to which the Company is a party or, to the knowledge of the Company, between or among any of the Company's stockholders.

(h) SEC Reports; Financial Statements. The Company has filed all reports, schedules, forms, statements and other documents required to be filed by the Company under the Securities Act and the Exchange Act, including pursuant to Section 13(a) or 15(d) thereof, for the two years preceding the date hereof (or such shorter period as the Company was required by law or regulation to file such material) (the foregoing materials, the exhibits thereto and documents incorporated by reference therein filed not later than five (5) days prior to the date hereof, being collectively referred to herein as the "SEC Reports") on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension. As of their respective dates, the SEC Reports complied in all material respects with the requirements of the Securities Act and the Exchange Act, as applicable, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The financial statements of the Company included in the SEC Reports comply in all material respects with applicable accounting requirements and the rules and regulations of the Commission with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis during the periods involved ("GAAP"), except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes required by GAAP, and fairly present in all material respects the financial position of the Company and its consolidated Subsidiaries as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments. The Company is, and has no reason to believe that it will not in the foreseeable future continue to be in compliance with all its reporting requirements under the Securities Act and Exchange Act.

(i) Material Changes; Undisclosed Events, Liabilities or Developments. Since the date of the latest audited financial statements included within the SEC Reports, except as specifically disclosed in a subsequent SEC Report filed prior to the date hereof : (i) there has been no event, occurrence or development that has had or that would reasonably be expected to result in a Material Adverse Effect, (ii) the Company has not incurred any material liabilities (contingent or otherwise) other than (A) trade payables and accrued expenses incurred in the ordinary course of business consistent with past practice and (B) liabilities not required to be reflected in the Company's financial statements pursuant to GAAP or disclosed in filings made with the Commission, (iii) the Company has not altered its method of accounting, (iv) the Company has not declared or made any dividend or distribution of cash or other property to its stockholders or purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock and (v) the Company has not issued any equity securities to any officer, director or Affiliate except pursuant to the Stock Option Plan as set forth on Schedule 3.1(i). The Company does not have pending before the Commission any request for confidential treatment of information. Except for the issuance of the Securities contemplated by this Agreement and the contemplated merger with Digiflex, as described in the SEC Reports, no event, liability, fact, circumstance, occurrence or development has occurred or exists or is reasonably expected to occur or exist with respect to the Company or its Subsidiaries or their respective businesses, properties, operations, assets or financial condition, that would be required to be disclosed by the Company under applicable securities laws at the time this representation is made or deemed made that has not been publicly disclosed at least two Trading Days prior to the date that this representation is made.

(j) Litigation. Except as set forth in the SEC Reports, there is no action, suit, inquiry, notice of violation, proceeding or investigation pending or, to the knowledge of the Company, threatened against or affecting the Company, any Subsidiary or any of their respective properties before or by any court, arbitrator, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign) (collectively, an "Action") which (i) adversely affects or challenges the legality, validity or enforceability of any of the Transaction Documents or the Securities or (ii) could, if there were an unfavorable decision, have or reasonably be expected to result in a Material Adverse Effect. Except as set forth in the SEC Reports, neither the Company nor any Subsidiary, nor, to our knowledge, any director or officer thereof, is or has been the subject of any Action involving a claim of violation of or liability under Israeli, federal or state securities laws or a claim of breach of fiduciary duty. Except as set forth in the SEC Reports, there has not been, and to the knowledge of the Company, there is not pending or contemplated, any investigation by the Commission involving the Company or any current or former director or officer of the Company. The Commission has not issued any stop order or other order suspending the effectiveness of any registration statement filed by the Company or any Subsidiary under the Exchange Act or the Securities Act.

(k) Labor Relations. No labor dispute exists or, to the knowledge of the Company, is imminent with respect to any of the employees of the Company or any Subsidiary, which would reasonably be expected to result in a Material Adverse Effect. None of the Company's or its Subsidiaries' employees is a member of a union that relates to such employee's relationship with the Company or such Subsidiary, and neither the Company nor any of its Subsidiaries is a party to a collective bargaining agreement except for collective bargaining agreements applicable to the Company under Israeli Law (extension orders), and the Company and its Subsidiaries believe that their relationships with their employees are good. To the knowledge of the Company, no executive officer of the Company or any Subsidiary, is, or is now expected to be, in violation of any material term of any employment contract, confidentiality, disclosure or proprietary information agreement or non-competition agreement, or any other contract or agreement or any restrictive covenant in favor of any third party, and the continued employment of each such executive officer does not subject the Company or any of its Subsidiaries to any liability with respect to any of the foregoing matters. The Company and its Subsidiaries are in compliance with all U.S. federal, state, local and foreign laws and regulations relating to employment and employment practices, terms and conditions of employment and wages and hours, except where the failure to be in compliance would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(l) Compliance. To the Company's knowledge, neither the Company nor any Subsidiary, except as disclosed on Schedule 3.1(l): (i) is in default under or in violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by the Company or any Subsidiary under), nor has the Company or any Subsidiary received notice of a claim that it is in default under or that it is in violation of, any indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived), (ii) is in violation of any judgment, decree or order of any court, arbitrator or other governmental authority or (iii) is or has been in violation of any statute, rule, ordinance or regulation of any governmental authority, including without limitation all foreign, federal, state and local laws relating to taxes, environmental protection, occupational health and safety, product quality and safety and employment and labor matters, except in each case as would not reasonably be expected to result in a Material Adverse Effect.

(m) Regulatory Permits. The Company and each Subsidiary possess all certificates, authorizations and permits issued by the appropriate federal, state, local or foreign regulatory authorities necessary to conduct their respective businesses as described in the SEC Reports, except where the failure to possess such permits would not reasonably be expected to result in a Material Adverse Effect ("Material Permits"), and neither the Company nor any Subsidiary has received any notice of proceedings relating to the revocation or modification of any Material Permit.

(n) Title to Assets. Except as disclosed on Schedule 3.1(n) and in the SEC Reports, the Company and each Subsidiary have good and marketable title in fee simple to all real property (if any) owned by them and good and marketable title in all personal property owned by them that is material to the business of the Company and each Subsidiary, in each case free and clear of all Liens, except for Permitted Liens and (i) Liens as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company and each Subsidiary and (ii) Liens for the payment of federal, state or other taxes, for which appropriate reserves have been made in accordance with GAAP and, the payment of which is neither delinquent nor subject to penalties. Any real property and facilities held under lease by the Company and each Subsidiary are held by them under valid, subsisting and enforceable leases with which the Company and each Subsidiary are in compliance.

(o) Intellectual Property. All of the Company's and Subsidiary's material Intellectual Property Rights are disclosed as required in the SEC Reports.

(i) The term "Intellectual Property Rights" means:

1. the name of the Company and each Subsidiary, all fictional business names, trading names, registered and unregistered trademarks, service marks, and applications of the Company and each Subsidiary (collectively, "Marks");

2. all patents and patent applications of the Company and each Subsidiary (collectively, "Patents");

3. all copyrights in both published works and unpublished works of the Company and each Subsidiary (collectively, "Copyrights");

4. all rights in mask works of the Company and each Subsidiary (collectively, "Rights in Mask Works"); and

5. a l l know-how, trade secrets, confidential information, customer lists, software, technical information, data, process technology, plans, drawings, and blue prints (collectively, "Trade Secrets"); owned, used, or licensed by the Company and each Subsidiary as licensee or licensor.

(ii) Agreements. Except as set forth in the SEC Reports, there are no outstanding and, to Company's knowledge, no threatened disputes or disagreements with respect to any agreements relating to any Intellectual Property Rights to which the Company is a party or by which the Company is bound.

(iii) Know-How Necessary for the Business. Except as set forth in the SEC Reports, the Intellectual Property Rights are all those necessary for the operation of the Company's and Subsidiaries' businesses as currently conducted or as represented to the Purchaser to be conducted. Each of the Company and each Subsidiary is the owner of all right, title, and interest in and to each of their respective Intellectual Property Rights, free and clear of all Liens, and adverse claims, and has the right to use all of the Intellectual Property Rights. To the Company's knowledge, no employee of the Company or any Subsidiary has entered into any contract that restricts or limits in any way the scope or type of work in which the employee may be engaged or requires the employee to transfer, assign, or disclose information concerning his work to anyone other than the Company or a Subsidiary.

(iv) Patents. Except as set forth in the SEC Reports, the Company and each Subsidiary is the owner of all right, title and interest in and to each of the Patents, free and clear of all Liens and adverse claims. All of the issued Patents are currently in compliance with formal legal requirements (including payment of filing, examination, and maintenance fees and proofs of working or use), are valid and enforceable, and, except as set forth on Schedule 3.1(o), are not subject to any maintenance fees or taxes or actions falling due within ninety days after the Closing Date. No Patent has been or is now involved in any interference, reissue, reexamination, or opposition proceeding. Except as set forth in the SEC Reports, to the Company's knowledge: (1) there is no potentially interfering patent or patent application of any third party, and (2) no Patent is infringed or has been challenged or threatened in any way. To the Company's knowledge, none of the products manufactured and sold, nor any process or know-how used, by the Company or any Subsidiary infringes or is alleged to infringe any patent or other proprietary right of any other Person.

(v) Trademarks. The Company and each Subsidiary is the owner of all right, title, and interest in and to each of the Marks, free and clear of all Liens and adverse claims. All Marks that have been registered with the United States Patent and Trademark Office are currently in compliance with all formal legal requirements (including the timely post-registration filing of affidavits of use and incontestability and renewal applications), are valid and enforceable, and are not subject to any maintenance fees or taxes or actions falling due within ninety days after the Closing Date. No Mark has been or is now involved in any opposition, invalidation, or cancellation and, to the Company's knowledge, no such action is threatened with respect to any of the Marks. To the Company's knowledge: (1) there is no potentially interfering trademark or trademark application of any third party, and (2) no Mark is infringed or has been challenged or threatened in any way. To the Company's knowledge, none of the Marks used by the Company and each Subsidiary infringes or is alleged to infringe any trade name, trademark, or service mark of any third party.

(vi) Copyrights. The Company and each Subsidiary is the owner of all right, title, and interest in and to each of the Copyrights, free and clear of all Liens and adverse claims. All the Copyrights have been registered and are currently in compliance with formal requirements, are valid and enforceable, and are not subject to any maintenance fees or taxes or actions falling due within ninety days after the Closing Date. To the Company's knowledge, no Copyright is infringed or has been challenged or threatened in any way. To the Company's knowledge, none of the subject matter of any of the Copyrights infringes or is alleged to infringe any copyright of any third party or is a derivative work based on the work of a third party. All works encompassed by the Copyrights have been marked with the proper copyright notice.

(vii) Trade Secrets. With respect to each Trade Secret, the documentation relating to such Trade Secret is current, accurate, and sufficient in detail and content to identify and explain it and to allow its full and proper use without reliance on the knowledge or memory of any individual. The Company has taken all reasonable precautions to protect the secrecy, confidentiality, and value of its Trade Secrets. The Company and each Subsidiary has good title and an absolute (but not necessarily exclusive) right to use the Trade Secrets. The Trade Secrets are not part of the public knowledge or literature, and, to the Company's knowledge, have not been used, divulged, or appropriated either for the benefit of any Person (other the Company and each Subsidiary) or to the detriment of the Company and each Subsidiary. No Trade Secret is subject to any adverse claim or has been challenged or threatened in any way.

(p) Insurance. The Company and each Subsidiary are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which the Company and each Subsidiary are engaged, including, but not limited to, directors and officers insurance coverage and all insurance required by applicable law. Neither the Company nor any Subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business without a significant increase in cost.

(q) Transactions With Affiliates and Employees. Except as set forth in the SEC Reports, none of the officers or directors of the Company or any Subsidiary and, to the knowledge of the Company, none of the employees of the Company or any Subsidiary is presently a party to any transaction with the Company or any Subsidiary (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, providing for the borrowing of money from or lending of money to or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee, stockholder, member or partner, in each case in excess of $50,000 other than for: (i) payment of salary or consulting fees for services rendered, (ii) reimbursement for expenses incurred on behalf of the Company or any Subsidiary, and (iii) other employee benefits, including stock option agreements under the Stock Option Plan or any other plan of the Company except as disclosed on Schedule 3.1(g).

(r) Sarbanes-Oxley; Internal Accounting Controls. The Company and each Subsidiary are in material compliance with any and all applicable requirements of the Sarbanes-Oxley Act of 2002 that are effective as of the date hereof, and any and all applicable rules and regulations promulgated by the Commission thereunder that are effective as of the date hereof and as of the Closing Date. The Company and each Subsidiary maintain a system of 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. The Company and each Subsidiary have established disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and each Subsidiary and designed such disclosure controls and procedures to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. The Company's certifying officers have evaluated the effectiveness of the disclosure controls and procedures of the Company and each Subsidiary as of the end of the period covered by the most recently filed periodic report under the Exchange Act (such date, the "Evaluation Date"). The Company presented in its most recently filed periodic report under the Exchange Act the conclusions of the certifying officers about the effectiveness of the disclosure controls and procedures based on their evaluations as of the Evaluation Date. Since the Evaluation Date, there have been no changes in the internal control over financial reporting (as such term is defined in the Exchange Act) of the Company and its Subsidiaries that have materially affected, or is reasonably likely to materially affect, the internal control over financial reporting of the Company and its Subsidiaries.

(s) Certain Fees. Except as set forth on Schedule 3.1(s), no brokerage, finder's fees, commissions or due diligence fees are or will be payable by the Company or any Subsidiary to any broker, financial advisor or consultant, finder, placement agent, investment banker, bank or other Person with respect to the transactions contemplated by the Transaction Documents. The Purchasers shall have no obligation with respect to any such fees or with respect to any claims made by or on behalf of other Persons for fees of a type contemplated in this Section 3.1(s) that may be due in connection with the transactions contemplated by the Transaction Documents.

(t) Investment Company. The Company is not, and is not an Affiliate of, and immediately after receipt of payment for the Securities, will not be or be an Affiliate of, an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

The Company shall conduct its business in a manner so that it will not become an "investment company" subject to registration under the Investment Company Act of 1940, as amended.

(u) Registration Rights. Except as set forth on Schedule 3.1(u), no Person has any right to cause the Company or any Subsidiary to effect the registration under the Securities Act of any securities of the Company or any Subsidiary, except for the Purchasers.

(v) Reporting Company/Shell Company. The Company is a publicly-held company subject to reporting obligations pursuant to Sections 12(b) and 13 of the Exchange Act. Pursuant to the provisions of the Exchange Act, the Company has timely filed all reports and other materials required to be filed by the Company thereunder with the SEC during the twelve months preceding the date of this Agreement. As of a Closing Date, the Company is not a "shell company" (as defined in Rule 405) of the Securities Act nor a "former shell company".

(w) Application of Takeover Protections. The Company and the Board of Directors will have taken as of the Closing Date all necessary action, if any, in order to render inapplicable any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or other similar anti-takeover provision under the Company's articles of association (or similar charter documents) or the laws of its jurisdiction of incorporation that is or could become applicable to the Purchasers as a result of the Purchasers and the Company fulfilling their obligations or exercising their rights under the Transaction Documents, including without limitation as a result of the Company's issuance of the Securities and the Purchasers' ownership of the Securities.

(x) Disclosure. Except with respect to the material terms and conditions of the transactions contemplated by the Transaction Documents, the Company confirms that neither it nor any other Person acting on its behalf has provided any of the Purchasers or their agents or counsel with any information that it believes constitutes or might constitute material, non-public information. The Company understands and confirms that the Purchasers will rely on the foregoing representation in effecting transactions in securities of the Company. All of the disclosure furnished by or on behalf of the Company to the Purchasers regarding the Company and its Subsidiaries, their respective businesses and the transactions contemplated hereby, including the Disclosure Schedules to this Agreement, when taken together as a whole, is true and correct and does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. The press releases disseminated by the Company during the twelve months preceding the date of this Agreement taken as a whole did not, at the time when disseminated, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made and when made, not misleading. The Company acknowledges and agrees that no Purchaser makes or has made any representations or warranties with respect to the transactions contemplated hereby other than those specifically set forth in Section 3.2 hereof.

(y) No Integrated Offering. Assuming the accuracy of the Purchasers' representations and warranties set forth in Section 3.2, neither the Company, nor any of its Affiliates, nor any Person acting on its or their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would cause the Offering of the Securities to be integrated with prior offerings by the Company for purposes of: (i) the Securities Act which would require the registration of any such securities under the Securities Act, or (ii) any applicable shareholder approval provisions of any Trading Market on which any of the securities of the Company are listed or designated.

(z) Solvency. Based on the consolidated financial condition of the Company as of the Closing Date, and the Company's good faith estimate of the fair market value of its assets, after giving effect to the receipt by the Company of the proceeds from the sale of the Securities hereunder: (i) the fair saleable value of the Company's assets exceeds the amount that will be required to be paid on or in respect of the Company's existing debts and other liabilities (including known contingent liabilities) as they mature, (ii) the Company's assets do not constitute unreasonably small capital to carry on its business as now conducted and as proposed to be conducted including its capital needs taking into account the particular capital requirements of the business conducted by the Company, consolidated and projected capital requirements and capital availability thereof, and (iii) the current cash flow of the Company, together with the proceeds the Company would receive, were it to liquidate all of its assets, after taking into account all anticipated uses of the cash, would be sufficient to pay all amounts on or in respect of its liabilities when such amounts are required to be paid. The Company does not intend to incur debts beyond its ability to pay such debts as they mature (taking into account the timing and amounts of cash to be payable on or in respect of its debt). The Company has no knowledge of any facts or circumstances which lead it to believe that it will file for reorganization or liquidation under the bankruptcy or reorganization laws of any jurisdiction within one year from the Closing Date. Schedule 3.1(z) sets forth as of the date hereof all outstanding secured and unsecured Indebtedness of the Company or any Subsidiary, or for which the Company or any Subsidiary has commitments. For the purposes of this Agreement, "Indebtedness" means (x) any liabilities for borrowed money or amounts owed in excess of $150,000 in the aggregate (other than trade accounts payable incurred in the ordinary course of business), (y) all guaranties, endorsements and other contingent obligations in respect of indebtedness of others, whether or not the same are or should be reflected in the Company's consolidated balance sheet (or the notes thereto), except guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business; and (z) the present value of any lease payments in excess of $150,000 due under leases required to be capitalized in accordance with GAAP. Neither the Company nor any Subsidiary is in default with respect to any Indebtedness. Neither the Company nor any Subsidiary is in default with respect to any Indebtedness except as set forth on Schedule 3.1(z).

(aa) Tax Status. Except for matters that would not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect, the Company and its Subsidiaries each (i) has made or filed all federal, state and local income and all foreign income and franchise tax returns, reports and declarations required by any jurisdiction to which it is subject, (ii) has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations and (iii) has set aside on its books provision reasonably adequate for the payment of all material taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company or of any Subsidiary know of no basis for any such claim.

(bb) Foreign Corrupt Practices. Neither the Company nor any Subsidiary, nor to the knowledge of the Company or any Subsidiary, any agent or other person acting on behalf of the Company or any Subsidiary, has: (i) directly or indirectly, used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses related to foreign or domestic political activity, (ii) made any unlawful payment to foreign or domestic government officials or employees or to any foreign or domestic political parties or campaigns from corporate funds, (iii) failed to disclose fully any contribution made by the Company or any Subsidiary (or made by any person acting on its behalf of which the Company is aware) which is in violation of law or (iv) violated in any material respect any provision of FCPA.

(cc) Accountants. The Company's accounting firm is set forth on Schedule 3.1(cc) of the Disclosure Schedules. To the knowledge and belief of the Company, such accounting firm: (i) is a registered public accounting firm as required by the Exchange Act and (ii) shall express its opinion with respect to the financial statements to be included in the Company's Annual Report for the fiscal year ending December 31, 2017. There are no disagreements of any kind presently existing, or reasonably anticipated by the Company to arise, between the Company and such accountants.

(dd) Acknowledgment Regarding Purchasers' Purchase of Securities. The Company acknowledges and agrees that each of the Purchasers is acting solely in the capacity of an arm's length purchaser with respect to the Transaction Documents and the transactions contemplated thereby. The Company further acknowledges that no Purchaser is acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to the Transaction Documents and the transactions contemplated thereby and any advice given by any Purchaser or any of their respective representatives or agents in connection with the Transaction Documents and the transactions contemplated thereby is merely incidental to the Purchasers' purchase of the Securities. The Company further represents to each Purchaser that the Company's decision to enter into this Agreement and the other Transaction Documents has been based solely on the independent evaluation of the transactions contemplated hereby by the Company and its representatives.

(ee) Acknowledgment Regarding Purchaser's Trading Activity. Anything in this Agreement or elsewhere herein to the contrary notwithstanding (except for Sections 3.2(e) and 4.16 hereof), it is understood and acknowledged by the Company that: (i) none of the Purchasers has been asked by the Company to agree, nor has any Purchaser agreed, to desist from purchasing or selling, long and/or short, securities of the Company, or "derivative" securities based on securities issued by the Company or to hold the Securities for any specified term, (ii) past or future open market or other transactions by any Purchaser, specifically including, without limitation, Short Sales or "derivative" transactions, before or after the closing of this or future private placement transactions, may negatively impact the market price of the Company's publicly-traded securities, (iii) any Purchaser, and counter-parties in "derivative" transactions to which any such Purchaser is a party, directly or indirectly, may presently have a "short" position in the Ordinary Shares and (iv) each Purchaser shall not be deemed to have any affiliation with or control over any arm's length counter-party in any "derivative" transaction. The Company further understands and acknowledges that (y) one or more Purchasers may engage in hedging activities at various times during the period that the Securities are outstanding, including, without limitation, during the periods that the value of the Underlying Shares deliverable with respect to Securities are being determined, and (z) such hedging activities (if any) could reduce the value of the existing stockholders' equity interests in the Company at and after the time that the hedging activities are being conducted. The Company acknowledges that such aforementioned hedging activities do not constitute a breach of any of the Transaction Documents. The Company acknowledges that anything to the contrary in the Transaction Documents notwithstanding, Purchaser may sell long any Underlying shares it anticipates receiving after conversion of any part of a Note or exercise of a Warrant.

(ff) Regulation M Compliance. The Company has not, and to its knowledge no one acting on its behalf has, (i) taken, directly or indirectly, any action designed to cause or to result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of any of the Securities, (ii) sold, bid for, purchased, or paid any compensation for soliciting purchases of, any of the Securities, or (iii) paid or agreed to pay to any Person any compensation for soliciting another to purchase any other securities of the Company.

(gg) Money Laundering. The operations of the Company and its Subsidiaries are and have been conducted at all times in compliance with applicable financial record-keeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, applicable money laundering statutes and applicable rules and regulations thereunder (collectively, the "Money Laundering Laws"), and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any Subsidiary with respect to the Money Laundering Laws is pending or, to the knowledge of the Company or any Subsidiary, threatened.

(hh) Stock Option Plans. Each stock option and similar security granted by the Company was granted (i) in accordance with the terms of the Stock Option Plan and (ii) with an exercise price at least equal to the fair market value of the Ordinary Shares on the date such stock option would be considered granted under GAAP and applicable law. No stock option granted under the Stock Option Plan or any other stock option plan has been backdated. The Company has not knowingly granted, and there is no and has been no Company policy or practice to knowingly grant, stock options prior to, or otherwise knowingly coordinate the grant of stock options with, the release or other public announcement of material information regarding the Company or its Subsidiaries or their financial results or prospects.

(ii) Office of Foreign Assets Control. Neither the Company nor any Subsidiary nor, to the Company's knowledge, any director, officer, agent, employee or affiliate of the Company is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("OFAC").

(jj) Private Placement. Assuming the accuracy of the Purchasers' representations and warranties set forth in Section 3.2, no registration under the Securities Act is required for the offer and sale of the Securities by the Company to the Purchasers as contemplated hereby. The issuance and sale of the Securities hereunder does not contravene the rules and regulations of the Trading Market.

(kk) No General Solicitation. Neither the Company nor any person acting on behalf of the Company has offered or sold any of the Securities by any form of general solicitation or general advertising. The Company has offered the Securities for sale only to the Purchasers and certain other "accredited investors" within the meaning of Rule 501 under the Securities Act.

(ll) Indebtedness and Seniority. As of the date hereof, all Indebtedness and Liens of the Company and the principal terms thereof are set forth on Schedule 3.1(ll). Except as set forth on Schedule 3.1(ll), as of the Closing Date, no Indebtedness or other equity of the Company is or will be senior to the Notes in right of payment, whether with respect to interest or upon liquidation or dissolution, or otherwise, other than indebtedness secured by purchase money security interests (which is senior only as to underlying assets covered thereby) and capital lease obligations (which is senior only as to the property covered thereby).

(mm) Listing and Maintenance Requirements. The Ordinary Shares are listed on the OTCQB maintained by the OTC Markets Group Inc. under the symbol PVNNF. Except as set forth in the SEC Reports, the Company has not, in the twelve (12) months preceding the date hereof, received notice from any Trading Market on which the Ordinary Shares are or has been listed or quoted to the effect that the Company is not in compliance with the listing or maintenance requirements of such Trading Market.

(nn) FDA. The Company has no applications pending before the jurisdiction of the U.S. Food and Drug Administration ("FDA") and none of the Company's products are subject to nor require the approval of the FDA.

(oo) No Disqualification Events. With respect to the Securities to be offered and sold hereunder in reliance on Rule 506 under the Securities Act, to the Company's knowledge, none of the Company, any of its predecessors, any affiliated issuer, any director, executive officer, other officer of the Company participating in the offering hereunder, any beneficial owner of 20% or more of the Company's outstanding voting equity securities, calculated on the basis of voting power, nor any promoter (as that term is defined in Rule 405 under the Securities Act) connected with the Company in any capacity at the time of sale (each, an "Issuer Covered Person" and, together, "Issuer Covered Persons") is subject to any of the "Bad Actor" disqualifications described in Rule 506(d)(1)(i) to (viii) under the Securities Act (a "Disqualification Event"), except for a Disqualification Event covered by Rule 506(d)(2) or (d)(3). The Company has exercised reasonable care to determine whether any Issuer Covered Person is subject to a Disqualification Event. The Company has complied, to the extent applicable, with its disclosure obligations under Rule 506(e), and has furnished to the Purchasers a copy of any disclosures provided thereunder.

(pp) Regulatory Matters. The Company and its Subsidiaries have complied in all material respects with all statutes and regulations related to the research, manufacture and sale of its products to the extent applicable to the Company's and its Subsidiaries' activities. Items manufactured or under investigation by the Company and its Subsidiaries comply with all applicable manufacturing practices regulations and other requirements established by government regulators in the jurisdictions in which the Company or its Subsidiaries manufacture or sell their products. Except as disclosed in the SEC Reports, the Company is not and its Subsidiaries are not the subject of any investigation by any competent authority with respect to the development, testing, manufacturing and distribution of their products, nor has any investigation, prosecution, or other enforcement action been threatened by any regulatory agency. Except as disclosed in the SEC Reports, neither the Company nor any of its Subsidiaries has received from any regulatory agency any letter or other document asserting that the Company or any Subsidiary has violated any statute or regulation enforced by that agency with respect to the development, testing, manufacturing and distribution of their products. To the Company's knowledge, research conducted by or for the Company and its Subsidiaries has complied in all material respects with all applicable legal requirements.

(qq) Other Covered Persons. Except as set forth on Schedule 3.1(s) or to attorneys for legal services, the Company is not aware of any person that has been or will be paid (directly or indirectly) remuneration in connection with the sale of any Regulation D Securities pursuant to this Agreement.

(rr) Survival. The foregoing representations and warranties shall survive the Closing.

3.2 Representations and Warranties of the Purchasers. Each Purchaser, for itself and for no other Purchaser, hereby represents and warrants as of the date hereof and as of the Closing Date to the Company as follows (unless as of a specific date therein):

(a) Organization; Authority. Such Purchaser is either an individual or an entity duly incorporated or formed, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation with full right, corporate, partnership, limited liability company or similar power and authority to enter into and to consummate the transactions contemplated by the Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of the Transaction Documents and performance by such Purchaser of the transactions contemplated by the Transaction Documents have been duly authorized by all necessary corporate, partnership, limited liability company or similar action, as applicable, on the part of such Purchaser. Each Transaction Document to which it is a party has been duly executed by such Purchaser, and when delivered by such Purchaser in accordance with the terms hereof, will constitute the valid and legally binding obligation of such Purchaser, enforceable against it in accordance with its terms, except: (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(b) Understandings or Arrangements. Such Purchaser understands that the Securities are "restricted securities" and have not been registered under the Securities Act or any applicable state securities law and is acquiring the Securities as principal for its own account and not with a view to or for distributing or reselling such Securities or any part thereof in violation of the Securities Act or any applicable state securities law, has no present intention of distributing any of such Securities in violation of the Securities Act or any applicable state securities law and has no direct or indirect arrangement or understandings with any other persons to distribute or regarding the distribution of such Securities in violation of the Securities Act or any applicable state securities law (this representation and warranty not limiting such Purchaser's right to sell the Securities pursuant to any registration statement or otherwise in compliance with applicable federal and state securities laws). Such Purchaser is acquiring the Securities hereunder in the ordinary course of its business.

(c) Purchaser Status. At the time such Purchaser was offered the Securities, it was, and as of the date hereof it is, and on each date on which it exercises any Warrants or converts any Notes it will be either: (i) an "accredited investor" as defined in Rule 501(a)(1), (a)(2), (a)(3), (a)(7) or (a)(8) under the Securities Act or (ii) a "qualified institutional buyer" as defined in Rule 144A(a) under the Securities Act. Such Purchaser is not required to be registered as a broker-dealer under Section 15 of the Exchange Act. Such Purchaser has the authority and is duly and legally qualified to purchase and own the Securities. Such Purchaser is able to bear the risk of such investment for an indefinite period and to afford a complete loss thereof. Such Purchaser has provided the information in the Accredited Investor Questionnaire attached hereto as Exhibit F (the "Investor Questionnaire"). The information set forth on the signature pages hereto and the Investor Questionnaire regarding such Purchaser is true and complete in all respects as of the date of this Agreement. Except as disclosed in the Investor Questionnaire, such Purchaser has had no position, office or other material relationship within the past three years with the Company or Persons (as defined below) known to such Purchaser to be affiliates of the Company, and is not a member of the Financial Industry Regulatory Authority or an "associated person" (as such term is defined under the FINRA Membership and Registration Rules Section 1011).

(d) Experience of Such Purchaser. Such Purchaser, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Securities, and has so evaluated the merits and risks of such investment. Such Purchaser is able to bear the economic risk of an investment in the Securities and, at the present time, is able to afford a complete loss of such investment.

(e) Information on Company. Such Purchaser has been furnished with or has had access to the EDGAR Website of the Commission to the Company's filings made with the Commission during the period from the date that is two years preceding the date hereof through the tenth (10th) business day preceding the Closing Date, including the Company's Annual Report on Form 20-F filed with the Commission on May 16, 2017 (hereinafter referred to collectively as the "SEC Reports"). Such Purchaser was afforded (i) the opportunity to ask such questions as such Purchaser deemed necessary of, and to receive answers from, representatives of the Company concerning the merits and risks of acquiring the Securities; (ii) the right of access to information about the Company and its financial condition, results of operations, business, properties, management and prospects sufficient to enable such Purchaser to evaluate the Securities; and (iii) the opportunity to obtain such additional information that the Company possesses or can acquire without unreasonable effort or expense that is necessary to make an informed investment decision with respect to acquiring the Securities.

(f) Compliance with Securities Act; Reliance on Exemptions. Such Purchaser understands and agrees that the Securities have not been registered under the 1933 Act or any applicable state securities laws, by reason of their issuance in a transaction that does not require registration under the 1933 Act, and that such Securities must be held indefinitely unless a subsequent disposition is registered under the 1933 Act or any applicable state securities laws or is exempt from such registration. Such Purchaser understands and agrees that the Securities are being offered and sold to such Purchaser in reliance on specific exemptions from the registration requirements of federal and state securities laws and regulations and that the Company is relying in part upon the truth and accuracy of, and such Purchaser's compliance with, the representations, warranties, agreements, acknowledgments and understandings of such Purchaser set forth herein in order to determine the availability of such exemptions and the eligibility of such Purchaser to acquire the Securities.

(g) Communication of Offer. Such Purchaser is not purchasing the Securities as a result of any "general solicitation" or "general advertising," as such terms are defined in Regulation D, which includes, but is not limited to, any advertisement, article, notice or other communication regarding the Securities published in any newspaper, magazine or similar media or on the internet or broadcast over television, radio or the internet or presented at any seminar or any other general solicitation or general advertisement.

(h) No Governmental Review. Such Purchaser understands that no federal or state agency or any other governmental or state agency has passed on or made recommendations or endorsement of the Securities or the suitability of the investment in the Securities nor have such authorities passed upon or endorsed the merits of the Offering.

(i) No Conflicts. The execution, delivery and performance of this Agreement and performance under the other Transaction Documents and the consummation by such Purchaser of the transactions contemplated hereby and thereby or relating hereto or thereto do not and will not (i) result in a violation of such Purchaser's charter documents, bylaws or other organizational documents, if applicable, (ii) conflict with nor constitute a default (or an event which with notice or lapse of time or both would become a default) under any agreement to which such Purchaser is a party, nor (iii) result in a violation of any law, rule, or regulation, or any order, judgment or decree of any court or governmental agency applicable to such Purchaser or its properties (except for such conflicts, defaults and violations as would not, individually or in the aggregate, have a material adverse effect on such Purchaser). Such Purchaser is not required to obtain any consent, authorization or order of, or make any filing or registration with, any court or governmental agency in order for it to execute, deliver or perform any of its obligations under this Agreement or perform under the other Transaction Documents nor to purchase the Securities in accordance with the terms hereof, provided that for purposes of the representation made in this sentence, such Purchaser is assuming and relying upon the accuracy of the relevant representations and agreements of the Company herein.

(j) Certain Transactions and Confidentiality. Other than consummating the transactions contemplated hereunder, such Purchaser has not directly or indirectly, nor has any Person acting on behalf of or pursuant to any understanding with Purchaser, executed any purchases or sales, including Short Sales, of the securities of the Company during the period commencing as of the time that such Purchaser first received a written term sheet from the Company or any other Person representing the Company setting forth the material terms of the transactions contemplated hereby and ending immediately prior to the execution hereof.

(k) Limitation of Representations. Anything to the contrary herein notwithstanding the Purchaser makes no representations or warranties with regard to any laws, rules or regulation except with respect to the United States and its subdivisions and the jurisdiction of its formation.

(l) Survival. The foregoing representations and warranties shall survive the Closing.

The Company acknowledges and agrees that the representations contained in Section 3.2 shall not modify, amend or affect such Purchaser's right to rely on the Company's representations and warranties contained in this Agreement or any representations and warranties contained in any other Transaction Document or any other document or instrument executed and/or delivered in connection with this Agreement or the consummation of the transaction contemplated hereby.

ARTICLE IV.

OTHER AGREEMENTS OF THE PARTIES

4.1 Transfer Restrictions.

(a) The Securities may only be disposed of in compliance with state and federal securities laws. In connection with any transfer of Securities other than pursuant to an effective registration statement or Rule 144, to the Company or to an Affiliate of a Purchaser or in connection with a pledge as contemplated in Section 4.1(b), the Company may require the transferor thereof to provide to the Company, at the Company's expense, an opinion of counsel selected by the transferor and reasonably acceptable to the Company, the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that such transfer does not require registration of such transferred Securities under the Securities Act. As a condition of transfer, any such transferee shall agree in writing to be bound by the terms of this Agreement and shall have the rights and obligations of a Purchaser under this Agreement and the other Transaction Documents.

(b) Legend. The Purchasers agree to the imprinting, so long as is required by this Section 4.1, of a legend on any of the Securities in the following form:

[**NEITHER**] THIS SECURITY [**NOR THE SECURITIES INTO WHICH THIS SECURITY IS [EXERCISABLE] [CONVERTIBLE]**] HAS [**NOT**] BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. THIS SECURITY [**AND THE SECURITIES ISSUABLE UPON [EXERCISE] [CONVERSION] OF THIS SECURITY**] MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT WITH A REGISTERED BROKER-DEALER OR OTHER LOAN WITH A FINANCIAL INSTITUTION THAT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT OR OTHER LOAN SECURED BY SUCH SECURITIES.

(c) Pledge. The Company acknowledges and agrees that a Purchaser may from time to time pledge pursuant to a bona fide margin agreement with a registered broker-dealer or grant a security interest in some or all of the Securities to a financial institution that is an "accredited investor" as defined in Rule 501(a) under the Securities Act and who agrees to be bound by the provisions of this Agreement and, if required under the terms of such arrangement, such Purchaser may transfer pledge or secure Securities to the pledgees or secured parties. Such a pledge or transfer would not be subject to approval of the Company and no legal opinion of legal counsel of the pledgee, secured party or pledgor shall be required in connection therewith. Further, no notice shall be required of such pledge. At the appropriate Purchaser's expense, the Company will execute and deliver such reasonable documentation as a pledgee or secured party of Securities may reasonably request in connection with a pledge or transfer of the Securities.

(d) Legend Removal. Certificates evidencing the Underlying Shares shall not be required to contain any legend ("Unlegended Shares") (including the legend set forth in Section 4.1(b) hereof): (i) while any registration statement (including the Registration Statement) covering the resale of such security is effective under the Securities Act, (ii) following any sale of such Underlying Shares pursuant to Rule 144, (iii) if such Underlying Shares are eligible for sale under Rule 144, without the requirement for the Company to be in compliance with the current public information required under Rule 144 as to such Underlying Shares and without volume or manner-of-sale restrictions or (iv) if such legend is not required under applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the staff of the Commission). The Company shall cause its counsel or other counsel reasonably acceptable to Purchaser to issue a legal opinion to the Transfer Agent during the time any of the aforedescribed conditions apply, to effect the removal of the legend hereunder. If all or any Notes are converted or any portion of a Warrant is exercised at a time when there is an effective registration statement to cover the resale of the Underlying Shares, or if such Underlying Shares may be sold under Rule 144 or if such legend is not otherwise required under applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the staff of the Commission) then such Underlying Shares shall be issued free of all legends. The Company agrees that following such time as such legend is no longer required under this Section 4.1(d), it will, no later than five Trading Days following the delivery by a Purchaser to the Company or the Transfer Agent of a certificate representing Underlying Shares, as applicable, issued with a restrictive legend (such fifth Trading Day, the "Legend Removal Date"), deliver or cause to be delivered to such Purchaser a certificate representing such shares that is free from all restrictive and other legends (however, the Corporation shall use reasonable best efforts to deliver such shares within three Trading Days after delivery by Purchaser of such unlegended Share certificate). The Company may not make any notation on its records or give instructions to the Transfer Agent that enlarge the restrictions on transfer set forth in this Section 4.1. Certificates for Underlying Shares subject to legend removal hereunder shall be transmitted by the Transfer Agent to the Purchaser by crediting the account of the Purchaser's prime broker with the Depository Trust Company System as directed by such Purchaser.

(e) Legend Removal Default. In addition to such Purchaser's other available remedies, provided the conditions for legend removal set forth in Section 4.1(d) exist, the Company shall pay to a Purchaser, in cash, as partial liquidated damages and not as a penalty, for each $1,000 of Underlying Shares (based on the higher of the actual purchase price or VWAP of the Ordinary Shares on the date such Securities are submitted to the Transfer Agent) delivered for removal of the restrictive legend and subject to Section 4.1(d), $10 per Trading Day for each Trading Day commencing the first Trading Day after the Legend Removal Date (increasing to $20 per Trading Day after such fifth Trading Day) until such certificate is delivered without a legend. Nothing herein shall limit such Purchaser's right to pursue actual damages for the Company's failure to deliver certificates representing any Securities as required by the Transaction Documents, and such Purchaser shall have the right to pursue all remedies available to it at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief.

(f) DWAC. In lieu of delivering physical certificates representing the Unlegended Shares, upon request of a Purchaser, so long as the certificates therefor do not bear a legend and the Purchaser is not obligated to return such certificate for the placement of a legend thereon, the Company shall cause its transfer agent to electronically transmit the Unlegended Shares by crediting the account of Purchaser's prime broker with the Depository Trust Company through its Deposit Withdrawal At Custodian system, provided that the Company's Ordinary Shares is DTC eligible and the Company's transfer agent participates in the Deposit Withdrawal at Custodian system. Such delivery must be made on or before the Legend Removal Date.

(g) Injunction. In the event a Purchaser shall request delivery of Unlegended Shares as described in this Section 4.1 and the Company is required to deliver such Unlegended Shares, the Company may not refuse to deliver Unlegended Shares based on any claim that such Purchaser or anyone associated or affiliated with such Purchaser has not complied with Purchaser's obligations under the Transaction Documents, or for any other reason, unless, an injunction or temporary restraining order from a court, on notice, restraining and or enjoining delivery of such Unlegended Shares shall have been sought and obtained by the Company and the Company has posted a surety bond for the benefit of such Purchaser in the amount of the greater of (i) 120% of the amount of the aggregate purchase price of the Underlying Shares to be subject to the injunction or temporary restraining order, or (ii) the VWAP of the Ordinary Shares on the trading day before the issue date of the injunction multiplied by the number of Unlegended Shares to be subject to the injunction, which bond shall remain in effect until the completion of arbitration/litigation of the dispute and the proceeds of which shall be payable to such Purchaser to the extent Purchaser obtains judgment in Purchaser's favor.

(h) Buy-In. In addition to any other rights available to Purchaser, if the Company fails to deliver to a Purchaser Unlegended Shares as required pursuant to this Agreement and after the Legend Removal Date the Purchaser, or a broker on the Purchaser's behalf, purchases (in an open market transaction or otherwise) Ordinary Shares to deliver in satisfaction of a sale by such Purchaser of the Ordinary Shares which the Purchaser was entitled to receive in unlegended form from the Company (a "Buy-In"), then the Company shall promptly pay in cash to the Purchaser (in addition to any remedies available to or elected by the Purchaser) the amount, if any, by which (A) the Purchaser's total purchase price (including brokerage commissions, if any) for the Ordinary Shares so purchased exceeds (B) the aggregate purchase price of the Ordinary Shares delivered to the Company for reissuance as Unlegended Shares together with interest thereon at a rate of 15% per annum accruing until such amount and any accrued interest thereon is paid in full (which amount shall be paid as liquidated damages and not as a penalty). For example, if a Purchaser purchases Ordinary Shares having a total purchase price of $11,000 to cover a Buy-In with respect to $10,000 of purchase price of Shares delivered to the Company for reissuance as Unlegended Shares, the Company shall be required to pay the Purchaser $1,000, plus interest, if any. The Purchaser shall provide the Company written notice indicating the amounts payable to the Purchaser in respect of the Buy-In.

(i) Plan of Distribution. Each Purchaser, severally and not jointly with the other Purchasers, agrees with the Company that such Purchaser will sell any Securities pursuant to either the registration requirements of the Securities Act, including any applicable prospectus delivery requirements, or an exemption therefrom, and that if Securities are sold pursuant to a registration statement, they will be sold in compliance with the plan of distribution set forth therein, and acknowledges that the removal of the restrictive legend from certificates representing Securities as set forth in this Section 4.1 is predicated upon the Company's reliance upon this understanding.

4.2 Acknowledgment of Dilution. The Company acknowledges that the issuance of the Securities may result in dilution of the outstanding Ordinary Shares, which dilution may be substantial under certain market conditions. The Company further acknowledges that its obligations under the Transaction Documents, including, without limitation, its obligation to issue the Underlying Shares pursuant to the Transaction Documents, are unconditional and absolute and not subject to any right of set off, counterclaim, delay or reduction, regardless of the effect of any such dilution or any claim the Company may have against any Purchaser and regardless of the dilutive effect that such issuance may have on the ownership of the other stockholders of the Company.

4.3 Furnishing of Information; Public Information; Domestic Issuances; Filing Requirements.

(a) Until the earliest of the time that (i) no Purchaser owns Securities or (ii) the Warrants have expired, the Company covenants to file all required periodic reports with the Commission pursuant to Section 15(d) of the Exchange Act and under Section 12(b) or 12(g) of the Exchange Act, maintain the registration of the Ordinary Shares under Section 12(b) or 12(g) of the Exchange Act and to timely file (or obtain extensions in respect thereof and file within the applicable grace period) all reports required to be filed by the Company after the date hereof pursuant to the Exchange Act and file such reports even if the Company is not then subject to the reporting requirements of the Exchange Act.

(b) At any time commencing on the Closing Date and ending at such time that all of the Securities may be sold without the requirement for the Company to be in compliance with Rule 144(c)(1) and otherwise without restriction or limitation pursuant to Rule 144, if the Company shall fail for any reason to satisfy the current public information requirement under Rule 144(c) (a "Public Information Failure"), with respect to those securities that cannot be so sold, then, in addition to such Purchaser's other available remedies, the Company shall pay to a Purchaser, in cash, as partial liquidated damages and not as a penalty, by reason of any such delay in or reduction of its ability to sell the Securities, an amount in cash equal to one percent (1%) of the aggregate principal amount of Notes and accrued interest thereon, aggregate Exercise Price of Warrant Shares held by such Purchaser on the day of a Public Information Failure and on every thirtieth (30th) day (pro-rated for periods totaling less than thirty days) thereafter until the earlier of (a) the date such Public Information Failure is cured and (b) such time that such public information is no longer required for the Purchasers to transfer the Underlying Shares pursuant to Rule 144. The payments to which a Purchaser shall be entitled pursuant to this Section 4.3(b) are referred to herein as "Public Information Failure Payments." Public Information Failure Payments shall be paid on the earlier of (i) the last day of the calendar month during which such Public Information Failure Payments are incurred and (ii) the third (3rd) Business Day after the event or failure giving rise to the Public Information Failure Payments is cured. In the event the Company fails to make Public Information Failure Payments in a timely manner, such Public Information Failure Payments shall bear interest at the rate of 1.5% per month (prorated for partial months) until paid in full. Nothing herein shall limit such Purchaser's right to pursue actual damages for the Public Information Failure, and such Purchaser shall have the right to pursue all remedies available to it at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief.

(c) The Company agrees to file a form 10-Q for the quarter ending September 30, 2017 in compliance with the substance and filing time such Form 10-Q would be required to be filed by a company subject to the filing requirements of Section 13 and 15(d) of the Exchange Act; or a Form 6-K if not required to file such Form 10-Q and file such Form 6-K by the time and in the form otherwise applicable to a company filing a Form 10-Q pursuant to Section 15(d) of the Exchange Act.

4.4 Integration. The Company shall not sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in Section 2 of the Securities Act) that would be integrated with the offer or sale of the Securities in a manner that would require the registration under the Securities Act of the sale of the Securities or that would be integrated with the offer or sale of the Securities for purposes of the rules and regulations of any Trading Market such that it would require shareholder approval prior to the closing of such other transaction or to effectuate such other transaction unless shareholder approval is obtained before the earlier of the closing of such subsequent transaction or effectuation of such other transaction.

4.5 Conversion and Exercise Procedures. Each of the form of Notice of Exercise included in the Warrants and the form of Notice of Conversion included in the Notes set forth the totality of the procedures required of the Purchasers in order to exercise the Warrants or convert the Notes. No additional legal opinion, other information or instructions shall be required of the Purchasers to exercise their Warrants or convert their Notes. The Company shall honor exercises of the Warrants and conversions of the Notes and shall deliver Underlying Shares in accordance with the terms, conditions and time periods set forth in the Transaction Documents.

4.6 Securities Laws Disclosure; Publicity. The Company shall on or before the fourth Trading Day following the Closing Date, file a Current Report on Form 6-K including the Transaction Documents as exhibits thereto with the Commission ("Form 6-K"). A form of the Form 6-K is annexed hereto as Exhibit D. Such Exhibit D will be identical to the Form 6-K which will be filed with the Commission except for the omission of signatures thereto by the Company and auditors providing the financial statements. From and after the filing of the Form 6-K, the Company represents to the Purchasers that it shall have publicly disclosed all material, non-public information delivered to any of the Purchasers by the Company or any Subsidiary, or any of their respective officers, directors, employees or agents in connection with the transactions contemplated by the Transaction Documents. The Company and each Purchaser shall consult with each other in issuing any press releases with respect to the transactions contemplated hereby, and neither the Company nor any Purchaser shall issue any press release nor otherwise make any such public statement without the prior consent of the Company, with respect to any press release of any Purchaser, or without the prior consent of each Purchaser, with respect to any press release of the Company, which consent shall not unreasonably be withheld or delayed, except if such disclosure is required by law, in which case the disclosing party shall promptly provide the other party with prior notice of such public statement or communication. Notwithstanding the foregoing, the Company shall not publicly disclose the name of any Purchaser, or include the name of any Purchaser in any filing with the Commission or any regulatory agency or Trading Market unless the name of such Purchaser is already included in the body of the Transaction Documents, without the prior written consent of such Purchaser, except: (a) as required by applicable federal securities law in connection with the filing of final Transaction Documents with the Commission and (b) to the extent such disclosure is required by law or Trading Market regulations, in which case the Company shall provide the Purchasers with prior notice of such disclosure permitted under this clause (b).

4.7 Shareholder Rights Plan. No claim will be made or enforced by the Company or, with the consent of the Company, any other Person, that any Purchaser is an "Acquiring Person" under any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or similar anti-takeover plan or arrangement in effect or hereafter adopted by the Company, or that any Purchaser could be deemed to trigger the provisions of any such plan or arrangement, by virtue of receiving Securities under the Transaction Documents or under any other agreement between the Company and the Purchasers.

4.8 Non-Public Information. Except with respect to the material terms and conditions of the transactions contemplated by the Transaction Documents, the Company covenants and agrees that neither it, nor any other Person acting on its behalf, will provide any Purchaser or its agents or counsel with any information that the Company believes constitutes material non-public information, unless prior thereto such Purchaser shall have entered into a written agreement with the Company regarding the confidentiality and use of such information. The Company understands and confirms that each Purchaser shall be relying on the foregoing covenant in effecting transactions in securities of the Company.

4.9 Use of Proceeds. The Company shall use the net proceeds from the sale of the Offering hereunder substantially for the purposes set forth on Schedule 4.9 hereto and shall not use such proceeds:

(a) for the satisfaction of any portion of the Company's debt except as disclosed on Schedule 4.9 (other than payment of trade payables in the ordinary course of the Company's business and consistent with prior practices and repayment of certain debt as identified and in the amounts set forth on Schedule 4.9),

(b) for the redemption of any Ordinary Shares or Ordinary Shares Equivalents, (c) for the settlement of any outstanding litigation or (d) in violation of FCPA or OFAC regulations.

4.10 Indemnification of Purchasers. Subject to the provisions of this Section 4.10, the Company will indemnify and hold each Purchaser and its directors, officers, shareholders, members, partners, employees and agents (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title), each Person who controls such Purchaser (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, shareholders, agents, members, partners or employees (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title) of such controlling persons (each, a "Purchaser Party") harmless from any and all losses, liabilities, obligations, claims, contingencies, damages, costs and expenses, including all judgments, amounts paid in settlements, court costs and reasonable attorneys' fees and costs of investigation that any such Purchaser Party may suffer or incur as a result of or relating to (a) any breach of any of the representations, warranties, covenants or agreements made by the Company in this Agreement or in the other Transaction Documents or (b) any action instituted against Purchaser Parties in any capacity, or any of them or their respective Affiliates, by any stockholder of the Company who is not an Affiliate of such Purchaser Party, with respect to any of the transactions contemplated by the Transaction Documents (unless such action is based upon a breach of such Purchaser Party's representations, warranties or covenants under the Transaction Documents or any agreements or understandings such Purchaser Party may have with any such stockholder or any violations by such Purchaser Party of state or federal securities laws or any conduct by such Purchaser Party which constitutes fraud, gross negligence, willful misconduct or malfeasance). If any action shall be brought against any Purchaser Party in respect of which indemnity may be sought pursuant to this Agreement, such Purchaser Party shall promptly notify the Company in writing, and the Company shall have the right to assume the defense thereof with counsel of its own choosing reasonably acceptable to the Purchaser Party. Any Purchaser Party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Purchaser Party except to the extent that (i) the employment thereof has been specifically authorized by the Company in writing, (ii) the Company has failed after a reasonable period of time to assume such defense and to employ counsel or (iii) in such action there is, in the reasonable opinion of counsel, a material conflict on any material issue between the position of the Company and the position of such Purchaser Party, in which case the Company shall be responsible for the reasonable fees and expenses of no more than one such separate counsel for all Purchaser Parties. The Company will not be liable to any Purchaser Party under this Agreement (y) for any settlement by a Purchaser Party effected without the Company's prior written consent, which shall not be unreasonably withheld or delayed; or (z) to the extent, but only to the extent that a loss, claim, damage or liability is attributable to any Purchaser Party's breach of its material representations, warranties or covenants under the Transaction Documents. The indemnification required by this Section 4.10 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or are incurred. The indemnity agreements contained herein shall be in addition to any cause of action or similar right of any Purchaser Party against the Company or others and any liabilities the Company may be subject to pursuant to law.

4.11 Reservation and Listing of Securities.

(a) The Company shall maintain a reserve from its duly authorized Ordinary Shares for issuance pursuant to the Transaction Documents in such amount as may then be required to fulfill its obligations in full under the Transaction Documents, but not less than the Required Minimum.

(b) If, on any date, the number of authorized but unissued (and otherwise unreserved) Ordinary Shares is less than the Required Minimum on such date, then the Board of Directors shall amend the Company's certificate or articles of incorporation to increase the number of authorized but unissued Ordinary Shares to at least the Required Minimum at such time, as soon as possible and in any event not later than the 60th day after such date.

(c) The Company shall prior to the Closing, if applicable: (i) in the time and manner required by the principal Trading Market, prepare and file with such Trading Market an additional shares listing application covering a number of Ordinary Shares at least equal to the Required Minimum on the date of such application, (ii) take all steps necessary to cause such Ordinary Shares to be approved for listing or quotation on such Trading Market as soon as possible thereafter, (iii) provide to the Purchasers evidence of such listing or quotation and (iv) maintain the listing or quotation of such Ordinary Shares on any date at least equal to the Required Minimum on such date on such Trading Market or another Trading Market. The Company will take all action necessary to continue the listing or quotation and trading of its Ordinary Shares on a Trading Market until the later of (i) at least five years after the Closing Date, and (ii) for so long as the Notes or Warrants are outstanding, and will comply in all respects with the Company's reporting, filing and other obligations under the bylaws or rules of the Trading Market. In the event the aforedescribed listing is not continuously maintained for five years after the Closing Date and for so long as Notes or Warrants are outstanding (a "Listing Default"), then in addition to any other rights the Purchasers may have hereunder or under applicable law, on the first day of a Listing Default and on each monthly anniversary of each such Listing Default date (if the applicable Listing Default shall not have been cured by such date) until the applicable Listing Default is cured, the Company shall pay to each Purchaser an amount in cash, as partial liquidated damages and not as a penalty, equal to one percent (1%) of the aggregate principal amount of Notes, conversion price of Conversion Shares, and purchase price of Warrant Shares held by such Purchaser or which may be acquired upon exercise of Warrants on the day of a Listing Default and on every thirtieth day (pro-rated for periods less than thirty days) thereafter until the date such Listing Default is cured. If the Company fails to pay any liquidated damages pursuant to this Section in a timely manner, the Company will pay interest thereon at a rate of 1.5% per month (pro-rated for partial months) to the Purchaser.

4.12 Form D; Blue Sky Filings. The Company agrees to timely file a Form D with respect to the Securities as required under Regulation D and to provide a copy thereof, promptly upon request of any Purchaser. The Company shall take such action as the Company shall reasonably determine is necessary in order to obtain an exemption for, or to qualify the Securities for, sale to the Purchasers at a Closing under applicable securities or "Blue Sky" laws of the states of the United States, and shall provide evidence of such actions promptly upon request of any Purchaser.

4.13 Subsequent Equity Sales. From the date hereof until such time as the Notes are no longer outstanding, the Company will not, without the consent of a Majority in Interest, enter into nor allow the exercise of any Equity Line of Credit or similar agreement including the Outstanding Equity Line, which shall remain inactive through such date, issue or agree to issue floating or Variable Priced Equity Linked Instruments nor issue or agree to issue any of the foregoing or equity with price reset rights (subject to adjustment for stock splits, distributions, dividends, recapitalizations and the like) (collectively, a "Variable Rate Transaction"). For purposes hereof, "Equity Line of Credit" shall include any transaction involving a written agreement between the Company and an investor or underwriter or an investor or underwriter has the right to "call" the Company's securities whereby the Company has the right to "put" its securities to the investor or underwriter over an agreed period of time and at an agreed price or price formula, and "Variable Priced Equity Linked Instruments" shall include: (A) any debt or equity securities which are convertible into, exercisable or exchangeable for, or carry the right to receive additional Ordinary Shares or Ordinary Shares Equivalents or any of the foregoing at a price that can be reduced either (1) at any conversion, exercise or exchange rate or other price that is based upon and/or varies with the trading prices of or quotations for Ordinary Shares at any time after the initial issuance of such debt or equity security, or (2) with a fixed conversion, exercise or exchange price that is subject to being reset at some future date at any time after the initial issuance of such debt or equity security due to a change in the market price of the Company's Ordinary Shares since date of initial issuance, or upon the issuance of any debt, equity or Ordinary Shares Equivalent, and (B) any amortizing convertible security which amortizes prior to its maturity date, where the Company is required or has the option to (or any investor in such transaction has the option to require the Company to) make such amortization payments in Ordinary Shares which are valued at a price that is based upon and/or varies with the trading prices of or quotations for Ordinary Shares at any time after the initial issuance of such debt or equity security (whether or not such payments in stock are subject to certain equity conditions). For purposes of determining the total consideration for a convertible instrument (including a right to purchase equity of the Company) issued, subject to an original issue or similar discount or which principal amount is directly or indirectly increased after issuance, the consideration will be deemed to be the actual net cash amount received by the Company in consideration of the original issuance of such convertible instrument. For so long as the Notes are outstanding, the Company will not, without the consent of a Majority in Interest, issue any Ordinary Shares or Ordinary Shares Equivalents to officers, directors, and employees of the Company unless such issuance is an Exempt Issuance or in the amounts and on the terms set forth on Schedule 4.13. For so long as any Notes are outstanding, the Company will not amend the terms of any securities or Ordinary Shares Equivalents or of any agreement outstanding or in effect as of the date of this Agreement pursuant to which same were or may be acquired without the consent of a Majority in Interest, if the result of such amendment would be at an effective price per share of Ordinary Shares less than the lower of the Conversion Price or Warrant Exercise Price in effect at the time of such amendment. The restrictions and limitations in this Section 4.13 are in addition to and shall apply whether or not a Purchaser exercises its rights pursuant to Section 4.17 and Section 4.23. Unless otherwise specifically set forth in the Transaction Documents, these Transaction Documents shall not restrict the Company from issuing any equity.

4.14 Equal Treatment of Purchasers. No consideration (including any modification of any Transaction Document) shall be offered or paid to any Person to amend or consent to a waiver or modification of any provision of any of this Agreement unless the same consideration is also offered on a ratable basis to all of the parties to this Agreement. For clarification purposes, this provision constitutes a separate right granted to each Purchaser by the Company and negotiated separately by each Purchaser, and is intended for the Company to treat the Purchasers as a class and shall not in any way be construed as the Purchasers acting in concert or as a group with respect to the purchase, disposition or voting of Securities or otherwise.

4.15 Capital Changes. Until the one year anniversary of the Closing Date, the Company shall not undertake a reverse or forward stock split or reclassification of the Ordinary Shares without ten (10) days prior written notice to the Purchasers.

4.16 Certain Transactions and Confidentiality. Each Purchaser, severally and not jointly with the other Purchasers, covenants that neither it, nor any Affiliate acting on such Purchaser's behalf or pursuant to any understanding with such Purchaser will execute any purchases or sales, including Short Sales, of any of the Company's securities during the period commencing with the execution of this Agreement and ending at such time that the transactions contemplated by this Agreement are first publicly announced pursuant to a press release or Form 6-K as described in Section 4.6. Each Purchaser, severally and not jointly with the other Purchasers, covenants that until such time as the transactions contemplated by this Agreement are publicly disclosed by the Company pursuant to a press release or Form 6-K as described in Section 4.6, such Purchaser will maintain the confidentiality of the existence and terms of this transaction and the information included in the Transaction Documents and the Disclosure Schedules. Further, each Purchaser severally and not jointly with the other Purchasers covenants that neither it, nor any of its Affiliates will engage in any Short Sale transactions at any time while it beneficially owns any Securities. Notwithstanding the foregoing, and notwithstanding anything contained in this Agreement to the contrary, the Company expressly acknowledges and agrees that (i) no Purchaser makes any representation, warranty or covenant hereby that it will not engage in effecting transactions in any securities of the Company after the time that the transactions contemplated by this Agreement are first publicly announced pursuant to a press release or Form 6-K as described in Section 4.6, (ii) no Purchaser shall be restricted or prohibited from effecting any transactions in any securities of the Company in accordance with applicable securities laws from and after the time that the transactions contemplated by this Agreement are first publicly announced pursuant to a press release or Form 6-K, and (iii) no Purchaser shall have any duty of confidentiality to the Company or its Subsidiaries after the filing of the Form 6-K. Notwithstanding the foregoing, in the case of a Purchaser that is a multi-managed investment vehicle whereby separate portfolio managers manage separate portions of such Purchaser's assets and the portfolio managers have no direct knowledge of the investment decisions made by the portfolio managers managing other portions of such Purchaser's assets, the covenant set forth above shall only apply with respect to the portion of assets managed by the portfolio manager that made the investment decision to purchase the Securities covered by this Agreement.

4.17 Participation in Future Financing.

(a) Until eighteen (18) months after the Closing Date upon any proposed issuance by the Company or any of its Subsidiaries of Ordinary Shares, Ordinary Shares Equivalents, Indebtedness or a combination thereof, other than (i) a rights offering to all holders of Ordinary Shares (which may include extending such rights offering to holders of Notes on an as-converted basis), or (ii) an Exempt Issuance (each such proposed issuance other than (a) (i) and (ii), a "Subsequent Financing"), the Purchasers and the Subsequent Purchasers shall have the right to participate up to an amount of the Subsequent Financing equal to 50% of the Subsequent Financing (the "Participation Maximum") pro rata to each other in proportion to principal amounts of indebtedness issued on the Closing Date and any other applicable closing dates pursuant to which Subsequent Purchasers purchased securities on the same terms, conditions and price provided for in the Subsequent Financing, unless the Subsequent Financing is an underwritten public offering, in which case the Company shall notify each Purchaser of such public offering when it is lawful for the Company to do so, but no Purchaser shall be entitled to purchase any particular amount of such public offering without the approval of the lead underwriter of such underwritten public offering.

(b) At least ten (10) Trading Days prior to the closing of the Subsequent Financing, the Company shall deliver to each Purchaser a written notice of its intention to effect a Subsequent Financing ("Pre-Notice"), which Pre-Notice shall ask such Purchaser if it wants to review the details of such financing (such additional notice, a "Subsequent Financing Notice"). Upon the request of a Purchaser, and only upon a request by such Purchaser, for a Subsequent Financing Notice, the Company shall promptly, but no later than one (1) Trading Day after such request, deliver a Subsequent Financing Notice to such Purchaser. The requesting Purchaser shall be deemed to have acknowledged that the Subsequent Financing Notice may contain material non-public information. The Subsequent Financing Notice shall describe in reasonable detail the proposed terms of such Subsequent Financing, the amount of proceeds intended to be raised thereunder and the Person or Persons through or with whom such Subsequent Financing is proposed to be effected and shall include a term sheet or similar document relating thereto as an attachment.

(c) Any Purchaser desiring to participate in such Subsequent Financing must provide written notice to the Company by not later than 5:30 p.m. (New York City time) on the tenth (10^{th}) Trading Day after all of the Purchasers have received the Pre-Notice that the Purchaser is willing to participate in the Subsequent Financing, the amount of such Purchaser's participation, and representing and warranting that such Purchaser has such funds ready, willing, and available for investment on the terms set forth in the Subsequent Financing Notice. If the Company receives no such notice from a Purchaser as of such tenth (10^{th}) Trading Day, such Purchaser shall be deemed to have notified the Company that it does not elect to participate.

(d) If by 5:30 p.m. (New York City time) on the tenth (10^{th}) Trading Day after all of the Purchasers have received the Pre-Notice, notifications by the Purchasers of their willingness to participate in the Subsequent Financing (or to cause their designees to participate) is, in the aggregate, less than the total amount of the Subsequent Financing, then the Company may affect the remaining portion of such Subsequent Financing on the terms and with the Persons set forth in the Subsequent Financing Notice and the Purchasers shall simultaneously affect their portion of such Subsequent Financing as set forth in their notifications to the Company consistent with the terms set forth in the Subsequent Financing Notice.

(e) If by 5:30 p.m. (New York City time) on the tenth (10^{th}) Trading Day after all of the Purchasers have received the Pre-Notice, the Company receives responses to a Subsequent Financing Notice from Purchasers seeking to purchase more than the aggregate amount of the Participation Maximum, each such Purchaser shall have the right to purchase its Pro Rata Portion (as defined below) of the Participation Maximum. "Pro Rata Portion" means the ratio of (x) the principal amount of Notes purchased hereunder by a Purchaser participating under this Section 4.17 and (y) the sum of the aggregate principal amounts of Notes purchased hereunder by all Purchasers participating under this Section 4.17.

(f) The Company must provide the Purchasers with a second Subsequent Financing Notice, and the Purchasers will again have the right of participation set forth above in this Section 4.18, if the Subsequent Financing subject to the initial Subsequent Financing Notice is not consummated for any reason on the terms set forth in such Subsequent Financing Notice within sixty (60) Trading Days after the date of the initial Subsequent Financing Notice.

(g) The Company and each Purchaser agree that if any Purchaser elects to participate in the Subsequent Financing, the transaction documents related to the Subsequent Financing shall not include any term or provision whereby such Purchaser shall be required to agree to any restrictions on trading as to any of the Securities purchased hereunder (for avoidance of doubt, the securities purchased in the Subsequent Financing shall not be considered securities purchased hereunder) or be required to consent to any amendment to or termination of, or grant any waiver, release or the like under or in connection with, this Agreement, without the prior written consent of such Purchaser.

(h) Notwithstanding anything to the contrary in this Section 4.17 and unless otherwise agreed to by such Purchaser, the Company shall either confirm in writing to such Purchaser that the transaction with respect to the Subsequent Financing has been abandoned or shall publicly disclose its intention to issue the securities in the Subsequent Financing, in either case in such a manner such that such Purchaser will not be in possession of any material, non-public information, by the seventeenth (17^{th}) Business Day following delivery of the Subsequent Financing Notice. If by such seventeenth (17^{th}) Business Day, no public disclosure regarding a transaction with respect to the Subsequent Financing has been made, and no notice regarding the abandonment of such transaction has been received by such Purchaser, such transaction shall be deemed to have been abandoned and such Purchaser shall not be deemed to be in possession of any material, non-public information with respect to the Company or any of its Subsidiaries.

4.18 Purchaser's Exercise Limitations. The Company shall not effect exercise of the rights granted in Sections 4.17 and 4.23 of this Agreement, and a Purchaser shall not have the right to exercise any portion of such rights granted in Sections 4.17 and 4.23 only to the extent that after giving effect to such exercise, the Purchaser, would beneficially own in excess of the Beneficial Ownership Limitation (as defined in the Note), applied in the manner set forth in the Note. In such event the right by Purchaser to benefit from such rights or receive shares in excess of the Beneficial Ownership Limitation shall be held in abeyance until such times as such excess shares shall not exceed the Beneficial Ownership Limitation, provided the Purchaser complies with the Purchaser's other obligations in connection with the exercise by Purchaser of its rights pursuant to Sections 4.17 and 4.23.

4.19 Maintenance of Property. The Company shall and cause each Subsidiary to keep all of its property, which is necessary or useful to the conduct of its business, in good working order and condition, ordinary wear and tear excepted.

4.20 Preservation of Corporate Existence. The Company shall preserve and maintain its corporate existence, rights, privileges and franchises in the jurisdiction of its incorporation, and qualify and remain qualified, as a foreign corporation in each jurisdiction in which such qualification is necessary in view of its business or operations and where the failure to qualify or remain qualified might reasonably have a Material Adverse Effect upon the financial condition, business or operations of the Company taken as a whole.

4.21 DTC Program. At all times that Notes or Warrants are outstanding, the Company shall employ as the transfer agent for its Ordinary Shares and Underlying Shares a participant in the Depository Trust Company Automated Securities Transfer Program and cause the Ordinary Shares and Underlying Shares to be transferable pursuant to such program.

4.22 Reimbursement. If any Purchaser becomes involved in any capacity in any Proceeding 35 by or against any Person who is a stockholder of the Company (except as a result of sales, pledges, margin sales and similar transactions by such Purchaser to or with any current stockholder), solely as a result of such Purchaser's acquisition of the Securities under this Agreement, the Company will reimburse such Purchaser for its reasonable legal and other expenses (including the cost of any investigation preparation and travel in connection therewith) incurred in connection therewith, as such expenses are incurred. The reimbursement obligations of the Company under this paragraph shall be in addition to any liability which the Company may otherwise have, shall extend upon the same terms and conditions to any Affiliates of the Purchasers who are actually named in such action, proceeding or investigation, and partners, directors, agents, employees and controlling persons (if any), as the case may be, of the Purchasers and any such Affiliate, and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of the Company, the Purchasers and any such Affiliate and any such Person. The Company also agrees that neither the Purchasers nor any such Affiliates, partners, directors, agents, employees or controlling persons shall have any liability to the Company or any Person asserting claims on behalf of or in right of the Company solely as a result of acquiring the Securities under this Agreement.

4.23 Registration Rights. Until twenty (20) months after the Closing Date and during the pendency of an Event of Default (as defined in the Note), if any, or while an event which with the giving of notice or the passage of time could become an Event of Default is extant, and only so long as Purchaser own any of the Securities, the Company will not grant any registration rights, allow the exercise of any registration rights or file any registration statement (including Form S-3 or its equivalent) on behalf of any holder or prospective holder of any securities of the Company unless the Company has previously filed a registration statement on behalf of Purchasers with respect to all of the Underlying Shares and such registration statement had been continuously effective for the sale of all the outstanding Underlying Shares for not less than six months.

4.24 Indebtedness. For so long as any amount of Note principal is outstanding, the Company will not incur any new Indebtedness other than Permitted Indebtedness, and will not issue convertible debt instruments described in subpart (f) of the definition of Exempt Issuance having a principal amount of more than US$1,666,667, in the aggregate, without the consent of the Majority in Interest.

4.25 Notice of Disqualification Events. The Company will notify the Purchasers in writing, prior to the Closing Date of (i) any Disqualification Event relating to any Issuer Covered Person and (ii) any event that would, with the passage of time, become a Disqualification Event relating to any Issuer Covered Person not otherwise disclosed herein or in the SEC Reports.

4.26 No Exercise of Variable Priced Equity Linked Instruments. For so long as Notes are outstanding, the Company will not have outstanding any exercisable Variable Priced Equity Linked Instruments, nor any debt or equity with anti-dilution, ratchet or reset rights, except as set forth and described on Schedule 4.26.

4.27 Maintenance of Property and Insurance. Until the End Date, the Company shall keep all of its property, which is necessary or useful to the conduct of its business, in good working order and condition or in no worse condition than on the date hereof, if not in good working order and condition, ordinary wear and tear excepted. Until the End Date, the Company will maintain insurance coverage of the type customary for its industry and not less than the amount in effect as of the Closing Date.

4.28 Most Favored Nation Provision. From the date hereof and for so long as a Purchaser holds any Securities, in the event that the Company issues or sells any Ordinary Shares or Ordinary Shares Equivalents pursuant to the Exempt Issuance described in subpart (f) of the definition of Exempt Issuance and if a Purchaser then holding outstanding Securities reasonably believes that any of the terms and conditions appurtenant to such issuance or sale are more favorable to such Subsequent Purchaser than are the terms and conditions granted to the Purchasers hereunder, upon notice to the Company by such Purchaser within ten (10) Trading Days after written notice (as described below) to Purchaser of such issuance or sale (which shall include a copy of all agreements and documents employed in connection with such issuance), the Company shall amend the terms of this transaction as to such Purchaser only, so as to give such Purchaser the benefit of such more favorable terms or conditions. The Company shall provide each Purchaser with notice of any such proposed issuance or sale not later than ten (10) Trading Days before such issuance or sale.

4.29 Duration of Undertakings. Unless otherwise stated in this Article IV or pursuant to applicable law, all of the Company's undertakings, obligations and responsibilities set forth in Article IV of this Agreement shall remain in effect for at least so long as any Securities remain outstanding.

ARTICLE V.

MISCELLANEOUS

5.1 Termination. This Agreement may be terminated by any Purchaser or the Company, as to such Purchaser's or the Company's obligations hereunder with respect to such Purchaser that have not yet been consummated, only and without any effect whatsoever on the obligations between the Company and the other Purchasers, by written notice to the other parties, if the Closing has not been consummated on or before August 29, 2017; provided, however, that such termination will not affect the right of any party to sue for any breach by any other party (or parties).

5.2 Fees and Expenses. At the Closing, the Company has agreed to pay G&M for the legal fees in connection with G&M's representation of Alpha Capital Anstalt (and no other Purchasers) and the Closing in the amount of $18,000. Except as expressly set forth in the Transaction Documents and on Schedule 3.1(s), each party shall pay the fees and expenses of its advisers, counsel, accountants and other experts, if any, and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of this Agreement. The Company shall pay all Transfer Agent fees (including, without limitation, any fees required for same-day processing of any instruction letter delivered by the Company and any conversion or exercise notice delivered by a Purchaser) and stamp taxes and other taxes and duties (other than income and similar taxes), if any, levied in connection with the delivery of any Securities to the Purchasers. All of the Purchasers are advised to seek the advice of their own attorneys.

5.3 Entire Agreement. The Transaction Documents, together with the exhibits and schedules thereto, contain the entire understanding of the parties with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings, oral or written, with respect to such matters, which the parties acknowledge have been merged into such documents, exhibits and schedules.

5.4 Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be: (i) if to the Company, to: P.V. Nano Cell Ltd., c/o Corporation Service Company 1180 Avenue of the Americas, Suite 210, New York, NY 10036 with an additional copy by fax only to (which shall not constitute notice): Greenberg Traurig, P.A., 333 S.E. 2nd Avenue, Miami, FL 33131, Attn: Robert L. Grossman, Esq., facsimile: 305-961-5756, and (ii) if to the Purchasers, to: the addresses and fax numbers indicated on the signature pages hereto, with an additional copy by fax only to (which shall not constitute notice): Grushko & Mittman, P.C., 515 Rockaway Avenue, Valley Stream, New York 11581, fax: (212) 697-3575. **For so long as any notice may or be required to be given to the Company pursuant to the transaction documents, the Company will maintain an address for notice purposes in New York, New York or Miami, Florida. Any notice required to be given to the Company pursuant to the Transaction Documents will also be given via email to** fernando@pvnanocell.com. **Failure to give such email notice or failure of such notice to be received shall under no circumstances be deemed a defect in the giving of the required notice.**

5.5 Amendments; Waivers. No provision of this Agreement or the other Transaction Document may be waived, modified, supplemented or amended except in a written instrument signed, in the case of an amendment, by the Company and Purchasers holding at least a majority in interest of the Securities issued pursuant to this Agreement then outstanding which must include Alpha Capital Anstalt for so long as Alpha Capital Anstalt owns Notes having a principal amount of not less than $100,000 and/or Ordinary Shares into which such amount of Notes have been converted (the "Majority in Interest"), or, in the case of a waiver, by the party against whom enforcement of any such waived provision is sought. Whenever the term "consent of the Purchasers" or a similar term is employed herein, it shall mean the consent of a Majority in Interest. No waiver of any default with respect to any provision, condition or requirement of this Agreement or the other Transaction Document shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right.

5.6 Headings. The headings herein are for convenience only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.

5.7 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns. The Company may not assign this Agreement or any rights or obligations hereunder without the prior written consent of each Purchaser (other than by merger). Following a Closing, any Purchaser may assign any or all of its rights under this Agreement to any Person to whom such Purchaser assigns or transfers any Securities in compliance with this Agreement and applicable law, provided that such transferee agrees in writing to be bound, with respect to the transferred Securities, by the provisions of the Transaction Documents that apply to the "Purchasers."

5.8 No Third-Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective successors and permitted assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other Person, except as otherwise set forth in Section 4.10.

5.9 Governing Law. All questions concerning the construction, validity, enforcement and interpretation of the Transaction Documents shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Each party agrees that all legal proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement and any other Transaction Documents (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the City of New York, Borough of Manhattan for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any action, suit or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper or is an inconvenient venue for such proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law. If either party shall commence an action or proceeding to enforce any provisions of the Transaction Documents, then, in addition to the obligations of the Company under Section 4.10, the prevailing party in such action, suit or proceeding shall be reimbursed by the other party for its reasonable attorneys' fees and other costs and expenses incurred with the investigation, preparation and prosecution of such action or proceeding.

5.10 Survival. The representations and warranties contained herein shall survive the Closing and the delivery of the Securities.

5.11 Execution. This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to each other party, it being understood that the parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

5.12 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

5.13 Rescission and Withdrawal Right. Notwithstanding anything to the contrary contained in (and without limiting any similar provisions of) any of the other Transaction Documents, whenever any Purchaser exercises a right, election, demand or option under a Transaction Document and the Company does not timely perform its related obligations within the periods therein provided, then such Purchaser may, at any time prior to the Company's performance of such obligations, rescind or withdraw, in its sole discretion from time to time upon written notice to the Company, any relevant notice, demand or election in whole or in part without prejudice to its future actions and rights; provided, however, that in the case of a rescission of a conversion of a Note or exercise of a Warrant, the applicable Purchaser shall be required to return any Ordinary Shares subject to any such rescinded conversion or exercise notice concurrently with the return to such Purchaser of the aggregate Exercise Price paid to the Company for such shares and the restoration of such Purchaser's right to acquire such shares pursuant to such Purchaser's Warrant (including, issuance of a replacement warrant certificate evidencing such restored right).

5.14 Replacement of Securities. If any certificate or instrument evidencing any Securities is mutilated, lost, stolen or destroyed, the Company shall issue or cause to be issued in exchange and substitution for and upon cancellation thereof (in the case of mutilation), or in lieu of and substitution therefor, a new certificate or instrument, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction. The applicant for a new certificate or instrument under such circumstances shall also pay any reasonable third-party costs (including customary indemnity) associated with the issuance of such replacement Securities.

5.15 Remedies. In addition to being entitled to exercise all rights provided herein or granted by law, including recovery of damages, each of the Purchasers and the Company will be entitled to specific performance under the Transaction Documents. The parties agree that monetary damages may not be adequate compensation for any loss incurred by reason of any breach of obligations contained in the Transaction Documents and hereby agree to waive and not to assert in any action for specific performance of any such obligation the defense that a remedy at law would be adequate.

5.16 Payment Set Aside. To the extent that the Company makes a payment or payments to any Purchaser pursuant to any Transaction Document or a Purchaser enforces or exercises its rights thereunder, and such payment or payments or the proceeds of such enforcement or exercise or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, recovered from, disgorged by or are required to be refunded, repaid or otherwise restored to the Company, a trustee, receiver or any other Person under any law (including, without limitation, any bankruptcy law, state or federal law, common law or equitable cause of action), then to the extent of any such restoration the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

5.17 Usury. To the extent it may lawfully do so, the Company hereby agrees not to insist upon or plead or in any manner whatsoever claim, and will resist any and all efforts to be compelled to take the benefit or advantage of, usury laws wherever enacted, now or at any time hereafter in force, in connection with any claim, action or proceeding that may be brought by any Purchaser in order to enforce any right or remedy under any Transaction Document. Notwithstanding any provision to the contrary contained in any Transaction Document, it is expressly agreed and provided that the total liability of the Company under the Transaction Documents for payments in the nature of interest shall not exceed the maximum lawful rate authorized under applicable law (the "Maximum Rate"), and, without limiting the foregoing, in no event shall any rate of interest or default interest, or both of them, when aggregated with any other sums in the nature of interest that the Company may be obligated to pay under the Transaction Documents exceed such Maximum Rate. It is agreed that if the maximum contract rate of interest allowed by law and applicable to the Transaction Documents is increased or decreased by statute or any official governmental action subsequent to the date hereof, the new maximum contract rate of interest allowed by law will be the Maximum Rate applicable to the Transaction Documents from the Closing Date thereof forward, unless such application is precluded by applicable law. If under any circumstances whatsoever, interest in excess of the Maximum Rate is paid by the Company to any Purchaser with respect to indebtedness evidenced by the Transaction Documents, such excess shall be applied by such Purchaser to the unpaid principal balance of any such indebtedness or be refunded to the Company, the manner of handling such excess to be at such Purchaser's election.

5.18 Independent Nature of Purchasers' Obligations and Rights. The obligations of each Purchaser under any Transaction Document are several and not joint with the obligations of any other Purchaser, and no Purchaser shall be responsible in any way for the performance or non-performance of the obligations of any other Purchaser under any Transaction Document. Nothing contained herein or in any other Transaction Document, and no action taken by any Purchaser pursuant hereto or thereto, shall be deemed to constitute the Purchasers as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Purchasers are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated by the Transaction Documents. Each Purchaser shall be entitled to independently protect and enforce its rights, including, without limitation, the rights arising out of this Agreement or out of the other Transaction Documents, and it shall not be necessary for any other Purchaser to be joined as an additional party in any proceeding for such purpose. Each Purchaser has been represented by its own separate legal counsel in its review and negotiation of the Transaction Documents. For reasons of administrative convenience only, each Purchaser and its respective counsel have chosen to communicate with the Company through G&M. The Company has elected to provide all Purchasers with the same terms and Transaction Documents for the convenience of the Company and not because it was required or requested to do so by any of the Purchasers. It is expressly understood and agreed that each provision contained in this Agreement and in each other Transaction Document is between the Company and a Purchaser, solely, and not between the Company and the Purchasers collectively and not between and among the Purchasers.

5.19 Liquidated Damages. The Company's obligations to pay any partial liquidated damages or other amounts owing under the Transaction Documents is a continuing obligation of the Company and shall not terminate until all unpaid partial liquidated damages and other amounts have been paid notwithstanding the fact that the instrument or security pursuant to which such partial liquidated damages or other amounts are due and payable shall have been canceled.

5.20 Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then such action may be taken or such right may be exercised on the next succeeding Business Day.

5.21 Construction. The parties agree that each of them and/or their respective counsel have reviewed and had an opportunity to revise the Transaction Documents and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of the Transaction Documents or any amendments thereto. In addition, each and every reference to share prices and Ordinary Shares in any Transaction Document shall be subject to adjustment for reverse and forward stock splits, stock dividends, stock combinations and other similar transactions of the Ordinary Shares that occur after the date of this Agreement.

5.22 **WAIVER OF JURY TRIAL. IN ANY ACTION, SUIT, OR PROCEEDING IN ANY JURISDICTION BROUGHT BY ANY PARTY AGAINST ANY OTHER PARTY, THE PARTIES EACH KNOWINGLY AND INTENTIONALLY, TO THE GREATEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY AND EXPRESSLY WAIVES FOREVER TRIAL BY JURY.**

5.23 Currency. Unless indicated otherwise, references to currency and money shall mean currency of the United States of America.

5.24 Equitable Adjustment. Trading volume amounts, price/volume amounts, the amount of Warrants, the amount of Ordinary Shares identified in this Agreement, Conversion Price, Exercise Price, Underlying Shares and similar figures in the Transaction Documents shall be equitably adjusted (but without duplication) to offset the effect of stock splits, similar events and as otherwise described in this Agreement, Note and Warrants.

(Signature Pages Follow)

IN WITNESS WHEREOF, the parties hereto have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

P.V. NANO CELL LTD.

By: /s/ Dr. Fernando de la Vega
Name: Dr. Fernando de la Vega
Title: CEO

Address for Notice:

P.V. Nano Cell Ltd., c/o Corporation Service Company
1180 Avenue of the Americas, Suite 210, New York, NY 10036

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

Greenberg Traurig, P.A.
333 S.E. 2nd Avenue
Miami, FL 33131
Attn: Robert L. Grossman, Esq.
Fax: 305-961-5756

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SIGNATURE PAGE FOR PURCHASER FOLLOWS]

[PURCHASER SIGNATURE PAGE TO P.V. NANO CELL LTD.

SECURITIES PURCHASE AGREEMENT]

IN WITNESS WHEREOF, the undersigned have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

Name of Purchaser: _____

Signature of Authorized Signatory of Purchaser: _____

Name of Authorized Signatory:_____

Title of Authorized Signatory:_____

Email Address of Authorized Signatory:_____

Facsimile Number of Authorized Signatory:_____

State of Residence of Purchaser:_____

Address for Notice to Purchaser:

Address for Delivery of Securities to Purchaser (if not same as address for notice):

Subscription Amount: US$____

Note principal amount:_____

Warrants:_____

EIN Number, if applicable, will be provided under separate cover:_____

Date:_____

[SIGNATURE PAGES CONTINUE]

EXHIBITS AND SCHEDULES

Exhibit A	Form of Note
Exhibit B	Form of Warrant
Exhibit C	Form of Legal Opinion
Exhibit D	Form of Form 6-K
Exhibit E	Form of Lockup Agreement
Exhibit F	Form of Accredited Investor Questionnaire
Schedule 1.1	Guaranties and Contingent Obligations
Schedule 2.2(a)(v)	Lockup Agreement Providers
Schedule 3.1(a)	Subsidiaries
Schedule 3.1(e)	Israeli Filings
Schedule 3.1(g)	New shares, ESOP and Digiflex deal on top of the loan
Schedule 3.1(i)	Stock Option Plan
Schedule 3.1(l)	Compliance
Schedule 3.1(n)	Title to Assets
Schedule 3.1(s)	Fees and expenses
Schedule 3.1(u)	Outstanding Registration Rights
Schedule 3.1(z)	Trial Balance as of July 27, 2017
Schedule 3.1(cc)	Accountants
Schedule 3.1(ll)	Indebtedness and Seniority
Schedule 4.9	Use of Proceeds
Schedule 4.13	Issuances to Officers, Directors and Employees
Schedule 4.26	No Exercise of Variable Priced Equity Linked Instruments

EXHIBIT A

NEITHER THIS SECURITY NOR THE SECURITIES INTO WHICH THIS SECURITY IS CONVERTIBLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO BORROWER. THIS SECURITY AND THE SECURITIES ISSUABLE UPON CONVERSION OF THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT WITH A REGISTERED BROKER-DEALER OR OTHER LOAN WITH A FINANCIAL INSTITUTION THAT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT OR OTHER LOAN SECURED BY SUCH SECURITIES.

Original Issue Date: August __, 2017

Principal Amount: US$333,333

Purchase Price: US$300,000

Original Conversion Price (subject to adjustment herein): US$1.00

CONVERTIBLE NOTE
DUE OCTOBER __, 2018

THIS CONVERTIBLE NOTE is one of a series of duly authorized and validly issued Notes of P.V. NANO CELL LTD., a company formed under the laws of the State of Israel, (the "Borrower"), having its principal place of business at c/o **Corporation Service company, 1180 Avenue of the Americas, Suite 210, New York, NY 10036** , due October __, 2018 (this note, the "Note" and, collectively with the other notes of such series, the "Notes").

FOR VALUE RECEIVED, Borrower promises to pay to Alpha Capital Anstalt or its registered assigns (the " Holder"), with an address at: Lettstrasse 32, 9490 Vaduz, Liechtenstein, Fax: **[RC]**, or shall have paid pursuant to the terms hereunder, the principal sum of three hundred thirty-three thousand and three hundred and thirty-three Dollars ($333,333) on October __, 2018 (the "Maturity Date") or such earlier date as this Note is required or permitted to be repaid or such later date if extended by the Holder as provided hereunder, and to pay interest, if any, to the Holder on the aggregate unconverted and then outstanding principal amount of this Note in accordance with the provisions hereof.

This Note is subject to the following additional provisions:

Section 1. Definitions. For the purposes hereof, in addition to the terms defined elsewhere in this Note, (a) capitalized terms not otherwise defined herein shall have the meanings set forth in the Purchase Agreement and (b) the following terms shall have the following meanings:

"Alternate Consideration" shall have the meaning set forth in Section 5(d).

"Bankruptcy Event" means any of the following events: (a) Borrower or any Subsidiary thereof commences a case or other proceeding under any bankruptcy, reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction relating to Borrower or any Subsidiary thereof, (b) there is commenced against Borrower or any Subsidiary thereof any such case or proceeding that is not dismissed within 60 days after commencement, (c) Borrower or any Subsidiary thereof is adjudicated insolvent or bankrupt or any order of relief or other order approving any such case or proceeding is entered, (d) Borrower or any Subsidiary thereof suffers any appointment of any custodian or the like for it or any substantial part of its property that is not discharged or stayed within 60 calendar days after such appointment, (e) Borrower or any Subsidiary thereof makes a general assignment for the benefit of creditors, (f) Borrower or any Subsidiary thereof calls a meeting of its creditors with a view to arranging a composition, adjustment or restructuring of its debts or (g) Borrower or any Subsidiary thereof, by any act or failure to act, expressly indicates its consent to, approval of or acquiescence in any of the foregoing or takes any corporate or other action for the purpose of effecting any of the foregoing.

"Beneficial Ownership Limitation" shall have the meaning set forth in Section 4(d).

"Business Day" means any day except any Saturday, any Sunday, any day which is a federal legal holiday in the United States or any day on which banking institutions in the State of New York are required by law or other governmental action to close.

"Buy-In" shall have the meaning set forth in Section 4(c)(iv)

"Change of Control Transaction" means, other than by means of conversion or exercise of the Notes and the Securities issued together with the Notes, the occurrence after the date hereof of any of (a) an acquisition after the date hereof by an individual or legal entity or "group" (as described in Rule 13d-5(b)(1) promulgated under the Exchange Act) of effective control (whether through legal or beneficial ownership of capital stock of Borrower, by contract or otherwise) of in excess of 50% of the voting securities of Borrower, (b) Borrower merges into or consolidates with any other Person, or any Person merges into or consolidates with Borrower and, after giving effect to such transaction, the stockholders of Borrower immediately prior to such transaction own less than 50% of the aggregate voting power of Borrower or the successor entity of such transaction, (c) Borrower sells or transfers all or substantially all of its assets to another Person and the stockholders of Borrower immediately prior to such transaction own less than 50% of the aggregate voting power of the acquiring entity immediately after the transaction, (d) a replacement at one time or within a three year period of more than one-half of the members of the Board of Directors which is not approved by a majority of those individuals who are members of the Board of Directors on the Original Issue Date (or by those individuals who are serving as members of the Board of Directors on any date whose nomination to the Board of Directors was approved by a majority of the members of the Board of Directors who are members on the date hereof), or (e) the execution by Borrower of an agreement to which Borrower is a party or by which it is bound, providing for any of the events set forth in clauses (a) through (d) above. The proposed transaction with Digiflex as described in the SEC Reports as updated by the Disclosure Schedules to the Agreement is not a Change of Control Transaction.

"Conversion" shall have the meaning ascribed to such term in Section 4.

"Conversion Date" shall have the meaning set forth in Section 4(a).

"Conversion Price" shall have the meaning set forth in Section 4(b).

"Conversion Shares" means, collectively, the Ordinary Shares issuable upon conversion of this Note in accordance with the terms hereof.

"Dilutive Issuance" shall have the meaning set forth in Section 5(e).

"Equity Conditions" means, during the period in question, (a) Borrower shall have duly honored all conversions scheduled to occur or occurring by virtue of one or more Notices of Conversion of the applicable Holder on or prior to the dates so requested or required, if any, (b) Borrower shall have paid all liquidated damages and other amounts owing to the applicable Holder in respect of this Note and the other Transaction Documents, (c) the conditions for an Effective Date are in effect, (d) the Ordinary Shares are listed or traded on a Trading Market, (e) there is a sufficient number of authorized, but unissued and otherwise unreserved, Ordinary Shares for the issuance of all of the shares then issuable pursuant to the Transaction Documents, (f) an Event of Default has not occurred, whether or not such Event of Default has been cured, (g) there is no existing event which, with the passage of time or the giving of notice, would constitute an Event of Default, (h) the issuance of the shares in question to the applicable Holder would not exceed the Beneficial Ownership Limitation, (i) there has been no public announcement of a pending or proposed Fundamental Transaction or Change of Control Transaction that has not been consummated, and (j) the applicable Holder is not in possession of any information provided by Borrower that constitutes, or may constitute, material non-public information.

"Event of Default" shall have the meaning set forth in Section 7(a).

"Fundamental Transaction" shall have the meaning set forth in Section 5(d).

"Interest Payment Date" shall have the meaning set forth in Section 2(a).

"Mandatory Default Amount" means the sum of (a) the greater of (i) the outstanding principal amount of this Note divided by the Conversion Price on the date the Mandatory Default Amount is either (A) demanded (if demand or notice is required to create an Event of Default), (B) otherwise due, or (C) paid in full, whichever has a lower Conversion Price, multiplied by the VWAP on the date the Mandatory Default Amount is either (x) demanded, (y) due, or (z) paid in full, whichever is highest, or (ii) 115% of the outstanding principal amount of this Note plus (b) all other amounts, costs, expenses and liquidated damages due in respect of this Note.

"New York Courts" shall have the meaning set forth in Section 8(d).

"Note Register" shall have the meaning set forth in Section 3(c).

"Notice of Conversion" shall have the meaning set forth in Section 4(a).

"Original Issue Date" means the date of the first issuance of the Notes, regardless of any transfers of any Note and regardless of the number of instruments which may be issued to evidence such Notes.

"Other Holder" means a holder of one or more Other Notes (collectively, "Other Holders").

"Other Notes" means Notes nearly identical to this Note issued to other Holders pursuant to the Purchase Agreement.

"Permitted Indebtedness" means (a) any liabilities or indebtedness existing as of the date hereof, (b) any liabilities for borrowed money or amounts owed not in excess of $150,000 in the aggregate (other than trade accounts payable and insurance premium financing incurred in the ordinary course of business which shall be deemed Permitted Indebtedness) incurred after the date hereof, (c) all guaranties, endorsements and other contingent obligations in respect of indebtedness of others described on Schedule 1.1 to the Purchase Agreement incurred after the date hereof, whether or not the same are or should be reflected in the Company's consolidated balance sheet (or the notes thereto) not affecting more than $150,000 in the aggregate, except guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business; (d) the present value of any lease payments not in excess of $150,000 due under leases required to be capitalized in accordance with GAAP and incurred after the date hereof; and (e) any liabilities for borrowed money that are junior to this Note pursuant to an intercreditor agreement acceptable to Holder and the holders of which are not granted any security interest.

"Permitted Lien" means the individual and collective reference to the following: (a) Liens for taxes, assessments and other governmental charges or levies not yet due or Liens for taxes, assessments and other governmental charges or levies being contested in good faith and by appropriate proceedings for which adequate reserves (in the good faith judgment of the management of Borrower) have been established in accordance with GAAP, (b) Liens imposed by law which were incurred in the ordinary course of Borrower's business, such as carriers', warehousemen's and mechanics' Liens, statutory landlords' Liens, and other similar Liens arising in the ordinary course of Borrower's business, and which (x) do not individually or in the aggregate materially detract from the value of such property or assets or materially impair the use thereof in the operation of the business of Borrower and its consolidated Subsidiaries or (y) are being contested in good faith by appropriate proceedings, which proceedings have the effect of preventing for the foreseeable future the forfeiture or sale of the property or asset subject to such Lien, and (c) Liens in connection with Permitted Indebtedness under clauses (a) and (b) thereunder, and Liens incurred in connection with Permitted Indebtedness under clause (c) thereunder, provided that such Liens are not secured by assets of Borrower or its Subsidiaries other than the assets so acquired or leased.

"Purchase Agreement" means the Securities Purchase Agreement, dated as of August ___, 2017 among Borrower and the original Holders, as amended, modified or supplemented from time to time in accordance with its terms.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Share Delivery Date" shall have the meaning set forth in Section Section 4(c)(ii).

"Successor Entity" shall have the meaning set forth in Section 5(d).

"Trading Day" means a day on which the principal Trading Market is open for trading, and if the Borrower has no Trading Market, shall mean a Business Day.

"Trading Market" means any of the following markets or exchanges on which the Ordinary Shares are listed or quoted for trading on the date in question: the NYSE MKT, the NASDAQ Capital Market, the NASDAQ Global Market, the NASDAQ Global Select Market, the New York Stock Exchange, the OTC Bulletin Board, the OTCQB, or the OTCQX (or any successors to any of the foregoing).

"VWAP" means, for any date, the price determined by the first of the following clauses that applies: (a) if the Ordinary Shares are then listed or quoted on a Trading Market, the daily volume weighted average price of the Ordinary Shares for such date (or the nearest preceding date) on the Trading Market on which the Ordinary Shares are 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)), (b) if any of the NASDAQ markets or exchanges is not a Trading Market, the volume weighted average price of the Ordinary Shares for such date (or the nearest preceding date) on the OTC Bulletin Board, (c) if the Ordinary Shares are not then listed or quoted for trading on the OTC Bulletin Board and if prices for the Ordinary Shares are then reported on the OTCQX, OTCQB or OTC Pink Marketplace maintained by the OTC Markets Group, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the volume weighted average price of the Ordinary Shares on the first such facility (or a similar organization or agency succeeding to its functions of reporting prices), or (d) in all other cases, the fair market value of an Ordinary Share as determined by an independent appraiser selected in good faith by the Purchasers of a majority in interest of the Securities then outstanding and reasonably acceptable to Borrower, the fees and expenses of which shall be paid by Borrower.

Section 2. Interest.

(a) Interest in Cash or in Kind. Holders shall be entitled to receive, and Borrower shall pay, interest on the outstanding principal amount of this Note compounded annually at the annual rate of six percent (6%) (as subject to increase as set forth in this Note) from the Original Issue Date through the Maturity Date. Interest shall be payable on the six month anniversary of the Original Issue Date, each three month anniversary thereafter and on the Maturity Date, when all amounts outstanding in connection with this Note shall be due and payable (each an "Interest Payment Date") (if any Interest Payment Date is not a Trading Day, the applicable payment shall be due on the next succeeding Trading Day) in cash or at the election of the Borrower, such interest may be paid in duly authorized, validly issued, fully paid and non-assessable Ordinary Shares, or a combination thereof (the amount to be paid in Ordinary Shares, the "Interest Share Amount"). The Interest Share Amount will be determined by dividing the amount of interest on the subject Interest Payment Date by the then applicable Conversion Price. The Holders shall have the same rights and remedies with respect to the delivery of any such shares as if such shares were being issued pursuant to Section 4. Borrower may not pay interest by delivery of an Interest Share Amount without the consent of the Holder in the event that the Equity Conditions are not in effect on each day from thirty (30) Trading Days prior to the relevant Interest Payment Date through the date the Interest Share Amount is delivered to the Holder.

(b) Payment Grace Period. Except as set forth herein, the Borrower shall not have any grace period to pay any monetary amounts due under this Note.

(c) Conversion Privileges. The Conversion Rights set forth in Section 4 shall remain in full force and effect immediately from the date hereof and until the Note is paid in full regardless of the occurrence of an Event of Default. This Note shall be payable in full on the Maturity Date, unless previously converted into Ordinary Shares in accordance with Section 4 hereof.

(d) Application of Payments. Interest on this Note shall be calculated on the basis of a 360-day year and the actual number of days elapsed. Payments made in connection with this Note shall be applied first to amounts due hereunder other than principal and interest, thereafter to interest and finally to principal.

(e) Pari Passu. Except as otherwise set forth herein, all payments made on this Note and the Other Notes and all actions taken by the Borrower with respect to this Note and the Other Notes, including but not limited to Optional Redemption, shall be made and taken pari passu with respect to this Note and the Other Notes. Notwithstanding anything to the contrary contained herein or in the Transaction Documents, it shall not be considered non-pari passu for a Holder or Other Holder to elect to receive interest paid in Ordinary Shares or for the Borrower to actually pay interest in Ordinary Shares to such electing Holder or Other Holder.

(f) Manner and Place of Payment. Principal and interest on this Note and other payments in connection with this Note shall be payable at the Holder's offices as designated above in lawful money of the United States of America in immediately available funds without set-off, deduction or counterclaim. Upon assignment of the interest of Holder in this Note, Borrower shall instead make its payment pursuant to the assignee's instructions upon receipt of written notice thereof. Except as set forth herein, this Note may not be prepaid or mandatorily converted without the consent of the Holder.

Section 3. Registration of Transfers and Exchanges.

(a) Different Denominations. This Note is exchangeable for an equal aggregate principal amount of Notes of different authorized denominations, as requested by the Holder surrendering the same. No service charge will be payable for such registration of transfer or exchange.

(b) Investment Representations. This Note has been issued subject to certain investment representations of the original Holder set forth in the Purchase Agreement and may be transferred or exchanged only in compliance with the Purchase Agreement and applicable federal and state securities laws and regulations.

(c) Reliance on Note Register. Prior to due presentment for transfer to Borrower of this Note, Borrower and any agent of Borrower may treat the Person in whose name this Note is duly registered on the Note Register as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Note is overdue, and neither Borrower nor any such agent shall be affected by notice to the contrary.

Section 4. Conversion.

(a) Voluntary Conversion. At any time after the Original Issue Date until this Note is no longer outstanding, this Note shall be convertible, in whole or in part, into Ordinary Shares at the option of the Holder, at any time and from time to time (subject to the conversion limitations set forth in Section 4(d) hereof). The Holder shall effect conversions by delivering to Borrower a Notice of Conversion, the form of which is attached hereto as Annex A (each, a "Notice of Conversion"), specifying therein the principal amount of this Note to be converted at the election of the Holder and the date on which such conversion shall be effected (such date, the "Conversion Date"). If no Conversion Date is specified in a Notice of Conversion, the Conversion Date shall be the date that such Notice of Conversion is deemed delivered hereunder. To effect conversions hereunder, the Holder shall not be required to physically surrender this Note to Borrower unless the entire principal amount of this Note has been so converted and all other amount payable in connection with this Note have been made. Conversions of principal hereunder shall have the effect of lowering the outstanding principal amount of this Note in an amount equal to the applicable conversion. The Holder and Borrower shall maintain records showing the principal amount(s) converted and the date of such conversion(s). Borrower may deliver an objection to any Notice of Conversion within one (1) Business Day of delivery of such Notice of Conversion. In the event of any dispute or discrepancy, the records of the Holder shall be controlling and determinative in the absence of manifest error. The Holder, and any assignee by acceptance of this Note, acknowledge and agree that, by reason of the provisions of this paragraph, following conversion of a portion of this Note, the unpaid and unconverted principal amount of this Note may be less than the amount stated on the face hereof.

(b) Conversion Price. The conversion price for the principal and subject to the terms hereof, interest in connection with voluntary conversions by the Holder and permissible payments of such interest, shall be One Dollar (US$1.00), subject to adjustment as described herein ("Conversion Price").

(c) Mechanics of Conversion.

(i) Conversion Shares Issuable Upon Conversion of Principal Amount. The number of Conversion Shares issuable upon a conversion hereunder shall be determined by the quotient obtained by dividing (x) the outstanding principal amount of this Note to be converted by (y) the Conversion Price.

(ii) Delivery of Certificate Upon Conversion. Not later than five (5) Trading Days after each Conversion Date (the "Share Delivery Date"), Borrower shall deliver, or cause to be delivered, to the Holder a certificate or certificates representing the Conversion Shares which, on or after the earlier of (i) the six month anniversary of the Original Issue Date or (ii) the Effective Date, shall be free of restrictive legends and trading restrictions (other than those which may then be required by the Purchase Agreement) representing the number of Conversion Shares being acquired upon the conversion of this Note. On or after the earlier of (i) the six month anniversary of the Original Issue Date or (ii) the Effective Date, Borrower shall use its commercially reasonable efforts to deliver any certificate or certificates required to be delivered by Borrower under this Section 4(c) electronically through the Depository Trust Company or another established clearing corporation performing similar functions.

(iii) Failure to Deliver Certificates.. If, in the case of any Notice of Conversion, such certificate or certificates are not delivered to or as directed by the applicable Holder by the Share Delivery Date, the Holder shall be entitled to elect by written notice to Borrower at any time on or before its receipt of such certificate or certificates, to rescind such Conversion, in which event Borrower shall promptly return to the Holder any original Note delivered to Borrower and the Holder shall promptly return to Borrower the Ordinary Shares certificates issued to such Holder pursuant to the rescinded Conversion Notice.

(iv) Obligation Absolute. Borrower's obligations to issue and deliver the Conversion Shares upon conversion of this Note in accordance with the terms hereof are absolute and unconditional, irrespective of any action or inaction by the Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder or any other Person of any obligation to Borrower or any violation or alleged violation of law by the Holder or any other Person, and irrespective of any other circumstance which might otherwise limit such obligation of Borrower to the Holder in connection with the issuance of such Conversion Shares; provided, however, that such delivery shall not operate as a waiver by Borrower of any such action Borrower may have against the Holder. In the event the Holder of this Note shall elect to convert any or all of the outstanding principal amount hereof, Borrower may not refuse conversion based on any claim that the Holder or anyone associated or affiliated with the Holder has been engaged in any violation of law, agreement or for any other reason, unless an injunction from a court, on notice to Holder, restraining and or enjoining conversion of all or part of this Note shall have been sought and obtained, and Borrower posts a surety bond for the benefit of the Holder in the amount of 150% of the outstanding principal amount of this Note, which is subject to the injunction, which bond shall remain in effect until the completion of arbitration/litigation of the underlying dispute and the proceeds of which shall be payable to the Holder to the extent it obtains judgment. In the absence of such injunction, Borrower shall issue Conversion Shares or, if applicable, cash, upon a properly noticed conversion. If Borrower fails for any reason to deliver to the Holder such certificate or certificates pursuant to Section 4(c)(ii) by the Share Delivery Date, Borrower shall pay to the Holder, in cash, as liquidated damages and not as a penalty, for each $1,000 of principal amount being converted, $10 per Trading Day (increasing to $20 per Trading Day on the fifth (5^{th}) Trading Day after such liquidated damages being to accrue) for each Trading Day after such Share Delivery Date until such certificates are delivered or Holder rescinds such conversion. Nothing herein shall limit a Holder's right to pursue actual damages or declare an Event of Default pursuant to Section 7 hereof for Borrower's failure to deliver Conversion Shares within the period specified herein and the Holder shall have the right to pursue all remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief. The exercise of any such rights shall not prohibit the Holder from seeking to enforce damages pursuant to any other Section hereof or under applicable law.

(v) Compensation for Buy-In on Failure to Timely Deliver Certificates Upon Conversion. In addition to any other rights available to the Holder, if Borrower fails for any reason to deliver to the Holder such certificate or certificates by the Share Delivery Date pursuant to Section 4(c)(ii), and if after such Share Delivery Date the Holder is required by its brokerage firm to purchase (in an open market transaction or otherwise), or the Holder or Holder's brokerage firm otherwise purchases, Ordinary Shares to deliver in satisfaction of a sale by the Holder of the Conversion Shares which the Holder was entitled to receive upon the conversion relating to such Share Delivery Date (a "Buy-In"), then Borrower shall (A) pay in cash to the Holder (in addition to any other remedies available to or elected by the Holder) the amount, if any, by which (x) the Holder's total purchase price (including any brokerage commissions) for the Ordinary Shares so purchased exceeds (y) the product of (1) the aggregate number of Ordinary Shares that the Holder was entitled to receive from the conversion at issue multiplied by (2) the actual sale price at which the sell order giving rise to such purchase obligation was executed (including any brokerage commissions) and (B) at the option of the Holder, either reissue (if surrendered) this Note in a principal amount equal to the principal amount of the attempted conversion (in which case such conversion shall be deemed rescinded) or deliver to the Holder the number of Ordinary Shares that would have been issued if Borrower had timely complied with its delivery requirements under Section 4(c)(ii). For example, if the Holder purchases Ordinary Shares having a total purchase price of $11,000 to cover a Buy-In with respect to an attempted conversion of this Note with respect to which the actual sale price of the Conversion Shares (including any brokerage commissions) giving rise to such purchase obligation was a total of $10,000 under clause (A) of the immediately preceding sentence, Borrower shall be required to pay the Holder $1,000. The Holder shall provide Borrower written notice indicating the amounts payable to the Holder in respect of the Buy-In and, upon request of Borrower, evidence of the amount of such loss. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to Borrower's failure to timely deliver certificates representing Ordinary Shares upon conversion of this Note as required pursuant to the terms hereof.

(vi) Reservation of Shares Issuable Upon Conversion. Borrower covenants that it will at all times reserve and keep available out of its authorized and unissued Ordinary Shares for the sole purpose of issuance upon conversion of this Note as herein provided, free from preemptive rights or any other actual contingent purchase rights of Persons other than the Holder (and the other holders of the Notes), not less than such aggregate number of shares of the Ordinary Shares as shall (subject to the terms and conditions set forth in the Purchase Agreement) be issuable (taking into account the adjustments and restrictions of Section 5) upon the conversion of the then outstanding principal amount of this Note and interest which has accrued and would accrue on such principal amount, assuming such principal amount was not converted through three years after the Original Issue Date. Borrower covenants that all Ordinary Shares that shall be so issuable shall, upon issue, be duly authorized, validly issued, fully paid and nonassessable.

(vii) Fractional Shares. No fractional shares or scrip representing fractional shares shall be issued upon the conversion of this Note. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such conversion, Borrower shall at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Conversion Price or round up to the next whole share.

(viii) Transfer Taxes and Expenses. The issuance of certificates for shares of the Ordinary Shares on conversion of this Note shall be made without charge to the Holder hereof for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such certificates, provided that, Borrower shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such certificate upon conversion in a name other than that of the Holder of this Note so converted and Borrower shall not be required to issue or deliver such certificates unless or until the Person or Persons requesting the issuance thereof shall have paid to Borrower the amount of such tax or shall have established to the satisfaction of Borrower that such tax has been paid. Borrower shall pay all Transfer Agent fees required for same-day processing of any Notice of Conversion.

(d) Holder's Conversion Limitations. Borrower shall not affect any conversion of this Note, and a Holder shall not have the right to convert any portion of this Note, to the extent that after giving effect to the conversion set forth on the applicable Notice of Conversion, the Holder (together with the Holder's Affiliates, and any Persons acting as a group together with the Holder or any of the Holder's Affiliates) would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of Ordinary Shares beneficially owned by the Holder and its Affiliates shall include the number of Ordinary Shares issuable upon conversion of this Note with respect to which such determination is being made, but shall exclude the number of Ordinary Shares which are issuable upon (i) conversion of the remaining, unconverted principal amount of this Note beneficially owned by the Holder or any of its Affiliates and (ii) exercise or conversion of the unexercised or unconverted portion of any other securities of Borrower subject to a limitation on conversion or exercise analogous to the limitation contained herein (including, without limitation, any other Notes or the Warrants) beneficially owned by the Holder or any of its Affiliates. Except as set forth in the preceding sentence, for purposes of this Section 4(d), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. To the extent that the limitation contained in this Section 4(d) applies, the determination of whether this Note is convertible (in relation to other securities owned by the Holder together with any Affiliates) and of which principal amount of this Note is convertible shall be in the sole discretion of the Holder, and the submission of a Notice of Conversion shall be deemed to be the Holder's determination of whether this Note may be converted (in relation to other securities owned by the Holder together with any Affiliates) and which principal amount of this Note is convertible, in each case subject to the Beneficial Ownership Limitation. To ensure compliance with this restriction, the Holder will be deemed to represent to Borrower each time it delivers a Notice of Conversion that such Notice of Conversion has not violated the restrictions set forth in this paragraph and Borrower shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 4(d), in determining the number of outstanding Ordinary Shares, the Holder may rely on the number of outstanding Ordinary Shares as stated in the most recent of the following: (i) Borrower's most recent periodic or annual report filed with the Commission, as the case may be, (ii) a more recent public announcement by Borrower, or (iii) a more recent written notice by Borrower or Borrower's transfer agent setting forth the number of Ordinary Shares outstanding. Upon the written or oral request of a Holder, Borrower shall within two Trading Days confirm orally and in writing to the Holder the number of Ordinary Shares then outstanding. In any case, the number of outstanding Ordinary Shares shall be determined after giving effect to the conversion or exercise of securities of Borrower, including this Note, by the Holder or its Affiliates since the date as of which such number of outstanding Ordinary Shares was reported. The "Beneficial Ownership Limitation" shall be **4.99%** of the number of shares of the Ordinary Shares outstanding immediately after giving effect to the issuance of Ordinary Shares issuable upon conversion of this Note held by the Holder. The Holder may decrease the Beneficial Ownership Limitation at any time and the Holder, upon not less than 61 days' prior notice to Borrower, may increase the Beneficial Ownership Limitation provisions of this Section 4(d), provided that the Beneficial Ownership Limitation in no event exceeds 9.99% of the number of shares of the Ordinary Shares outstanding immediately after giving effect to the issuance of Ordinary Shares upon conversion of this Note held by the Holder and the Beneficial Ownership Limitation provisions of this Section 4(d) shall continue to apply. Any such increase will not be effective until the 61st day after such notice is delivered to Borrower. The Beneficial Ownership Limitation provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 4(d) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation contained herein or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of this Note.

(e) Redemption Restrictions. Borrower shall have no right to require the Holder to surrender the Note for redemption without the consent of the Holder except as described in this Note.

(f) Mandatory Conversion. Subject to the limitation set forth in Section 4(d), if (i) all of the Equity Conditions are in effect, each day during the Threshold Period, and (ii) the VWAP of the Ordinary Shares for any 10 consecutive Trading Days, which 10 consecutive Trading Day period shall commence six months after the Original Issue Date ("Threshold Period"), equals or exceeds 250% of the then in effect Conversion Price (subject to adjustment for reverse and forward stock splits and the like), the Company may deliver a written notice to all Holders and Subsequent Purchasers (as defined in the Purchase Agreement) (a "Mandatory Conversion Notice" and the date such notice is delivered to all Holders and Subsequent Purchasers, the "Mandatory Conversion Notice Date") to cause such Holders and Other Holders to convert (a "Mandatory Conversion") up to all or part of such Notes and debt instruments held by Subsequent Purchasers (as specified in such Mandatory Conversion Notice). It is agreed that the "Conversion Date" for purposes of Section 4 in connection with a Mandatory Conversion Notice shall be deemed to occur on the third (3rd) Trading Day following the Mandatory Conversion Notice Date (such third Trading Day, the "Mandatory Conversion Date"). Borrower may not deliver a Mandatory Conversion Notice, and any Mandatory Conversion Notice delivered by Borrower shall not be effective, unless all of the Equity Conditions have been met on each Trading Day during the applicable Threshold Period and through and including the date that the Conversion Shares issuable pursuant to such Mandatory Conversion Notice are actually delivered to the Holder pursuant to the Mandatory Conversion Notice. Any Mandatory Conversion Notice shall be applied ratably to the Holder, all Other Holders and Subsequent Purchasers based on each such Holder's and Other Holders and Subsequent Purchasers initial Note and debt principal, provided that any voluntary conversions by a Holder or other Holder during the Threshold Period through the Mandatory Conversion Date shall be applied against such Holder's pro rata allocation, thereby decreasing the aggregate amount mandatorily convertible hereunder. For purposes of clarification, a Mandatory Conversion shall be subject to all of the provisions of Section 4, including, without limitation, the provisions requiring payment of liquidated damages and limitations on conversions. The maximum amount of all Conversion Shares issuable in connection with a Mandatory Conversion Notice for all Mandatory Conversion Notices deliverable to Holders, Other Holders and Subsequent Purchasers may not exceed twenty five percent (25%) of the trading volume component of the VWAP for the applicable Threshold Period. A Mandatory Conversion Notice may not be given sooner than ten (10) Trading Days after the preceding Mandatory Conversion Date. A Mandatory Conversion will not be effective in excess of the Beneficial Ownership Limitation under Section 4(d).

Section 5. Certain Adjustments.

(a) Stock Dividends and Stock Splits. If Borrower, at any time while this Note is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions payable in Ordinary Shares on Ordinary Shares or any Ordinary Shares Equivalents (which, for avoidance of doubt, shall not include any Ordinary Shares issued by Borrower upon conversion of the Notes), (ii) subdivides outstanding Ordinary Shares into a larger number of shares, (iii) combines (including by way of a reverse stock split) outstanding Ordinary Shares into a smaller number of shares or (iv) issues, in the event of a reclassification of shares of the Ordinary Shares, any shares of capital stock of Borrower, then the Conversion Price shall be multiplied by a fraction of which the numerator shall be the number of Ordinary Shares (excluding any treasury shares of Borrower) outstanding immediately before such event, and of which the denominator shall be the number of Ordinary Shares outstanding immediately after such event. Any adjustment made pursuant to this Section shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or reclassification.

(b) Subsequent Rights Offerings. In addition to any adjustments pursuant to Section 5(a) above, if at any time Borrower grants, issues or sells any Ordinary Shares Equivalents or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of Ordinary Shares (the "Purchase Rights"), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of Ordinary Shares acquirable upon complete conversion of this Note (without regard to any limitations on exercise hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of Ordinary Shares are to be determined for the grant, issue or sale of such Purchase Rights (provided, however, to the extent that the Holder's right to participate in any such Purchase Right would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Purchase Right to such extent (or beneficial ownership of such Ordinary Shares as a result of such Purchase Right to such extent) and such Purchase Right to such extent shall be held in abeyance for the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).

(c) Pro Rata Distributions. During such time as this Note is outstanding, if Borrower shall declare or make any dividend whether or not permitted, or makes any other distribution of its assets (or rights to acquire its assets) to holders of Ordinary Shares, by way of return of capital or otherwise (including, without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (a "Distribution"), at any time after the issuance of this Note, then, in each such case, the Holder shall be entitled to participate in such Distribution to the same extent that the Holder would have participated therein if the Holder had held the number of Ordinary Shares acquirable upon complete exercise of this Note (without regard to any limitations on exercise hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date of which a record is taken for such Distribution, or, if no such record is taken, the date as of which the record holders of Ordinary Shares are to be determined for the participation in such Distribution (provided, however, to the extent that the Holder's right to participate in any such Distribution would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Distribution to such extent (or in the beneficial ownership of any Ordinary Shares as a result of such Distribution to such extent) and the portion of such Distribution shall be held in abeyance for the benefit of the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation.

(d) Fundamental Transaction. If, at any time while this Note is outstanding, (i) Borrower, directly or indirectly, in one or more related transactions effects any merger or consolidation of Borrower with or into another Person, (ii) Borrower, directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by Borrower or another Person) is completed pursuant to which holders of Ordinary Shares are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of 50% or more of the outstanding Ordinary Shares, (iv) Borrower, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Ordinary Shares or any compulsory share exchange pursuant to which the Ordinary Shares are effectively converted into or exchanged for other securities, cash or property, (v) Borrower, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person whereby such other Person acquires more than 50% of the outstanding Ordinary Shares (not including any Ordinary Shares held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination) (each a "Fundamental Transaction"), then, upon any subsequent conversion of this Note, the Holder shall have the right to receive, for each Conversion Share that would have been issuable upon such conversion immediately prior to the occurrence of such Fundamental Transaction (without regard to any limitation in Section 4(d) on the conversion of this Note), the number of Ordinary Shares of the successor or acquiring corporation or of Borrower, if it is the surviving corporation, and any additional consideration (the "Alternate Consideration") receivable as a result of such Fundamental Transaction by a holder of the number of Ordinary Shares for which this Note is convertible immediately prior to such Fundamental Transaction (without regard to any limitation in Section 4(d) on the conversion of this Note). For purposes of any such conversion, the determination of the Conversion Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one (1) Ordinary Share in such Fundamental Transaction, and Borrower shall apportion the Conversion Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Ordinary Shares are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any conversion of this Note following such Fundamental Transaction. Borrower shall cause any successor entity in a Fundamental Transaction in which Borrower is not the survivor (the "Successor Entity") to assume in writing all of the obligations of Borrower under this Note and the other Transaction Documents (as defined in the Purchase Agreement) in accordance with the provisions of this Section 5(d) pursuant to written agreements in form and substance reasonably satisfactory to the Holder and approved by the Holder (without unreasonable delay) prior to such Fundamental Transaction and shall, if the Successor Entity is a public company or if the shareholders of the Borrower have the option to or will become equity holders of the Successor Entity, at the option of the holder of this Note, deliver to the Holder in exchange for this Note a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Note which is convertible for a corresponding number of shares of capital stock of such Successor Entity (or its parent entity) equivalent to the Ordinary Shares acquirable and receivable upon conversion of this Note (without regard to any limitations on the conversion of this Note) prior to such Fundamental Transaction, and with a conversion price which applies the conversion price hereunder to such shares of capital stock (but taking into account the relative value of the Ordinary Shares pursuant to such Fundamental Transaction and the value of such shares of capital stock, such number of shares of capital stock and such conversion price being for the purpose of protecting the economic value of this Note immediately prior to the consummation of such Fundamental Transaction), and which is reasonably satisfactory in form and substance to the Holder. Upon the occurrence of any such Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Note and the other Transaction Documents referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of Borrower and shall assume all of the obligations of Borrower under this Note and the other Transaction Documents with the same effect as if such Successor Entity had been named as Borrower herein. The proposed transaction with Digiflex as described in the SEC Reports as updated by the Disclosure Schedules to the Agreement is not a Fundamental Transaction.

(e) Adjustment Upon Issuance of Ordinary Shares. If and whenever on or after the date hereof, the Company (whether or not it is permitted to do so) issues or sells, or in accordance with this Section 5 is deemed to have issued or sold, any Ordinary Shares (including the issuance or sale of Ordinary Shares owned or held by or for the account of the Company, but excluding any Exempt Issuance issued or sold or deemed to have been issued or sold) for a consideration per share (the "New Issuance Price") less than a price equal to the Conversion Price in effect immediately prior to such issue or sale or deemed issuance or sale (such Conversion Price then in effect is referred to as the "Applicable Price") (the foregoing a "Dilutive Issuance"), then immediately after such Dilutive Issuance, the Conversion Price then in effect shall be reduced to the New Issuance Price. For all purposes of the foregoing (including, without limitation, determining the adjusted Conversion Price and consideration per share under this Section 5(e)), the following shall be applicable:

(i) Issuance of Options. If the Company in any manner grants or sells any options (other than options that qualify as Exempt Issuances) and the lowest price per share for which one Ordinary Share is issuable upon the exercise of any such option or upon conversion, exercise or exchange of any Ordinary Shares Equivalents issuable upon exercise of any such option is less than the Applicable Price, then such Ordinary Shares shall be deemed to be outstanding and to have been issued and sold by the Company at the time of the granting or sale of such option for such price per share. For purposes of this Section 5(e)(i), the "lowest price per share for which one Ordinary Share is issuable upon the exercise of any such options or upon conversion, exercise or exchange of any Ordinary Shares Equivalents issuable upon exercise of any such option" shall be equal to (1) the lower of (x) the sum of the lowest amounts of consideration (if any) received or receivable by the Company with respect to any one Ordinary Share upon the granting or sale of such option, upon exercise of such option and upon conversion, exercise or exchange of any Ordinary Shares Equivalent issuable upon exercise of such option and (y) the lowest exercise price set forth in such option for which one Ordinary Share is issuable upon the exercise of any such options or upon conversion, exercise or exchange of any Ordinary Shares Equivalents issuable upon exercise of any such option minus (2) the sum of all amounts paid or payable to the holder of such option (or any other Person) upon the granting or sale of such option, upon exercise of such option and upon conversion, exercise or exchange of any Ordinary Shares Equivalent issuable upon exercise of such option plus the value of any other consideration received or receivable by, or benefit conferred on, the holder of such option (or any other Person). Except as contemplated below, no further adjustment of the Conversion Price shall be made upon the actual issuance of such Ordinary Shares or of such Ordinary Shares Equivalents upon the exercise of such options or upon the actual issuance of such Ordinary Shares upon conversion, exercise or exchange of such Ordinary Shares Equivalents.

(ii) Issuance of Ordinary Shares Equivalents. If the Company in any manner issues or sells any Ordinary Shares Equivalents (other than Ordinary Shares Equivalents that qualify as Exempt Issuances) and the lowest price per share for which one Ordinary Share is issuable upon the conversion, exercise or exchange thereof is less than the Applicable Price, then such Ordinary Shares shall be deemed to be outstanding and to have been issued and sold by the Company at the time of the issuance or sale of such Ordinary Shares Equivalents for such price per share. For the purposes of this Section 5(e)(ii), the "lowest price per share for which one Ordinary Share is issuable upon the conversion, exercise or exchange thereof" shall be equal to (1) the lower of (x) the sum of the lowest amounts of consideration (if any) received or receivable by the Company with respect to one Ordinary Share upon the issuance or sale of the Ordinary Shares Equivalent and upon conversion, exercise or exchange of such Ordinary Shares Equivalent and (y) the lowest conversion price set forth in such Ordinary Shares Equivalent for which one Ordinary Share is issuable upon conversion, exercise or exchange thereof minus (2) the sum of all amounts paid or payable to the holder of such Ordinary Shares Equivalent (or any other Person) upon the issuance or sale of such Ordinary Shares Equivalent plus the value of any other consideration received or receivable by, or benefit conferred on, the holder of such Ordinary Shares Equivalent (or any other Person). Except as contemplated below, no further adjustment of the Conversion Price shall be made upon the actual issuance of such Ordinary Shares upon conversion, exercise or exchange of such Ordinary Shares Equivalents, and if any such issue or sale of such Ordinary Shares Equivalents is made upon exercise of any Options for which adjustment of this Note has been or is to be made pursuant to other provisions of this Section 5(e), except as contemplated below, no further adjustment of the Conversion Price shall be made by reason of such issue or sale.

(iii) Change in Option Price or Rate of Conversion. If the purchase or exercise price provided for in any options, the additional consideration, if any, payable upon the issue, conversion, exercise or exchange of any Ordinary Shares Equivalents, or the rate at which any Ordinary Shares Equivalents are convertible into or exercisable or exchangeable for Ordinary Shares increases or decreases at any time, the Conversion Price in effect at the time of such increase or decrease shall be adjusted to the Conversion Price which would have been in effect at such time had such options or Ordinary Shares Equivalents provided for such increased or decreased purchase price, additional consideration or increased or decreased conversion rate, as the case may be, at the time initially granted, issued or sold. For purposes of this Section 5(e)(iii), if the terms of any option or Ordinary Shares Equivalent that was outstanding as of the date of issuance of this Note are increased or decreased in the manner described in the immediately preceding sentence, then such option or Ordinary Shares Equivalent and the Ordinary Shares deemed issuable upon exercise, conversion or exchange thereof shall be deemed to have been issued as of the date of such increase or decrease. No adjustment pursuant to this Section 5(e) shall be made if such adjustment would result in an increase of the Conversion Price then in effect.

(iv) Calculation of Consideration Received. If any option and/or Ordinary Shares Equivalent and/or Adjustment Right is issued in connection with the issuance or sale or deemed issuance or sale of any other securities of the Company (as determined by the Holder, the "Primary Security", and such option and/or Ordinary Shares Equivalent and/or Adjustment Right, the "Secondary Securities"), together comprising one integrated transaction, the consideration per Ordinary Shares with respect to such Primary Security shall be deemed to be equal to the difference of (x) the lowest price per share for which one Ordinary Share was issued in such integrated transaction (or was deemed to be issued pursuant to Section 5(e)(i) or Section 5(e)(ii) above, as applicable) solely with respect to such Primary Security, minus (y) with respect to such Secondary Securities, the sum of (I) the Black Scholes Consideration Value of each such option, if any, (II) the fair market value (as determined by the Holder) or the Black Scholes Consideration Value, as applicable, of such Adjustment Right, if any, and (III) the fair market value (as determined by the Holder) of such Ordinary Shares Equivalent, if any, in each case, as determined on a per share basis in accordance with this Section 5(e)(iv). If any Ordinary Shares, options or Ordinary Shares Equivalents are issued or sold or deemed to have been issued or sold for cash, the consideration received therefor (for the purpose of determining the consideration paid for such Ordinary Shares, option or Ordinary Shares Equivalent, but not for the purpose of the calculation of the Black Scholes Consideration Value) will be deemed to be the net amount of consideration received by the Company therefor. If any Ordinary Shares, options or Ordinary Shares Equivalents are issued or sold for a consideration other than cash (for the purpose of determining the consideration paid for such Ordinary Shares, option or Ordinary Shares Equivalent, but not for the purpose of the calculation of the Black Scholes Consideration Value), the amount of such consideration received by the Company will be the fair value of such consideration, except where such consideration consists of publicly traded securities, in which case the amount of consideration received by the Company for such securities will be the arithmetic average of the VWAPs of such security for each of the five (5) Trading Days immediately preceding the date of receipt. If any Ordinary Shares, Options or Ordinary Shares Equivalents are issued to the owners of the non-surviving entity in connection with any merger in which the Company is the surviving entity (for the purpose of determining the consideration paid for such Ordinary Shares, option or Ordinary Shares Equivalent, but not for the purpose of the calculation of the Black Scholes Consideration Value), the amount of consideration therefor will be deemed to be the fair value of such portion of the net assets and business of the non-surviving entity as is attributable to such Ordinary Shares, options or Ordinary Shares Equivalents, as the case may be. The fair value of any consideration other than cash or publicly traded securities (for the purpose of determining the consideration paid for such Ordinary Shares, option or Ordinary Shares Equivalent, but not for the purpose of the calculation of the Black Scholes Consideration Value) will be determined jointly by the Company and the Holder. If such parties are unable to reach agreement within ten (10) days after the occurrence of an event requiring valuation (the "Valuation Event"), the fair value of such consideration will be determined within five (5) Trading Days after the tenth (10th) day following such Valuation Event by an independent, reputable appraiser jointly selected by the Company and the Holder. The determination of such appraiser shall be final and binding upon all parties absent manifest error and the fees and expenses of such appraiser shall be borne by the Company.

(f) Calculations. All calculations under this Section 5 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 5, the number of Ordinary Shares deemed to be issued and outstanding as of a given date shall be the sum of the number of Ordinary Shares (excluding any treasury shares of Borrower) issued and outstanding.

(g) Notice to the Holder.

(i) Adjustment to Conversion Price. Whenever the Conversion Price is adjusted pursuant to any provision of this Section 5, Borrower shall promptly deliver to each Holder a notice setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

(ii) Notice to Allow Conversion by Holder. If (A) Borrower shall declare a dividend (or any other distribution in whatever form) on the Ordinary Shares, (B) Borrower shall declare a special nonrecurring cash dividend on or a redemption of the Ordinary Shares, (C) Borrower shall authorize the granting to all holders of the Ordinary Shares of rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of Borrower shall be required in connection with any reclassification of the Ordinary Shares, any consolidation or merger to which Borrower is a party, any sale or transfer of all or substantially all of the assets of Borrower, or any compulsory share exchange whereby the Ordinary Shares are converted into other securities, cash or property or (E) Borrower shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of Borrower, then, in each case, Borrower shall cause to be filed at each office or agency maintained for the purpose of conversion of this Note, and shall cause to be delivered to the Holder at its last address as it shall appear upon the Note Register, at least twenty (20) calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Ordinary Shares of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Ordinary Shares of record shall be entitled to exchange their shares of the Ordinary Shares for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange, provided that the failure to deliver such notice or any defect therein or in the delivery thereof shall not affect the validity of the corporate action required to be specified in such notice. To the extent that any notice provided hereunder constitutes, or contains, material, non-public information regarding Borrower or any of the Subsidiaries, Borrower shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 6-K. The Holder shall remain entitled to convert this Note during the 20-day period commencing on the date of such notice through the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

Section 6. Negative Covenants. As long as at least twenty percent (20%) of the principal amount of this Note remains outstanding, unless the holders of a Majority in Interest shall have otherwise given prior written consent, Borrower shall not, and shall not permit any of the Subsidiaries to, directly or indirectly:

(a) other than Permitted Indebtedness, enter into, create, incur, assume, guarantee or suffer to exist any indebtedness for borrowed money of any kind, including, but not limited to, a guarantee, on or with respect to any of its property or assets now owned or hereafter acquired or any interest therein or any income or profits therefrom;

(b) other than Permitted Liens, enter into, create, incur, assume or suffer to exist any Liens of any kind, on or with respect to any of its property or assets now owned or hereafter acquired or any interest therein or any income or profits therefrom;

(c) amend its charter documents, including, without limitation, its certificate of incorporation and bylaws, in any manner that materially and adversely affects any rights of the Holder;

(d) repay, repurchase or offer to repay, repurchase or otherwise acquire more than a de minimis number of shares of its Ordinary Shares or Ordinary Shares Equivalents other than as to the Conversion Shares or Warrant Shares as permitted or required under the Transaction Documents;

(e) redeem, defease, repurchase, repay or make any payments in respect of, by the payment of cash or cash equivalents (in whole or in part, whether by way of open market purchases, tender offers, private transactions or otherwise), all or any portion of any Indebtedness (other than the Notes if on a pro-rata basis), except for Indebtedness identified on Schedule 3.1(z) to the Purchase Agreement as permitted to be paid but not before the maturity date (without acceleration thereof) nor latest permissible payment date thereof, whether by way of payment in respect of principal of (or premium, if any) or interest on, such Indebtedness, the foregoing restriction shall also apply to Permitted Indebtedness from and after the occurrence of an Event of Default;

(f) declare or make any dividend or other distribution of its assets or rights to acquire its assets to holders of Ordinary Shares, preferred stock, or any other equity security by way of return of capital or otherwise including, without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction;

(g) enter into any transaction with any Affiliate of Borrower which would be required to be disclosed in any public filing with the Commission, buy a company subject to the reporting obligations of Section 13 or 15(d) of the Exchange Act, unless such transaction is made on an arm's-length basis and expressly approved by a majority of the disinterested directors of Borrower (even if less than a quorum otherwise required for board approval); or

(h) enter into any agreement with respect to any of the foregoing.

Section 7. Events of Default.

(a) "Event of Default" means, wherever used herein, any of the following events (whatever the reason for such event and whether such event shall be voluntary or involuntary or effected by operation of law or pursuant to any judgment, decree or order of any court, or any order, rule or regulation of any administrative or governmental body):

(i) any default in the payment of (A) the principal or interest amount of this Note or (B) liquidated damages and other amounts owing to a Holder on any Note, as and when the same shall become due and payable (whether on a Conversion Date or the Maturity Date or by acceleration or otherwise) which default, solely in the case of a default under clause (B) above, is not cured within 10 Trading Days after Borrower has become or should have become aware of such default;

(ii) Borrower shall fail to observe or perform any other covenant or agreement contained in the Notes (other than a breach by Borrower of its obligations to deliver Ordinary Shares to the Holder upon conversion, which breach is addressed in clause (ix) below) which failure is not cured, if possible to cure, within the earlier to occur of (A) 10 Trading Days after written notice of such failure sent by the Holder or by any Other Holder to Borrower and (B) twenty (20) Trading Days after Borrower has become or should have become aware of such failure;

(iii) a default or event of default (subject to any grace or cure period provided in the applicable agreement, document or instrument) shall occur under (A) any of the Transaction Documents, including but not limited to failure to strictly comply with the provisions of the Transaction Documents, or (B) any other material agreement, lease, document or instrument to which Borrower or any Subsidiary is obligated (and not covered by clause (vi) below), which, in the case of subsection (B), would reasonably be expected to have a Material Adverse Effect;

(iv) any representation or warranty made in this Note, any other Transaction Documents, any written statement pursuant hereto or thereto or any other report, financial statement or certificate made or delivered to the Holder or any Other Holder shall be untrue or incorrect in any material respect as of the date when made or deemed made;

(v) Borrower or any Subsidiary shall be subject to a Bankruptcy Event;

(vi) Borrower or any Subsidiary shall materially default on any of its obligations under any mortgage, credit agreement or other facility, indenture agreement, factoring agreement or other instrument under which there may be issued, or by which there may be secured or evidenced, any indebtedness for borrowed money or money due under any long term leasing or factoring arrangement that (a) involves an obligation greater than $100,000, whether such indebtedness now exists or shall hereafter be created, and (b) results in such indebtedness becoming or being declared due and payable prior to the date on which it would otherwise become due and payable;

(vii) Borrower shall be a party to any Change of Control Transaction or Fundamental Transaction;

(viii) Borrower does not meet the current public information requirements under Rule 144 for ten (10) or more consecutive Trading Days or twenty (20) Trading days in the aggregate;

(ix) Borrower shall fail for any reason to deliver certificates to a Holder prior to the fifth (5th) Trading Day after a Share Delivery Date pursuant to Section 4(c) or Borrower shall provide at any time notice to the Holder, including by way of public announcement, of Borrower's intention to not honor requests for conversions of any Notes in accordance with the terms hereof;

(x) any monetary judgment, writ or similar final process shall be entered or filed against Borrower, any subsidiary or any of their respective property or other assets for more than $100,000, and such judgment, writ or similar final process shall remain unvacated, unbonded or unstayed for a period of 90 calendar days;

(xi) any dissolution, liquidation or winding up by Borrower or a material Subsidiary of a substantial portion of their business;

(xii) cessation of operations by Borrower or a material Subsidiary;

(xiii) an event resulting in the Ordinary Shares no longer being listed or quoted on a Trading Market, or notification from a Trading Market that the Borrower is not in compliance with the conditions for such continued quotation and such non-compliance continues for twenty (20) days following such notification;

(xiv) a Commission or judicial stop trade order or suspension from the Borrower's Principal Trading Market;

(xv) the Borrower effectuates a reverse split of its Ordinary Shares without ten (10) days prior written notice to the Holder;

(xvi) a failure by Borrower to notify Holder of any material event of which Borrower is obligated to notify Holder pursuant to the terms of this Note or any other Transaction Document;

(xvii) a default by the Borrower of a material term, covenant, warranty or undertaking of any other agreement to which the Borrower and Holder are parties, or the occurrence of an event of default under any such other agreement to which Borrower and Holder are parties which is not cured after any required notice and/or cure period or waived;

(xviii) the occurrence of an Event of Default under any Other Note or under debt instruments issued to Subsequent Purchasers;

(xix) any material provision of any Transaction Document shall at any time for any reason (other than pursuant to the express terms thereof) cease to be valid and binding on or enforceable against the Borrower, or the validity or enforceability thereof shall be contested by Borrower, or a proceeding shall be commenced by Borrower or any governmental authority having jurisdiction over Borrower or Holder, seeking to establish the invalidity or unenforceability thereof, or Borrower shall deny in writing that it has any liability or obligation purported to be created under any Transaction Document;

(xx) the failure by Borrower or any material Subsidiary to maintain any material intellectual property rights, personal, real property, equipment, leases or other assets which are necessary to conduct its business (whether now or in the future) and such breach is not cured with twenty (20) days after the first day of such occurrence; or

(xxi) the restatement after the date hereof of any financial statements filed by the Borrower with the Commission for any date or period from and after the Original Issue Date and until this Note is no longer outstanding, if the result of such restatement would, by comparison to the unrestated financial statements, have constituted a Material Adverse Effect. For the avoidance of doubt, any restatement related to new accounting pronouncements shall not constitute a default under this Section.

In the event more than one grace, cure or notice period is applicable to an Event of Default, then the shortest grace, cure or notice period shall be applicable thereto.

(b) Remedies Upon Event of Default, Fundamental Transaction and Change of Control Transaction. If any Event of Default or a Fundamental Transaction or a Change of Control Transaction occurs, the outstanding principal amount of this Note, liquidated damages and other amounts owing in respect thereof through the date of acceleration, shall become, at the Holder's election, immediately due and payable in cash at the Mandatory Default Amount. Commencing on the Maturity Date and also five (5) days after the occurrence of any Event of Default interest on this Note shall accrue at an interest rate equal to the lesser of 15% per annum or the maximum rate permitted under applicable law. Upon the payment in full of the Mandatory Default Amount, the Holder shall promptly surrender this Note to or as directed by Borrower. In connection with such acceleration described herein, the Holder need not provide, and Borrower hereby waives, any presentment, demand, protest or other notice of any kind, and the Holder may immediately and without expiration of any grace period enforce any and all of its rights and remedies hereunder and all other remedies available to it under applicable law. Such acceleration may be rescinded and annulled by Holder at any time prior to payment hereunder and the Holder shall have all rights as a holder of the Note until such time, if any, as the Holder receives full payment pursuant to this Section 8(b). No such rescission or annulment shall affect any subsequent Event of Default or impair any right consequent thereon.

Section 8. Miscellaneous.

(a) Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be: (i) if to Borrower, to: P.V. Nano Cell Ltd., Inc., c/o **Corporation Service Company 1180 Avenue of the Americas, Suite 210, New York, NY 10036**, with an additional copy by fax only to (which shall not constitute notice): Greenberg Traurig, P.A., 333 S.E. 2nd Avenue, Miami, FL 33131, Attn: Robert L. Grossman, Esq., facsimile: 305-961-5756, and (ii) if to the Holder, to: the address and fax number indicated on the front page of this Note, with an additional copy by fax only to (which shall not constitute notice): Grushko & Mittman, P.C., 515 Rockaway Avenue, Valley Stream, New York 11581, facsimile: (212) 697-3575. **For so long as any notice may or be required to be given to the Company pursuant to this Note, Borrower will maintain an address for notice purposes in New York, New York or Miami, Florida.**

(b) Absolute Obligation. Except as expressly provided herein, no provision of this Note shall alter or impair the obligation of Borrower, which is absolute and unconditional, to pay the principal of, liquidated damages and accrued interest, as applicable, on this Note at the time, place, and rate, and in the coin or currency, herein prescribed. This Note is a direct debt obligation of Borrower. This Note ranks pari passu with all Other Notes now or hereafter issued under the terms set forth herein.

(c) Lost or Mutilated Note. If this Note shall be mutilated, lost, stolen or destroyed, Borrower shall execute and deliver, in exchange and substitution for and upon cancellation of a mutilated Note, or in lieu of or in substitution for a lost, stolen or destroyed Note, a new Note for the principal amount of this Note so mutilated, lost, stolen or destroyed, but only upon receipt of evidence of such loss, theft or destruction of such Note, and of the ownership hereof, reasonably satisfactory to Borrower.

(d) Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Note shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflict of laws thereof. Each party agrees that all legal proceedings concerning the interpretation, enforcement and defense of the transactions contemplated by any of the Transaction Documents (whether brought against a party hereto or its respective Affiliates, directors, officers, shareholders, employees or agents) shall be commenced in the state and federal courts sitting in the City of New York, Borough of Manhattan (the "New York Courts"). Each party hereto hereby irrevocably submits to the exclusive jurisdiction of the New York Courts for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such New York Courts, or such New York Courts are improper or inconvenient venue for such proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Note and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by applicable law. Each party hereto 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 Note or the transactions contemplated hereby. If any party shall commence an action or proceeding to enforce any provisions of this Note, then the prevailing party in such action or proceeding shall be reimbursed by the other party for its attorneys fees and other costs and expenses incurred in the investigation, preparation and prosecution of such action or proceeding. **This Note shall be deemed an unconditional obligation of Borrower for the payment of money and, without limitation to any other remedies of Holder, may be enforced against Borrower by summary proceeding pursuant to New York Civil Procedure Law and Rules Section 3213 or any similar rule or statute in the jurisdiction where enforcement is sought. For purposes of such rule or statute, any other document or agreement to which Holder and Borrower are parties or which Borrower delivered to Holder, which may be convenient or necessary to determine Holder's rights hereunder or Borrower's obligations to Holder are deemed a part of this Note, whether or not such other document or agreement was delivered together herewith or was executed apart from this Note**.

(e) Waiver. Any waiver by Borrower or the Holder of a breach of any provision of this Note shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Note. The failure of Borrower or the Holder to insist upon strict adherence to any term of this Note on one or more occasions shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Note on any other occasion. Any waiver by Borrower or the Holder must be in writing.

(f) Severability. If any provision of this Note is invalid, illegal or unenforceable, the balance of this Note shall remain in effect, and if any provision is inapplicable to any Person or circumstance, it shall nevertheless remain applicable to all other Persons and circumstances.

(g) Usury. If it shall be found that any interest or other amount deemed interest due hereunder violates the applicable law governing usury, the applicable rate of interest due hereunder shall automatically be lowered to equal the maximum rate of interest permitted under applicable law. Borrower covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law which would prohibit or forgive Borrower from paying all or any portion of the principal of or interest on this Note as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Note, and Borrower (to the extent it may lawfully do so) hereby expressly waives all benefits or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Holder, but will suffer and permit the execution of every such as though no such law has been enacted.

(h) Next Business Day. Whenever any payment or other obligation hereunder shall be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.

(i) Headings. The headings contained herein are for convenience only, do not constitute a part of this Note and shall not be deemed to limit or affect any of the provisions hereof.

(j) Amendment. Unless otherwise provided for in the Purchase Agreement or hereunder, this Note may not be modified or amended or the provisions hereof waived without the written consent of Borrower and the Holder.

(k) Facsimile Signature. In the event that the Borrower's signature is delivered by facsimile transmission, PDF, electronic signature or other similar electronic means, such signature shall create a valid and binding obligation of the Borrower with the same force and effect as if such signature page were an original thereof.

(l) Currency. All monetary amounts referred to in this Note are in United States currency.

****

(Signature Pages Follow)

IN WITNESS WHEREOF, Borrower has caused this Note to be signed in its name by an authorized officer as of the ____ day of August, 2017.

P.V. NANO CELL LTD.

By: _____
Name:
Title:

WITNESS:

_____

ANNEX A

NOTICE OF CONVERSION

The undersigned hereby elects to convert principal under the Convertible Note due October __, 2018 of P.V. Nano Cell Ltd., a company formed under the laws of the State of Israel (the "Company"), into Ordinary Shares (the "Ordinary Shares"), of Borrower according to the conditions hereof, as of the date written below. If Ordinary Shares are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates and opinions as reasonably requested by Borrower in accordance therewith. No fee will be charged to the holder for any conversion, except for such transfer taxes, if any.

By the delivery of this Notice of Conversion the undersigned represents and warrants to Borrower that its ownership of the Ordinary Shares does not exceed the amounts specified under Section 4 of this Note, as determined in accordance with Section 13(d) of the Exchange Act.

The undersigned agrees to comply with the prospectus delivery requirements under the applicable securities laws in connection with any transfer of the aforesaid Ordinary Shares.

Conversion calculations:

Date to Effect Conversion:_____

Principal Amount of Note to be Converted:_____

Interest to be Converted:_____

Number of Ordinary Shares to be issued:_____

Signature:_____

Name:_____

Address for Delivery of Ordinary Shares Certificates:_____
_____
_____

Or

DWAC Instructions:_____

Broker No:_____

Account No:_____

EXHIBIT

NEITHER THIS SECURITY NOR THE SECURITIES FOR WHICH THIS SECURITY IS EXERCISABLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. THIS SECURITY AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN SECURED BY SUCH SECURITIES.

ORDINARY SHARE PURCHASE WARRANT

P.V. NANO CELL LTD.

Warrant Shares: 333,333 **Issuance Date: August_ , 2017**

Warrant No: 001

THIS COMMON STOCK PURCHASE WARRANT (the "Warrant") certifies that, for value received, Alpha Capital Anstalt, with an address at: Lettstrasse 32, 9490 Vaduz, Liechtenstein, Fax: **[RC]**, or its assigns (the "Holder") is entitled, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, at any time on or after the date hereof (the "Initial Exercise Date") and on or prior to the close of business on the five (5) year anniversary of the Initial Exercise Date (the "Termination Date") but not thereafter, to subscribe for and purchase from P.V. NANO CELL LTD., a company formed under the laws of the State of Israel (the "Company"), up to 333,333 shares (as subject to adjustment hereunder, the "Warrant Shares") of Ordinary Shares. The purchase price of one Ordinary Share under this Warrant shall be equal to the Exercise Price, as defined in Section 2(b).

Section 1. Definitions. Capitalized terms used and not otherwise defined herein shall have the meanings set forth in that certain Securities Purchase Agreement (the "Purchase Agreement"), dated August __, 2017, among the Company and the purchasers signatory thereto and the Note issued to the Holder contemporaneously with this Warrant.

Section 2. Exercise.

(a) Exercise of the purchase rights represented by this Warrant may be made, in whole or in part, at any time or times on or after the Initial Exercise Date and on or before the Termination Date by delivery to the Company (or such other office or agency of the Company as it may designate by notice in writing to the registered Holder at the address of the Holder appearing on the books of the Company) of a duly executed facsimile copy of the Notice of Exercise Form annexed hereto. Within two (2) Trading Days following the date of exercise as aforesaid, the Holder shall deliver the aggregate Exercise Price for the shares specified in the applicable Notice of Exercise by wire transfer or cashier's check drawn on a United States bank unless the cashless exercise procedure specified in Section 2(c) below is specified in the applicable Notice of Exercise. Notwithstanding anything herein to the contrary (although the Holder may surrender the Warrant to, and receive a replacement Warrant from, the Company), the Holder shall not be required to physically surrender this Warrant to the Company until the Holder has purchased all of the Warrant Shares available hereunder and the Warrant has been exercised in full, in which case, the Holder shall surrender this Warrant to the Company for cancellation within three (3) Trading Days of the date the final Notice of Exercise is delivered to the Company. Partial exercises of this Warrant resulting in purchases of a portion of the total number of Warrant Shares available hereunder shall have the effect of lowering the outstanding number of Warrant Shares purchasable hereunder in an amount equal to the applicable number of Warrant Shares purchased. The Holder and the Company shall maintain records showing the number of Warrant Shares purchased and the date of such purchases. The Company shall deliver any objection to any Notice of Exercise Form within one (1) Trading Day of delivery of such notice. **The Holder and any assignee, by acceptance of this Warrant, acknowledge and agree that, by reason of the provisions of this paragraph, following the purchase of a portion of the Warrant Shares hereunder, the number of Warrant Shares available for purchase hereunder at any given time may be less than the amount stated on the face hereof.**

(b) Exercise Price. The exercise price per share of the Ordinary Shares under this Warrant shall be **US$1.20,** subject to adjustment as described herein ("Exercise Price").

(c) Cashless Exercise. If at any time after the Initial Exercise Date, there is no effective registration statement registering the Warrant Shares, or no current prospectus available for the resale of the Warrant Shares by the Holder, then this Warrant may also be exercised at the Holder's election, in whole or in part, at such time by means of a "cashless exercise" in which the Holder shall be entitled to receive a number of Warrant Shares equal to the quotient obtained by dividing [(A-B) (X)] by (A), where:

(A) = the VWAP (as defined in the Note) on the Trading Day immediately preceding the date on which Holder elects to exercise this Warrant by means of a "cashless exercise," as set forth in the applicable Notice of Exercise;

(B) = the Exercise Price of this Warrant, as adjusted hereunder; and

(X) = the number of Warrant Shares that would be issuable upon exercise of this Warrant in accordance with the terms of this Warrant if such exercise were by means of a cash exercise rather than a cashless exercise.

Notwithstanding anything herein to the contrary, on the Termination Date, unless the Holder notifies the Company otherwise, if there is no effective Registration Statement registering the Warrant Shares, or no current prospectus available for the resale of the Warrant Shares by the Holder, then this Warrant shall be automatically exercised via cashless exercise pursuant to this Section 2(c).

(d) Mechanics of Exercise.

(i) Delivery of Certificates Upon Exercise. Certificates for shares purchased hereunder shall be transmitted by the Transfer Agent to the Holder by crediting the account of the Holder's prime broker with The Depository Trust Company through its Deposit or Withdrawal at Custodian system ("DWAC") if the Company is then a participant in such system and either (A) there is an effective registration statement permitting the issuance of the Warrant Shares to or resale of the Warrant Shares by the Holder or (B) this Warrant is being exercised via cashless exercise and Rule 144 is available, and otherwise by physical delivery to the address specified by the Holder in the Notice of Exercise by the date that is three (3) Trading Days after the latest of (A) the delivery to the Company of the Notice of Exercise, (B) surrender of this Warrant (if required) and (C) payment of the aggregate Exercise Price as set forth above (including by cashless exercise, if permitted) (such date, the "Warrant Share Delivery Date"). The Warrant Shares shall be deemed to have been issued, and Holder or any other person so designated to be named therein shall be deemed to have become a holder of record of such shares for all purposes, as of the date the Warrant has been exercised, with payment to the Company of the Exercise Price (or by cashless exercise, if permitted) and all taxes required to be paid by the Holder, if any, pursuant to Section 2(d)(vi) prior to the issuance of such shares, having been paid. The Company understands that a delay in the delivery of the Warrant Shares after the Warrant Share Delivery Date could result in economic loss to the Holder. As compensation to the Holder for such loss, the Company agrees to pay (as liquidated damages and not as a penalty) to the Holder for late issuance of Warrant Shares upon exercise of this Warrant the proportionate amount of $10 per Trading Day (increasing to $20 per Trading Day after the fifth (5^{th}) Trading Day) after the Warrant Share Delivery Date for each $1,000 of Exercise Price of Warrant Shares for which this Warrant is exercised which are not timely delivered. The Company shall pay any payments incurred under this Section in immediately available funds upon demand.

(ii) Delivery of New Warrants Upon Exercise. If this Warrant shall have been exercised in part, the Company shall, at the request of a Holder and upon surrender of this Warrant certificate, at the time of delivery of the certificate or certificates representing Warrant Shares, deliver to the Holder a new Warrant evidencing the rights of the Holder to purchase the unpurchased Warrant Shares called for by this Warrant, which new Warrant shall in all other respects be identical with this Warrant.

(iii) In addition to any other remedies which may be available to the Holder, in the event that the Company fails for any reason to effect delivery of the Warrant Shares by the Warrant Share Delivery Date, the Holder may revoke all or part of the relevant Warrant exercise by delivery of a notice to such effect to the Company, whereupon the Company and the Holder shall each be restored to their respective positions immediately prior to the exercise of the relevant portion of this Warrant, except that the liquidated damages described above shall be payable through the date notice of revocation or rescission is given to the Company.

(iv) Compensation for Buy-In on Failure to Timely Deliver Certificates Upon Exercise. In addition to any other rights available to the Holder, if the Company fails to cause the Transfer Agent to transmit to the Holder a certificate or the certificates representing the Warrant Shares pursuant to an exercise on or before the Warrant Share Delivery Date, and if after such date the Holder is required by its broker to purchase (in an open market transaction or otherwise) or the Holder's brokerage firm otherwise purchases, Ordinary Shares to deliver in satisfaction of a sale by the Holder of the Warrant Shares which the Holder anticipated receiving upon such exercise (a "Buy-In"), then the Company shall (A) pay in cash to the Holder the amount, if any, by which (x) the Holder's total purchase price (including brokerage commissions, if any) for the Ordinary Shares so purchased exceeds (y) the amount obtained by multiplying (1) the number of Warrant Shares that the Company was required to deliver to the Holder in connection with the exercise at issue times (2) the price at which the sell order giving rise to such purchase obligation was executed, and (B) at the option of the Holder, either reinstate the portion of the Warrant and equivalent number of Warrant Shares for which such exercise was not honored (in which case such exercise shall be deemed rescinded) or deliver to the Holder the number of Ordinary Shares that would have been issued had the Company timely complied with its exercise and delivery obligations hereunder. For example, if the Holder purchases Ordinary Shares having a total purchase price of $11,000 to cover a Buy-In with respect to an attempted exercise of Ordinary Shares with an aggregate sale price giving rise to such purchase obligation of $10,000, under clause (A) of the immediately preceding sentence the Company shall be required to pay the Holder $1,000. The Holder shall provide the Company written notice indicating the amounts payable to the Holder in respect of the Buy-In and, upon request of the Company, evidence of the amount of such loss. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver certificates representing Ordinary Shares upon exercise of the Warrant as required pursuant to the terms hereof.

(v) No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such exercise, the Company shall, at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Exercise Price or round up to the next whole share.

(vi) Charges, Taxes and Expenses. Issuance of certificates for Warrant Shares shall be made without charge to the Holder for any issue or transfer tax or other incidental expense in respect of the issuance of such certificate, all of which taxes and expenses shall be paid by the Company, and such certificates shall be issued in the name of the Holder or in such name or names as may be directed by the Holder; provided, however, that in the event certificates for Warrant Shares are to be issued in a name other than the name of the Holder, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly executed by the Holder and the Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto. The Company shall pay all Transfer Agent fees required for same-day processing of any Notice of Exercise.

(vii) Closing of Books. The Company will not close its stockholder books or records in any manner which prevents the timely exercise of this Warrant, pursuant to the terms hereof.

(e) Holder's Exercise Limitations. The Company shall not effect any exercise of this Warrant, and a Holder shall not have the right to exercise any portion of this Warrant, pursuant to Section 2 or otherwise, to the extent that after giving effect to such issuance after exercise as set forth on the applicable Notice of Exercise, the Holder (together with the Holder's Affiliates, and any other Persons acting as a group together with the Holder or any of the Holder's Affiliates), would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of Ordinary Shares beneficially owned by the Holder and its Affiliates shall include the number of Ordinary Shares issuable upon exercise of this Warrant with respect to which such determination is being made, but shall exclude the number of Ordinary Shares which would be issuable upon (i) exercise of the remaining, nonexercised portion of this Warrant beneficially owned by the Holder or any of its Affiliates and (ii) exercise or conversion of the unexercised or nonconverted portion of any other securities of the Company (including, without limitation, any other Ordinary Shares Equivalents) subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by the Holder or any of its Affiliates. Except as set forth in the preceding sentence, for purposes of this Section 2(e), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder, it being acknowledged by the Holder that the Company is not representing to the Holder that such calculation is in compliance with Section 13(d) of the Exchange Act and the Holder is solely responsible for any schedules required to be filed in accordance therewith. To the extent that the limitation contained in this Section 2(e) applies, the determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates) and of which portion of this Warrant is exercisable shall be in the sole discretion of the Holder, and the submission of a Notice of Exercise shall be deemed to be the Holder's determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates) and of which portion of this Warrant is exercisable, in each case subject to the Beneficial Ownership Limitation, and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 2(e), in determining the number of outstanding Ordinary Shares, a Holder may rely on the number of outstanding Ordinary Shares as reflected in (A) the Company's most recent periodic or annual report filed with the Commission, as the case may be, (B) a more recent public announcement by the Company or (C) a more recent written notice by the Company or the Transfer Agent setting forth the number of Ordinary Shares outstanding. Upon the written or oral request of a Holder, the Company shall within two Trading Days confirm orally and in writing to the Holder the number of Ordinary Shares then outstanding. In any case, the number of outstanding Ordinary Shares shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by the Holder or its Affiliates since the date as of which such number of outstanding Ordinary Shares was reported. The "Beneficial Ownership Limitation" shall be 4.99% of the number of shares of the Ordinary Shares outstanding immediately after giving effect to the issuance of Ordinary Shares issuable upon exercise of this Warrant. The Holder may decrease the Beneficial Ownership Limitation at any time and the Holder, upon not less than 61 days' prior notice to the Company, may increase the Beneficial Ownership Limitation provisions of this Section 2(e), provided that the Beneficial Ownership Limitation in no event exceeds 9.99% of the number of shares of the Ordinary Shares outstanding immediately after giving effect to the issuance of Ordinary Shares upon exercise of this Warrant held by the Holder and the provisions of this Section 2(e) shall continue to apply. Any such increase will not be effective until the 61 st day after such notice is delivered to the Company. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 2(e) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of this Warrant.

Section 3. Certain Adjustments.

(a) Stock Dividends and Splits. If the Company, at any time while this Warrant is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions on shares of its Ordinary Shares or any other equity or equity equivalent securities payable in Ordinary Shares (which, for avoidance of doubt, shall not include any Ordinary Shares issued by the Company upon exercise of this Warrant or pursuant to any of the other Transaction Documents), (ii) subdivides outstanding Ordinary Shares into a larger number of shares, (iii) combines (including by way of reverse stock split) outstanding Ordinary Shares into a smaller number of shares, or (iv) issues by reclassification of shares of the Ordinary Shares any shares of capital stock of the Company, then in each case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of Ordinary Shares (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of Ordinary Shares outstanding immediately after such event, and the number of shares issuable upon exercise of this Warrant shall be proportionately adjusted such that the aggregate Exercise Price of this Warrant shall remain unchanged. Any adjustment made pursuant to this Section 3(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

(b) Subsequent Rights Offerings. In addition to any adjustments pursuant to Section 3(a) above, if at any time the Company grants, issues or sells any Ordinary Shares Equivalents or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of Ordinary Shares (the "Purchase Rights"), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of Ordinary Shares acquirable upon complete exercise of this Warrant (without regard to any limitations on exercise hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of Ordinary Shares are to be determined for the grant, issue or sale of such Purchase Rights (provided, however, to the extent that the Holder's right to participate in any such Purchase Right would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Purchase Right to such extent (or beneficial ownership of such Ordinary Shares as a result of such Purchase Right to such extent) and such Purchase Right to such extent shall be held in abeyance for the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).

(c) Pro Rata Distributions. If the Company, at any time while this Warrant is outstanding, shall distribute to all holders of Ordinary Shares (and not to the Holder) evidences of its indebtedness or assets (including cash and cash dividends) or rights or warrants to subscribe for or purchase any security other than the Ordinary Shares (which shall be subject to Section 3(b)), then in each such case the Exercise Price shall be adjusted by multiplying the Exercise Price in effect immediately prior to the record date fixed for determination of stockholders entitled to receive such distribution by a fraction of which the denominator shall be the VWAP determined as of the record date mentioned above, and of which the numerator shall be such VWAP on such record date less the then per share fair market value at such record date of the portion of such assets or evidence of indebtedness so distributed applicable to one outstanding share of the Ordinary Shares as determined by the Board of Directors in good faith. In either case the adjustments shall be described in a statement provided to the Holder of the portion of assets or evidences of indebtedness so distributed or such subscription rights applicable to one Ordinary Share. Such adjustment shall be made whenever any such distribution is made and shall become effective immediately after the record date mentioned above.

(d) Fundamental Transaction. If, at any time while this Warrant is outstanding, (i) the Company, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Company with or into another Person, (ii) the Company, directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Ordinary Shares are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of 50% or more of the outstanding Ordinary Shares, (iv) the Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Ordinary Shares or any compulsory share exchange pursuant to which the Ordinary Shares are effectively converted into or exchanged for other securities, cash or property, or (v) the Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person or group of Persons whereby such other Person or group acquires more than 50% of the outstanding Ordinary Shares (not including any Ordinary Shares held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination) (each a "Fundamental Transaction"), then, upon any subsequent exercise of this Warrant, the Holder shall have the right to receive, for each Warrant Share that would have been issuable upon such exercise immediately prior to the occurrence of such Fundamental Transaction, at the option of the Holder (without regard to any limitation in Section 2(e) on the exercise of this Warrant), the number of Ordinary Shares (or successor security) of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration (the "Alternate Consideration") receivable as a result of such Fundamental Transaction by a holder of the number of Ordinary Shares for which this Warrant is exercisable immediately prior to such Fundamental Transaction (without regard to any limitation in Section 2(e) on the exercise of this Warrant). For purposes of any such exercise, the determination of the Exercise Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one Ordinary Share in such Fundamental Transaction, and the Company shall apportion the Exercise Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Ordinary Shares are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any exercise of this Warrant following such Fundamental Transaction. Notwithstanding anything to the contrary, in the event of a Fundamental Transaction, the Company or any Successor Entity (as defined below) shall, at the Holder's option, exercisable at any time concurrently with, or within 30 days after, the consummation of the Fundamental Transaction, purchase this Warrant from the Holder by paying to the Holder an amount of cash equal to the Black Scholes Value of the remaining unexercised portion of this Warrant on the date of the consummation of such Fundamental Transaction. "Black Scholes Value" means the value of this Warrant based on the Black and Scholes Option Pricing Model obtained from the "OV" function on Bloomberg, L.P. ("Bloomberg") determined as of the day of consummation of the applicable Fundamental Transaction for pricing purposes and reflecting (A) a risk-free interest rate corresponding to the U.S. Treasury rate for a period equal to the time between the date of the public announcement of the applicable Fundamental Transaction and the Termination Date, (B) an expected volatility equal to the greater of 100% and the 100 day volatility obtained from the HVT function on Bloomberg as of the Trading Day immediately following the public announcement of the applicable Fundamental Transaction, (C) the underlying price per share used in such calculation shall be the sum of the price per share being offered in cash, if any, plus the value of any non-cash consideration, if any, being offered in such Fundamental Transaction and (D) a remaining option time equal to the time between the date of the public announcement of the applicable Fundamental Transaction and the Termination Date. The Company shall cause any successor entity in a Fundamental Transaction in which the Company is not the survivor (the "Successor Entity") to assume in writing all of the obligations of the Company under this Warrant and the other Transaction Documents in accordance with the provisions of this Section 3(e) pursuant to written agreements in form and substance reasonably satisfactory to the Holder and approved by the Holder (without unreasonable delay) prior to such Fundamental Transaction and shall, if the Successor Entity is a public company or if the shareholders of the Company have the option to or will become equity holders of the Successor Entity, at the option of the Holder, deliver to the Holder in exchange for this Warrant a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant which is exercisable for a corresponding number of shares of capital stock of such Successor Entity (or its parent entity) equivalent to the Ordinary Shares acquirable and receivable upon exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) prior to such Fundamental Transaction, and with an exercise price which applies the exercise price hereunder to such shares of capital stock (but taking into account the relative value of the Ordinary Shares pursuant to such Fundamental Transaction and the value of such shares of capital stock, such number of shares of capital stock and such exercise price being for the purpose of protecting the economic value of this Warrant immediately prior to the consummation of such Fundamental Transaction), and which is reasonably satisfactory in form and substance to the Holder. Upon the occurrence of any such Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Warrant and the other Transaction Documents referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Warrant and the other Transaction Documents with the same effect as if such Successor Entity had been named as the Company herein. The proposed transaction with Digiflex as described in the SEC Reports as updated by the Disclosure Schedules to the Agreement is not a Fundamental Transaction.

(e) Adjustment Upon Issuance of Ordinary Shares. If and whenever on or after the date hereof, the Company issues or sells, or in accordance with this Section 3 is deemed to have issued or sold, any Ordinary Shares (including the issuance or sale of Ordinary Shares owned or held by or for the account of the Company, but excluding any Exempt Issuance issued or sold or deemed to have been issued or sold) for a consideration per share (the "New Issuance Price") less than a price equal to the Exercise Price in effect immediately prior to such issue or sale or deemed issuance or sale (such Exercise Price then in effect is referred to as the "Applicable Price") (the foregoing a "Dilutive Issuance"), then immediately after such Dilutive Issuance, the Exercise Price then in effect shall be reduced to the New Issuance Price. For all purposes of the foregoing (including, without limitation, determining the adjusted Exercise Price and consideration per share under this Section 3(e)), the following shall be applicable:

(i) Issuance of Options. If the Company in any manner grants or sells any options (other than options that qualify as Exempt Issuances) and the lowest price per share for which one Ordinary Share is issuable upon the exercise of any such option or upon conversion, exercise or exchange of any Ordinary Shares Equivalents issuable upon exercise of any such option is less than the Applicable Price, then such Ordinary Shares shall be deemed to be outstanding and to have been issued and sold by the Company at the time of the granting or sale of such option for such price per share. For purposes of this Section 3(e)(i), the "lowest price per share for which one Ordinary Share is issuable upon the exercise of any such options or upon conversion, exercise or exchange of any Ordinary Shares Equivalents issuable upon exercise of any such option" shall be equal to (1) the lower of (x) the sum of the lowest amounts of consideration (if any) received or receivable by the Company with respect to any one Ordinary Share upon the granting or sale of such option, upon exercise of such option and upon conversion, exercise or exchange of any Ordinary Shares Equivalent issuable upon exercise of such option and (y) the lowest exercise price set forth in such option for which one Ordinary Share is issuable upon the exercise of any such options or upon conversion, exercise or exchange of any Ordinary Shares Equivalents issuable upon exercise of any such option minus (2) the sum of all amounts paid or payable to the holder of such option (or any other Person) upon the granting or sale of such option, upon exercise of such Option and upon conversion, exercise or exchange of any Ordinary Shares Equivalent issuable upon exercise of such option plus the value of any other consideration received or receivable by, or benefit conferred on, the holder of such option (or any other Person). Except as contemplated below, no further adjustment of the Exercise Price shall be made upon the actual issuance of such Ordinary Shares or of such Ordinary Shares Equivalents upon the exercise of such options or upon the actual issuance of such Ordinary Shares upon conversion, exercise or exchange of such Ordinary Shares Equivalents.

(ii) Issuance of Ordinary Shares Equivalents. If the Company in any manner issues or sells any Ordinary Shares Equivalents (other than Ordinary Shares Equivalents that qualify as Exempt Issuances) and the lowest price per share for which one Ordinary Share is issuable upon the conversion, exercise or exchange thereof is less than the Applicable Price, then such Ordinary Shares shall be deemed to be outstanding and to have been issued and sold by the Company at the time of the issuance or sale of such Ordinary Shares Equivalents for such price per share. For the purposes of this Section 3(e)(ii), the "lowest price per share for which one Ordinary Share is issuable upon the conversion, exercise or exchange thereof" shall be equal to (1) the lower of (x) the sum of the lowest amounts of consideration (if any) received or receivable by the Company with respect to one Ordinary Share upon the issuance or sale of the Ordinary Shares Equivalent and upon conversion, exercise or exchange of such Ordinary Shares Equivalent and (y) the lowest conversion price set forth in such Ordinary Shares Equivalent for which one Ordinary Share is issuable upon conversion, exercise or exchange thereof minus (2) the sum of all amounts paid or payable to the holder of such Ordinary Shares Equivalent (or any other Person) upon the issuance or sale of such Ordinary Shares Equivalent plus the value of any other consideration received or receivable by, or benefit conferred on, the holder of such Ordinary Shares Equivalent (or any other Person). Except as contemplated below, no further adjustment of the Exercise Price shall be made upon the actual issuance of such Ordinary Shares upon conversion, exercise or exchange of such Ordinary Shares Equivalents, and if any such issue or sale of such Ordinary Shares Equivalents is made upon exercise of any options for which adjustment of this Note has been or is to be made pursuant to other provisions of this Section 3(e), except as contemplated below, no further adjustment of the Exercise Price shall be made by reason of such issue or sale.

(iii) Change in Option Price or Rate of Conversion. If the purchase or exercise price provided for in any options, the additional consideration, if any, payable upon the issue, conversion, exercise or exchange of any Ordinary Shares Equivalents, or the rate at which any Ordinary Shares Equivalents are convertible into or exercisable or exchangeable for Ordinary Shares increases or decreases at any time, the Exercise Price in effect at the time of such increase or decrease shall be adjusted to the Exercise Price which would have been in effect at such time had such options or Ordinary Shares Equivalents provided for such increased or decreased purchase price, additional consideration or increased or decreased conversion rate, as the case may be, at the time initially granted, issued or sold. For purposes of this Section 3(e)(iii), if the terms of any option or Ordinary Shares Equivalent that was outstanding as of the date of issuance of this Note are increased or decreased in the manner described in the immediately preceding sentence, then such option or Ordinary Shares Equivalent and the Ordinary Shares deemed issuable upon exercise, conversion or exchange thereof shall be deemed to have been issued as of the date of such increase or decrease. No adjustment pursuant to this Section 3(e) shall be made if such adjustment would result in an increase of the Exercise Price then in effect.

(iv) Calculation of Consideration Received. If any option and/or Ordinary Shares Equivalent and/or Adjustment Right is issued in connection with the issuance or sale or deemed issuance or sale of any other securities of the Company (as determined by the Holder, the "Primary Security", and such option and/or Ordinary Shares Equivalent and/or Adjustment Right, the "Secondary Securities"), together comprising one integrated transaction, the consideration per Ordinary Shares with respect to such Primary Security shall be deemed to be equal to the difference of (x) the lowest price per share for which one Ordinary Share was issued in such integrated transaction (or was deemed to be issued pursuant to Section 3(e)(i) or 3(e)(ii) above, as applicable) solely with respect to such Primary Security, minus (y) with respect to such Secondary Securities, the sum of (I) the Black Scholes Consideration Value of each such option, if any, (II) the fair market value (as determined by the Holder) or the Black Scholes Consideration Value, as applicable, of such Adjustment Right, if any, and (III) the fair market value (as determined by the Holder) of such Ordinary Shares Equivalent, if any, in each case, as determined on a per share basis in accordance with this Section 3(e)(iv). If any Ordinary Shares, options or Ordinary Shares Equivalents are issued or sold or deemed to have been issued or sold for cash, the consideration received therefor (for the purpose of determining the consideration paid for such Ordinary Shares, option or Ordinary Shares Equivalent, but not for the purpose of the calculation of the Black Scholes Consideration Value) will be deemed to be the net amount of consideration received by the Company therefor. If any Ordinary Shares, options or Ordinary Shares Equivalents are issued or sold for a consideration other than cash (for the purpose of determining the consideration paid for such Ordinary Shares, option or Ordinary Shares Equivalent, but not for the purpose of the calculation of the Black Scholes Consideration Value), the amount of such consideration received by the Company will be the fair value of such consideration, except where such consideration consists of publicly traded securities, in which case the amount of consideration received by the Company for such securities will be the arithmetic average of the VWAPs of such security for each of the five (5) Trading Days immediately preceding the date of receipt. If any Ordinary Shares, options or Ordinary Shares Equivalents are issued to the owners of the non-surviving entity in connection with any merger in which the Company is the surviving entity (for the purpose of determining the consideration paid for such Ordinary Shares, option or Ordinary Shares Equivalent, but not for the purpose of the calculation of the Black Scholes Consideration Value), the amount of consideration therefor will be deemed to be the fair value of such portion of the net assets and business of the non-surviving entity as is attributable to such Ordinary Shares, options or Ordinary Shares Equivalents, as the case may be. The fair value of any consideration other than cash or publicly traded securities (for the purpose of determining the consideration paid for such Ordinary Shares, option or Ordinary Shares Equivalent, but not for the purpose of the calculation of the Black Scholes Consideration Value) will be determined jointly by the Company and the Holder. If such parties are unable to reach agreement within ten (10) days after the occurrence of an event requiring valuation (the "Valuation Event"), the fair value of such consideration will be determined within five (5) Trading Days after the tenth (10^{th}) day following such Valuation Event by an independent, reputable appraiser jointly selected by the Company and the Holder. The determination of such appraiser shall be final and binding upon all parties absent manifest error and the fees and expenses of such appraiser shall be borne by the Company.

(f) Calculations. All calculations under this Section 3 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 3, the number of Ordinary Shares deemed to be issued and outstanding as of a given date shall be the sum of the number of Ordinary Shares (excluding treasury shares, if any) issued and outstanding.

(g) Notice to Holder.

(i) Adjustment to Exercise Price. Whenever the Exercise Price is adjusted pursuant to any provision of this Section 3, the Company shall promptly mail to the Holder a notice setting forth the Exercise Price after such adjustment and any resulting adjustment to the number of Warrant Shares and setting forth a brief statement of the facts requiring such adjustment.

(ii) Notice to Allow Exercise by Holder. If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Ordinary Shares, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Ordinary Shares, (C) the Company shall authorize the granting to all holders of the Ordinary Shares rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Ordinary Shares, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Ordinary Shares are converted into other securities, or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, to the extent that such information constitutes material non-public information (as determined in good faith by the Company) the Company shall follow the procedure described in Section 13 of the Subscription Agreement and shall deliver to the Holder at its last address as it shall appear upon the Warrant Register of the Company, at least 20 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Ordinary Shares of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Ordinary Shares of record shall be entitled to exchange their shares of the Ordinary Shares for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice. To the extent that any notice provided hereunder constitutes, or contains, material, nonpublic information regarding the Company or any of the Subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K. The Holder shall remain entitled to exercise this Warrant during the period commencing on the date of such notice to the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

(h) Increase in Warrant Shares. In the event the Exercise Price is reduced for any reason, including but not limited to pursuant to Section 3(e) of this Warrant the number of Warrant Shares issuable hereunder shall be increased such that the aggregate Exercise Price payable hereunder, after taking into account the decrease in the Exercise Price, shall be equal to the aggregate Exercise Price prior to such adjustment.

Section 4. Transfer of Warrant.

(a) Transferability. Subject to compliance with any applicable securities laws and the provisions of the Purchase Agreement, this Warrant and all rights hereunder (including, without limitation, any registration rights) are transferable, in whole or in part, upon surrender of this Warrant at the principal office of the Company or its designated agent, together with a written assignment of this Warrant substantially in the form attached hereto duly executed by the Holder or its agent or attorney and funds sufficient to pay any transfer taxes payable upon the making of such transfer. Upon such surrender and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees, as applicable, and in the denomination or denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and this Warrant shall promptly be cancelled. The Warrant, if properly assigned in accordance herewith, may be exercised by a new holder for the purchase of Warrant Shares without having a new Warrant issued.

(b) New Warrants. This Warrant may be divided or combined with other Warrants upon presentation hereof at the aforesaid office of the Company, together with a written notice specifying the names and denominations in which new Warrants are to be issued, signed by the Holder or its agent or attorney. Subject to compliance with Section 4(a), as to any transfer which may be involved in such division or combination, the Company shall execute and deliver a new Warrant or Warrants in exchange for the Warrant or Warrants to be divided or combined in accordance with such notice. All Warrants issued on transfers or exchanges shall be dated the initial issuance date of this Warrant and shall be identical with this Warrant except as to the number of Warrant Shares issuable pursuant thereto.

(c) Warrant Register. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the "Warrant Register"), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

Section 5. Miscellaneous.

(a) No Rights as Stockholder Until Exercise. This Warrant does not entitle the Holder to any voting rights, dividends or other rights as a stockholder of the Company prior to the exercise hereof as set forth in Section 2(d)(i).

(b) Loss, Theft, Destruction or Mutilation of Warrant. The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it (which, in the case of the Warrant, shall not include the posting of any bond), and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in lieu of such Warrant or stock certificate.

(c) Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Trading Day, then, such action may be taken or such right may be exercised on the next succeeding Trading Day.

(d) Authorized Shares. The Company covenants that, during the period the Warrant is outstanding, it will reserve from its authorized and unissued Ordinary Shares a sufficient number of shares to provide for the issuance of the Warrant Shares upon the exercise of any purchase rights under this Warrant. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for the Warrant Shares upon the exercise of the purchase rights under this Warrant. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of the Trading Market upon which the Ordinary Shares may be listed. The Company covenants that all Warrant Shares which may be issued upon the exercise of the purchase rights represented by this Warrant will, upon exercise of the purchase rights represented by this Warrant and payment for such Warrant Shares in accordance herewith, be duly authorized, validly issued, fully paid and non-assessable and free from all taxes, liens and charges created by the Company in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue). Except and to the extent as waived or consented to by the Holder, the Company shall not by any action, including, without limitation, amending its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of Holder as set forth in this Warrant against impairment. Without limiting the generality of the foregoing, the Company will (i) not increase the par value of any Warrant Shares above the amount payable therefor upon such exercise immediately prior to such increase in par value, (ii) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares upon the exercise of this Warrant and (iii) use commercially reasonable efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof, as may be, necessary to enable the Company to perform its obligations under this Warrant. Before taking any action which would result in an adjustment in the number of Warrant Shares for which this Warrant is exercisable or in the Exercise Price, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be necessary from any public regulatory body or bodies having jurisdiction thereof.

(e) Jurisdiction. All questions concerning governing law, jurisdiction, venue and the construction, validity, enforcement and interpretation of this Warrant shall be determined in accordance with the provisions of the Purchase Agreement.

(f) Restrictions. The Holder acknowledges that the Warrant Shares acquired upon the exercise of this Warrant, if not registered, or unless exercised in a cashless exercise when Rule 144 is available, and the Holder does not utilize cashless exercise, will have restrictions upon resale imposed by state and federal securities laws.

(g) Non-waiver and Expenses. No course of dealing or any delay or failure to exercise any right hereunder on the part of Holder shall operate as a waiver of such right or otherwise prejudice the Holder's rights, powers or remedies. Without limiting any other provision of this Warrant or the Purchase Agreement, if the Company willfully and knowingly fails to comply with any provision of this Warrant, which results in any material damages to the Holder, the Company shall pay to the Holder such amounts as shall be sufficient to cover any costs and expenses including, but not limited to, reasonable attorneys' fees, including those of appellate proceedings, incurred by the Holder in collecting any amounts due pursuant hereto or in otherwise enforcing any of its rights, powers or remedies hereunder.

(h) Notices. Any notice, request or other document required or permitted to be given or delivered to the Holder by the Company shall be delivered in accordance with the notice provisions of the Purchase Agreement.

(i) Limitation of Liability. No provision hereof, in the absence of any affirmative action by the Holder to exercise this Warrant to purchase Warrant Shares, and no enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder for the purchase price of any Ordinary Shares or as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

(j) Remedies. The Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Warrant. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Warrant and hereby agrees to waive and not to assert the defense in any action for specific performance that a remedy at law would be adequate.

(k) Successors and Assigns. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors and permitted assigns of the Company and the successors and permitted assigns of Holder. The provisions of this Warrant are intended to be for the benefit of any Holder from time to time of this Warrant and shall be enforceable by the Holder or holder of Warrant Shares.

(l) Amendment. This Warrant may be modified or amended or the provisions hereof waived with the written consent of the Company and the Holders of not less than a majority of the outstanding Warrants issued pursuant to the Purchase Agreement.

(m) Severability. Wherever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Warrant.

(n) Headings. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

****

(Signature Page Follows)

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized as of the date first above indicated.

P.V. NANO CELL LTD.

By: _____
Name: Dr. Fernando de la Vega
Title: CEO

NOTICE OF EXERCISE

TO: P.V. NANO CELL LTD.

(1) The undersigned hereby elects to purchase_____ Warrant Shares of the Company pursuant to the terms of the attached Warrant (only if exercised in full), and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

(2) Payment shall take the form of (check applicable box):

[ ] in lawful money of the United States; or

[ ] [if permitted] the cancellation of such number of Warrant Shares as is necessary, in accordance with the formula set forth in subSection 2(c), to exercise this Warrant with respect to the maximum number of Warrant Shares purchasable pursuant to the cashless exercise procedure set forth in subSection 2(c).

(3) Please issue a certificate or certificates representing said Warrant Shares in the name of the undersigned or in such other name as is specified below:

_____

(4) After giving effect to this Notice of Exercise, the undersigned will not have exceeded the Beneficial Ownership Limitation.

The Warrant Shares shall be delivered to the following DWAC Account Number or by physical delivery of a certificate to:

_____

_____

_____

[SIGNATURE OF HOLDER]

Name of Investing Entity:_____
Signature of Authorized Signatory of Investing Entity:_____
Name of Authorized Signatory:_____
Title of Authorized Signatory:_____
Date: _____

ASSIGNMENT FORM

(To assign the foregoing warrant, execute
this form and supply required information.
Do not use this form to exercise the warrant.)

P.V. NANO CELL LTD.

FOR VALUE RECEIVED, **[___]** all of or **[_____]** shares of the foregoing Warrant and all rights evidenced thereby are hereby assigned to

_____whose address is

_____.

_____

Dated: _____, _____

Holder's Signature: _____

Holder's Address: _____

_____

Signature Guaranteed: _____

NOTE: The signature to this Assignment Form must correspond with the name as it appears on the face of the Warrant, without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank or trust company. Officers of corporations and those acting in a fiduciary or other representative capacity should file proper evidence of authority to assign the foregoing Warrant.

EXHIBIT

August __, 2017

To: The Purchasers identified on Schedule A hereto:

We have served as special counsel to P.V. Nano Cell Ltd., a company formed under the laws of the State of Israel (the "Company"), in connection with Company's offer and sale of convertible notes (the "Notes"), in the principal amount of US $333,333 to the Purchasers identified on Schedule A hereto (the "Purchasers", and each a "Purchaser"), and Ordinary Share Purchase Warrants ("Warrants") (the Notes and Warrants collectively the "Securities"), pursuant to the exemption from registration under the Securities Act of 1933, as amended (the "Act"), as set forth in Regulation D, promulgated thereunder. Capitalized terms used herein and not otherwise defined shall have the meaning assigned to them in the Securities Purchase Agreement (the "Agreement") by and between the Company and the Purchasers entered into at or about the date hereof.

In rendering this opinion, we have examined electronic, facsimile or photostatic copies of the following documents:

1. the Agreement;

2. the Company's Articles of Association (the "Organizational Documents");

3. resolutions (the "Resolutions") of the Company's Board of Directors approving, among other things, the Agreement and the transactions contemplated thereby;

4. the form of the Notes issuable pursuant to the Agreement;

5. the form of the Warrants to be delivered to the Purchasers upon Closing;

6. the form of Lockup Agreement; and

7. such certificates of officers and consultants of the Company, dated as of the date hereof, as we have deemed appropriate.

We refer to the documents listed in items 1 through 7 above as the "Reviewed Documents". We have also reviewed and relied upon such other documents, Company records and certificates of public officials, as we have deemed necessary or appropriate to express the opinions set forth below, subject to the assumptions, limitations and qualifications stated herein.

In our examination, we have assumed, without independent investigation, the genuineness of all signatures, the legal capacity and competency of all natural persons, the authenticity of all documents submitted to us as originals and the conformity to original documents of all documents submitted to us as copies. To the extent that our opinions may be dependent upon such matters, we have assumed, without independent investigation, that each of the parties thereto, other than the Company, has all requisite corporate or other entity power to execute, deliver and perform its obligations under the Reviewed Documents to which it is a party; that the execution and delivery of such documents by each such party (other than the Company) and the performance of its obligations thereunder have been duly authorized by all necessary corporate or other action do not violate any law, regulation, order, judgment or decree applicable to each such party (except as expressly set forth in our opinion below with respect to the Company); and that such documents have been duly executed and delivered by each such party (other than the Company).

As special counsel to the Company, our representation of the Company has been limited to the specific and discrete matters contemplated by this opinion. Accordingly, we do not have and you should not infer from our representation of the Company in this particular instance that we have any knowledge of the Company's affairs or transactions other than as expressly set forth in this opinion letter.

Based upon the foregoing, and subject to the assumptions, exceptions, qualifications and limitations set forth herein, we are of the opinion that:

1. The Securities, which have not been registered under the Act, or under the laws of any state or other jurisdiction, based in part upon the representations of the Purchasers contained in the Agreement, have been offered, issued and sold pursuant to a valid exemption from registration under the Act.

2. The Reviewed Documents are enforceable against the Company in accordance with their respective terms. For purposes of this opinion we have assumed that the Reviewed Documents are governed by Florida law and we do not give any opinion as to New York law.

3. The Company and each Subsidiary has either obtained the approval of the transactions described in the Reviewed Documents from the OTCQB, or no such approval is required.

The opinions expressed above are subject to the following additional exceptions, qualifications, limitations and assumptions:

a) As used herein, the phrases "to the best of our knowledge," "come to our attention" or any similar expression or phrase with respect to our knowledge of matters of fact, means as to matters of fact that, based on the actual knowledge of the attorneys within our firm who are currently actively involved in the representation of the Company hereto in connection with the Agreement and the transactions contemplated thereby (and not including any constructive or imputed notice of any information), and after an examination of the documents referred to herein, no facts have been disclosed to us that have caused us to conclude that the opinions expressed herein are factually incorrect. Furthermore, such reference means only that we do not know of any fact or circumstance contradicting the statement that follows, and does not imply that we know the statement to be correct. Except to the extent expressly set forth herein or as we otherwise believe to be necessary to our opinion, we have not undertaken any independent investigation to determine the existence or absence of any fact, and no inference as to our knowledge of the existence or absence of any fact should be drawn from our representation of the Company hereto or the rendering of the opinions set forth above;

b) the opinions above are each subject to (i) the effect of any bankruptcy, insolvency, reorganization, moratorium, arrangement or other laws affecting the rights and remedies of creditors' generally, including without limitation the effect of statutory or other laws regarding fraudulent transfers or preferential transfers and (ii) general principles of equity, including without limitation concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance, injunctive relief or other equitable remedies regardless of whether enforceability is considered in a proceeding in equity or at law;

c) we express no opinion as to the validity, binding effect or enforceability of provisions of the Agreement (i) regarding liquidated damages to the extent that amounts characterized as liquidated damages are determined to be penalties, (ii) that purport to deny effect to waivers or amendments made other than in writing (such as by course of conduct), (iii) that purport to exculpate a party from, or indemnify a party against, federal or state securities laws (including, without limitation, violations of the Act and the Exchange Act and the respective rules and regulations promulgated thereunder) its own negligence or failure to act in good faith or in accordance with standards of commercial reasonableness, (iv) that purport to waive statutes of limitations, (v) that purport to permit a party to establish evidentiary standards for actions or proceedings, (vi) that purport to waive future defenses or counterclaims, or (vii) as to state securities laws, healthcare laws, tax laws, antitrust or trade regulation laws, insolvency or fraudulent transfer laws, antifraud laws, labor laws, anti-terrorism laws, usury laws, environmental laws, margin regulations, (without limiting other laws excluded by customary practice).

d) we render no opinion herein with respect to: (i) any pension and employee benefit laws and regulations; (ii) any environmental protection laws, zoning or land use laws, or local, state or federal taxation, labor or employee benefits laws or regulation, (iii) compliance with fiduciary duty requirements; (iv) any federal laws, regulations and policies concerning national emergency, anti-terrorism, possible judicial deference to acts of sovereign states and criminal and civil forfeiture laws; (v) any provisions of the Reviewed Documents that purport to waive various rights of the Company; (vi) provisions of the Agreement to the effect that rights or remedies are not exclusive, that every right or remedy is cumulative and may be exercised in addition to any other right or remedy or that failure to exercise rights or remedies will not operate as a waiver of any such right or remedy; (vii) any county, municipal or local laws, rules, regulations or ordinances; (viii) laws regarding antitrust or competition or (ix) the laws and regulations of any jurisdiction regarding banks and bank holding companies.

Subject to the other qualifications, assumptions and exceptions stated herein, our opinions herein are limited to the federal laws of the United States and the laws of the state of Florida ("Applicable Laws"). For purposes of this opinions letter we have assumed that the laws of the State of New York are identical to the laws of the State of Florida. We have not conducted any review of, and express no opinion with respect to the effect of any laws, rules or codes other than the Applicable Laws.

This opinion is furnished by us at the request of the Company and may be relied upon by the Purchasers only in connection with the transactions contemplated by the Agreement. This opinion may not be used or relied upon by the Purchasers for any other purpose or by any other person, nor may copies be delivered to any other person, without in each instance our prior written consent.

This opinion is expressly limited to the matters set forth above and we render no opinion, whether by implication or otherwise, as to any other matters. We assume no obligation to update or supplement this opinion to reflect any facts or circumstances that arise after the date of this opinion and come to our attention, or any future changes in laws.

Very truly yours.

Greenberg Traurig LLP

[FORM OF LEGAL OPINION]

August __, 2017

TO: The Purchasers identified on Schedule A hereto:

We are acting as Israeli counsel to P.V. Nano Cell Ltd., a company formed under the laws of the State of Israel (the " Company"). The Company was represented by U.S. counsel, in connection with the offer and sale by the Company of convertible notes (the "Notes") in the principal amount of US$333,333 to the Purchasers identified on Schedule A hereto (each, including their successors and permitted assigns, a "Purchaser" and collectively, the "Purchasers"), and Ordinary Share Purchase Warrants ("Warrants"), pursuant to the Securities Purchase Agreement (the "Agreement") by and between the Company and the Purchasers entered into at or about the date hereof. Capitalized terms used herein and not otherwise defined shall have the meaning assigned to them in the Agreement. The Agreement, and the documents listed below are hereinafter collectively referred to as the "Documents."

This opinion letter (this "Opinion") is given in accordance with the Agreement. In rendering this Opinion, we have examined the following documents:

(a) the Articles of Association of the Company;
(b) the Agreement;
(c) the Form of Note;
(d) the Form of Ordinary Share Purchase Warrants; and
(e) the minutes of the action of the Company's Board of Directors.

In rendering this Opinion, we have, with your permission, assumed: (a) the authenticity of all documents submitted to us as originals; (b) the conformity to the originals of all documents submitted to us as copies; (c) the genuineness of all signatures; (d) the legal capacity of natural persons; (e) the truth, accuracy and completeness of the information, factual matters, representations and warranties contained in all of such documents; (f) the due authorization, execution and delivery of all such documents by each Purchaser, and the legal, valid and binding effect thereof on Purchaser; and (g) that the Company and the Purchasers will act in accordance with their respective representations and warranties, as set forth in the Documents.

As to any facts material to this Opinion we did not independently establish or verify, we have relied upon statements, representations and certificates of officers and other representatives of the Company and others. Any reference to "our knowledge" or "knowledge" or any variation thereof shall mean the actual knowledge of the attorneys in this firm who have brought to the attention of the Company the existence or absence of any facts which would contradict our opinions set forth below. We have not undertaken any independent investigation to determine the existence or absence of such facts, and no inference as to our knowledge of the existence or absence of such facts should be drawn from the fact of our representation of the Company. There is no assurance that all material facts were disclosed to us or that our familiarity with the Company is such that we necessarily recognized the materiality of such facts as were disclosed to us and we have relied to a large extent upon the statements of representatives of the Company as to the materiality of such facts.

We are members of the bar of the State of Israel. We express no opinion as to the laws of any jurisdiction other than Israel, and despite anything to the contrary in the Documents we assumed for the purpose of this Opinion that the Documents are governed solely by Israeli law. We express no opinion with respect to the effect or application of any other laws. Special rulings of authorities administering any of such laws or opinions of other counsel have not been sought or obtained by us in connection with rendering the opinions expressed herein.

1. The Company is duly incorporated and validly exists under the laws of the State of Israel, is qualified to do business in Israel, and has the requisite corporate power and authority to conduct its businesses, and to own, lease and operate its properties in Israel.

2. The Company has the requisite corporate power and authority to execute, deliver and perform its obligations under the Documents. The Documents, and the issuance of the Notes, Warrants and the reservation and issuance of Ordinary Shares issuable upon conversion of the Notes and exercise of the Warrants have been (a) duly approved by the exiting Board of Directors of the Company, as required, except that the Company did not appoint External Directors and we do not express any opinion with respect to the implications of such non-appointment; and (b) the Securities, when issued pursuant to the Agreement and upon delivery, subject to the Purchasers compliance with their obligations under the Documents shall be validly issued and outstanding, fully paid and non-assessable.

3. The execution, delivery and performance of the Documents by the Company and the consummation of the transactions contemplated thereby, do not:

(a) Violate the provisions of the Articles of Association of the Company; or

(b) To our knowledge, violate any judgment, decree, order or award of any court binding upon the Company in Israel.

4. The approval of the transactions described in the Documents by the general meeting of the shareholders of the Company, is not required.

The opinions expressed above are specifically subject to the following limitations, exceptions, qualifications and assumptions:

A. The effect of bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting the relief of debtors or the rights and remedies of creditors generally, including without limitation the effect of statutory or other law regarding fraudulent conveyances and preferential transfers.

B. Limitations imposed by state law, federal law or general equitable principles upon the specific enforceability of any of the remedies, covenants or other provisions of any applicable agreement and upon the availability of injunctive relief or other equitable remedies, regardless of whether enforcement of any such agreement is considered in a proceeding in equity or at law.

C. This Opinion is based on facts existing on the date hereof. We assume no obligation to advise you of facts, circumstances, events or developments which after the date hereof may be brought to our attention and which may alter, affect or modify our opinions.

D. We express no opinion as to any laws other than the laws of the State of Israel which are in force as of the date hereof and we have not, for the purpose of giving this Opinion, made any investigation of the laws of any other jurisdiction. In addition, we express no opinion as to any documents, agreements or arrangements other than those subject to the laws of the State of Israel.

E. We render no opinion in relation to any representation or warranty made or given in the Agreement by any of the parties thereto, or by any other person, without limitation, of the opinion stated herein.

F. This Opinion is subject to and qualified by limitations and constraints, and we make no opinion as to the effect, of: (i) the possible unavailability of specific performance, injunctive relief or other equitable remedies, whether considered in a proceeding in equity or at law; (ii) the possible voidance, or revision by ruling of a court, of any provision which is held to be unlawful due to public policy considerations; (iii) the effect of any law or regulation relating to taxes, antitrust or securities laws.

This Opinion shall be governed by and construed according to the laws of the State of Israel only, without regard to the conflicts of law provisions thereof. Any legal proceeding arising under or in connection with this Opinion may be brought only in a competent court in the Haifa district, which shall have sole and exclusive jurisdiction with respect to any such legal proceeding.

This Opinion is rendered as of the date first written above, is solely for your benefit in connection with the closing of the Agreement occurring today, and may not be relied upon or used by, circulated, quoted, or referred to nor may any copies hereof by delivered to any other person without our prior written consent. We disclaim any obligation to update this Opinion or to advise you of facts, circumstances, events or developments which hereafter may be brought to our attention and which may alter, affect or modify the opinions expressed herein.

Very truly yours,

SCHEDULE A

PURCHASERS	PURCHASE PRICE	PRINCIPAL AMOUNT OF NOTE	WARRANTS
Alpha Capital Anstalt	USD 300,000	US$333,333	333,333

EXHIBIT

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

FORM 6-K

Report of Foreign Private Issuer Pursuant to Rule 13a-16 or 15d-16
Under the Securities Exchange Act of 1934

For the Month of August 2017

333-206723
(Commission File Number)

P.V. Nano Cell Ltd.

(Exact name of Registrant as specified in its charter)

8 Hamasger Street
Migdal Ha'Emek, Israel 2310102
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): _____

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): _____

On August [●], 2017, P.V. Nano Cell Ltd. (the "Issuer") entered into a definitive securities purchase agreement (the "Agreement") with certain purchasers identified on the signature pages thereto (each, including their successors and permitted assigns, a "Purchaser" and collectively, the "Purchasers), pursuant to which the Issuer agreed to issue and sell to each Purchaser, and each Purchaser, agreed to purchase convertible promissory notes (the "Notes") in the an aggregate principal amount of US$333,333, along with Ordinary Share Purchase Warrants of the Company (the "Warrants").

The Notes include a 10% original issue discount on the consideration paid and bear interest at 6%. The Notes mature on October [ ], 2018, and may be converted by each Purchaser following the issuance of the Notes, subject to the terms of the Notes. The Issuer may require mandatory conversion of the Notes, subject to the terms of the Notes.

The Warrants delivered to each Purchaser permit such Purchaser to purchase during the term of the Warrant, a number of Ordinary Shares as may be purchased by the full amount of such Purchaser's Note as of the Closing Date, at a price of $1.20 per Ordinary Share.

Capitalized terms not defined herein shall have the meaning assigned to them in the Agreement. Copies of the Agreement and all exhibits and schedules thereto and the press release announcing the Agreement are attached hereto as Exhibits 10.1 and 99.1.

Exhibit Index

Exhibit No.	Description
10.1	[Form of Securities Purchase Agreement dated August [●], 2017 by and between P.V. Nano Cell Ltd. and each purchaser identified on the signature pages thereto]
99.1	Press release dated August [●], 2017

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

P.V. Nano Cell Ltd.

Date: August [●], 2017

By: _____

Name: Dr. Fernando de la Vega
Title: Chief Executive Officer

EXHIBIT E

LOCK-UP AGREEMENT

August __, 2017

[Purchaser]

Sir:

The undersigned signatory of this Lock-Up agreement (the "Lock-Up Agreement") understands that certain Purchasers (the "Purchasers") propose to enter into a Securities Purchase Agreement (as the same may be amended from time to time, the "Purchase Agreement") with P.V. Nano Cell Ltd., an Israeli Company (PVN), and in connection therewith acquire a convertible Note and Ordinary Share Purchase Warrants from PVN. Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to such terms in the Purchaser Agreement.

As a material inducement to the Purchasers to enter into the Purchase Agreement and to consummate the contemplated transactions, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned hereby irrevocably agrees that, subject to the exceptions set forth herein, without the prior written consent of a Majority in Interest, the undersigned will not, during the period commencing upon the Closing Date and ending on the date that is 270 days after the Effective Date (the "Restricted Period"):

(i) offer, pledge, sell, contract to sell, sell any option, warrant or contract to purchase, purchase any option, warrant or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any PVN Ordinary Shares or any securities convertible into or exercisable or exchangeable for PVN Ordinary Shares (including without limitation, Ordinary Shares or such other securities which may be deemed to be beneficially owned by the undersigned in accordance with the rules and regulations of the Commission and securities of PVN which may be issued upon exercise of a stock option or warrant) or any other PVN Ordinary shares owned by the undersigned except as specifically excluded hereunder, in each case, that are currently or hereafter owned of record or beneficially (including holding as a custodian) by the undersigned as described on the signature page hereto and identifies and describes all of the foregoing adhering to the undersigned (collectively, the "Undersigned's Shares"), or publicly disclose the intention to make any such offer, sale, pledge, grant, transfer or disposition;

(ii) enter into any swap, short sale, hedge or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Undersigned's Shares regardless of whether any such transaction described in clause (i) above or this clause (ii) is to be settled by delivery of PVN Ordinary Shares or such other securities, in cash or otherwise; or

(iii) make any demand for or exercise any right with respect to the registration of any PVN Ordinary Shares or any security convertible into or exercisable or exchangeable for PVN Ordinary Shares.

The restrictions and obligations contemplated by this Lock-Up Agreement shall not apply to:

(a) transfers of the Undersigned's Shares:

(i) if the undersigned is a natural person, (A) to any person related to the undersigned by blood or adoption who is an immediate family member of the undersigned, or by marriage or domestic partnership (a "Family Member"), or to a trust formed for the benefit of the undersigned or any of the undersigned's Family Members, (B) to the undersigned's estate, following the death of the undersigned, by will, intestacy or other operation of law, (C) as a bona fide gift to a charitable organization, (D) by operation of law pursuant to a qualified domestic order or in connection with a divorce settlement or (E) to any partnership, corporation or limited liability company which is controlled by the undersigned and/or by any such Family Member(s);

(ii) if the undersigned is a corporation, partnership or other business entity, (A) to another corporation, partnership or other business entity that is an affiliate (as defined under Rule 12b-2 of the Exchange Act) of the undersigned, including investment funds or other entities under common control or management with the undersigned, (B) as a distribution or dividend to equity holders (including, without limitation, general or limited partners and members) of the undersigned (including upon the liquidation and dissolution of the undersigned pursuant to a plan of liquidation approved by the undersigned's equity holders) or (C) as a bona fide gift to a charitable organization; or

(iii) if the undersigned is a trust, to any grantors or beneficiaries of the trust;

provided that, in the case of any transfer or distribution pursuant to this clause (a), such transfer is not for value and each donee, heir, beneficiary or other transferee or distributee shall sign and deliver to Purchasers a Lock-Up agreement in the form of this Lock-Up Agreement with respect to the PVN Ordinary Shares or such other securities that have been so transferred or distributed;

(b) the exercise of an option (including a net or cashless exercise of an option) to purchase PVN Ordinary Shares, and any related transfer of PVN Ordinary Shares to PVN for the purpose of paying the exercise price of such options or any related transfer of PVN Ordinary Shares for paying taxes (including estimated taxes) due as a result of the exercise of such options (or the disposition to PVN of any shares of restricted stock granted pursuant to the terms of any employee benefit plan or restricted stock purchase agreement); *provided that*, for the avoidance of doubt, the underlying PVN Ordinary Shares shall continue to be subject to the restrictions on transfer set forth in this Lock-Up Agreement;

(c) transfers by the undersigned of PVN Ordinary Shares purchased by the undersigned on the open market following the Closing Date; or

(d) transfers or distributions pursuant to a bona fide third party tender offer, merger, consolidation or other similar transaction made to all holders of PVN Ordinary Shares involving a change of control of PVN (including entering into any lock-up, voting or similar agreement pursuant to which the undersigned may agree to transfer, sell, tender or otherwise dispose of PVN Ordinary Shares (or any security convertible into or exercisable for PVN Ordinary Shares), or voting any PVN Ordinary Shares in favor of any such transaction or taking any other action in connection with any such transaction), provided that the restrictions set forth in this Lock-Up Agreement shall continue to apply to the Undersigned's Shares should such tender offer, merger, consolidation or other transaction not be completed;

and *provided, further*, that, with respect to each of (a) and (b) above, no filing by any party (including any donor, donee, transferor, transferee, distributor or distributee) under the Exchange Act (other than (i) a filing at any time on a Form 5 or (ii) a filing after the expiration of the Restricted Period on a Schedule 13D or Schedule 13G (or Schedule 13D/A or Schedule 13G/A)), or other public announcement shall be required or shall be made voluntarily in connection with such transfer or disposition during the Restricted Period (other than in respect of a required filing under the Exchange Act in connection with the exercise of an option to purchase PVN Ordinary Shares following such individual's termination of service relationship (including service as a director) with PVN that would otherwise expire during the Restricted Period, provided that reasonable notice shall be provided to PVN prior to any such filing).

Any attempted transfer in violation of this Lock-Up Agreement will be of no effect and null and void, regardless of whether the purported transferee has any actual or constructive knowledge of the transfer restrictions set forth in this Lock-Up Agreement, and will not be recorded on the share register of PVN. In furtherance of the foregoing, the undersigned and PVN agree that PVN and any duly appointed transfer agent for the registration or transfer of the securities described herein are hereby authorized to and will decline to make any transfer of securities if such transfer would constitute a violation or breach of this Lock-Up Agreement. PVN will cause the legend set forth below, or a legend substantially equivalent thereto, to be placed upon any certificate(s) or other documents, ledgers or instruments evidencing the undersigned's ownership of PVN Ordinary Shares:

> THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO AND MAY ONLY BE TRANSFERRED IN COMPLIANCE WITH A LOCK-UP AGREEMENT, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF PVN.

The undersigned hereby represents and warrants that the undersigned has full power and authority to enter into this Lock-Up Agreement. All authority herein conferred or agreed to be conferred and any obligations of the undersigned shall be binding upon the successors, assigns, heirs or personal representatives of the undersigned.

The undersigned and PVN acknowledge that this Lock-Up Agreement is being entered into for the benefit of the Purchasers who are parties to the Purchase Agreement and their permitted assigns, and who are hereby made third party beneficiaries of this Lock-Up Agreement. This Lock-Up Agreement may be enforced by the Purchasers and may not be amended without the consent of the Majority in Interest, which consent may be withheld for any reason.

The undersigned acknowledges and agrees that PVN is required to enforce the terms and provisions of this Lock-Up Agreement for the benefit of the Purchasers.

The undersigned understands that if the Purchaser Agreement is terminated for any reason, or if the Closing does not occur, the undersigned shall automatically be released from all restrictions and obligations under this Lock-Up Agreement. The undersigned understands that the Purchasers are proceeding with the transactions described in the Purchase Agreement in reliance upon this Lock-Up Agreement.

Any and all remedies herein expressly conferred upon the Purchasers will be deemed cumulative with and not exclusive of any other remedy conferred hereby, or by law or equity, and the exercise by the Purchasers of any one remedy will not preclude the exercise of any other remedy. The undersigned agrees that irreparable damage would occur to the Purchasers in the event that any provision of this Lock-Up Agreement were not performed in accordance with its specific terms or were otherwise breached. It is accordingly agreed that the Purchasers shall be entitled to an injunction or injunctions to prevent breaches of this Lock-Up Agreement and to enforce specifically the terms and provisions hereof in any court of the United States including but not limited to Federal and State courts in New York City, New York or any state having jurisdiction, this being in addition to any other remedy to which the Purchasers are entitled at law or in equity, and the undersigned waives any bond, surety or other security that might be required of the Purchasers with respect thereto.

This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflicts of laws. Any action concerning the transactions contemplated by this Agreement shall be brought only in the state courts of New York or in the federal courts located in the state of New York. The undersigned and PVN hereby irrevocably waive any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon forum non conveniens. The parties executing this Lock-Up Agreement and other agreements referred to herein or delivered in connection herewith agree to submit to the in personam jurisdiction of such courts and hereby irrevocably waive trial by jury. The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs. In the event that any provision of this Lock-Up Agreement or any other agreement delivered in connection herewith is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of any agreement. Notices hereunder shall be given in the same manner as set forth in the Purchase Agreement. Each party hereby irrevocably waives personal service of process and consents to process being served in any suit, action or proceeding in connection with this Lock-Up Agreement or any other Transaction Document by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Lock-Up Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law. The undersigned irrevocably appoints PVN its true and lawful agent for service of process upon whom all processes of law and notices may be served and given in the manner described above; and such service and notice shall be deemed valid personal service and notice upon the undersigned with the same force and validity as if served upon the undersigned.

This Lock-Up Agreement may be executed in several counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument. The exchange of a fully executed Lock-Up Agreement (in counterparts or otherwise) by PVN, the Purchasers and the undersigned by facsimile or electronic transmission in .pdf format shall be sufficient to bind such parties to the terms and conditions of this Lock-Up Agreement.

(Signature Page Follows)

Signature Page

Print Name of Stockholder: _____

Signature (for individuals): _____

Signature (for entities):

By: _____
Name: _____
Title: _____

Number of Ordinary Shares directly owned by Stockholder:_____

Number of Ordinary Shares Equivalents directly owned by Stockholder: _____

Consisting of_____

_____

Number of Ordinary Shares beneficially owned by Stockholder:___

Presently held as follows: __ _____

_____

Number of Ordinary Shares Equivalents beneficially owned by Stockholder: ____

Consisting of _____

_____

Excluded Securities: _____

_____

AGREED, APPROVED AND ACKNOWLEDGED:

P.V. NANO CELL LTD.

By: _____
Name: Dr. Fernando de la Vega
Title: CEO

[Signature Page to Lock-Up Agreement]

EXHIBIT F

ACCREDITED INVESTOR QUESTIONNAIRE
IN CONNECTION WITH INVESTMENT IN CONVERTIBLE NOTE
P.V. NANO CELL LTD.,
A CORPORATION FORMED UNDER THE LAWS OF THE STATE OF ISRAEL
PURSUANT TO SECURITIES PURCHASE AGREEMENT DATED AUGUST ___, 2017

TO: P.V. Nano Cell Ltd.
c/o Greenberg Traurig, P.A.
333 S.E. 2nd Avenue
Miami, FL 33131
Fax: 305-961-5756

INSTRUCTIONS

PLEASE ANSWER ALL QUESTIONS. If the appropriate answer is "None" or "Not Applicable", so state. Please print or type your answers to all questions. Attach additional sheets if necessary to complete your answers to any item.

Your answers will be kept strictly confidential at all times. However, P.V. Nano Cell Ltd. (the "Company") may present this Questionnaire to such parties as it deems appropriate in order to assure itself that the offer and sale of securities of the Company will not result in a violation of the registration provisions of the Securities Act of 1933, as amended, or a violation of the securities laws of any state.

1. Please provide the following information:

Name:

Name of additional purchaser: _____
(Please complete information in Question 5)

Date of birth, or if other than an individual, year of organization or incorporation:

2. Residence address, or if other than an individual, principal office address:

Telephone number:

Social Security Number:

Taxpayer Identification Number:

3. Business address:

Business telephone number:

4. Send mail to: Residence _____ Business _____

5. With respect to tenants in common, joint tenants and tenants by the entirety, complete only if information differs from that above:

Residence address:

Telephone number:

Social Security Number:

Taxpayer Identification Number:

Business address:

Business telephone number:

Send Mail to: Residence _____ Business _____

6. Please describe your present or most recent business or occupation and indicate such information as the nature of your employment, how long you have been employed there, the principal business of your employer, the principal activities under your management or supervision and the scope (e.g. dollar volume, industry rank, etc.) of such activities:

7. Please state whether you (i) are associated with or affiliated with a member of the Financial Industry Regulatory Association, Inc. ("FINRA"), (ii) are an owner of stock or other securities of FINRA member (other than stock or other securities purchased on the open market), or (iii) have made a subordinated loan to any FINRA member:

Yes _____ No _____

If you answered yes to any of (i) – (iii) above, please indicate the applicable answer and briefly describe the facts below:

8A. Applicable to Individuals ONLY. Please answer the following questions concerning your financial condition as an Accredited Investor (within the meaning of Rule 501 of Regulation D). If the purchaser is more than one individual, each individual must initial an answer where the question indicates a "yes" or "no" response and must answer any other question fully, indicating to which individual such answer applies. If the purchaser is purchasing jointly with his or her spouse, one answer may be indicated for the couple as a whole:

8.1 Does your net worth* (or joint net worth with your spouse) exceed $1,000,000?

Yes _____ No _____

8.2 Did you have an individual income** in excess of $200,000 or joint income together with your spouse in excess of $300,000 in each of the two most recent years and do you reasonably expect to reach the same income level in the current year?

Yes _____ No _____

8.3 Are you an executive officer of the Company?

Yes _____ No _____

* For purposes hereof, net worth shall be deemed to include ALL of your assets, liquid or illiquid MINUS any liabilities.

** For purposes hereof, the term "income" is not limited to "adjusted gross income" as that term is defined for federal income tax purposes, but rather includes certain items of income which are deducted in computing "adjusted gross income". For investors who are salaried employees, the gross salary of such investor, minus any significant expenses personally incurred by such investor in connection with earning the salary, plus any income from any other source including unearned income, is a fair measure of "income" for purposes hereof. For investors who are self-employed, "income" is generally construed to mean total revenues received during the calendar year minus significant expenses incurred in connection with earning such revenues.

8.B Applicable to Corporations, Partnerships, Trusts, Limited Liability Companies and other Entities ONLY:

The purchaser is an Accredited Investor because the purchaser falls within at least one of the following categories (Check all appropriate lines):

____ (i) a bank as defined in Section 3(a)(2) of the Act or a savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Act whether acting in its individual or fiduciary capacity;

____ (ii) a broker-dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, as amended;

____ (iii) an insurance company as defined in Section 2(13) of the Act;

____ (iv) an investment company registered under the Investment Company Act of 1940, as amended (the "Investment Act") or a business development company as defined in Section 2(a)(48) of the Investment Act;

____ (v) a Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958, as amended;

____ (vi) a plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, where such plan has total assets in excess of $5,000,000;

____ (vii) an employee benefit plan within the meaning of Title 1 of the Employee Retirement Income Security Act of 1974, as amended (the "Employee Act"), where the investment decision is made by a plan fiduciary, as defined in Section 3(21) of the Employee Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or an employee benefit plan that has total assets in excess of $5,000,000, or a self-directed plan the investment decisions of which are made solely by persons that are Accredited Investors;

____ (viii) a private business development company, as defined in Section 202(a)(22) of the Investment Advisers Act of 1940, as amended;

____ (ix) an organization described in Section 501(c)(3) of the Internal Revenue Code, a corporation, a Massachusetts or similar business trust, or a partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of $5,000,000;

____ (x) a trust, with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a "sophisticated" person, as described in Rule 506(b)(2)(ii) promulgated under the Act, who has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of the prospective investment;

____ (xi) an entity in which all of the equity investors are persons or entities described above ("Accredited Investors"). ALL EQUITY OWNERS MUST COMPLETE "EXHIBIT A" ATTACHED HERETO.

9.A Do you have sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks associated with investing in the Company?

Yes _____ No _____

ANSWER QUESTION 9B ONLY IF THE ANSWER TO QUESTION 9A WAS "NO."

9.B If the answer to Question 9A was "NO," do you have a financial or investment adviser (a) that is acting in the capacity as a purchaser representative and (b) who has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks associated with investing in the Company?

Yes _____ No _____

If you have a financial or investment adviser(s), please identify each such person and indicate his or her business address and telephone number in the space below. (Each such person must complete, and you must review and acknowledge, a separate Purchaser Representative Questionnaire which will be supplied at your request).

10. You have the right, will be afforded an opportunity, and are encouraged to investigate the Company and review relevant factors and documents pertaining to the officers of the Company, and the Company and its business and to ask questions of a qualified representative of the Company regarding this investment and the properties, operations, and methods of doing business of the Company.

Have you or has your purchaser representative, if any, conducted any such investigation, sought such documents or asked questions of a qualified representative of the Company regarding this investment and the properties, operations, and methods of doing business of the Company?

Yes _____ No _____

If so, briefly describe:

If so, have you completed your investigation and/or received satisfactory answers to your questions?

Yes _____ No _____

11. Do you understand the nature of an investment in the Company and the risks associated with such an investment?

Yes _____ No _____

12. Do you understand that there is no guarantee of any financial return on this investment and that you will be exposed to the risk of losing your entire investment?

Yes _____ No _____

13. Do you understand that this investment is not liquid?

Yes _____ No _____

14. Do you have adequate means of providing for your current needs and personal contingencies in view of the fact that this is not a liquid investment?

Yes _____ No _____

15. Are you aware of the Company's business affairs and financial condition, and have you acquired all such information about the Company as you deem necessary and appropriate to enable you to reach an informed and knowledgeable decision to acquire the Interests?

Yes _____ No _____

16. Do you have a "pre-existing relationship" with the Company or any of the officers of the Company?

Yes _____ No _____

(For purposes hereof, "pre-existing relationship" means any relationship consisting of personal or business contacts of a nature and duration such as would enable a reasonably prudent investor to be aware of the character, business acumen, and general business and financial circumstances of the person with whom such relationship exists.)

If so, please name the individual or other person with whom you have a pre-existing relationship and describe the relationship:

_____

_____

17. Exceptions to the representations and warranties made in Section 3.2 of the Securities Purchase Agreement (if no exceptions, write "none" – if left blank, the response will be deemed to be "none"):_____

_____

Dated:_____, 2017

If purchaser is one or more individuals (all individuals must sign):

(Type or print name of prospective purchaser)

Signature of prospective purchaser

Social Security Number

(Type or print name of additional purchaser)

Signature of spouse, joint tenant, tenant in common or other signature, if required

Social Security Number

Annex A

Definition of Accredited Investor

The securities will only be sold to investors who represent in writing in the Securities Purchase Agreement that they are Accredited Investors, as defined in Regulation D, Rule 501 under the Act which definition is set forth below:

1. A natural person whose net worth, or joint net worth with spouse, at the time of purchase exceeds $1 million (excluding home); or

2. A natural person whose individual gross income exceeded $200,000 or whose joint income with that person's spouse exceeded $300,000 in each of the last two years, and who reasonably expects to exceed such income level in the current year; or

3. A trust with total assets in excess of $5 million, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person described in Regulation D; or

4. A director or executive officer of the Company; or

5. The investor is an entity, all of the owners of which are Accredited Investors; or

6. (a) bank as defined in Section 3(a)(2) of the Act, or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Act, (b) any broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, (c) an insurance Company as defined in Section 2(13) of the Act, (d) an investment Company registered under the Investment Company Act of 1940 or a business development Company as defined in Section 2(a)(48) of such Act, (e) a Small Business Investment Company licensed by the United States Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958, (f) an employee benefit plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, if such plan has total assets in excess of $5 million, (g) an employee benefit plan within the meaning of Title I of the Employee Retirement Income Securities Act of 1974, and the employee benefit plan has assets in excess of $5 million, or the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such act, that is either a bank, savings and loan institution, insurance Company, or registered investment advisor, or, if a self-directed plan, with an investment decisions made solely by persons that are Accredited Investors, (h) a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940, or (i) an organization described in Section 501(c)(3) of the Internal Revenue code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with assets in excess of $5 million.

EXHIBIT “A” TO ACCREDITED INVESTOR QUESTIONNAIRE

ACCREDITED CORPORATIONS, PARTNERSHIPS, LIMITED LIABILITY COMPANIES, TRUSTS OR OTHER ENTITIES INITIALING QUESTION 8B(xi) MUST PROVIDE THE FOLLOWING INFORMATION.

I hereby certify that set forth below is a complete list of all equity owners in_____ [**NAME OF ENTITY**], a [**TYPE OF ENTITY**] formed pursuant to the laws of the State of. I also certify that EACH SUCH OWNER HAS INITIALED THE SPACE OPPOSITE HIS OR HER NAME and that each such owner understands that by initialing that space he or she is representing that he or she is an accredited individual investor satisfying the test for accredited individual investors indicated under “Type of Accredited Investor.”

signature of authorized corporate officer, general partner or trustee

Name of Equity Owner	Type of Accredited Investor[1]
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	

1 Indicate which Subparagraph of 8.1 - 8.3 the equity owner satisfies.

Exhibit 4.21

SECURITIES PURCHASE AGREEMENT

This Securities Purchase Agreement (this "Agreement") is dated as of _____ ___, 2017, between P.V. Nano Cell Ltd., a corporation formed under the laws of the State of Israel (the "Company"), and each purchaser identified on the signature pages hereto (each, including its successors and permitted assigns, a "Purchaser" and collectively, the "Purchasers").

WHEREAS, subject to the terms and conditions set forth in this Agreement and pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"), and Rule 506 promulgated thereunder, the Company desires to issue and sell to each Purchaser, and each Purchaser, severally and not jointly, desires to purchase from the Company, securities of the Company as more fully described in this Agreement (the "Offering").

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants contained in this Agreement, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Company and each Purchaser agree as follows:

ARTICLE I.
DEFINITIONS

1.1 Definitions. In addition to the terms defined elsewhere in this Agreement: (a) capitalized terms that are not otherwise defined herein have the meanings given to such terms in the Notes (as defined herein), and (b) the following terms have the meanings set forth in this Section 1.1:

"Acquiring Person" shall have the meaning ascribed to such term in Section 4.7.

"Action" shall have the meaning ascribed to such term in Section 3.1(j).

"Affiliate" means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person, as such terms are used in and construed under Rule 405 under the Securities Act.

"Board of Directors" means the board of directors of the Company.

"Business Day" means any day except any Saturday, any Sunday, any day which is a federal legal holiday in the United States or any day on which banking institutions in the State of New York are required by law or other governmental action to close.

"Closing" means the closing of the purchase and sale of the Securities pursuant to Section 2.1.

"Closing Date" means the Business Day on which all of the Transaction Documents have been executed and delivered by the applicable parties thereto, and all conditions precedent to (i) the Purchasers' obligation to pay the Subscription Amount at such Closing, and (ii) the Company's obligations to deliver the Securities to be issued and sold at such Closing, in each case, have been satisfied or waived, but in no event later than the tenth (10^{th}) Business Day following the date hereof.

"Commission" means the United States Securities and Exchange Commission.

"Company Counsel" means, Greenberg Traurig, P.A., 333 S.E. 2nd Avenue, Miami, FL 33131, Attn: Robert L. Grossman, Esq., facsimile: 305-961-5756, and Primes, Shiloh, Givon, Meir - Law Firm Attn. Meytal Katz, Adv.16 Derech Hayam St., Haifa 3474110, Israel Tel. +972-4-8388332 Direct. +972-4-6978223 Fax. +972-4-8381401, meytal@pgs-law.co.il

"Conversion Price" shall have the meaning ascribed to such term in the Notes.

"Digiflex" shall mean Digiflex Ltd.

"Disclosure Schedules" means the Disclosure Schedules of the Company delivered concurrently herewith.

"Disqualification Event" shall have the meaning ascribed to such term in Section 3.1(oo).

"Effective Date" means the earliest of the date that (a) a Registration Statement, has been declared effective by the Commission with respect to all of the Underlying Shares, or (b) (i) all of the Underlying Shares have been sold pursuant to Rule 144, or (ii) may be sold by the holders thereof pursuant to Rule 144 without the requirement for the Company to be in compliance with the current public information requirements of Rule 144 and without volume or manner-of-sale restrictions, and (c) Company counsel has delivered to the Transfer Agent and Purchasers a standing written unqualified opinion acceptable to the Transfer Agent that resales may then be made by such holders of the Underlying Shares pursuant to an effective Registration Statement or other registration statement or the exemption described in (b)(ii) above, which opinion shall be in form and substance acceptable to Purchasers.

"Equity Line of Credit" shall have the meaning ascribed to such term in Section 4.13.

"Evaluation Date" shall have the meaning ascribed to such term in Section 3.1(r).

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Exempt Issuance" means the issuance of (a) Ordinary Shares and options to officers, directors, or employees of the Company, prior to and after the Closing Date up to the amounts and terms set forth on Schedule 4.13 pursuant to the Stock Option Plan, (b) except as described below, other securities exercisable or exchangeable for or convertible into Ordinary Shares issued and outstanding on the date of this Agreement or which the Company is otherwise actually or contingently committed to issue on the date of this Agreement including securities to be issued in connection with the merger with Digiflex as described in the SEC Reports as modified by the Disclosure Schedules hereto and to Sunrise or any other broker-dealer involved in the sale of convertible debt instruments and Ordinary Share purchase warrants to Subsequent Purchasers (as defined in subsection (f) of this paragraph, provided that such securities and any term thereof have not been amended since the date of this Agreement to increase the number of such securities or to decrease the issue price, exercise price, exchange price or conversion price of such securities and which securities and the principal terms thereof are set forth on Schedule 3.1(g), and described in the SEC Reports filed not later than five (5) days before the Closing Date, (c) securities issued pursuant to acquisitions or strategic transactions approved by a majority of the disinterested directors of the Company, provided that any such issuance shall only be to a Person (or to the equity holders of a Person) which is, itself or through its subsidiaries, an operating company or an owner of an asset in a business synergistic with the business of the Company and shall be intended to provide to the Company substantial additional benefits in addition to the investment of funds, but shall not include a transaction in which the Company is issuing securities for the purpose of raising capital or to an entity whose primary business is investing in securities, (d) as otherwise described on Schedule 3.1(g) as an Exempt Issuance, (e) securities issued or issuable to the Purchasers and their assigns pursuant to this Agreement, the Notes or the Warrants and other Transaction Documents including without limitation, Section 4.17 herein, or upon exercise or conversion of any such securities (subject to adjustment for forward and reverse stock splits and the like that occur after the date hereof), and (f) convertible debt instruments in the principal amount not exceeding US$2,000,000, including $333,333 of convertible notes and Ordinary Share purchase warrants sold to Alpha Capital Anstalt (the "Previous Purchaser") prior to the date hereof and the Notes and Warrants being sold pursuant to this Agreement, as well as convertible debt instruments and warrants issued and issuable to other purchasers ("Subsequent Purchasers") or any Ordinary Shares issued pursuant to such convertible debt instruments and Ordinary Share purchase warrants on terms in no way more advantageous or preferable to such other purchasers of Notes and Warrants than the terms of the Offering and Transaction Documents and which issuances will not be inconsistent with or make burdensome the Company's compliance with obligations and undertakings to Purchasers herein, as well as Ordinary Shares issued pursuant to such convertible debt instruments and Ordinary Share purchase warrants previously sold to the Previous Purchaser (sales of Securities in this Offering and sales of convertible debt instruments and Ordinary Share purchase warrants to Subsequent Purchasers and previously sold to the Previous Purchaser are hereinafter collectively the "Aggregate Offering"). The Outstanding Equity Line is not an Exempt Issuance.

"Exercise Price" shall have the meaning ascribed to such term in the Warrants.

"FCPA" means the Foreign Corrupt Practices Act of 1977, as amended.

"FDA" shall have the meaning ascribed to such term in Section 3.1(nn).

"FDCA" shall have the meaning ascribed to such term in Section 3.1(nn).

"Federal and State Securities Laws" means the federal securities laws of the United States and the states of the United States, as applicable.

"Form 6-K" shall have the meaning ascribed to such term in Section 4.6.

"GAAP" shall have the meaning ascribed to such term in Section 3.1(h).

"G&M" shall mean Grushko & Mittman, P.C., with offices located at 515 Rockaway Avenue, Valley Stream, New York 11581, Fax: 212-697-3575.

"Indebtedness" shall have the meaning ascribed to such term in Section 3.1(z).

"Intellectual Property Rights" shall have the meaning ascribed to such term in Section 3.1(o).

"Issuer Covered Person" shall have the meaning ascribed to such term in Section 3.1(oo).

"Legend Removal Date" shall have the meaning ascribed to such term in Section 4.1(d).

"Lien" means a lien, charge, pledge, security interest, encumbrance, right of first refusal, preemptive right or other restriction.

"Listing Default" shall have the meaning ascribed to such term in Section 4.11(c).

"Lockup Agreement" means the form of Lockup Agreement annexed hereto as Exhibit D.

"Majority in Interest" shall have the meaning ascribed to such term in Section 5.5.

"Material Adverse Effect" shall have the meaning assigned to such term in Section 3.1(b).

"Material Permits" shall have the meaning ascribed to such term in Section 3.1(m).

"Maximum Rate" shall have the meaning ascribed to such term in Section 5.17.

"Money Laundering Laws" shall have the meaning ascribed to such term in Section 3.1(gg).

"Notes" means the senior secured convertible notes issuable pursuant to this Agreement, in the form of Exhibit A hereto.

"OFAC" shall have the meaning ascribed to such term in Section 3.1(ii).

"Outstanding Equity Line" means the Standby Equity Distribution Agreement between the Company and YA Global entered into on July 9, 2015, and described in the Company's Form 20-F for the year ended December 31, 2016.

"Ordinary Shares" means the Ordinary Shares of the Company, par value NIS 0.01 per share, and any other class of securities into which such securities may hereafter be reclassified or changed.

"Ordinary Shares Equivalents" means any securities of the Company or any Subsidiary which would entitle the holder thereof to acquire at any time Ordinary Shares, including, without limitation, any debt, preferred stock, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Ordinary Shares.

"Participation Maximum" shall have the meaning ascribed to such term in Section 4.17(a).

"Permitted Indebtedness" means (a) any liabilities or indebtedness existing as of the date hereof described on Schedule 3.1(z), (b) any liabilities for borrowed money or amounts owed not in excess of $150,000 in the aggregate (other than trade accounts payable incurred in the ordinary course of business) incurred after the date hereof, (c) all guaranties, endorsements and other contingent obligations in respect of indebtedness of others described on Schedule 1.1, whether or not the same are or should be reflected in the Company's consolidated balance sheet (or the notes thereto) not affecting more than $150,000 in the aggregate, except guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business; (c) the present value of any lease payments not in excess of $150,000 due under leases required to be capitalized in accordance with GAAP and incurred after the date hereof; and (d) any liabilities for borrowed money that are junior to the Notes pursuant to an intercreditor agreement acceptable to Purchasers and the holders of which are not granted any security interest.

"Permitted Lien" means the individual and collective reference to the following: (a) Liens for taxes, assessments and other governmental charges or levies not yet due or Liens for taxes, assessments and other governmental charges or levies being contested in good faith and by appropriate proceedings for which adequate reserves (in the good faith judgment of the management of the Company) have been established in accordance with GAAP, (b) Liens imposed by law which were incurred in the ordinary course of the Company's business, such as carriers', warehousemen's and mechanics' Liens, statutory landlords' Liens, and other similar Liens arising in the ordinary course of the Company's business, and which (x) do not individually or in the aggregate materially detract from the value of such property or assets or materially impair the use thereof in the operation of the business of the Company and its consolidated Subsidiaries or (y) are being contested in good faith by appropriate proceedings, which proceedings have the effect of preventing for the foreseeable future the forfeiture or sale of the property or asset subject to such Lien, and (c) Liens in connection with Permitted Indebtedness under clauses (a) and (b) thereunder, and Liens incurred in connection with Permitted Indebtedness under clause (c) thereunder, provided that such Liens are not secured by assets of the Company or its Subsidiaries other than the assets so acquired or leased.

"Person" means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

"Pre-Notice" shall have the meaning ascribed to such term in Section 4.17(b).

"Proceeding" means an action, claim, suit, investigation or proceeding (including, without limitation, an informal investigation or partial proceeding, such as a deposition), whether commenced or threatened.

"Pro-Rata Portion" shall have the meaning ascribed to such term in Section 4.17(e).

"Public Information Failure" shall have the meaning ascribed to such term in Section 4.3(b).

"Public Information Failure Payments" shall have the meaning ascribed to such term in Section 4.3(b).

"Purchaser Party" shall have the meaning ascribed to such term in Section 4.10.

"Registration Statement" means an effective registration statement filed with the Commission and covering the resale of all of the Underlying Shares held or issuable to each Purchaser as provided.

"Required Approvals" shall have the meaning ascribed to such term in Section 3.1(e).

"Required Minimum" means, as of any date, the maximum aggregate number of Ordinary Shares then issued or potentially issuable in the future pursuant to the Transaction Documents, including any Underlying Shares issuable upon exercise in full of all Warrants or conversion in full of all Notes, ignoring any conversion or exercise limits set forth therein, and assuming that any previously unconverted Notes will be held until the third anniversary of the issue date of such Notes.

"Rule 144" means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

"SEC Reports" shall have the meaning ascribed to such term in Section 3.1(h).

"Securities" means the Notes, the Warrants, and the Underlying Shares.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Short Sales" means "short sales" as defined in Rule 200 of Regulation SHO under the Exchange Act and all types of direct and indirect stock pledges, forward sale contracts, options, puts, calls, swaps and similar arrangements (including on a total return basis) whether such transactions are made through U.S. or non-U.S. broker dealers or foreign regulated brokers.

"Stock Option Plan" means the unamended P.V. Nano Cell Ltd. 2010 Option Plan identified as exhibit 10.18 to the Company's Form 20-F for the year ended December 31, 2016.

"Subscription Amount" means, as to each Purchaser, the aggregate amount to be paid for the Notes and Warrants purchased hereunder at the Closing as specified below such Purchaser's name on the signature page of this Agreement and next to the heading "Subscription Amount," in United States dollars and in immediately available funds.

"Subsequent Financing" shall have the meaning ascribed to such term in Section 4.17(a).

"Subsequent Financing Notice" shall have the meaning ascribed to such term in Section 4.17(b).

"Subsequent Purchasers" shall have the meaning ascribed to that term in the definition of Exempt Issuance.

"Subsidiary" means with respect to any entity at any date, any direct or indirect corporation, limited or general partnership, limited liability company, trust, estate, association, joint venture or other business entity of which (A) more than 50% of (i) the outstanding capital stock having (in the absence of contingencies) ordinary voting power to elect a majority of the board of directors or other managing body of such entity, (ii) in the case of a partnership or limited liability company, the interest in the capital or profits of such partnership or limited liability company or (iii) in the case of a trust, estate, association, joint venture or other entity, the beneficial interest in such trust, estate, association or other entity business is, at the time of determination, owned or controlled directly or indirectly through one or more intermediaries, by such entity, or (B) is under the actual control of the Company.

"Sunrise" shall mean Sunrise Securities LLC.

"Termination Date" shall have the meaning ascribed to such term in Section 2.1.

"Trading Day" means a day on which the principal Trading Market is open for trading, and if the Company has no Trading Market, shall mean a Business Day.

"Trading Market" means any of the following markets or exchanges on which the Ordinary Shares are listed or quoted for trading on the date in question: the NYSE MKT, the NASDAQ Capital Market, the NASDAQ Global Market, the NASDAQ Global Select Market, the New York Stock Exchange, the OTC Bulletin Board, the OTCQB, or the OTCQX (or any successors to any of the foregoing). As of the Closing Date, the OTCQB is the principal Trading Market.

"Transaction Documents" means this Agreement, the Notes, the Warrants, Lockup Agreements, all exhibits and schedules thereto and hereto and any other documents or agreements executed in connection with the transactions contemplated hereunder.

"Transfer Agent" means VStock Transfer, LLC and any successor transfer agent of the Company.

"Underlying Shares" means the Ordinary Shares issued and issuable upon conversion of the Notes and upon exercise of the Warrants and issued and issuable in lieu of the cash payment of interest on the Notes in accordance with the terms of the Notes and any other Ordinary Shares issued or issuable to a Purchaser in connection with or pursuant to the Securities or Transaction Documents.

"Unlegended Shares" shall have the meaning ascribed to such term in Section 4.1(d).

"Variable Priced Equity Linked Instruments" shall have the meaning ascribed to such term in Section 4.13.

"Variable Rate Transaction" shall have the meaning ascribed to such term in Section 4.13.

"VWAP" means, for any date, the price determined by the first of the following clauses that applies: (a) if the Ordinary Shares are then listed or quoted on a Trading Market, the daily volume weighted average price of the Ordinary Shares for such date (or the nearest preceding date) on the Trading Market on which the Ordinary Shares are 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)), (b) if any of the NASDAQ markets or exchanges is not a Trading Market, the volume weighted average price of the Ordinary Shares for such date (or the nearest preceding date) on the OTC Bulletin Board, (c) if the Ordinary Shares are not then listed or quoted for trading on the OTC Bulletin Board and if prices for the Ordinary Shares are then reported on the OTCQX, OTCQB or OTC Pink Marketplace maintained by the OTC Markets Group, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the volume weighted average price of the Ordinary Shares on the first such facility (or a similar organization or agency succeeding to its functions of reporting prices), or (d) in all other cases, the fair market value of a share of Ordinary Shares as determined by an independent appraiser selected in good faith by the Purchasers of a Majority in Interest then outstanding and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

"Warrants" means the Ordinary Shares purchase warrants delivered to the Purchasers at the Closing in accordance with Section 2.2(a) hereof in the form of Exhibit B attached hereto.

"Warrant Shares" means the Ordinary Shares issuable upon exercise of the Warrants.

ARTICLE II.
PURCHASE AND SALE

2.1 Closing. On the Closing Date, upon the terms and subject to the conditions set forth herein, substantially concurrent with the execution and delivery of this Agreement by the parties hereto, the Company agrees to sell, and the Purchasers, severally and not jointly, agree to purchase, an aggregate of up to US$_____ principal amount of Notes and Warrants as determined pursuant to Section 2.2(a) (such purchase and sale being the "Closing"). Each Purchaser shall deliver to the Company such Purchaser's Subscription Amount, and the Company shall deliver to such Purchaser its respective Note and Warrants, as determined pursuant to Section 2.2(a), and the Company and Purchaser shall deliver the other items set forth in Section 2.2 deliverable at the Closing. Upon satisfaction of the covenants and conditions set forth in Sections 2.2 and 2.3, the Closing shall occur at the offices of Greenberg Traurig, P.A. or such other location as the parties shall mutually agree. Notwithstanding anything herein to the contrary, the Closing Date shall occur on or before_____, 2017 (the "Termination Date"). If the Closing is not held on or before the Termination Date, the Company shall cause all subscription documents and funds to be returned, without interest or deduction to each prospective Purchaser.

2.2 Deliveries.

(a) On or prior to the Closing Date, the Company shall deliver or cause to be delivered to each Purchaser the following:

(i) this Agreement duly executed by the Company;

(ii) a Note with a principal amount of $1.00 for each $0.90 of Subscription Amount paid by each Purchaser registered in the name of such Purchaser;

(iii) Warrants in the form of Exhibit B hereto registered in the names of such Purchaser to purchase up to a number of Ordinary Shares equal to 100% of such Purchaser's principal Note amount divided by the Conversion Price in effect on the Closing Date with a per share Exercise Price of $1.20, subject to adjustment as provided therein;

(iv) a copy the Lockup Agreement signed by each of the holders of the Company's securities identified on Schedule 2.2(a)(v);

(v) a certificate of the Principal Executive Officer and Chief Executive Officer (each as defined in the Exchange Act) of the Company, dated as of the Closing Date, in which such officer shall certify that the conditions set forth in Section 2.3(b) have been fulfilled; and

(vi) Secretary's certificate containing (i) copies of the text of the resolutions by which the corporate action on the part of the Company necessary to approve this Agreement and the other Transaction Documents and the transactions and actions contemplated hereby and thereby, which shall be accompanied by a certificate of the corporate secretary or assistant corporate secretary of the Company dated as of the Closing Date certifying to the Purchasers that such resolutions were duly adopted and have not been amended or rescinded, (ii) an incumbency certificate dated as of the Closing Date executed on behalf of the Company by its corporate secretary or one of its assistant corporate secretaries certifying the office of each officer of the Company executing this Agreement, or any other agreement, certificate or other instrument executed pursuant hereto, and (iii) copies of (A) the Company's Articles of Association in effect on the Closing Date, and (B) the certificate evidencing the existence of Company as of a day within sixty (60) Business Days prior to the Closing Date; and

(b) On or prior to the Closing Date, each Purchaser shall deliver or cause to be delivered to the Company the following:

(i) this Agreement duly executed by such Purchaser; and

(ii) such Purchaser's Subscription Amount by wire transfer to the Company.

Each Purchaser hereby acknowledges that the Previous Purchaser has certain rights that the Purchasers hereunder do not have, including without limitation the Previous Purchaser's right to require that interest on the notes be paid in cash instead of shares if certain conditions are not met and the right to prevent subsequent investors from obtaining registration rights if certain milestones have not been attained. In addition, the Previous Purchaser has received a legal opinion from Company Counsel and a certificate of existence of the Company within five (5) days of its closing date as opposed to sixty (60) days under this Agreement. These rights have been relinquished by each Purchaser in order to reduce the Company's expenses, to preserve cash and to limit the restrictions on the Company's ability to obtain additional capital infusions.

2.3 Closing Conditions.

(a) The obligations of the Company hereunder to effect Closing, unless waived by the Company, are subject to the following conditions being met:

(i) the accuracy in all material respects (determined without regard to any materiality, Material Adverse Effect or other similar qualifiers therein) on the Closing Date of the representations and warranties of the Purchasers contained herein (unless as of a specific date therein in which case they shall be accurate as of such date);

(ii) all obligations, covenants and agreements of each Purchaser required to be performed at or prior to the Closing Date shall have been performed; and

(iii) the delivery by each Purchaser of the items set forth in Section 2.2(b) of this Agreement.

(b) The respective obligations of a Purchaser hereunder to effect a Closing, unless waived by such Purchaser, are subject to the following conditions being met:

(i) the accuracy in all material respects (determined without regard to any materiality, Material Adverse Effect or other similar qualifiers therein) on the Closing Date of the representations and warranties of the Company contained herein (unless as of a specific date therein in which case they shall be accurate as of such date);

(ii) all obligations, covenants and agreements of the Company required to be performed at or prior to the Closing Date shall have been performed;

(iii) the Company shall have received executed signature pages to this Agreement with an aggregate cash Subscription Amount of up to $_____ prior to the Closing;

(iv) the delivery by the Company of the items set forth in Section 2.2(a) of this Agreement;

(v) there shall have been no Material Adverse Effect with respect to the Company since the date hereof; and

(vi) from the date hereof to the Closing Date, trading in the Ordinary Shares shall not have been suspended by the Commission or the Company's principal Trading Market, and, at any time prior to the Closing Date, trading in securities generally as reported by Bloomberg L.P. shall not have been suspended or limited, or minimum prices shall not have been established on securities whose trades are reported by such service, or on any Trading Market, nor shall a banking moratorium have been declared either by the United States or New York State authorities nor shall there have occurred any material outbreak or escalation of hostilities or other national or international calamity of such magnitude in its effect on, or any material adverse change in, any financial market which, in each case, in the reasonable judgment of such Purchaser, makes it impracticable or inadvisable to purchase the Securities at the Closing.

ARTICLE III.
REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of the Company . Except as set forth in the SEC Reports or the Disclosure Schedules, which Disclosure Schedules shall be deemed a part hereof and shall qualify a representation made herein only to the extent of the disclosure contained in the corresponding section of the Disclosure Schedules the Company hereby makes the following representations and warranties to each Purchaser:

(a) Subsidiaries. All of the direct and indirect subsidiaries of the Company and the Company's ownership interests therein are set forth on Schedule 3.1(a). The Company owns, directly or indirectly, all of the capital stock or other equity interests of each Subsidiary free and clear of any Liens, and all of the issued and outstanding shares of capital stock of each Subsidiary are validly issued and are fully paid, non-assessable and free of preemptive and similar rights to subscribe for or purchase securities.

(b) Organization and Qualification. The Company and each Subsidiary is an entity duly incorporated or otherwise organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, with the requisite power and authority to own and use its properties and assets and to carry on its business as currently conducted. Neither the Company nor any Subsidiary is in violation nor default of any of the provisions of its respective articles of association, certificate or articles of incorporation, bylaws or other organizational or charter documents. Each of the Company and each Subsidiary is duly qualified to conduct business and is in good standing as a foreign corporation or other entity in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, would not reasonably be expected to result in: (i) a material adverse effect on the legality, validity or enforceability of any Transaction Document, (ii) a material adverse effect on the results of operations, assets, business, or condition (financial or otherwise) of the Company and each Subsidiary, taken as a whole, or (iii) a material adverse effect on the Company's ability to perform in any material respect on a timely basis its obligations under any Transaction Document (any of (i), (ii) or (iii), a "Material Adverse Effect") and, no Proceeding has been instituted in any such jurisdiction revoking, limiting or curtailing or seeking to revoke, limit or curtail such power and authority or qualification.

(c) Authorization; Enforcement. The Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by this Agreement and each of the other Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and each of the other Transaction Documents by the Company and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of the Company and no further action is required by the Company, the Board of Directors or the Company's stockholders in connection herewith or therewith other than in connection with the Required Approvals. This Agreement and each other Transaction Document to which it is a party has been (or upon delivery will have been) duly executed by the Company and, when delivered in accordance with the terms hereof and thereof, will constitute the valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except: (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(d) No Conflicts. The execution, delivery and performance by the Company of this Agreement and the other Transaction Documents, the issuance and sale of the Securities and the consummation by it of the transactions contemplated hereby and thereby to which it is a party do not and will not: (i) conflict with or violate any provision of the Company's or any Subsidiary's articles of association, certificate or articles of incorporation, bylaws or other organizational or charter documents, (ii) conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, result in the creation of any Lien upon any of the properties or assets of the Company or any Subsidiary, or give to others any rights of termination, amendment, acceleration, adjustment, exchange, reset, exercise or cancellation (with or without notice, lapse of time or both) of, any agreement, credit facility, debt, equity or other instrument (evidencing Company or Subsidiary equity, debt or otherwise) or other understanding to which the Company or any Subsidiary is a party or by which any property or asset of the Company or any Subsidiary is bound or affected, or (iii) conflict with or result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which the Company or a Subsidiary is subject (including Israeli and federal and state securities laws and regulations), or by which any property or asset of the Company or a Subsidiary is bound or affected; except in the case of each of clause (iii), such as would not reasonably be expected to result in a Material Adverse Effect.

(e) Filings, Consents and Approvals. The Company is not required to obtain any consent, waiver, authorization or order of, give any notice to, or make any filing or registration with, any court or other Israeli federal, state, local, foreign or other governmental authority or other Person in connection with the execution, delivery and performance by the Company of the Transaction Documents, other than: (i) the filings required pursuant to Section 4.6 of this Agreement, (ii) the filing of Form D with the Commission and such filings as are required to be made under applicable state securities laws, and (iii) the filings to be made under the Israeli Companies Law as described on Schedule 3.1(e). The Company represents that neither the Company nor any Subsidiary nor licensor of any Intellectual Property Rights or other rights or assets to the Company requires or will require the approval of the Israel Innovation Authority or similar or other agency to enter into and fulfill the Company's obligations pursuant to the Transaction Documents.

(f) Issuance of the Securities. The Securities are duly authorized and, when issued and paid for in accordance with the applicable Transaction Documents, will be duly and validly issued, fully paid and nonassessable, free and clear of all Liens except those created by Purchaser and restrictions on transfer arising pursuant to applicable securities laws. The Company has reserved from its duly authorized capital stock a number of Ordinary Shares for issuance of the Underlying Shares at least equal to the Required Minimum on the date hereof.

(g) Capitalization. The capitalization of the Company is as set forth in Schedule 3.1(g). The Company has not issued any capital stock since its most recently filed periodic report under the Exchange Act. Except as set forth on Schedule 3.1(g), no Person has any right of first refusal, preemptive right, right of participation, or any similar right to participate in the transactions contemplated by the Transaction Documents. Except as disclosed on Schedule 3.1(g), there are no outstanding options, employee or incentive stock option plans, warrants, scrip rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities, rights or obligations convertible into or exercisable or exchangeable for, or giving any Person any right to subscribe for or acquire any Ordinary Shares, or contracts, commitments, understandings or arrangements by which the Company or any Subsidiary is or may become bound to issue additional Ordinary Shares or Ordinary Shares Equivalents. The Company represents and warrants that as of the Closing Date, there is no outstanding equity line or similar arrangement passed by any Person which may be exercised by any Person or granting such Person the right to acquire Ordinary Shares or Ordinary Share Equivalents except for the Outstanding Equity Line. Except as set forth on Schedule 3.1(g), the issuance and sale of the Securities will not obligate the Company to issue Ordinary Shares or other securities to any Person (other than the Purchasers) and will not result in a right of any holder of Company securities to adjust the exercise, conversion, exchange or reset price under any of such securities. All of the outstanding shares of capital stock of the Company are duly authorized, validly issued, fully paid and nonassessable, have been issued in material compliance with all Israeli, federal and state securities laws, and none of such outstanding shares was issued in violation of any preemptive rights or similar rights to subscribe for or purchase securities. Except as contemplated by Section 3.1(e), no further approval or authorization of any stockholder, the Board of Directors or any other Person is required for the issuance and sale of the Securities. Except as set forth on Schedule 3.1(g), there are no stockholders agreements, voting agreements or other similar agreements with respect to the Company's capital stock to which the Company is a party or, to the knowledge of the Company, between or among any of the Company's stockholders.

(h) SEC Reports; Financial Statements. The Company has filed all reports, schedules, forms, statements and other documents required to be filed by the Company under the Securities Act and the Exchange Act, including pursuant to Section 13(a) or 15(d) thereof, for the two years preceding the date hereof (or such shorter period as the Company was required by law or regulation to file such material) (the foregoing materials, the exhibits thereto and documents incorporated by reference therein filed not later than five (5) days prior to the date hereof, being collectively referred to herein as the "SEC Reports") on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension. As of their respective dates, the SEC Reports complied in all material respects with the requirements of the Securities Act and the Exchange Act, as applicable, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The financial statements of the Company included in the SEC Reports comply in all material respects with applicable accounting requirements and the rules and regulations of the Commission with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis during the periods involved ("GAAP"), except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes required by GAAP, and fairly present in all material respects the financial position of the Company and its consolidated Subsidiaries as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments. The Company is, and has no reason to believe that it will not in the foreseeable future continue to be in compliance with all its reporting requirements under the Securities Act and Exchange Act.

(i) Material Changes; Undisclosed Events, Liabilities or Developments. Since the date of the latest audited financial statements included within the SEC Reports, except as specifically disclosed in a subsequent SEC Report filed prior to the date hereof : (i) there has been no event, occurrence or development that has had or that would reasonably be expected to result in a Material Adverse Effect, (ii) the Company has not incurred any material liabilities (contingent or otherwise) other than (A) trade payables and accrued expenses incurred in the ordinary course of business consistent with past practice and (B) liabilities not required to be reflected in the Company's financial statements pursuant to GAAP or disclosed in filings made with the Commission, (iii) the Company has not altered its method of accounting, (iv) the Company has not declared or made any dividend or distribution of cash or other property to its stockholders or purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock and (v) the Company has not issued any equity securities to any officer, director or Affiliate except pursuant to the Stock Option Plan as set forth on Schedule 3.1(i). The Company does not have pending before the Commission any request for confidential treatment of information. Except for the issuance of the Securities contemplated by this Agreement and the contemplated merger with Digiflex, as described in the SEC Reports, no event, liability, fact, circumstance, occurrence or development has occurred or exists or is reasonably expected to occur or exist with respect to the Company or its Subsidiaries or their respective businesses, properties, operations, assets or financial condition, that would be required to be disclosed by the Company under applicable securities laws at the time this representation is made or deemed made that has not been publicly disclosed at least two Trading Days prior to the date that this representation is made.

(j) Litigation. Except as set forth in the SEC Reports, there is no action, suit, inquiry, notice of violation, proceeding or investigation pending or, to the knowledge of the Company, threatened against or affecting the Company, any Subsidiary or any of their respective properties before or by any court, arbitrator, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign) (collectively, an "Action") which (i) adversely affects or challenges the legality, validity or enforceability of any of the Transaction Documents or the Securities or (ii) could, if there were an unfavorable decision, have or reasonably be expected to result in a Material Adverse Effect. Except as set forth in the SEC Reports, neither the Company nor any Subsidiary, nor, to our knowledge, any director or officer thereof, is or has been the subject of any Action involving a claim of violation of or liability under Israeli, federal or state securities laws or a claim of breach of fiduciary duty. Except as set forth in the SEC Reports, there has not been, and to the knowledge of the Company, there is not pending or contemplated, any investigation by the Commission involving the Company or any current or former director or officer of the Company. The Commission has not issued any stop order or other order suspending the effectiveness of any registration statement filed by the Company or any Subsidiary under the Exchange Act or the Securities Act.

(k) Labor Relations. No labor dispute exists or, to the knowledge of the Company, is imminent with respect to any of the employees of the Company or any Subsidiary, which would reasonably be expected to result in a Material Adverse Effect. None of the Company's or its Subsidiaries' employees is a member of a union that relates to such employee's relationship with the Company or such Subsidiary, and neither the Company nor any of its Subsidiaries is a party to a collective bargaining agreement except for collective bargaining agreements applicable to the Company under Israeli Law (extension orders), and the Company and its Subsidiaries believe that their relationships with their employees are good. To the knowledge of the Company, no executive officer of the Company or any Subsidiary, is, or is now expected to be, in violation of any material term of any employment contract, confidentiality, disclosure or proprietary information agreement or non-competition agreement, or any other contract or agreement or any restrictive covenant in favor of any third party, and the continued employment of each such executive officer does not subject the Company or any of its Subsidiaries to any liability with respect to any of the foregoing matters. The Company and its Subsidiaries are in compliance with all U.S. federal, state, local and foreign laws and regulations relating to employment and employment practices, terms and conditions of employment and wages and hours, except where the failure to be in compliance would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(l) Compliance. To the Company's knowledge, neither the Company nor any Subsidiary, except as disclosed on Schedule 3.1(l): (i) is in default under or in violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by the Company or any Subsidiary under), nor has the Company or any Subsidiary received notice of a claim that it is in default under or that it is in violation of, any indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived), (ii) is in violation of any judgment, decree or order of any court, arbitrator or other governmental authority or (iii) is or has been in violation of any statute, rule, ordinance or regulation of any governmental authority, including without limitation all foreign, federal, state and local laws relating to taxes, environmental protection, occupational health and safety, product quality and safety and employment and labor matters, except in each case as would not reasonably be expected to result in a Material Adverse Effect.

(m) Regulatory Permits. The Company and each Subsidiary possess all certificates, authorizations and permits issued by the appropriate federal, state, local or foreign regulatory authorities necessary to conduct their respective businesses as described in the SEC Reports, except where the failure to possess such permits would not reasonably be expected to result in a Material Adverse Effect ("Material Permits"), and neither the Company nor any Subsidiary has received any notice of proceedings relating to the revocation or modification of any Material Permit.

(n) Title to Assets. Except as disclosed on Schedule 3.1(n) and in the SEC Reports, the Company and each Subsidiary have good and marketable title in fee simple to all real property (if any) owned by them and good and marketable title in all personal property owned by them that is material to the business of the Company and each Subsidiary, in each case free and clear of all Liens, except for Permitted Liens and (i) Liens as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company and each Subsidiary and (ii) Liens for the payment of federal, state or other taxes, for which appropriate reserves have been made in accordance with GAAP and, the payment of which is neither delinquent nor subject to penalties. Any real property and facilities held under lease by the Company and each Subsidiary are held by them under valid, subsisting and enforceable leases with which the Company and each Subsidiary are in compliance.

(o) Intellectual Property. All of the Company's and Subsidiary's material Intellectual Property Rights are disclosed as required in the SEC Reports.

(i) The term "Intellectual Property Rights" means:

1.the name of the Company and each Subsidiary, all fictional business names, trading names, registered and unregistered trademarks, service marks, and applications of the Company and each Subsidiary (collectively, "Marks'');

2.all patents and patent applications of the Company and each Subsidiary (collectively, "Patents'');

3.all copyrights in both published works and unpublished works of the Company and each Subsidiary (collectively, "Copyrights");

4.all rights in mask works of the Company and each Subsidiary (collectively, "Rights in Mask Works"); and

5.all know-how, trade secrets, confidential information, customer lists, software, technical information, data, process technology, plans, drawings, and blue prints (collectively, " Trade Secrets"); owned, used, or licensed by the Company and each Subsidiary as licensee or licensor.

(ii) Agreements. Except as set forth in the SEC Reports, there are no outstanding and, to Company's knowledge, no threatened disputes or disagreements with respect to any agreements relating to any Intellectual Property Rights to which the Company is a party or by which the Company is bound.

(iii) Know-How Necessary for the Business. Except as set forth in the SEC Reports, the Intellectual Property Rights are all those necessary for the operation of the Company's and Subsidiaries' businesses as currently conducted or as represented to the Purchaser to be conducted. Each of the Company and each Subsidiary is the owner of all right, title, and interest in and to each of their respective Intellectual Property Rights, free and clear of all Liens, and adverse claims, and has the right to use all of the Intellectual Property Rights. To the Company's knowledge, no employee of the Company or any Subsidiary has entered into any contract that restricts or limits in any way the scope or type of work in which the employee may be engaged or requires the employee to transfer, assign, or disclose information concerning his work to anyone other than the Company or a Subsidiary.

(iv) Patents. Except as set forth in the SEC Reports, the Company and each Subsidiary is the owner of all right, title and interest in and to each of the Patents, free and clear of all Liens and adverse claims. All of the issued Patents are currently in compliance with formal legal requirements (including payment of filing, examination, and maintenance fees and proofs of working or use), are valid and enforceable, and, except as set forth on Schedule 3.1(o), are not subject to any maintenance fees or taxes or actions falling due within ninety days after the Closing Date. No Patent has been or is now involved in any interference, reissue, reexamination, or opposition proceeding. Except as set forth in the SEC Reports, to the Company's knowledge: (1) there is no potentially interfering patent or patent application of any third party, and (2) no Patent is infringed or has been challenged or threatened in any way. To the Company's knowledge, none of the products manufactured and sold, nor any process or know-how used, by the Company or any Subsidiary infringes or is alleged to infringe any patent or other proprietary right of any other Person.

(v) Trademarks. The Company and each Subsidiary is the owner of all right, title, and interest in and to each of the Marks, free and clear of all Liens and adverse claims. All Marks that have been registered with the United States Patent and Trademark Office are currently in compliance with all formal legal requirements (including the timely post-registration filing of affidavits of use and incontestability and renewal applications), are valid and enforceable, and are not subject to any maintenance fees or taxes or actions falling due within ninety days after the Closing Date. No Mark has been or is now involved in any opposition, invalidation, or cancellation and, to the Company's knowledge, no such action is threatened with respect to any of the Marks. To the Company's knowledge: (1) there is no potentially interfering trademark or trademark application of any third party, and (2) no Mark is infringed or has been challenged or threatened in any way. To the Company's knowledge, none of the Marks used by the Company and each Subsidiary infringes or is alleged to infringe any trade name, trademark, or service mark of any third party.

(vi) Copyrights. The Company and each Subsidiary is the owner of all right, title, and interest in and to each of the Copyrights, free and clear of all Liens and adverse claims. All the Copyrights have been registered and are currently in compliance with formal requirements, are valid and enforceable, and are not subject to any maintenance fees or taxes or actions falling due within ninety days after the Closing Date. To the Company's knowledge, no Copyright is infringed or has been challenged or threatened in any way. To the Company's knowledge, none of the subject matter of any of the Copyrights infringes or is alleged to infringe any copyright of any third party or is a derivative work based on the work of a third party. All works encompassed by the Copyrights have been marked with the proper copyright notice.

(vii) Trade Secrets. With respect to each Trade Secret, the documentation relating to such Trade Secret is current, accurate, and sufficient in detail and content to identify and explain it and to allow its full and proper use without reliance on the knowledge or memory of any individual. The Company has taken all reasonable precautions to protect the secrecy, confidentiality, and value of its Trade Secrets. The Company and each Subsidiary has good title and an absolute (but not necessarily exclusive) right to use the Trade Secrets. The Trade Secrets are not part of the public knowledge or literature, and, to the Company's knowledge, have not been used, divulged, or appropriated either for the benefit of any Person (other the Company and each Subsidiary) or to the detriment of the Company and each Subsidiary. No Trade Secret is subject to any adverse claim or has been challenged or threatened in any way.

(p) Insurance. The Company and each Subsidiary are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which the Company and each Subsidiary are engaged, including, but not limited to, directors and officers insurance coverage and all insurance required by applicable law. Neither the Company nor any Subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business without a significant increase in cost.

(q) Transactions With Affiliates and Employees. Except as set forth in the SEC Reports, none of the officers or directors of the Company or any Subsidiary and, to the knowledge of the Company, none of the employees of the Company or any Subsidiary is presently a party to any transaction with the Company or any Subsidiary (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, providing for the borrowing of money from or lending of money to or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee, stockholder, member or partner, in each case in excess of $50,000 other than for: (i) payment of salary or consulting fees for services rendered, (ii) reimbursement for expenses incurred on behalf of the Company or any Subsidiary, and (iii) other employee benefits, including stock option agreements under the Stock Option Plan or any other plan of the Company except as disclosed on Schedule 3.1(g).

(r) Sarbanes-Oxley; Internal Accounting Controls. The Company and each Subsidiary are in material compliance with any and all applicable requirements of the Sarbanes-Oxley Act of 2002 that are effective as of the date hereof, and any and all applicable rules and regulations promulgated by the Commission thereunder that are effective as of the date hereof and as of the Closing Date. The Company and each Subsidiary maintain a system of 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. The Company and each Subsidiary have established disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and each Subsidiary and designed such disclosure controls and procedures to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. The Company's certifying officers have evaluated the effectiveness of the disclosure controls and procedures of the Company and each Subsidiary as of the end of the period covered by the most recently filed periodic report under the Exchange Act (such date, the "Evaluation Date"). The Company presented in its most recently filed periodic report under the Exchange Act the conclusions of the certifying officers about the effectiveness of the disclosure controls and procedures based on their evaluations as of the Evaluation Date. Since the Evaluation Date, there have been no changes in the internal control over financial reporting (as such term is defined in the Exchange Act) of the Company and its Subsidiaries that have materially affected, or is reasonably likely to materially affect, the internal control over financial reporting of the Company and its Subsidiaries.

(s) Certain Fees. Except as set forth on Schedule 3.1(s), no brokerage, finder's fees, commissions or due diligence fees are or will be payable by the Company or any Subsidiary to any broker, financial advisor or consultant, finder, placement agent, investment banker, bank or other Person with respect to the transactions contemplated by the Transaction Documents. The Purchasers shall have no obligation with respect to any such fees or with respect to any claims made by or on behalf of other Persons for fees of a type contemplated in this Section 3.1(s) that may be due in connection with the transactions contemplated by the Transaction Documents.

(t) Investment Company. The Company is not, and is not an Affiliate of, and immediately after receipt of payment for the Securities, will not be or be an Affiliate of, an "investment company" within the meaning of the Investment Company Act of 1940, as amended. The Company shall conduct its business in a manner so that it will not become an "investment company" subject to registration under the Investment Company Act of 1940, as amended.

(u) Registration Rights. Except as set forth on Schedule 3.1(u), no Person has any right to cause the Company or any Subsidiary to effect the registration under the Securities Act of any securities of the Company or any Subsidiary, except for the Purchasers.

(v) Reporting Company/Shell Company. The Company is a publicly-held company subject to reporting obligations pursuant to Sections 12(b) and 13 of the Exchange Act. Pursuant to the provisions of the Exchange Act, the Company has timely filed all reports and other materials required to be filed by the Company thereunder with the SEC during the twelve months preceding the date of this Agreement. As of a Closing Date, the Company is not a "shell company" (as defined in Rule 405) of the Securities Act nor a "former shell company".

(w) Application of Takeover Protections. The Company and the Board of Directors will have taken as of the Closing Date all necessary action, if any, in order to render inapplicable any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or other similar anti-takeover provision under the Company's articles of association (or similar charter documents) or the laws of its jurisdiction of incorporation that is or could become applicable to the Purchasers as a result of the Purchasers and the Company fulfilling their obligations or exercising their rights under the Transaction Documents, including without limitation as a result of the Company's issuance of the Securities and the Purchasers' ownership of the Securities.

(x) Disclosure. Except with respect to the material terms and conditions of the transactions contemplated by the Transaction Documents, the Company confirms that neither it nor any other Person acting on its behalf has provided any of the Purchasers or their agents or counsel with any information that it believes constitutes or might constitute material, non-public information. The Company understands and confirms that the Purchasers will rely on the foregoing representation in effecting transactions in securities of the Company. All of the disclosure furnished by or on behalf of the Company to the Purchasers regarding the Company and its Subsidiaries, their respective businesses and the transactions contemplated hereby, including the Disclosure Schedules to this Agreement, when taken together as a whole, is true and correct and does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. The press releases disseminated by the Company during the twelve months preceding the date of this Agreement taken as a whole did not, at the time when disseminated, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made and when made, not misleading. The Company acknowledges and agrees that no Purchaser makes or has made any representations or warranties with respect to the transactions contemplated hereby other than those specifically set forth in Section 3.2 hereof.

(y) No Integrated Offering. Assuming the accuracy of the Purchasers' representations and warranties set forth in Section 3.2, neither the Company, nor any of its Affiliates, nor any Person acting on its or their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would cause the Offering of the Securities to be integrated with prior offerings by the Company for purposes of: (i) the Securities Act which would require the registration of any such securities under the Securities Act, or (ii) any applicable shareholder approval provisions of any Trading Market on which any of the securities of the Company are listed or designated.

(z) Solvency. Based on the consolidated financial condition of the Company as of the Closing Date, and the Company's good faith estimate of the fair market value of its assets, after giving effect to the receipt by the Company of the proceeds from the sale of the Securities hereunder: (i) the fair saleable value of the Company's assets exceeds the amount that will be required to be paid on or in respect of the Company's existing debts and other liabilities (including known contingent liabilities) as they mature, (ii) the Company's assets do not constitute unreasonably small capital to carry on its business as now conducted and as proposed to be conducted including its capital needs taking into account the particular capital requirements of the business conducted by the Company, consolidated and projected capital requirements and capital availability thereof, and (iii) the current cash flow of the Company, together with the proceeds the Company would receive, were it to liquidate all of its assets, after taking into account all anticipated uses of the cash, would be sufficient to pay all amounts on or in respect of its liabilities when such amounts are required to be paid. The Company does not intend to incur debts beyond its ability to pay such debts as they mature (taking into account the timing and amounts of cash to be payable on or in respect of its debt). The Company has no knowledge of any facts or circumstances which lead it to believe that it will file for reorganization or liquidation under the bankruptcy or reorganization laws of any jurisdiction within one year from the Closing Date. Schedule 3.1(z) sets forth as of the date hereof all outstanding secured and unsecured Indebtedness of the Company or any Subsidiary, or for which the Company or any Subsidiary has commitments. For the purposes of this Agreement, "Indebtedness" means (x) any liabilities for borrowed money or amounts owed in excess of $150,000 in the aggregate (other than trade accounts payable incurred in the ordinary course of business), (y) all guaranties, endorsements and other contingent obligations in respect of indebtedness of others, whether or not the same are or should be reflected in the Company's consolidated balance sheet (or the notes thereto), except guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business; and (z) the present value of any lease payments in excess of $150,000 due under leases required to be capitalized in accordance with GAAP. Neither the Company nor any Subsidiary is in default with respect to any Indebtedness. Neither the Company nor any Subsidiary is in default with respect to any Indebtedness except as set forth on Schedule 3.1(z).

(aa) Tax Status. Except for matters that would not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect, the Company and its Subsidiaries each (i) has made or filed all federal, state and local income and all foreign income and franchise tax returns, reports and declarations required by any jurisdiction to which it is subject, (ii) has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations and (iii) has set aside on its books provision reasonably adequate for the payment of all material taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company or of any Subsidiary know of no basis for any such claim.

(bb) Foreign Corrupt Practices. Neither the Company nor any Subsidiary, nor to the knowledge of the Company or any Subsidiary, any agent or other person acting on behalf of the Company or any Subsidiary, has: (i) directly or indirectly, used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses related to foreign or domestic political activity, (ii) made any unlawful payment to foreign or domestic government officials or employees or to any foreign or domestic political parties or campaigns from corporate funds, (iii) failed to disclose fully any contribution made by the Company or any Subsidiary (or made by any person acting on its behalf of which the Company is aware) which is in violation of law or (iv) violated in any material respect any provision of FCPA.

(cc) Accountants. The Company's accounting firm is set forth on Schedule 3.1(cc) of the Disclosure Schedules. To the knowledge and belief of the Company, such accounting firm: (i) is a registered public accounting firm as required by the Exchange Act and (ii) shall express its opinion with respect to the financial statements to be included in the Company's Annual Report for the fiscal year ending December 31, 2017. There are no disagreements of any kind presently existing, or reasonably anticipated by the Company to arise, between the Company and such accountants.

(dd) Acknowledgment Regarding Purchasers' Purchase of Securities. The Company acknowledges and agrees that each of the Purchasers is acting solely in the capacity of an arm's length purchaser with respect to the Transaction Documents and the transactions contemplated thereby. The Company further acknowledges that no Purchaser is acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to the Transaction Documents and the transactions contemplated thereby and any advice given by any Purchaser or any of their respective representatives or agents in connection with the Transaction Documents and the transactions contemplated thereby is merely incidental to the Purchasers' purchase of the Securities. The Company further represents to each Purchaser that the Company's decision to enter into this Agreement and the other Transaction Documents has been based solely on the independent evaluation of the transactions contemplated hereby by the Company and its representatives.

(ee) Acknowledgment Regarding Purchaser's Trading Activity. Anything in this Agreement or elsewhere herein to the contrary notwithstanding (except for Sections 3.2(e) and 4.16 hereof), it is understood and acknowledged by the Company that: (i) none of the Purchasers has been asked by the Company to agree, nor has any Purchaser agreed, to desist from purchasing or selling, long and/or short, securities of the Company, or "derivative" securities based on securities issued by the Company or to hold the Securities for any specified term, (ii) past or future open market or other transactions by any Purchaser, specifically including, without limitation, Short Sales or "derivative" transactions, before or after the closing of this or future private placement transactions, may negatively impact the market price of the Company's publicly-traded securities, (iii) any Purchaser, and counter-parties in "derivative" transactions to which any such Purchaser is a party, directly or indirectly, may presently have a "short" position in the Ordinary Shares and (iv) each Purchaser shall not be deemed to have any affiliation with or control over any arm's length counter-party in any "derivative" transaction. The Company further understands and acknowledges that (y) one or more Purchasers may engage in hedging activities at various times during the period that the Securities are outstanding, including, without limitation, during the periods that the value of the Underlying Shares deliverable with respect to Securities are being determined, and (z) such hedging activities (if any) could reduce the value of the existing stockholders' equity interests in the Company at and after the time that the hedging activities are being conducted. The Company acknowledges that such aforementioned hedging activities do not constitute a breach of any of the Transaction Documents. The Company acknowledges that anything to the contrary in the Transaction Documents notwithstanding, Purchaser may sell long any Underlying shares it anticipates receiving after conversion of any part of a Note or exercise of a Warrant.

(ff) Regulation M Compliance. The Company has not, and to its knowledge no one acting on its behalf has, (i) taken, directly or indirectly, any action designed to cause or to result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of any of the Securities, (ii) sold, bid for, purchased, or paid any compensation for soliciting purchases of, any of the Securities, or (iii) paid or agreed to pay to any Person any compensation for soliciting another to purchase any other securities of the Company.

(gg) Money Laundering. The operations of the Company and its Subsidiaries are and have been conducted at all times in compliance with applicable financial record-keeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, applicable money laundering statutes and applicable rules and regulations thereunder (collectively, the "Money Laundering Laws"), and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any Subsidiary with respect to the Money Laundering Laws is pending or, to the knowledge of the Company or any Subsidiary, threatened.

(hh) Stock Option Plans. Each stock option and similar security granted by the Company was granted (i) in accordance with the terms of the Stock Option Plan and (ii) with an exercise price at least equal to the fair market value of the Ordinary Shares on the date such stock option would be considered granted under GAAP and applicable law. No stock option granted under the Stock Option Plan or any other stock option plan has been backdated. The Company has not knowingly granted, and there is no and has been no Company policy or practice to knowingly grant, stock options prior to, or otherwise knowingly coordinate the grant of stock options with, the release or other public announcement of material information regarding the Company or its Subsidiaries or their financial results or prospects.

(ii) Office of Foreign Assets Control. Neither the Company nor any Subsidiary nor, to the Company's knowledge, any director, officer, agent, employee or affiliate of the Company is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("OFAC").

(jj) Private Placement. Assuming the accuracy of the Purchasers' representations and warranties set forth in Section 3.2, no registration under the Securities Act is required for the offer and sale of the Securities by the Company to the Purchasers as contemplated hereby. The issuance and sale of the Securities hereunder does not contravene the rules and regulations of the Trading Market.

(kk) No General Solicitation. Neither the Company nor any person acting on behalf of the Company has offered or sold any of the Securities by any form of general solicitation or general advertising. The Company has offered the Securities for sale only to the Purchasers and certain other "accredited investors" within the meaning of Rule 501 under the Securities Act.

(i) Indebtedness and Seniority. As of the date hereof, all Indebtedness and Liens of the Company and the principal terms thereof are set forth on Schedule 3.1(ll). Except as set forth on Schedule 3.1(ll), as of the Closing Date, no Indebtedness or other equity of the Company is or will be senior to the Notes in right of payment, whether with respect to interest or upon liquidation or dissolution, or otherwise, other than indebtedness secured by purchase money security interests (which is senior only as to underlying assets covered thereby) and capital lease obligations (which is senior only as to the property covered thereby).

(ll) Listing and Maintenance Requirements. The Ordinary Shares are listed on the OTCQB maintained by the OTC Markets Group Inc. under the symbol PVNNF. Except as set forth in the SEC Reports, the Company has not, in the twelve (12) months preceding the date hereof, received notice from any Trading Market on which the Ordinary Shares are or has been listed or quoted to the effect that the Company is not in compliance with the listing or maintenance requirements of such Trading Market.

(mm) FDA. The Company has no applications pending before the jurisdiction of the U.S. Food and Drug Administration ("FDA") and none of the Company's products are subject to nor require the approval of the FDA.

(nn) No Disqualification Events. With respect to the Securities to be offered and sold hereunder in reliance on Rule 506 under the Securities Act, to the Company's knowledge, none of the Company, any of its predecessors, any affiliated issuer, any director, executive officer, other officer of the Company participating in the offering hereunder, any beneficial owner of 20% or more of the Company's outstanding voting equity securities, calculated on the basis of voting power, nor any promoter (as that term is defined in Rule 405 under the Securities Act) connected with the Company in any capacity at the time of sale (each, an "Issuer Covered Person" and, together, "Issuer Covered Persons") is subject to any of the "Bad Actor" disqualifications described in Rule 506(d)(1)(i) to (viii) under the Securities Act (a "Disqualification Event"), except for a Disqualification Event covered by Rule 506(d)(2) or (d)(3). The Company has exercised reasonable care to determine whether any Issuer Covered Person is subject to a Disqualification Event. The Company has complied, to the extent applicable, with its disclosure obligations under Rule 506(e), and has furnished to the Purchasers a copy of any disclosures provided thereunder.

(oo) Regulatory Matters. The Company and its Subsidiaries have complied in all material respects with all statutes and regulations related to the research, manufacture and sale of its products to the extent applicable to the Company's and its Subsidiaries' activities. Items manufactured or under investigation by the Company and its Subsidiaries comply with all applicable manufacturing practices regulations and other requirements established by government regulators in the jurisdictions in which the Company or its Subsidiaries manufacture or sell their products. Except as disclosed in the SEC Reports, the Company is not and its Subsidiaries are not the subject of any investigation by any competent authority with respect to the development, testing, manufacturing and distribution of their products, nor has any investigation, prosecution, or other enforcement action been threatened by any regulatory agency. Except as disclosed in the SEC Reports, neither the Company nor any of its Subsidiaries has received from any regulatory agency any letter or other document asserting that the Company or any Subsidiary has violated any statute or regulation enforced by that agency with respect to the development, testing, manufacturing and distribution of their products. To the Company's knowledge, research conducted by or for the Company and its Subsidiaries has complied in all material respects with all applicable legal requirements.

(pp) Other Covered Persons. Except as set forth on Schedule 3.1(s) or to attorneys for legal services, the Company is not aware of any person that has been or will be paid (directly or indirectly) remuneration in connection with the sale of any Regulation D Securities pursuant to this Agreement.

(qq) Survival. The foregoing representations and warranties shall survive the Closing.

3.2 Representations and Warranties of the Purchasers. Each Purchaser, for itself and for no other Purchaser, hereby represents and warrants as of the date hereof and as of the Closing Date to the Company as follows (unless as of a specific date therein):

(a) Organization; Authority. Such Purchaser is either an individual or an entity duly incorporated or formed, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation with full right, corporate, partnership, limited liability company or similar power and authority to enter into and to consummate the transactions contemplated by the Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of the Transaction Documents and performance by such Purchaser of the transactions contemplated by the Transaction Documents have been duly authorized by all necessary corporate, partnership, limited liability company or similar action, as applicable, on the part of such Purchaser. Each Transaction Document to which it is a party has been duly executed by such Purchaser, and when delivered by such Purchaser in accordance with the terms hereof, will constitute the valid and legally binding obligation of such Purchaser, enforceable against it in accordance with its terms, except: (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(b) Understandings or Arrangements. Such Purchaser understands that the Securities are "restricted securities" and have not been registered under the Securities Act or any applicable state securities law and is acquiring the Securities as principal for its own account and not with a view to or for distributing or reselling such Securities or any part thereof in violation of the Securities Act or any applicable state securities law, has no present intention of distributing any of such Securities in violation of the Securities Act or any applicable state securities law and has no direct or indirect arrangement or understandings with any other persons to distribute or regarding the distribution of such Securities in violation of the Securities Act or any applicable state securities law (this representation and warranty not limiting such Purchaser's right to sell the Securities pursuant to any registration statement or otherwise in compliance with applicable federal and state securities laws). Such Purchaser is acquiring the Securities hereunder in the ordinary course of its business.

(c) Purchaser Status. At the time such Purchaser was offered the Securities, it was, and as of the date hereof it is, and on each date on which it exercises any Warrants or converts any Notes it will be either: (i) an "accredited investor" as defined in Rule 501(a)(1), (a)(2), (a)(3), (a)(7) or (a)(8) under the Securities Act or (ii) a "qualified institutional buyer" as defined in Rule 144A(a) under the Securities Act. Such Purchaser is not required to be registered as a broker-dealer under Section 15 of the Exchange Act. Such Purchaser has the authority and is duly and legally qualified to purchase and own the Securities. Such Purchaser is able to bear the risk of such investment for an indefinite period and to afford a complete loss thereof. Such Purchaser has provided the information in the Accredited Investor Questionnaire attached hereto as Exhibit F (the "Investor Questionnaire"). The information set forth on the signature pages hereto and the Investor Questionnaire regarding such Purchaser is true and complete in all respects as of the date of this Agreement. Except as disclosed in the Investor Questionnaire, such Purchaser has had no position, office or other material relationship within the past three years with the Company or Persons (as defined below) known to such Purchaser to be affiliates of the Company, and is not a member of the Financial Industry Regulatory Authority or an "associated person" (as such term is defined under the FINRA Membership and Registration Rules Section 1011).

(d) Experience of Such Purchaser. Such Purchaser, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Securities, and has so evaluated the merits and risks of such investment. Such Purchaser is able to bear the economic risk of an investment in the Securities and, at the present time, is able to afford a complete loss of such investment.

(e) Information on Company. Such Purchaser has been furnished with or has had access to the EDGAR Website of the Commission to the Company's filings made with the Commission during the period from the date that is two years preceding the date hereof through the tenth (10th) business day preceding the Closing Date, including the Company's Annual Report on Form 20-F filed with the Commission on May 16, 2017 (hereinafter referred to collectively as the "SEC Reports"). Such Purchaser was afforded (i) the opportunity to ask such questions as such Purchaser deemed necessary of, and to receive answers from, representatives of the Company concerning the merits and risks of acquiring the Securities; (ii) the right of access to information about the Company and its financial condition, results of operations, business, properties, management and prospects sufficient to enable such Purchaser to evaluate the Securities; and (iii) the opportunity to obtain such additional information that the Company possesses or can acquire without unreasonable effort or expense that is necessary to make an informed investment decision with respect to acquiring the Securities.

(f) Compliance with Securities Act; Reliance on Exemptions. Such Purchaser understands and agrees that the Securities have not been registered under the 1933 Act or any applicable state securities laws, by reason of their issuance in a transaction that does not require registration under the 1933 Act, and that such Securities must be held indefinitely unless a subsequent disposition is registered under the 1933 Act or any applicable state securities laws or is exempt from such registration. Such Purchaser understands and agrees that the Securities are being offered and sold to such Purchaser in reliance on specific exemptions from the registration requirements of federal and state securities laws and regulations and that the Company is relying in part upon the truth and accuracy of, and such Purchaser's compliance with, the representations, warranties, agreements, acknowledgments and understandings of such Purchaser set forth herein in order to determine the availability of such exemptions and the eligibility of such Purchaser to acquire the Securities.

(g) Communication of Offer. Such Purchaser is not purchasing the Securities as a result of any "general solicitation" or "general advertising," as such terms are defined in Regulation D, which includes, but is not limited to, any advertisement, article, notice or other communication regarding the Securities published in any newspaper, magazine or similar media or on the internet or broadcast over television, radio or the internet or presented at any seminar or any other general solicitation or general advertisement.

(h) No Governmental Review. Such Purchaser understands that no federal or state agency or any other governmental or state agency has passed on or made recommendations or endorsement of the Securities or the suitability of the investment in the Securities nor have such authorities passed upon or endorsed the merits of the Offering.

(i) No Conflicts. The execution, delivery and performance of this Agreement and performance under the other Transaction Documents and the consummation by such Purchaser of the transactions contemplated hereby and thereby or relating hereto or thereto do not and will not (i) result in a violation of such Purchaser's charter documents, bylaws or other organizational documents, if applicable, (ii) conflict with nor constitute a default (or an event which with notice or lapse of time or both would become a default) under any agreement to which such Purchaser is a party, nor (iii) result in a violation of any law, rule, or regulation, or any order, judgment or decree of any court or governmental agency applicable to such Purchaser or its properties (except for such conflicts, defaults and violations as would not, individually or in the aggregate, have a material adverse effect on such Purchaser). Such Purchaser is not required to obtain any consent, authorization or order of, or make any filing or registration with, any court or governmental agency in order for it to execute, deliver or perform any of its obligations under this Agreement or perform under the other Transaction Documents nor to purchase the Securities in accordance with the terms hereof, provided that for purposes of the representation made in this sentence, such Purchaser is assuming and relying upon the accuracy of the relevant representations and agreements of the Company herein.

(j) Certain Transactions and Confidentiality. Other than consummating the transactions contemplated hereunder, such Purchaser has not directly or indirectly, nor has any Person acting on behalf of or pursuant to any understanding with Purchaser, executed any purchases or sales, including Short Sales, of the securities of the Company during the period commencing as of the time that such Purchaser first received a written term sheet from the Company or any other Person representing the Company setting forth the material terms of the transactions contemplated hereby and ending immediately prior to the execution hereof.

(k) Limitation of Representations. Anything to the contrary herein notwithstanding the Purchaser makes no representations or warranties with regard to any laws, rules or regulation except with respect to the United States and its subdivisions and the jurisdiction of its formation.

(l) Survival. The foregoing representations and warranties shall survive the Closing.

The Company acknowledges and agrees that the representations contained in Section 3.2 shall not modify, amend or affect such Purchaser's right to rely on the Company's representations and warranties contained in this Agreement or any representations and warranties contained in any other Transaction Document or any other document or instrument executed and/or delivered in connection with this Agreement or the consummation of the transaction contemplated hereby.

ARTICLE IV.
OTHER AGREEMENTS OF THE PARTIES

4.1 Transfer Restrictions.

(a) The Securities may only be disposed of in compliance with state and federal securities laws. In connection with any transfer of Securities other than pursuant to an effective registration statement or Rule 144, to the Company or to an Affiliate of a Purchaser or in connection with a pledge as contemplated in Section 4.1(b), the Company may require the transferor thereof to provide to the Company, at the Company's expense, an opinion of counsel selected by the transferor and reasonably acceptable to the Company, the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that such transfer does not require registration of such transferred Securities under the Securities Act. As a condition of transfer, any such transferee shall agree in writing to be bound by the terms of this Agreement and shall have the rights and obligations of a Purchaser under this Agreement and the other Transaction Documents.

(b) Legend. The Purchasers agree to the imprinting, so long as is required by this Section 4.1, of a legend on any of the Securities in the following form:

> [**NEITHER**] THIS SECURITY [**NOR THE SECURITIES INTO WHICH THIS SECURITY IS [EXERCISABLE] [CONVERTIBLE]**] HAS [**NOT**] BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. THIS SECURITY [**AND THE SECURITIES ISSUABLE UPON [EXERCISE] [CONVERSION] OF THIS SECURITY**] MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT WITH A REGISTERED BROKER-DEALER OR OTHER LOAN WITH A FINANCIAL INSTITUTION THAT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT OR OTHER LOAN SECURED BY SUCH SECURITIES.

(c) Pledge. The Company acknowledges and agrees that a Purchaser may from time to time pledge pursuant to a bona fide margin agreement with a registered broker-dealer or grant a security interest in some or all of the Securities to a financial institution that is an "accredited investor" as defined in Rule 501(a) under the Securities Act and who agrees to be bound by the provisions of this Agreement and, if required under the terms of such arrangement, such Purchaser may transfer pledge or secure Securities to the pledgees or secured parties. Such a pledge or transfer would not be subject to approval of the Company and no legal opinion of legal counsel of the pledgee, secured party or pledgor shall be required in connection therewith. Further, no notice shall be required of such pledge. At the appropriate Purchaser's expense, the Company will execute and deliver such reasonable documentation as a pledgee or secured party of Securities may reasonably request in connection with a pledge or transfer of the Securities.

(d) Legend Removal. Certificates evidencing the Underlying Shares shall not be required to contain any legend ("Unlegended Shares") (including the legend set forth in Section 4.1(b) hereof): (i) while any registration statement (including the Registration Statement) covering the resale of such security is effective under the Securities Act, (ii) following any sale of such Underlying Shares pursuant to Rule 144, (iii) if such Underlying Shares are eligible for sale under Rule 144, without the requirement for the Company to be in compliance with the current public information required under Rule 144 as to such Underlying Shares and without volume or manner-of-sale restrictions or (iv) if such legend is not required under applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the staff of the Commission). The Company shall cause its counsel or other counsel reasonably acceptable to Purchaser to issue a legal opinion to the Transfer Agent during the time any of the aforedescribed conditions apply, to effect the removal of the legend hereunder. If all or any Notes are converted or any portion of a Warrant is exercised at a time when there is an effective registration statement to cover the resale of the Underlying Shares, or if such Underlying Shares may be sold under Rule 144 or if such legend is not otherwise required under applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the staff of the Commission) then such Underlying Shares shall be issued free of all legends. The Company agrees that following such time as such legend is no longer required under this Section 4.1(d), it will, no later than five Trading Days following the delivery by a Purchaser to the Company or the Transfer Agent of a certificate representing Underlying Shares, as applicable, issued with a restrictive legend (such fifth Trading Day, the "Legend Removal Date"), deliver or cause to be delivered to such Purchaser a certificate representing such shares that is free from all restrictive and other legends (however, the Corporation shall use reasonable best efforts to deliver such shares within three Trading Days after delivery by Purchaser of such unlegended Share certificate). The Company may not make any notation on its records or give instructions to the Transfer Agent that enlarge the restrictions on transfer set forth in this Section 4.1. Certificates for Underlying Shares subject to legend removal hereunder shall be transmitted by the Transfer Agent to the Purchaser by crediting the account of the Purchaser's prime broker with the Depository Trust Company System as directed by such Purchaser.

(e) Legend Removal Default. In addition to such Purchaser's other available remedies, provided the conditions for legend removal set forth in Section 4.1(d) exist, the Company shall pay to a Purchaser, in cash, as partial liquidated damages and not as a penalty, for each $1,000 of Underlying Shares (based on the higher of the actual purchase price or VWAP of the Ordinary Shares on the date such Securities are submitted to the Transfer Agent) delivered for removal of the restrictive legend and subject to Section 4.1(d), $10 per Trading Day for each Trading Day commencing the first Trading Day after the Legend Removal Date (increasing to $20 per Trading Day after such fifth Trading Day) until such certificate is delivered without a legend. Nothing herein shall limit such Purchaser's right to pursue actual damages for the Company's failure to deliver certificates representing any Securities as required by the Transaction Documents, and such Purchaser shall have the right to pursue all remedies available to it at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief.

(f) DWAC. In lieu of delivering physical certificates representing the Unlegended Shares, upon request of a Purchaser, so long as the certificates therefor do not bear a legend and the Purchaser is not obligated to return such certificate for the placement of a legend thereon, the Company shall cause its transfer agent to electronically transmit the Unlegended Shares by crediting the account of Purchaser's prime broker with the Depository Trust Company through its Deposit Withdrawal At Custodian system, provided that the Company's Ordinary Shares is DTC eligible and the Company's transfer agent participates in the Deposit Withdrawal at Custodian system. Such delivery must be made on or before the Legend Removal Date.

(g) Injunction. In the event a Purchaser shall request delivery of Unlegended Shares as described in this Section 4.1 and the Company is required to deliver such Unlegended Shares, the Company may not refuse to deliver Unlegended Shares based on any claim that such Purchaser or anyone associated or affiliated with such Purchaser has not complied with Purchaser's obligations under the Transaction Documents, or for any other reason, unless, an injunction or temporary restraining order from a court, on notice, restraining and or enjoining delivery of such Unlegended Shares shall have been sought and obtained by the Company and the Company has posted a surety bond for the benefit of such Purchaser in the amount of the greater of (i) 120% of the amount of the aggregate purchase price of the Underlying Shares to be subject to the injunction or temporary restraining order, or (ii) the VWAP of the Ordinary Shares on the trading day before the issue date of the injunction multiplied by the number of Unlegended Shares to be subject to the injunction, which bond shall remain in effect until the completion of arbitration/litigation of the dispute and the proceeds of which shall be payable to such Purchaser to the extent Purchaser obtains judgment in Purchaser's favor.

(h) Buy-In. In addition to any other rights available to Purchaser, if the Company fails to deliver to a Purchaser Unlegended Shares as required pursuant to this Agreement and after the Legend Removal Date the Purchaser, or a broker on the Purchaser's behalf, purchases (in an open market transaction or otherwise) Ordinary Shares to deliver in satisfaction of a sale by such Purchaser of the Ordinary Shares which the Purchaser was entitled to receive in unlegended form from the Company (a "Buy-In"), then the Company shall promptly pay in cash to the Purchaser (in addition to any remedies available to or elected by the Purchaser) the amount, if any, by which (A) the Purchaser's total purchase price (including brokerage commissions, if any) for the Ordinary Shares so purchased exceeds (B) the aggregate purchase price of the Ordinary Shares delivered to the Company for reissuance as Unlegended Shares together with interest thereon at a rate of 15% per annum accruing until such amount and any accrued interest thereon is paid in full (which amount shall be paid as liquidated damages and not as a penalty). For example, if a Purchaser purchases Ordinary Shares having a total purchase price of $11,000 to cover a Buy-In with respect to $10,000 of purchase price of Shares delivered to the Company for reissuance as Unlegended Shares, the Company shall be required to pay the Purchaser $1,000, plus interest, if any. The Purchaser shall provide the Company written notice indicating the amounts payable to the Purchaser in respect of the Buy-In.

(i) Plan of Distribution. Each Purchaser, severally and not jointly with the other Purchasers, agrees with the Company that such Purchaser will sell any Securities pursuant to either the registration requirements of the Securities Act, including any applicable prospectus delivery requirements, or an exemption therefrom, and that if Securities are sold pursuant to a registration statement, they will be sold in compliance with the plan of distribution set forth therein, and acknowledges that the removal of the restrictive legend from certificates representing Securities as set forth in this Section 4.1 is predicated upon the Company's reliance upon this understanding.

4.2 Acknowledgment of Dilution. The Company acknowledges that the issuance of the Securities may result in dilution of the outstanding Ordinary Shares, which dilution may be substantial under certain market conditions. The Company further acknowledges that its obligations under the Transaction Documents, including, without limitation, its obligation to issue the Underlying Shares pursuant to the Transaction Documents, are unconditional and absolute and not subject to any right of set off, counterclaim, delay or reduction, regardless of the effect of any such dilution or any claim the Company may have against any Purchaser and regardless of the dilutive effect that such issuance may have on the ownership of the other stockholders of the Company.

4.3 Furnishing of Information; Public Information; Domestic Issuances; Filing Requirements .

(a) Until the earliest of the time that (i) no Purchaser owns Securities or (ii) the Warrants have expired, the Company covenants to file all required periodic reports with the Commission pursuant to Section 15(d) of the Exchange Act and under Section 12(b) or 12(g) of the Exchange Act, maintain the registration of the Ordinary Shares under Section 12(b) or 12(g) of the Exchange Act and to timely file (or obtain extensions in respect thereof and file within the applicable grace period) all reports required to be filed by the Company after the date hereof pursuant to the Exchange Act and file such reports even if the Company is not then subject to the reporting requirements of the Exchange Act.

(b) At any time commencing on the Closing Date and ending at such time that all of the Securities may be sold without the requirement for the Company to be in compliance with Rule 144(c)(1) and otherwise without restriction or limitation pursuant to Rule 144, if the Company shall fail for any reason to satisfy the current public information requirement under Rule 144(c) (a "Public Information Failure"), with respect to those securities that cannot be so sold, then, in addition to such Purchaser's other available remedies, the Company shall pay to a Purchaser, in cash, as partial liquidated damages and not as a penalty, by reason of any such delay in or reduction of its ability to sell the Securities, an amount in cash equal to one percent (1%) of the aggregate principal amount of Notes and accrued interest thereon, aggregate Exercise Price of Warrant Shares held by such Purchaser on the day of a Public Information Failure and on every thirtieth (30th) day (pro-rated for periods totaling less than thirty days) thereafter until the earlier of (a) the date such Public Information Failure is cured and (b) such time that such public information is no longer required for the Purchasers to transfer the Underlying Shares pursuant to Rule 144. The payments to which a Purchaser shall be entitled pursuant to this Section 4.3(b) are referred to herein as "Public Information Failure Payments." Public Information Failure Payments shall be paid on the earlier of (i) the last day of the calendar month during which such Public Information Failure Payments are incurred and (ii) the third (3rd) Business Day after the event or failure giving rise to the Public Information Failure Payments is cured. In the event the Company fails to make Public Information Failure Payments in a timely manner, such Public Information Failure Payments shall bear interest at the rate of 1.5% per month (prorated for partial months) until paid in full. Nothing herein shall limit such Purchaser's right to pursue actual damages for the Public Information Failure, and such Purchaser shall have the right to pursue all remedies available to it at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief.

(c) The Company agrees to file a form 10-Q for the quarter ending September 30, 2017 in compliance with the substance and filing time such Form 10-Q would be required to be filed by a company subject to the filing requirements of Section 13 and 15(d) of the Exchange Act; or a Form 6-K if not required to file such Form 10-Q and file such Form 6-K by the time and in the form otherwise applicable to a company filing a Form 10-Q pursuant to Section 15(d) of the Exchange Act.

4.4 Integration. The Company shall not sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in Section 2 of the Securities Act) that would be integrated with the offer or sale of the Securities in a manner that would require the registration under the Securities Act of the sale of the Securities or that would be integrated with the offer or sale of the Securities for purposes of the rules and regulations of any Trading Market such that it would require shareholder approval prior to the closing of such other transaction or to effectuate such other transaction unless shareholder approval is obtained before the earlier of the closing of such subsequent transaction or effectuation of such other transaction.

4.5 Conversion and Exercise Procedures. Each of the form of Notice of Exercise included in the Warrants and the form of Notice of Conversion included in the Notes set forth the totality of the procedures required of the Purchasers in order to exercise the Warrants or convert the Notes. No additional legal opinion, other information or instructions shall be required of the Purchasers to exercise their Warrants or convert their Notes. The Company shall honor exercises of the Warrants and conversions of the Notes and shall deliver Underlying Shares in accordance with the terms, conditions and time periods set forth in the Transaction Documents.

4.6 Securities Laws Disclosure; Publicity. The Company shall on or before the fourth Trading Day following the Closing Date, file a Current Report on Form 6-K including the Transaction Documents as exhibits thereto with the Commission ("Form 6-K"). A form of the Form 6-K is annexed hereto as Exhibit D. Such Exhibit D will be identical to the Form 6-K which will be filed with the Commission except for the omission of signatures thereto by the Company and auditors providing the financial statements. From and after the filing of the Form 6-K, the Company represents to the Purchasers that it shall have publicly disclosed all material, non-public information delivered to any of the Purchasers by the Company or any Subsidiary, or any of their respective officers, directors, employees or agents in connection with the transactions contemplated by the Transaction Documents. The Company and each Purchaser shall consult with each other in issuing any press releases with respect to the transactions contemplated hereby, and neither the Company nor any Purchaser shall issue any press release nor otherwise make any such public statement without the prior consent of the Company, with respect to any press release of any Purchaser, or without the prior consent of each Purchaser, with respect to any press release of the Company, which consent shall not unreasonably be withheld or delayed, except if such disclosure is required by law, in which case the disclosing party shall promptly provide the other party with prior notice of such public statement or communication. Notwithstanding the foregoing, the Company shall not publicly disclose the name of any Purchaser, or include the name of any Purchaser in any filing with the Commission or any regulatory agency or Trading Market unless the name of such Purchaser is already included in the body of the Transaction Documents, without the prior written consent of such Purchaser, except: (a) as required by applicable federal securities law in connection with the filing of final Transaction Documents with the Commission and (b) to the extent such disclosure is required by law or Trading Market regulations, in which case the Company shall provide the Purchasers with prior notice of such disclosure permitted under this clause (b).

4.7 Shareholder Rights Plan. No claim will be made or enforced by the Company or, with the consent of the Company, any other Person, that any Purchaser is an "Acquiring Person" under any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or similar anti-takeover plan or arrangement in effect or hereafter adopted by the Company, or that any Purchaser could be deemed to trigger the provisions of any such plan or arrangement, by virtue of receiving Securities under the Transaction Documents or under any other agreement between the Company and the Purchasers.

4.8 Non-Public Information. Except with respect to the material terms and conditions of the transactions contemplated by the Transaction Documents, the Company covenants and agrees that neither it, nor any other Person acting on its behalf, will provide any Purchaser or its agents or counsel with any information that the Company believes constitutes material non-public information, unless prior thereto such Purchaser shall have entered into a written agreement with the Company regarding the confidentiality and use of such information. The Company understands and confirms that each Purchaser shall be relying on the foregoing covenant in effecting transactions in securities of the Company.

4.9 Use of Proceeds. The Company shall use the net proceeds from the sale of the Offering hereunder substantially for the purposes set forth on Schedule 4.9 hereto and shall not use such proceeds: , (a) for the redemption of any Ordinary Shares or Ordinary Shares Equivalents, (b) for the settlement of any outstanding litigation or (c) in violation of FCPA or OFAC regulations.

4.10 Indemnification of Purchasers. Subject to the provisions of this Section 4.10, the Company will indemnify and hold each Purchaser and its directors, officers, shareholders, members, partners, employees and agents (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title), each Person who controls such Purchaser (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, shareholders, agents, members, partners or employees (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title) of such controlling persons (each, a "Purchaser Party") harmless from any and all losses, liabilities, obligations, claims, contingencies, damages, costs and expenses, including all judgments, amounts paid in settlements, court costs and reasonable attorneys' fees and costs of investigation that any such Purchaser Party may suffer or incur as a result of or relating to (a) any breach of any of the representations, warranties, covenants or agreements made by the Company in this Agreement or in the other Transaction Documents or (b) any action instituted against Purchaser Parties in any capacity, or any of them or their respective Affiliates, by any stockholder of the Company who is not an Affiliate of such Purchaser Party, with respect to any of the transactions contemplated by the Transaction Documents (unless such action is based upon a breach of such Purchaser Party's representations, warranties or covenants under the Transaction Documents or any agreements or understandings such Purchaser Party may have with any such stockholder or any violations by such Purchaser Party of state or federal securities laws or any conduct by such Purchaser Party which constitutes fraud, gross negligence, willful misconduct or malfeasance). If any action shall be brought against any Purchaser Party in respect of which indemnity may be sought pursuant to this Agreement, such Purchaser Party shall promptly notify the Company in writing, and the Company shall have the right to assume the defense thereof with counsel of its own choosing reasonably acceptable to the Purchaser Party. Any Purchaser Party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Purchaser Party except to the extent that (i) the employment thereof has been specifically authorized by the Company in writing, (ii) the Company has failed after a reasonable period of time to assume such defense and to employ counsel or (iii) in such action there is, in the reasonable opinion of counsel, a material conflict on any material issue between the position of the Company and the position of such Purchaser Party, in which case the Company shall be responsible for the reasonable fees and expenses of no more than one such separate counsel for all Purchaser Parties. The Company will not be liable to any Purchaser Party under this Agreement (y) for any settlement by a Purchaser Party effected without the Company's prior written consent, which shall not be unreasonably withheld or delayed; or (z) to the extent, but only to the extent that a loss, claim, damage or liability is attributable to any Purchaser Party's breach of its material representations, warranties or covenants under the Transaction Documents. The indemnification required by this Section 4.10 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or are incurred. The indemnity agreements contained herein shall be in addition to any cause of action or similar right of any Purchaser Party against the Company or others and any liabilities the Company may be subject to pursuant to law.

4.11 Reservation and Listing of Securities.

(a) The Company shall maintain a reserve from its duly authorized Ordinary Shares for issuance pursuant to the Transaction Documents in such amount as may then be required to fulfill its obligations in full under the Transaction Documents, but not less than the Required Minimum.

(b) If, on any date, the number of authorized but unissued (and otherwise unreserved) Ordinary Shares is less than the Required Minimum on such date, then the Board of Directors shall amend the Company's certificate or articles of incorporation to increase the number of authorized but unissued Ordinary Shares to at least the Required Minimum at such time, as soon as possible and in any event not later than the 60th day after such date.

(c) The Company shall prior to the Closing, if applicable: (i) in the time and manner required by the principal Trading Market, prepare and file with such Trading Market an additional shares listing application covering a number of Ordinary Shares at least equal to the Required Minimum on the date of such application, (ii) take all steps necessary to cause such Ordinary Shares to be approved for listing or quotation on such Trading Market as soon as possible thereafter, (iii) provide to the Purchasers evidence of such listing or quotation and (iv) maintain the listing or quotation of such Ordinary Shares on any date at least equal to the Required Minimum on such date on such Trading Market or another Trading Market. The Company will take all action necessary to continue the listing or quotation and trading of its Ordinary Shares on a Trading Market until the later of (i) at least five years after the Closing Date, and (ii) for so long as the Notes or Warrants are outstanding, and will comply in all respects with the Company's reporting, filing and other obligations under the bylaws or rules of the Trading Market. In the event the aforedescribed listing is not continuously maintained for five years after the Closing Date and for so long as Notes or Warrants are outstanding (a "Listing Default"), then in addition to any other rights the Purchasers may have hereunder or under applicable law, on the first day of a Listing Default and on each monthly anniversary of each such Listing Default date (if the applicable Listing Default shall not have been cured by such date) until the applicable Listing Default is cured, the Company shall pay to each Purchaser an amount in cash, as partial liquidated damages and not as a penalty, equal to one percent (1%) of the aggregate principal amount of Notes, conversion price of Conversion Shares, and purchase price of Warrant Shares held by such Purchaser or which may be acquired upon exercise of Warrants on the day of a Listing Default and on every thirtieth day (pro-rated for periods less than thirty days) thereafter until the date such Listing Default is cured. If the Company fails to pay any liquidated damages pursuant to this Section in a timely manner, the Company will pay interest thereon at a rate of 1.5% per month (pro-rated for partial months) to the Purchaser.

4.12 Form D; Blue Sky Filings. The Company agrees to timely file a Form D with respect to the Securities as required under Regulation D and to provide a copy thereof, promptly upon request of any Purchaser. The Company shall take such action as the Company shall reasonably determine is necessary in order to obtain an exemption for, or to qualify the Securities for, sale to the Purchasers at a Closing under applicable securities or "Blue Sky" laws of the states of the United States, and shall provide evidence of such actions promptly upon request of any Purchaser.

4.13 Subsequent Equity Sales. From the date hereof until such time as the Notes are no longer outstanding, the Company will not, without the consent of a Majority in Interest, enter into nor allow the exercise of any Equity Line of Credit or similar agreement including the Outstanding Equity Line, which shall remain inactive through such date, issue or agree to issue floating or Variable Priced Equity Linked Instruments nor issue or agree to issue any of the foregoing or equity with price reset rights (subject to adjustment for stock splits, distributions, dividends, recapitalizations and the like) (collectively, a "Variable Rate Transaction"). For purposes hereof, "Equity Line of Credit" shall include any transaction involving a written agreement between the Company and an investor or underwriter or an investor or underwriter has the right to "call" the Company's securities whereby the Company has the right to "put" its securities to the investor or underwriter over an agreed period of time and at an agreed price or price formula, and "Variable Priced Equity Linked Instruments" shall include: (A) any debt or equity securities which are convertible into, exercisable or exchangeable for, or carry the right to receive additional Ordinary Shares or Ordinary Shares Equivalents or any of the foregoing at a price that can be reduced either (1) at any conversion, exercise or exchange rate or other price that is based upon and/or varies with the trading prices of or quotations for Ordinary Shares at any time after the initial issuance of such debt or equity security, or (2) with a fixed conversion, exercise or exchange price that is subject to being reset at some future date at any time after the initial issuance of such debt or equity security due to a change in the market price of the Company's Ordinary Shares since date of initial issuance, or upon the issuance of any debt, equity or Ordinary Shares Equivalent, and (B) any amortizing convertible security which amortizes prior to its maturity date, where the Company is required or has the option to (or any investor in such transaction has the option to require the Company to) make such amortization payments in Ordinary Shares which are valued at a price that is based upon and/or varies with the trading prices of or quotations for Ordinary Shares at any time after the initial issuance of such debt or equity security (whether or not such payments in stock are subject to certain equity conditions). For purposes of determining the total consideration for a convertible instrument (including a right to purchase equity of the Company) issued, subject to an original issue or similar discount or which principal amount is directly or indirectly increased after issuance, the consideration will be deemed to be the actual net cash amount received by the Company in consideration of the original issuance of such convertible instrument. For so long as the Notes are outstanding, the Company will not, without the consent of a Majority in Interest, issue any Ordinary Shares or Ordinary Shares Equivalents to officers, directors, and employees of the Company unless such issuance is an Exempt Issuance or in the amounts and on the terms set forth on Schedule 4.13. For so long as any Notes are outstanding, the Company will not amend the terms of any securities or Ordinary Shares Equivalents or of any agreement outstanding or in effect as of the date of this Agreement pursuant to which same were or may be acquired without the consent of a Majority in Interest, if the result of such amendment would be at an effective price per share of Ordinary Shares less than the lower of the Conversion Price or Warrant Exercise Price in effect at the time of such amendment. The restrictions and limitations in this Section 4.13 are in addition to and shall apply whether or not a Purchaser exercises its rights pursuant to Section 4.17. Unless otherwise specifically set forth in the Transaction Documents, these Transaction Documents shall not restrict the Company from issuing any equity.

4.14 Equal Treatment of Purchasers. No consideration (including any modification of any Transaction Document) shall be offered or paid to any Person to amend or consent to a waiver or modification of any provision of any of this Agreement unless the same consideration is also offered on a ratable basis to all of the parties to this Agreement. For clarification purposes, this provision constitutes a separate right granted to each Purchaser by the Company and negotiated separately by each Purchaser, and is intended for the Company to treat the Purchasers as a class and shall not in any way be construed as the Purchasers acting in concert or as a group with respect to the purchase, disposition or voting of Securities or otherwise.

4.15 Capital Changes. Until the one year anniversary of the Closing Date, the Company shall not undertake a reverse or forward stock split or reclassification of the Ordinary Shares without ten (10) days prior written notice to the Purchasers.

4.16 Certain Transactions and Confidentiality. Each Purchaser, severally and not jointly with the other Purchasers, covenants that neither it, nor any Affiliate acting on such Purchaser's behalf or pursuant to any understanding with such Purchaser will execute any purchases or sales, including Short Sales, of any of the Company's securities during the period commencing with the execution of this Agreement and ending at such time that the transactions contemplated by this Agreement are first publicly announced pursuant to a press release or Form 6-K as described in Section 4.6. Each Purchaser, severally and not jointly with the other Purchasers, covenants that until such time as the transactions contemplated by this Agreement are publicly disclosed by the Company pursuant to a press release or Form 6-K as described in Section 4.6, such Purchaser will maintain the confidentiality of the existence and terms of this transaction and the information included in the Transaction Documents and the Disclosure Schedules. Further, each Purchaser severally and not jointly with the other Purchasers covenants that neither it, nor any of its Affiliates will engage in any Short Sale transactions at any time while it beneficially owns any Securities. Notwithstanding the foregoing, and notwithstanding anything contained in this Agreement to the contrary, the Company expressly acknowledges and agrees that (i) no Purchaser makes any representation, warranty or covenant hereby that it will not engage in effecting transactions in any securities of the Company after the time that the transactions contemplated by this Agreement are first publicly announced pursuant to a press release or Form 6-K as described in Section 4.6, (ii) no Purchaser shall be restricted or prohibited from effecting any transactions in any securities of the Company in accordance with applicable securities laws from and after the time that the transactions contemplated by this Agreement are first publicly announced pursuant to a press release or Form 6-K, and (iii) no Purchaser shall have any duty of confidentiality to the Company or its Subsidiaries after the filing of the Form 6-K. Notwithstanding the foregoing, in the case of a Purchaser that is a multi-managed investment vehicle whereby separate portfolio managers manage separate portions of such Purchaser's assets and the portfolio managers have no direct knowledge of the investment decisions made by the portfolio managers managing other portions of such Purchaser's assets, the covenant set forth above shall only apply with respect to the portion of assets managed by the portfolio manager that made the investment decision to purchase the Securities covered by this Agreement.

4.17 Participation in Future Financing.

(a) Until eighteen (18) months after the Closing Date upon any proposed issuance by the Company or any of its Subsidiaries of Ordinary Shares, Ordinary Shares Equivalents, Indebtedness or a combination thereof, other than (i) a rights offering to all holders of Ordinary Shares (which may include extending such rights offering to holders of Notes on an as-converted basis), or (ii) an Exempt Issuance (each such proposed issuance other than (a) (i) and (ii), a "Subsequent Financing"), the Purchasers, the Previous Purchaser and the Subsequent Purchasers shall have the right to participate up to an amount of the Subsequent Financing equal to 50% of the Subsequent Financing (the "Participation Maximum") pro rata to each other in proportion to principal amounts of indebtedness issued on the Closing Date and any other applicable closing dates pursuant to which Subsequent Purchasers purchased securities on the same terms, conditions and price provided for in the Subsequent Financing, unless the Subsequent Financing is an underwritten public offering, in which case the Company shall notify each Purchaser of such public offering when it is lawful for the Company to do so, but no Purchaser shall be entitled to purchase any particular amount of such public offering without the approval of the lead underwriter of such underwritten public offering.

(b) At least ten (10) Trading Days prior to the closing of the Subsequent Financing, the Company shall deliver to each Purchaser a written notice of its intention to effect a Subsequent Financing ("Pre-Notice"), which Pre-Notice shall ask such Purchaser if it wants to review the details of such financing (such additional notice, a "Subsequent Financing Notice"). Upon the request of a Purchaser, and only upon a request by such Purchaser, for a Subsequent Financing Notice, the Company shall promptly, but no later than one (1) Trading Day after such request, deliver a Subsequent Financing Notice to such Purchaser. The requesting Purchaser shall be deemed to have acknowledged that the Subsequent Financing Notice may contain material non-public information. The Subsequent Financing Notice shall describe in reasonable detail the proposed terms of such Subsequent Financing, the amount of proceeds intended to be raised thereunder and the Person or Persons through or with whom such Subsequent Financing is proposed to be effected and shall include a term sheet or similar document relating thereto as an attachment.

(c) Any Purchaser desiring to participate in such Subsequent Financing must provide written notice to the Company by not later than 5:30 p.m. (New York City time) on the tenth (10^{th}) Trading Day after all of the Purchasers have received the Pre-Notice that the Purchaser is willing to participate in the Subsequent Financing, the amount of such Purchaser's participation, and representing and warranting that such Purchaser has such funds ready, willing, and available for investment on the terms set forth in the Subsequent Financing Notice. If the Company receives no such notice from a Purchaser as of such tenth (10^{th}) Trading Day, such Purchaser shall be deemed to have notified the Company that it does not elect to participate.

(d) If by 5:30 p.m. (New York City time) on the tenth (10^{th}) Trading Day after all of the Purchasers have received the Pre-Notice, notifications by the Purchasers of their willingness to participate in the Subsequent Financing (or to cause their designees to participate) is, in the aggregate, less than the total amount of the Subsequent Financing, then the Company may affect the remaining portion of such Subsequent Financing on the terms and with the Persons set forth in the Subsequent Financing Notice and the Purchasers shall simultaneously affect their portion of such Subsequent Financing as set forth in their notifications to the Company consistent with the terms set forth in the Subsequent Financing Notice.

(e) If by 5:30 p.m. (New York City time) on the tenth (10^{th}) Trading Day after all of the Purchasers have received the Pre-Notice, the Company receives responses to a Subsequent Financing Notice from Purchasers seeking to purchase more than the aggregate amount of the Participation Maximum, each such Purchaser shall have the right to purchase its Pro Rata Portion (as defined below) of the Participation Maximum. "Pro Rata Portion" means the ratio of (x) the principal amount of Notes purchased hereunder by a Purchaser participating under this Section 4.17 and (y) the sum of the aggregate principal amounts of Notes purchased hereunder by all Purchasers participating under this Section 4.17.

(f) The Company must provide the Purchasers with a second Subsequent Financing Notice, and the Purchasers will again have the right of participation set forth above in this Section 4.18, if the Subsequent Financing subject to the initial Subsequent Financing Notice is not consummated for any reason on the terms set forth in such Subsequent Financing Notice within sixty (60) Trading Days after the date of the initial Subsequent Financing Notice.

(g) The Company and each Purchaser agree that if any Purchaser elects to participate in the Subsequent Financing, the transaction documents related to the Subsequent Financing shall not include any term or provision whereby such Purchaser shall be required to agree to any restrictions on trading as to any of the Securities purchased hereunder (for avoidance of doubt, the securities purchased in the Subsequent Financing shall not be considered securities purchased hereunder) or be required to consent to any amendment to or termination of, or grant any waiver, release or the like under or in connection with, this Agreement, without the prior written consent of such Purchaser.

(h) Notwithstanding anything to the contrary in this Section 4.17 and unless otherwise agreed to by such Purchaser, the Company shall either confirm in writing to such Purchaser that the transaction with respect to the Subsequent Financing has been abandoned or shall publicly disclose its intention to issue the securities in the Subsequent Financing, in either case in such a manner such that such Purchaser will not be in possession of any material, non-public information, by the seventeenth (17^{th}) Business Day following delivery of the Subsequent Financing Notice. If by such seventeenth (17^{th}) Business Day, no public disclosure regarding a transaction with respect to the Subsequent Financing has been made, and no notice regarding the abandonment of such transaction has been received by such Purchaser, such transaction shall be deemed to have been abandoned and such Purchaser shall not be deemed to be in possession of any material, non-public information with respect to the Company or any of its Subsidiaries.

4.18 Purchaser's Exercise Limitations. The Company shall not effect exercise of the rights granted in Sections 4.17 of this Agreement, and a Purchaser shall not have the right to exercise any portion of such rights granted in Sections 4.17 only to the extent that after giving effect to such exercise, the Purchaser, would beneficially own in excess of the Beneficial Ownership Limitation (as defined in the Note), applied in the manner set forth in the Note. In such event the right by Purchaser to benefit from such rights or receive shares in excess of the Beneficial Ownership Limitation shall be held in abeyance until such times as such excess shares shall not exceed the Beneficial Ownership Limitation, provided the Purchaser complies with the Purchaser's other obligations in connection with the exercise by Purchaser of its rights pursuant to Sections 4.17.

4.19 Maintenance of Property. The Company shall and cause each Subsidiary to keep all of its property, which is necessary or useful to the conduct of its business, in good working order and condition, ordinary wear and tear excepted.

4.20 Preservation of Corporate Existence. The Company shall preserve and maintain its corporate existence, rights, privileges and franchises in the jurisdiction of its incorporation, and qualify and remain qualified, as a foreign corporation in each jurisdiction in which such qualification is necessary in view of its business or operations and where the failure to qualify or remain qualified might reasonably have a Material Adverse Effect upon the financial condition, business or operations of the Company taken as a whole.

4.21 DTC Program. At all times that Notes or Warrants are outstanding, the Company shall employ as the transfer agent for its Ordinary Shares and Underlying Shares a participant in the Depository Trust Company Automated Securities Transfer Program and cause the Ordinary Shares and Underlying Shares to be transferable pursuant to such program.

4.22 Reimbursement. If any Purchaser becomes involved in any capacity in any Proceeding by or against any Person who is a stockholder of the Company (except as a result of sales, pledges, margin sales and similar transactions by such Purchaser to or with any current stockholder), solely as a result of such Purchaser's acquisition of the Securities under this Agreement, the Company will reimburse such Purchaser for its reasonable legal and other expenses (including the cost of any investigation preparation and travel in connection therewith) incurred in connection therewith, as such expenses are incurred. The reimbursement obligations of the Company under this paragraph shall be in addition to any liability which the Company may otherwise have, shall extend upon the same terms and conditions to any Affiliates of the Purchasers who are actually named in such action, proceeding or investigation, and partners, directors, agents, employees and controlling persons (if any), as the case may be, of the Purchasers and any such Affiliate, and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of the Company, the Purchasers and any such Affiliate and any such Person. The Company also agrees that neither the Purchasers nor any such Affiliates, partners, directors, agents, employees or controlling persons shall have any liability to the Company or any Person asserting claims on behalf of or in right of the Company solely as a result of acquiring the Securities under this Agreement.

4.23 Indebtedness. For so long as any amount of Note principal is outstanding, the Company will not incur any new Indebtedness other than Permitted Indebtedness, and will not issue convertible debt instruments described in subpart (f) of the definition of Exempt Issuance having a principal amount of more than US$1,666,667, in the aggregate, without the consent of the Majority in Interest.

4.24 Notice of Disqualification Events. The Company will notify the Purchasers in writing, prior to the Closing Date of (i) any Disqualification Event relating to any Issuer Covered Person and (ii) any event that would, with the passage of time, become a Disqualification Event relating to any Issuer Covered Person not otherwise disclosed herein or in the SEC Reports.

4.25 No Exercise of Variable Priced Equity Linked Instruments. For so long as Notes are outstanding, the Company will not have outstanding any exercisable Variable Priced Equity Linked Instruments, nor any debt or equity with anti-dilution, ratchet or reset rights, except as set forth and described on Schedule 4.25.

4.26 Maintenance of Property and Insurance. Until the End Date, the Company shall keep all of its property, which is necessary or useful to the conduct of its business, in good working order and condition or in no worse condition than on the date hereof, if not in good working order and condition, ordinary wear and tear excepted. Until the End Date, the Company will maintain insurance coverage of the type customary for its industry and not less than the amount in effect as of the Closing Date.

4.27 Most Favored Nation Provision. From the date hereof and for so long as a Purchaser holds any Securities, in the event that the Company issues or sells any Ordinary Shares or Ordinary Shares Equivalents pursuant to the Exempt Issuance described in subpart (f) of the definition of Exempt Issuance other than to the Previous Purchaser pursuant to convertible notes or Ordinary Share purchase warrants already sold to the Previous Purchaser and if a Purchaser then holding outstanding Securities reasonably believes that any of the terms and conditions appurtenant to such issuance or sale are more favorable to such Subsequent Purchaser than are the terms and conditions granted to the Purchasers hereunder, upon notice to the Company by such Purchaser within ten (10) Trading Days after written notice (as described below) to Purchaser of such issuance or sale (which shall include a copy of all agreements and documents employed in connection with such issuance), the Company shall amend the terms of this transaction as to such Purchaser only, so as to give such Purchaser the benefit of such more favorable terms or conditions. The Company shall provide each Purchaser with notice of any such proposed issuance or sale not later than ten (10) Trading Days before such issuance or sale.

4.28 Duration of Undertakings. Unless otherwise stated in this Article IV or pursuant to applicable law, all of the Company's undertakings, obligations and responsibilities set forth in Article IV of this Agreement shall remain in effect for at least so long as any Securities remain outstanding.

ARTICLE V.
MISCELLANEOUS

5.1 Termination. This Agreement may be terminated by any Purchaser or the Company, as to such Purchaser's or the Company's obligations hereunder with respect to such Purchaser that have not yet been consummated, only and without any effect whatsoever on the obligations between the Company and the other Purchasers, by written notice to the other parties, if the Closing has not been consummated on or before August 29, 2017; provided, however, that such termination will not affect the right of any party to sue for any breach by any other party (or parties).

5.2 Fees and Expenses. At the Closing, the Company has agreed to pay G&M for the legal fees in connection with G&M's representation of Alpha Capital Anstalt (and no other Purchasers) and the Closing in the amount of $18,000. Except as expressly set forth in the Transaction Documents and on Schedule 3.1(s), each party shall pay the fees and expenses of its advisers, counsel, accountants and other experts, if any, and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of this Agreement. The Company shall pay all Transfer Agent fees (including, without limitation, any fees required for same-day processing of any instruction letter delivered by the Company and any conversion or exercise notice delivered by a Purchaser) and stamp taxes and other taxes and duties (other than income and similar taxes), if any, levied in connection with the delivery of any Securities to the Purchasers. All of the Purchasers are advised to seek the advice of their own attorneys.

5.3 Entire Agreement. The Transaction Documents, together with the exhibits and schedules thereto, contain the entire understanding of the parties with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings, oral or written, with respect to such matters, which the parties acknowledge have been merged into such documents, exhibits and schedules.

5.4 Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be: (i) if to the Company, to: P.V. Nano Cell Ltd., c/o Corporation Service Company 1180 Avenue of the Americas, Suite 210, New York, NY 10036 with an additional copy by fax only to (which shall not constitute notice): Greenberg Traurig, P.A., 333 S.E. 2nd Avenue, Miami, FL 33131, Attn: Robert L. Grossman, Esq., facsimile: 305-961-5756, and (ii) if to the Purchasers, to: the addresses and fax numbers indicated on the signature pages hereto, with an additional copy by fax only to (which shall not constitute notice): Grushko & Mittman, P.C., 515 Rockaway Avenue, Valley Stream, New York 11581, fax: (212) 697-3575. **For so long as any notice may or be required to be given to the Company pursuant to the transaction documents, the Company will maintain an address for notice purposes in New York, New York or Miami, Florida. Any notice required to be given to the Company pursuant to the Transaction Documents will also be given via email to** fernando@pvnanocell.com**. Failure to give such email notice or failure of such notice to be received shall under no circumstances be deemed a defect in the giving of the required notice.**

5.5 Amendments; Waivers. No provision of this Agreement or the other Transaction Documents may be waived, modified, supplemented or amended except in a written instrument signed, in the case of an amendment, by the Company and Purchasers holding at least a majority in interest of the Securities issued pursuant to this Agreement then outstanding the "Majority in Interest"), or, in the case of a waiver, by the party against whom enforcement of any such waived provision is sought. Whenever the term "consent of the Purchasers" or a similar term is employed herein, it shall mean the consent of a Majority in Interest. For all provisions of this Agreement requiring consent of a Majority in Interest other than with respect to an amendment of this Agreement or any of the Transaction Documents, a Majority in Interest shall mean Purchasers and Subsequent Purchasers holding at least a majority in interest of all securities issued in the Aggregate Offering at that time that have a right to consent to such action pursuant to the applicable transaction documents, provided that in determining a Majority in Interest for this purpose, securities sold to the Previous Purchaser shall not be included in the amount of securities sold in the Aggregate Offering. No waiver of any default with respect to any provision, condition or requirement of this Agreement or the other Transaction Document shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right.

5.6 Headings. The headings herein are for convenience only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.

5.7 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns. The Company may not assign this Agreement or any rights or obligations hereunder without the prior written consent of each Purchaser (other than by merger). Following a Closing, any Purchaser may assign any or all of its rights under this Agreement to any Person to whom such Purchaser assigns or transfers any Securities in compliance with this Agreement and applicable law, provided that such transferee agrees in writing to be bound, with respect to the transferred Securities, by the provisions of the Transaction Documents that apply to the "Purchasers."

5.8 No Third-Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective successors and permitted assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other Person, except as otherwise set forth in Section 4.10.

5.9 Governing Law. All questions concerning the construction, validity, enforcement and interpretation of the Transaction Documents shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Each party agrees that all legal proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement and any other Transaction Documents (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the City of New York, Borough of Manhattan for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any action, suit or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper or is an inconvenient venue for such proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law. If either party shall commence an action or proceeding to enforce any provisions of the Transaction Documents, then, in addition to the obligations of the Company under Section 4.10, the prevailing party in such action, suit or proceeding shall be reimbursed by the other party for its reasonable attorneys' fees and other costs and expenses incurred with the investigation, preparation and prosecution of such action or proceeding.

5.10 Survival. The representations and warranties contained herein shall survive the Closing and the delivery of the Securities.

5.11 Execution. This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to each other party, it being understood that the parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

5.12 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

5.13 Rescission and Withdrawal Right. Notwithstanding anything to the contrary contained in (and without limiting any similar provisions of) any of the other Transaction Documents, whenever any Purchaser exercises a right, election, demand or option under a Transaction Document and the Company does not timely perform its related obligations within the periods therein provided, then such Purchaser may, at any time prior to the Company's performance of such obligations, rescind or withdraw, in its sole discretion from time to time upon written notice to the Company, any relevant notice, demand or election in whole or in part without prejudice to its future actions and rights; provided, however, that in the case of a rescission of a conversion of a Note or exercise of a Warrant, the applicable Purchaser shall be required to return any Ordinary Shares subject to any such rescinded conversion or exercise notice concurrently with the return to such Purchaser of the aggregate Exercise Price paid to the Company for such shares and the restoration of such Purchaser's right to acquire such shares pursuant to such Purchaser's Warrant (including, issuance of a replacement warrant certificate evidencing such restored right).

5.14 Replacement of Securities. If any certificate or instrument evidencing any Securities is mutilated, lost, stolen or destroyed, the Company shall issue or cause to be issued in exchange and substitution for and upon cancellation thereof (in the case of mutilation), or in lieu of and substitution therefor, a new certificate or instrument, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction. The applicant for a new certificate or instrument under such circumstances shall also pay any reasonable third-party costs (including customary indemnity) associated with the issuance of such replacement Securities.

5.15 Remedies. In addition to being entitled to exercise all rights provided herein or granted by law, including recovery of damages, each of the Purchasers and the Company will be entitled to specific performance under the Transaction Documents. The parties agree that monetary damages may not be adequate compensation for any loss incurred by reason of any breach of obligations contained in the Transaction Documents and hereby agree to waive and not to assert in any action for specific performance of any such obligation the defense that a remedy at law would be adequate.

5.16 Payment Set Aside. To the extent that the Company makes a payment or payments to any Purchaser pursuant to any Transaction Document or a Purchaser enforces or exercises its rights thereunder, and such payment or payments or the proceeds of such enforcement or exercise or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, recovered from, disgorged by or are required to be refunded, repaid or otherwise restored to the Company, a trustee, receiver or any other Person under any law (including, without limitation, any bankruptcy law, state or federal law, common law or equitable cause of action), then to the extent of any such restoration the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

5.17 Usury. To the extent it may lawfully do so, the Company hereby agrees not to insist upon or plead or in any manner whatsoever claim, and will resist any and all efforts to be compelled to take the benefit or advantage of, usury laws wherever enacted, now or at any time hereafter in force, in connection with any claim, action or proceeding that may be brought by any Purchaser in order to enforce any right or remedy under any Transaction Document. Notwithstanding any provision to the contrary contained in any Transaction Document, it is expressly agreed and provided that the total liability of the Company under the Transaction Documents for payments in the nature of interest shall not exceed the maximum lawful rate authorized under applicable law (the "Maximum Rate"), and, without limiting the foregoing, in no event shall any rate of interest or default interest, or both of them, when aggregated with any other sums in the nature of interest that the Company may be obligated to pay under the Transaction Documents exceed such Maximum Rate. It is agreed that if the maximum contract rate of interest allowed by law and applicable to the Transaction Documents is increased or decreased by statute or any official governmental action subsequent to the date hereof, the new maximum contract rate of interest allowed by law will be the Maximum Rate applicable to the Transaction Documents from the Closing Date thereof forward, unless such application is precluded by applicable law. If under any circumstances whatsoever, interest in excess of the Maximum Rate is paid by the Company to any Purchaser with respect to indebtedness evidenced by the Transaction Documents, such excess shall be applied by such Purchaser to the unpaid principal balance of any such indebtedness or be refunded to the Company, the manner of handling such excess to be at such Purchaser's election.

5.18 Independent Nature of Purchasers' Obligations and Rights. The obligations of each Purchaser under any Transaction Document are several and not joint with the obligations of any other Purchaser, and no Purchaser shall be responsible in any way for the performance or non-performance of the obligations of any other Purchaser under any Transaction Document. Nothing contained herein or in any other Transaction Document, and no action taken by any Purchaser pursuant hereto or thereto, shall be deemed to constitute the Purchasers as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Purchasers are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated by the Transaction Documents. Each Purchaser shall be entitled to independently protect and enforce its rights, including, without limitation, the rights arising out of this Agreement or out of the other Transaction Documents, and it shall not be necessary for any other Purchaser to be joined as an additional party in any proceeding for such purpose. Each Purchaser has been represented by its own separate legal counsel in its review and negotiation of the Transaction Documents. For reasons of administrative convenience only, each Purchaser and its respective counsel have chosen to communicate with the Company through G&M. The Company has elected to provide all Purchasers with the same terms and Transaction Documents for the convenience of the Company and not because it was required or requested to do so by any of the Purchasers. It is expressly understood and agreed that each provision contained in this Agreement and in each other Transaction Document is between the Company and a Purchaser, solely, and not between the Company and the Purchasers collectively and not between and among the Purchasers.

5.19 Liquidated Damages. The Company's obligations to pay any partial liquidated damages or other amounts owing under the Transaction Documents is a continuing obligation of the Company and shall not terminate until all unpaid partial liquidated damages and other amounts have been paid notwithstanding the fact that the instrument or security pursuant to which such partial liquidated damages or other amounts are due and payable shall have been canceled.

5.20 Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then such action may be taken or such right may be exercised on the next succeeding Business Day.

5.21 Construction. The parties agree that each of them and/or their respective counsel have reviewed and had an opportunity to revise the Transaction Documents and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of the Transaction Documents or any amendments thereto. In addition, each and every reference to share prices and Ordinary Shares in any Transaction Document shall be subject to adjustment for reverse and forward stock splits, stock dividends, stock combinations and other similar transactions of the Ordinary Shares that occur after the date of this Agreement.

5.22 WAIVER OF JURY TRIAL. IN ANY ACTION, SUIT, OR PROCEEDING IN ANY JURISDICTION BROUGHT BY ANY PARTY AGAINST ANY OTHER PARTY, THE PARTIES EACH KNOWINGLY AND INTENTIONALLY, TO THE GREATEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY AND EXPRESSLY WAIVES FOREVER TRIAL BY JURY.

5.23 Currency. Unless indicated otherwise, references to currency and money shall mean currency of the United States of America.

5.24 Equitable Adjustment. Trading volume amounts, price/volume amounts, the amount of Warrants, the amount of Ordinary Shares identified in this Agreement, Conversion Price, Exercise Price, Underlying Shares and similar figures in the Transaction Documents shall be equitably adjusted (but without duplication) to offset the effect of stock splits, similar events and as otherwise described in this Agreement, Note and Warrants.

(Signature Pages Follow)

IN WITNESS WHEREOF, the parties hereto have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

P.V. NANO CELL LTD.

Address for Notice:

8 Hamasgar Street Migdal
Ha'Emek,Israel 2310102
Attention: Dr. Fernando de la Vega

By: _____
Name: Dr. Fernando de la Vega
Title: CEO

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

Greenberg Traurig, P.A.
333 S.E. 2nd Avenue
Miami, FL 33131
Attn: Robert L. Grossman, Esq.
Fax: 305-961-5756

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

SIGNATURE PAGE FOR PURCHASER FOLLOWS]

[PURCHASER SIGNATURE PAGE TO P.V. NANO CELL LTD.

SECURITIES PURCHASE AGREEMENT]

IN WITNESS WHEREOF, the undersigned have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

Name of Purchaser: _____

Signature of Authorized Signatory of Purchaser: _____

Name of Authorized Signatory: _____

Title of Authorized Signatory: _____

Email Address of Authorized Signatory: _____

Facsimile Number of Authorized Signatory: _____

State of Residence of Purchaser: _____

Address for Notice to Purchaser:

Address for Delivery of Securities to Purchaser (if not same as address for notice):

Subscription Amount: US$_____

Note principal amount: _____

Warrants: _____

EIN Number, if applicable, will be provided under separate cover: _____

Date: _____

[SIGNATURE PAGES CONTINUE]

EXHIBITS AND SCHEDULES

Exhibit A	Form of Note
Exhibit B	Form of Warrant
Exhibit C	Form of Form 6-K
Exhibit D	Form of Lockup Agreement
Exhibit E	Form of Accredited Investor Questionnaire
Schedule 1.1	Guaranties and Contingent Obligations
Schedule 2.2(a)(v)	Lockup Agreement Providers
Schedule 3.1(a)	Subsidiaries
Schedule 3.1(e)	Israeli Filings
Schedule 3.1(g)	New shares, ESOP and Digiflex deal on top of the loan
Schedule 3.1(i)	Stock Option Plan
Schedule 3.1(l)	Compliance
Schedule 3.1(n)	Title to Assets
Schedule 3.1(s)	Fees and expenses
Schedule 3.1(u)	Outstanding Registration Rights
Schedule 3.1(z)	Trial Balance as of July 27, 2017
Schedule 3.1(cc)	Accountants
Schedule 3.1(ll)	Indebtedness and Seniority
Schedule 4.9	Use of Proceeds
Schedule 4.13	Issuances to Officers, Directors and Employees
Schedule 4.25	No Exercise of Variable Priced Equity Linked Instruments

EXHIBIT E

ACCREDITED INVESTOR QUESTIONNAIRE
IN CONNECTION WITH INVESTMENT IN CONVERTIBLE NOTE
P.V. NANO CELL LTD.,
A CORPORATION FORMED UNDER THE LAWS OF THE STATE OF ISRAEL
PURSUANT TO SECURITIES PURCHASE AGREEMENT DATED AUGUST ___, 2017

TO : P.V. Nano Cell Ltd.
c/o Greenberg Traurig, P.A.
333 S.E. 2nd Avenue
Miami, FL 33131
Fax: 305-961-5756

INSTRUCTIONS

PLEASE ANSWER ALL QUESTIONS. If the appropriate answer is "None" or "Not Applicable", so state. Please print or type your answers to all questions. Attach additional sheets if necessary to complete your answers to any item.

Your answers will be kept strictly confidential at all times. However, P.V. Nano Cell Ltd. (the "Company") may present this Questionnaire to such parties as it deems appropriate in order to assure itself that the offer and sale of securities of the Company will not result in a violation of the registration provisions of the Securities Act of 1933, as amended, or a violation of the securities laws of any state.

1. Please provide the following information:

Name:

Name of additional purchaser:_____
(Please complete information in Question 5)

Date of birth, or if other than an individual, year of organization or incorporation:

2. Residence address, or if other than an individual, principal office address:

Telephone number:

Social Security Number:

Taxpayer Identification Number:

3. Business address:

Business telephone number:

4. Send mail to: Residence _____ Business _____

5. With respect to tenants in common, joint tenants and tenants by the entirety, complete only if information differs from that above:

Residence address:

Telephone number:

Social Security Number:

Taxpayer Identification Number:

Business address:

Business telephone number:

Send Mail to: Residence _____ Business _____

6. Please describe your present or most recent business or occupation and indicate such information as the nature of your employment, how long you have been employed there, the principal business of your employer, the principal activities under your management or supervision and the scope (e.g. dollar volume, industry rank, etc.) of such activities:

7. Please state whether you (i) are associated with or affiliated with a member of the Financial Industry Regulatory Association, Inc. ("FINRA"), (ii) are an owner of stock or other securities of FINRA member (other than stock or other securities purchased on the open market), or (iii) have made a subordinated loan to any FINRA member:

_____ Yes _____ No

If you answered yes to any of (i) – (iii) above, please indicate the applicable answer and briefly describe the facts below:

8A. Applicable to Individuals ONLY. Please answer the following questions concerning your financial condition as an Accredited Investor (within the meaning of Rule 501 of Regulation D). If the purchaser is more than one individual, each individual must initial an answer where the question indicates a "yes" or "no" response and must answer any other question fully, indicating to which individual such answer applies. If the purchaser is purchasing jointly with his or her spouse, one answer may be indicated for the couple as a whole:

8.1 Does your net worth* (or joint net worth with your spouse) exceed $1,000,000?

_____ Yes _____ No

8.2 Did you have an individual income** in excess of $200,000 or joint income together with your spouse in excess of $300,000 in each of the two most recent years and do you reasonably expect to reach the same income level in the current year?

_____ Yes _____ No

8.3 Are you an executive officer of the Company?

_____ Yes _____ No

* For purposes hereof, net worth shall be deemed to include ALL of your assets, liquid or illiquid MINUS any liabilities.

** For purposes hereof, the term "income" is not limited to "adjusted gross income" as that term is defined for federal income tax purposes, but rather includes certain items of income which are deducted in computing "adjusted gross income". For investors who are salaried employees, the gross salary of such investor, minus any significant expenses personally incurred by such investor in connection with earning the salary, plus any income from any other source including unearned income, is a fair measure of "income" for purposes hereof. For investors who are self-employed, "income" is generally construed to mean total revenues received during the calendar year minus significant expenses incurred in connection with earning such revenues.

8.B Applicable to Corporations, Partnerships, Trusts, Limited Liability Companies and other Entities ONLY:

The purchaser is an Accredited Investor because the purchaser falls within at least one of the following categories (Check all appropriate lines):

___ (i) a bank as defined in Section 3(a)(2) of the Act or a savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Act whether acting in its individual or fiduciary capacity;

___ (ii) a broker-dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, as amended;

___ (iii) an insurance company as defined in Section 2(13) of the Act;

___ (iv) an investment company registered under the Investment Company Act of 1940, as amended (the "Investment Act") or a business development company as defined in Section 2(a)(48) of the Investment Act;

___ (v) a Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958, as amended;

___ (vi) a plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, where such plan has total assets in excess of $5,000,000;

___ (vii) an employee benefit plan within the meaning of Title 1 of the Employee Retirement Income Security Act of 1974, as amended (the "Employee Act"), where the investment decision is made by a plan fiduciary, as defined in Section 3(21) of the Employee Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or an employee benefit plan that has total assets in excess of $5,000,000, or a self-directed plan the investment decisions of which are made solely by persons that are Accredited Investors;

___ (viii) a private business development company, as defined in Section 202(a)(22) of the Investment Advisers Act of 1940, as amended;

___ (ix) an organization described in Section 501(c)(3) of the Internal Revenue Code, a corporation, a Massachusetts or similar business trust, or a partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of $5,000,000;

___ (x) a trust, with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a "sophisticated" person, as described in Rule 506(b)(2)(ii) promulgated under the Act, who has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of the prospective investment;

___ (xi) an entity in which all of the equity investors are persons or entities described above ("Accredited Investors"). ALL EQUITY OWNERS MUST COMPLETE "EXHIBIT A" ATTACHED HERETO.

9.A Do you have sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks associated with investing in the Company?

_____ Yes _____ No

ANSWER QUESTION 9B ONLY IF THE ANSWER TO QUESTION 9A WAS "NO."

9.B If the answer to Question 9A was "NO," do you have a financial or investment adviser (a) that is acting in the capacity as a purchaser representative and (b) who has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks associated with investing in the Company?

_____ Yes _____ No

If you have a financial or investment adviser(s), please identify each such person and indicate his or her business address and telephone number in the space below. (Each such person must complete, and you must review and acknowledge, a separate Purchaser Representative Questionnaire which will be supplied at your request).

10. You have the right, will be afforded an opportunity, and are encouraged to investigate the Company and review relevant factors and documents pertaining to the officers of the Company, and the Company and its business and to ask questions of a qualified representative of the Company regarding this investment and the properties, operations, and methods of doing business of the Company.

Have you or has your purchaser representative, if any, conducted any such investigation, sought such documents or asked questions of a qualified representative of the Company regarding this investment and the properties, operations, and methods of doing business of the Company?

_____ Yes _____ No

If so, briefly describe:

If so, have you completed your investigation and/or received satisfactory answers to your questions?

_____ Yes _____ No

11. Do you understand the nature of an investment in the Company and the risks associated with such an investment?

_____ Yes _____ No

12. Do you understand that there is no guarantee of any financial return on this investment and that you will be exposed to the risk of losing your entire investment?

_____ Yes _____ No

13. Do you understand that this investment is not liquid?

_____ Yes _____ No

14. Do you have adequate means of providing for your current needs and personal contingencies in view of the fact that this is not a liquid investment?

_____ Yes _____ No

15. Are you aware of the Company's business affairs and financial condition, and have you acquired all such information about the Company as you deem necessary and appropriate to enable you to reach an informed and knowledgeable decision to acquire the Interests?

_____ Yes _____ No

16. Do you have a "pre-existing relationship" with the Company or any of the officers of the Company?

_____ Yes _____ No

(For purposes hereof, "pre-existing relationship" means any relationship consisting of personal or business contacts of a nature and duration such as would enable a reasonably prudent investor to be aware of the character, business acumen, and general business and financial circumstances of the person with whom such relationship exists.)

If so, please name the individual or other person with whom you have a pre-existing relationship and describe the relationship:

_____

_____

17. Exceptions to the representations and warranties made in Section 3.2 of the Securities Purchase Agreement (if no exceptions, write "none" – if left blank, the response will be deemed to be "none"): _____

Dated: _____, 2017

If purchaser is one or more individuals (all individuals must sign):

(Type or print name of prospective purchaser)

Signature of prospective purchaser

Social Security Number

(Type or print name of additional purchaser)

Signature of spouse, joint tenant, tenant in common or other signature, if required

Social Security Number

Annex A

Definition of Accredited Investor

The securities will only be sold to investors who represent in writing in the Securities Purchase Agreement that they are Accredited Investors, as defined in Regulation D, Rule 501 under the Act which definition is set forth below:

1. A natural person whose net worth, or joint net worth with spouse, at the time of purchase exceeds $1 million (excluding home); or

2. A natural person whose individual gross income exceeded $200,000 or whose joint income with that person's spouse exceeded $300,000 in each of the last two years, and who reasonably expects to exceed such income level in the current year; or

3. A trust with total assets in excess of $5 million, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person described in Regulation D; or

4. A director or executive officer of the Company; or

5. The investor is an entity, all of the owners of which are Accredited Investors; or

6. (a) bank as defined in Section 3(a)(2) of the Act, or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Act, (b) any broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, (c) an insurance Company as defined in Section 2(13) of the Act, (d) an investment Company registered under the Investment Company Act of 1940 or a business development Company as defined in Section 2(a)(48) of such Act, (e) a Small Business Investment Company licensed by the United States Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958, (f) an employee benefit plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, if such plan has total assets in excess of $5 million, (g) an employee benefit plan within the meaning of Title I of the Employee Retirement Income Securities Act of 1974, and the employee benefit plan has assets in excess of $5 million, or the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such act, that is either a bank, savings and loan institution, insurance Company, or registered investment advisor, or, if a self-directed plan, with an investment decisions made solely by persons that are Accredited Investors, (h) a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940, or (i) an organization described in Section 501(c)(3) of the Internal Revenue code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with assets in excess of $5 million.

EXHIBIT “A” TO ACCREDITED INVESTOR QUESTIONNAIRE

ACCREDITED CORPORATIONS, PARTNERSHIPS, LIMITED LIABILITY COMPANIES, TRUSTS OR OTHER ENTITIES INITIALING QUESTION 8B(xi) MUST PROVIDE THE FOLLOWING INFORMATION.

I hereby certify that set forth below is a complete list of all equity owners in _____ [**NAME OF ENTITY**], a [**TYPE OF ENTITY**] formed pursuant to the laws of the State of. I also certify that EACH SUCH OWNER HAS INITIALED THE SPACE OPPOSITE HIS OR HER NAME and that each such owner understands that by initialing that space he or she is representing that he or she is an accredited individual investor satisfying the test for accredited individual investors indicated under “Type of Accredited Investor.”

signature of authorized corporate officer, general partner or trustee

Name of Equity Owner	Type of Accredited Investor 1
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	

1 Indicate which Subparagraph of 8.1 - 8.3 the equity owner satisfies.

Exhibit 4.22

Dr. Amnon Mandelbaum- President
Telephone (212) 421-1616 , Facsimile (212) 750-7277

Dr. Fernando de la Vega CEO
PV Nano Cell Ltd.
8 Hamster Street
Migdal HaEmek 2310 I 02 Israel

FINANCIAL ADVISORY AGREEMENT

Dear Nando:

This agreement ("Agreement") is made and entered into this January 9, 2017, between Sunrise Securities LLC (hereafter "Sunrise") and PV Nano cell Ltd. (together with all subsidiaries, affiliates, successors and other controlled units, either existing or formed subsequent to the execution of this engagement, the "Company").

In consideration of the mutual promises made herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. The Company hereby engages Sunrise upon the terms and conditions as set forth herein as its exclusive Financial Advisor with respect to Transactions with Digiflex Limited and any of its shareholders (including but not limited to its shareholders, affiliates, subsidiaries and successors "Digiflex" and similar matters upon the terms and conditions set forth herein. In that regard, Sunrise will assist the Company in arranging, identifying, analyzing, structuring and negotiating suitable business opportunities which the Company may take advantage of by purchase or sale of stock or assets, assumption of liabilities , merger , acquisitions, equity swap, consolidation, tender offer, joint venture, or any similar transaction or combination thereof. Sunrise understands that the Company seeks financial advisory service. It is acknowledged and agreed that any advisory is on a best efforts basis only. This Agreement should not be construed as a firm commitment or guarantee of any Transaction. Sunrise and the Company agree and acknowledge that the decision to consummate a Transaction shall be in the Company's sole and absolute discretion. For the avoidance of the doubt it is agreed and acknowledge that financing is not covered under this agreement and if required in the future it will be covered under a separate agreement.

2. Except as otherwise specified in Paragraph 6 hereof, this Agreement shall be effective for a period of six (6) months, commencing upon the execution hereof and shall continue thereafter unless and until terminated on thirty days written notice by either party to the other party.

3. During the term of this Agreement, Sunrise shall provide the Company with such regular and customary consulting advice as is reasonably requested by the Company, provided that Sunrise shall not be required to undertake duties not reasonably within the scope of the financial advisory services contemplated by this Agreement. It is understood and acknowledged by the parties that the value of Sunrise's advice is not readily quantifiable, and that Sunrise shall be obligated to render advice upon the request of the Company, in good faith, but shall not be obligated to spend any specific amount of time in so doing.

4. Sunrise shall render such other financial advisory and investment and/or investment banking services as may from time to time be agreed upon in writing by Sunrise and the Company.

5. In consideration for the services rendered by Sunrise to the Company pursuant to this Agreement, the Company shall compensate Sunrise as follows:

   A. The Company shall pay to Sunrise a nonrefundable cash advisory retainer fee ("Retainer Fee") of seventy five thousand dollars ($75,000), out of which twenty-five thousand dollars (US$25,000) shall be paid by the Company by the date of January 25th 2017 and the remaining fifty thousand dollars ($50,000) shall be paid upon the closing of the Transaction with Digiflex.

   B. At the first closing of each Transaction with Digiflex, the Company shall pay to Sunrise a Transaction fee ("Transact ion Fee") that shall be equal to ten percent (I 0%) of the Aggregate Consideration in the same form paid by the Company (i.e. securities, cash or otherwise) in such Transaction. In the event the Transaction consideration will be in the form of securities, Sunrise may elect to either receive its Transaction fee in Company's shares at no cost to Sunrise or its designees , or may instruct the Company to issue at no cost to Amnon Mandelbaum and any of its designees Transaction warrants (the "Transaction Warrants") to purchase ten percent (10%) of the total Company's shares that were issued to Digiflex and or to its shareholders as a Transaction consideration. The above Transaction Warrants shall have an exercise price per share of $0.0001 (Penny warrants). The terms of the Transaction Warrants shall be set fo1ih in one or more agreements (the "Transaction Warrants Agreements") in form and substance reasonably satisfactory to Sunrise and the Company., The Transaction Warrants Agreements shall be for a term of seven years and will contain customary warrants terms (including without limitation, provisions for change of control, cashless exercise, and customary registration rights as provided to Digiflex's shareholders and or to Digiflex).

   For the purpose of this Agreement "Transaction or Transactions" shall mean merger, spinoff, share exchange, stock swap, business combination or reorganization, acquisition of some or all of the stock or assets of another company, purchase or sale of some or all of the stock or assets of the Company, joint venture , licensing agreement, royalty agreement, distribution agreement, product sales agreement or any similar transaction or combination thereof between the Company and Digifiex and or between the Company and Digiflex' s shareholders.

"Aggregate Consideration" shall mean the total consideration (stock, cash, assets and all other property (real or personal, tangible or intangible) plus debt assumed) exchanged or received, or to be exchanged or received directly or indirectly by the Company or any of its security holders in connection with any such Transaction, including without limitation any amounts paid or received, or to be paid or received pursuant to any employment agreement and consulting agreement (paid in connection with the Transaction), covenant not to compete, earn out or contingent payment right or similar arrangement , agreement or understanding, whether oral or written, associated with such Transaction. Transaction Fees shall be paid by the Company to Sunrise at the first closing of any Transaction, provided that the fee due to Sunrise as a result of consideration which is contingent upon the occurrence of some future event (e.g. earnout or the realization of earnings projections) shall be paid by the Company to Sunrise at the earlier of: (i) receipt of such consideration, or (ii) the time that the amount of such consideration can be determined.

C. The Company acknowledges and confirms that Sunrise originated and structured the Transaction with Digiflex Ltd. Thus any Transaction to be closed between the Company and Digiflex Ltd will be subject to the Transaction fee outlined in section 5B.

D. All Transaction fees that are due will be paid by the Company to the bank account of Sunrise Securities LLC.

Sunrise shall be responsible for its own tax liabilities arising as a result of the Transaction Fees and any consideration issued or paid to it by the Company.

6. In the event that this Agreement shall not be renewed or if terminated for any reason, notwithstanding any such non -renewal or termination, Sunrise shall be entitled to a full fee as provided under Paragraph 5 hereof, for any Transaction with a Digiflex Ltd. for which communications were conducted during the term of this Agreement by the Company or by Sunrise on behalf of the Company which is consummated within a period of eighteen (18) months after non -renew al or termination of this Agreement. Upon non-renewal or termination of this Agreement, Sunrise shall provide the Company with a written list of individuals and entities (which List shall be deemed to include all of such individuals and entities respective subsidiaries, affiliates, successors and other controlled units, either existing or formed subsequent to the execution of this Agreement, collectively, the "List") which List shall govern the operation of this Paragraph.

7. In addition to the fees payable hereunder, and regardless whether any Transaction set forth in Paragraph 5 hereof is proposed or consummated, the Company shall reimburse Sunrise, on an as incurred basis, for all pre approved reasonable fees and disbursements of Sunrise's outside counsel and Sunrise's reasonable travel and out-of-pocket expenses incurred in connection with the services performed by Sunrise pursuant to this Agreement, provided that such reimbursements referenced in this Paragraph 7 will not exceed $5,000 in the aggregate, .

8. The Company acknowledges that all opinions and advice (written or oral) given by Sunrise to the Company in connection with Sunrise's engagement are intended solely for the benefit and use of the Company in considering the transaction or financing to which they relate, and the Company agrees that no person or entity other than the Company shall be entitled to make use of or rely upon the advice of Sunrise to be given hereunder, and no such opinion or advice shall be used for any other purpose or reproduced, disseminated, quoted or referred to at any time , in any manner or for any purpose, nor may the Company make any public references to Sunrise, or use Sunrise's name in any annual reports or any other reports or releases of the Company without Sunrise's prior written consent, which shall not be unreasonably withheld.

9. The Company acknowledges that Sunrise and its affiliates are in the business of providing financial services and consulting advice to others. Nothing herein contained shall be construed to limit or restrict Sunrise in conducting such business with respect to others, or in rendering such advice to others, except as such advice may relate to matters relating to the Company's business and properties. In addition, the Company acknowledges and agrees that Sunrise may use, at Sunrise's sole discretion, the services of third parties agents for the purposes of assisting Sunrise with the selling and distribution of the Securities of the Company; provided however, that the fees for such agents shall be paid by Sunrise out of its Transaction Fee.

10. The Company recognizes and confirms that, in advising the Company and in fulfilling its engagement hereunder, Sunrise will use and rely on data, material and other information furnished to Sunrise by the Company. The Company acknowledges and agrees that in performing its services under this engagement, Sunrise may rely upon the data, material and other information supplied by the Company without independently verifying its accuracy, completeness or veracity, except to the extent Sunrise has actual knowledge to the contrary. The Company represents and warrants to Sunrise that all such information concerning the Company provided by the Company in response to requests made by Sunrise or otherwise, will be true and accurate in all material respects and will not contain 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 light of the circumstances under which such statements are made. Sunrise shall be under no obligations to make an independent appraisal of assets or an investigation or inquiry as to any information regarding, or any representations of, any other participant in a Transaction, and shall have no liability with regard thereto. The Company acknowledges and agrees that Sunrise will be using and relying upon such information supplied by the Company and its officers, agents and others and any other publicly available information concerning the Company without any independent investigation or verification thereof or independent appraisal by Sunrise of the Company or its business or assets. If, in Sunrise's opinion after completion of its due diligence process, the condition of the Company, financial or otherwise, and its prospects are not substantially as represented or do not fulfill Sunrise's expectations, Sunrise shall have the sole discretion to review and determine its continued interest in proposed Transaction. The Company further represents and agrees that (i) the Company is not obligated to pay any finder in connection with any proposed Transaction pursuant to this Agreement and in any and all events that any parties other than Sunrise ("Other Parties") seek compensation relating to the closing of any proposed Transaction, Sunrise shall be entitled to receive its full compensation from the Company as set forth in this Agreement and that Sunrise shall have no obligation whatsoever to pay any Other Parties, (ii) the Company shall deliver at the closing of each Transaction conducted hereunder (a) a certificate of each of the Company's President and Treasurer to the effect that the Company's information provided to the Investors does not contain any untrue statement of material fact or fail to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and all necessary corporate approvals have been obtained to enable the Company to deliver the Securities in accordance with the terms of the Transaction, and (b) an opinion of counsel for the Company satisfactory to Sunrise to the effect that the Company's information provided to the Investors does not (except with respect to the financial statements or forecasts as to which no opinion need be expressed) contain any untrue statement of material fact or fail to state any material fact required to be stated therein or necessa1y to make the statements therein not misleading, in light of the circumstances in which they were made, and such other opinions as Sunrise and/or Sunrise's counsel shall reasonably require, (iii) any Transaction shall only be conducted and closed, at the sole expense of the Company, through an escrow account and escrow agent that are both pre-approved by Sunrise, (iv) upon the closing of a Transaction by the Company during the term of this Agreement, the Company agrees that for a period of eighteen (18) months following expiration or termination of this Agreement, Sunrise shall have the first right of refusal to act as the Company' s sole and exclusive agent for all Transaction pursuant to the terms of this Agreement.

11. Since Sunrise will be acting on behalf of the Company in connection with its engagement hereunder, the Company and Sunrise have entered into a separate indemnification agreement substantially in the form attached hereto as Schedule A and dated the date hereof, providing for the indemnification of Sunrise by the Company. Sunrise has entered into this Agreement in reliance on the indemnities set forth in such indemnification agreement.

12. Sunrise shall perform its services hereunder as an independent contractor and not as an employee of the Company or an affiliate thereof. It is expressly understood and agreed to by the parties hereto that Sunrise shall have no authority to act for, represent or bind the Company or any affiliate thereof in any manner, except as may be agreed to expressly by the Company in writing from time to time.

13. A. This Agreement and the Schedule A attached hereto constitute the entire agreement and understanding of the parties hereto, and supersede any and all previous agreements and understandings, whether oral or written, between the parties with respect to the matters set forth herein.

    B. Any notice or communication permitted or required hereunder shall be in writing and shall be deemed sufficiently given if hand-delivered or sent (i) postage prepaid by registered mail, return receipt requested, or (ii) by facsimile to the respective parties as set forth be low, or to such other address as either party may notify the other of in writing:

    if to the Company, to: PY Nano Cell Ltd
    8 hamsger Street
    P.O. Box 236
    Migdal HaEmek 2310102, Israel
    Attn: Dr Fernando de la Vega

if to Sunrise, to: Sunrise Securities LLC
1330 Avenue of the Americas, 36th Floor
New York, New York 10019
Attn: Dr. Amnon Mandelbaum

C. This Agreement shall be binding upon and inure to the benefit of each of the patties hereto and their respective successors, legal representatives and assigns.

D. This Agreement may be executed in any number of counterparts, each of which together shall constitute one and the same original document. This Agreement may be executed and delivered by exchange of facsimile copies showing the parties' signatures, and those signatures need not be affixed to the same copy. The facsimile copies showing the signatures of the parties will constitute originally signed copies of the same Agreement requiring no further execution.

E. No provision of this Agreement may be amended, modified or waived, except in a writing signed by all of the parties hereto.

F. This Agreement shall be construed in accordance with and governed by the laws of the State of New York, without giving effect to its conflict of law principles. The parties hereby agree that any dispute which may arise between them arising out of or in connection with this Agreement shall be adjudicated before a court located in New York City , and they hereby submit to the exclusive jurisdiction of the courts of the State of New York located in New York, New York and of the federal courts in the Southern District of New York with respect to any action or legal proceeding commenced by any party, and irrevocably waive any objection they now or hereafter may have respecting the venue of any such action or proceeding brought in such a court or respecting the fact that such court is an inconvenient forum, relating to or arising out of this Agreement, and consent to the service of process in any such action or legal proceeding by means of registered or certified mail, return receipt requested, in care of the address set forth in Paragraph 13B hereof.

14. Anti-Money Laundering. To help the United States government fight the funding of terrorism and money laundering, the federal laws of the United States requires all financial institutions to obtain, verify and record information that identifies each person with whom they do business. This means we must ask you for ce1iain identifying information, including a government-issued identification number (e.g., a U.S. taxpayer identification number) and such other information or documents that we consider appropriate to verify your identity, such as certified articles of incorporation, a government-issued business license, a partnership agreement or a trust instrument.

The Company represents that, to the best of its knowledge, none of (i) the Company, (ii) any person controlling or controlled by the Company, (iii) any person having a beneficial ownership interest in the Company or (iv) any person for whom the Company acts as an agent or nominee is (x) a country, ten-itory, individual or entity named on the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") list, (y) a person or entity prohibited under the programs administered by OFAC ("OFAC Programs") or (z) a country, territory, individual or entity named on another international sanctions list. The Company further represents that, to the best of its knowledge, none of the proceeds of the Transaction shall be derived from or used for any purpose prohibited under the OFAC Programs or other international sanctions programs.

The parties hereby waive trial by jury in any action or proceeding involving, directly or indirectly, any matter in any way arising out of or in connection with this Agreement.

If the foregoing correctly sets forth the understanding between Sunrise and the Company with respect to the foregoing, please so indicate your agreement by signing in the place provided below, at which time this letter shall become a binding contract.

SUNRISE SECURITIES LLC
By Its Authorized Signatory:

By /s/ Amnon Mandelbaum
Amnon Mandelbaum
President

PV NANO CELL LTD.
Accepted and Agreed:

By Its Authorized Signatory:

By: /s/ Dr. Fernando de la Vega
Name: Dr. Fernando de la Vega
Title: CEO

SCHEDULE A
Indemnification Provisions

In connection with the engagement of SUNRISE SECURITIES LLC (together 'Sunrise") by PV NANO CELL LTD. (together with all subsidiaries , affiliates, successors and other controlled units , either existing or formed subsequent to the execution of this engagement, the "Company") pursuant to a letter agreement dated January 9, 2017 between the Company and Sunrise as it may be amended from time to time (the "Letter Agreement"), the Company, hereby agrees as follows:

1. In connection with or arising out of or relating to the engagement of Sunrise under the Letter Agreement, or any actions taken or omitted, services performed or matters contemplated by or in connection with the Letter Agreement, the Company agrees to reimburse Sunrise, its affiliates and their respective directors, officers, employees, agents and controlling persons (each an "Indemnified Party") promptly upon demand for actual, out of-pocket expenses (including reasonable fees and expenses for legal counsel) as they are incurred in connection with the investigation of, preparation for or defense of any pending or threatened claim, or any litigation, proceeding or other action in respect thereof (collectively, a "Claim"). The Company also agrees (in connection with the foregoing) to indemnify and hold harmless each Indemnified Party from and against any and all out-of pocket losses, claims, damages and liabilities , joint or several, to which any Indemnified Party may become subject, including any amount paid in settlement of any litigation or other action (commenced or threatened) to which the Company shall have consented in writing (such consent not to be unreasonably withheld), whether or not any Indemnified Party is a party and whether or not liability resulted; provided, however, that the Company shall not be liable pursuant to this sentence in respect of any loss, claim , damage or liability to the extent that a court or other agency having competent jurisdiction shall have determined by final judgement (not subject to further appeal) that such loss, claim, damage or liability was incurred solely as a direct result of the willful misconduct or gross negligence of such Indemnified Party.

2. An Indemnified Party shall have the right to retain separate legal counsel of its own choice to conduct the defense and all related matters in connection with any Claim. The Company shall pay the reasonable fees and expenses of such legal counsel and such counsel shall to the fullest extent, consistent with its professional responsibilities, cooperate with the Company and any legal counsel designated by the Company.

3. The Company will not, without the prior written consent of each Indemnified Party settle, compromise or consent to the entry of any judgement in any pending or threatened Claim in respect of which indemnification may be reasonably sought hereunder (whether or not any Indemnified Person is an actual or potential party to such Claim), unless such settlement, compromise or consent includes an unconditional, irrevocable release of each Indemnified Person against whom such Claim may be brought hereunder from any and all liability arising out of such Claim.

4. I n the event the indemnity provided for in paragraphs 1 and 2 hereof is unavailable or insufficient to hold any Indemnified Party harmless, then the Company shall contribute to amounts paid or payable by an Indemnified Party in respect of such Indemnified Party's losses, claims, damages and liabilities as to which the indemnity provided for in paragraphs 1 and 2 hereof is unavailable or insufficient (i) in such portion as appropriately reflects the relative benefits received by the Company, on the one hand , and the Indemnified Party, on the other hand, in c01mection with the matters as to which losses, claims, damages or liabilities relate, or (ii) if the allocation provided by (i) above is not permitted by applicable law, in such proportion as appropriately reflects not only the relative benefits referred to in clause (i) but also the relative fault of the Company, on the one hand, and the Indemnified Parties, on the other hand, as well as any other equitable considerations. The amounts paid or payable by a party in respect of losses, claims, damages and liabilities referred to above shall be deemed to include any reasonable legal or other out-of-pocket fees and expenses incurred in defending any litigation, proceeding or other action or claim. Notwithstanding the provisions hereof, Sunrise's share of the liability hereunder shall not be in excess of the amount of fees actually received by Sunrise under the Letter Agreement (excluding any amounts received as reimbursement of expenses by Sunrise).

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5. It is understood and agreed that, in connection with Sunrise's engagement by the Company under the Letter Agreement, Sunrise may also be engaged to act for the Company in one or more additional capacities, and that the terms of any such additional engagement may be embodied in one or more separate written agreements. These Indemnification Provisions shall apply to the engagement under the Letter Agreement and to any such additional engagement and any modification of such additional engagement; provided, however, that in the event that the Company engages Sunrise to act as a dealer manager in an exchange or tender offer or as an underwriter in connection with the issuance of securities by the Company or to furnish an opinion letter, such further engagement may be subject to separate indemnification and contribution provisions as may be mutually agreed upon.

6. These Indemnification Provisions shall remain in full force and effect in connection with the transaction contemplated by the Letter Agreement whether or not consummated, and shall survive the expiration of the period of the Letter Agreement, and shall be in addition to any liability that the Company might otherwise have to any Indemnified Party under the Letter Agreement or otherwise.

7. Each party hereto consents to personal jurisdiction and service of process and venue in any court in the State of New York in which any claim for indemnity is brought by any Indemnified Person.

8. These Indemnification Provisions may be executed in any number of counterparts, each of which shall be deemed an original but all of which when taken together shall constitute one and the same instrument. These Indemnification Provisions may be delivered by facsimile, and facsimile signatures shall be treated as original signatures for all applicable purposes.

SUNRISE SECURITIES LLC
By Its Authorized Signatory:

By /s/ Amnon Mandelbaum
Amnon Mandelbaum
President

PV NANO CELL LTD.
By Its Authorized Signatory:

By: /s/ Dr. Fernando de la Vega
Name: Dr. Fernando de la Vega
Title: CEO

Dr. Amnon Mandelbaum- President
Telephone (212) 421-1616. Facsimile (212) 750-7277

Dr. Fernando de la Vega
CEO
PV Nano Cell Ltd.
8 Hamster Street
Migdal HaEmek 2310102
Israel

PLACEMENT AGENT AGREEMENT

Dear Nando:

This agreement ("Agreement") is made and entered into this February 21st, 2017, between Sunrise Securities LLC together with Trump Securities LLC, a registered broker-dealer, through which securities will be offered, when applicable, hereafter "Sunrise") and PV Nano cell Ltd. (together with all subsidiaries, affiliates, successors and other controlled units, either existing or formed subsequent to the execution of this engagement, the "Company").

In consideration of the mutual promises made herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. The Company hereby engages Sunrise upon the terms and conditions as set forth herein as its exclusive investment banker and placement agent with respect only to Financing with Investors (as defined below) and similar matters upon the terms and conditions set forth herein. In the performance of our services, please note that securities placement and brokerage and securities services are provided through Trump Securities LLC, a registered broker-dealer. Sunrise understands that the Company seeks Financing of up to three million dollars ($3,000,000). It is acknowledged and agreed that any Financing is on a best efforts basis only. This Agreement should not be construed as a firm commitment or guarantee of any Financing. Sunrise and the Company agree and acknowledge that the decision to consummate a Financing shall be in the Company's sole and absolute discretion. This agreement is in addition and separate from a Financial Advisory Agreement dated January 9, 2017 that has been signed between the Company and Sunrise Securities LLC and such Financial Advisory Agreement remains in place and valid.

   For the purposes of this Agreement, the Investors (individually an "Investor" and collectively, the "Investors") shall mean any one or more of the names (together with all subsidiaries, affiliates, successors and other controlled units, either existing or formed subsequent to the execution of this Agreement) set forth on schedule B (as amended and supplemented from time to time in writing by confirmed emails, attached hereto and made a part hereof, "Schedule B"). Following the execution of this Agreement and Schedule B, Sunrise will provide the names of the Investors to be inserted on Schedule B. In the event the Company has been in discussions or in contact with any Investors set forth on Schedule B or such an Investor has been introduced by another Consultant the Company may notify Sunrise in writing of such prior contact within the three business days following the execution of this Agreement, then such specific Investor shall be excluded from this Agreement.

provided, however, that Sunrise may request additional written assurances demonstrating such previous contact by the Company, and the Company shall provide Sunrise with such written further assurances, reasonably satisfactory to Sunrise within three business days of such request.

2. Except as otherwise specified in Paragraph 6 hereof, this Agreement shall be effective for a period of two (2) months, commencing upon the execution hereof and shall continue thereafter unless and until terminated on thirty days written notice by either party to the other party.

3. During the term of this Agreement, Sunrise shall provide the Company with such regular and customary services as is reasonably requested by the Company, provided that Sunrise shall not be required to undertake duties not reasonably within the scope of the placement agent services contemplated by this Agreement. It is understood and acknowledged by the parties that the value of Sunrise's advice is not readily quantifiable, and that Sunrise shall be obligated to render advice upon the request of the Company, in good faith, but shall not be obligated to spend any specific amount of time in so doing.

4. Sunrise shall render such other financial advisory and investment and/or investment banking services as may from time to time be agreed upon in writing by Sunrise and the Company.

5. In consideration for the services rendered by Sunrise to the Company pursuant to this Agreement, the Company shall compensate Sunrise as follows:

   A. Upon the closing of each Financing, the Company shall pay to Sunrise a financing fee (the "Financing Fee") in cash that shall be equal to ten percent (10%) of the gross proceeds in such Financing. In addition, at the closing of each Financing, the Company shall issue to Sunrise and/or its designees warrants (the "Warrants") to purchase such number of securities received by the investors, equal to ten percent (10%) of the aggregate number of the fully diluted and/or converted shares of common stock and/or common stock equivalents purchased by the investors and/or warrants issued on the same terms and conditions. The warrant agreement shall be for a term of five years and will contain customary warrants terms (including without limitation, provisions for change of control, cashless exercise, and customary registration rights).

   For the purposes of this Agreement, the term "Financing" shall mean any equity investment and/or convertible debt in the Company. Debt Financing will be subject to a reduced Financing Fee of five percent (5%) of the gross proceeds. Financing shall be deemed to include total value of Securities sold directly or indirectly, in connection with the Financing, including proceeds received by the Company upon exercise of options, warrants and/or similar securities, and any amounts paid into escrow and any amounts payable in the future whether or not subject to any contingency.

   B. All financing fees that are due under this agreement will be paid by the Company to the bank account of Trump Securities LLC.

6. In the event that this Agreement shall not be renewed or if terminated for any reason, notwithstanding any such non-renewal or termination, Sunrise shall be entitled to a full fee as provided under Paragraph 5 hereof, for any Financing with any one or more of the individuals and/or entities for which communications were conducted during the term of this Agreement by the Company or by Sunrise on behalf of the Company which

is consummated within a period of eighteen (18) months after non-renewal or termination of this Agreement. Upon non-renewal or termination of this Agreement, Sunrise shall provide the Company with a written list of individuals and entities (which List shall be deemed to include all of such individuals and entities respective subsidiaries, affiliates, successors and other controlled units, either existing or formed subsequent to the execution of this Agreement, collectively, the "List") which List shall govern the operation of this Paragraph.

7. In addition to the fees payable hereunder, and regardless whether any Financing set forth in Paragraph 5 hereof is proposed or consummated, the Company shall reimburse Sunrise, on an as incurred basis, for all reasonable fees and disbursements of Sunrise's outside counsel and Sunrise's reasonable travel and out-of-pocket expenses incurred in connection with the services performed by Sunrise pursuant to this Agreement, provided that to the extent such reimbursements referenced in this Paragraph 7 exceed $2,000 in the aggregate, they, thereafter, shall be subject to the Company's prior approval.

8. The Company acknowledges that all opinions and advice (written or oral) given by Sunrise to the Company in connection with Sunrise's engagement are intended solely for the benefit and use of the Company in considering the transaction or financing to which they relate, and the Company agrees that no person or entity other than the Company shall be entitled to make use of or rely upon the advice of Sunrise to be given hereunder, and no such opinion or advice shall be used for any other purpose or reproduced, disseminated, quoted or referred to at any time, in any manner or for any purpose, nor may the Company make any public references to Sunrise, or use Sunrise's name in any annual reports or any other reports or releases of the Company without Sunrise's prior written consent, which shall not be unreasonably withheld.

9. The Company acknowledges that Sunrise and its affiliates are in the business of providing financial services and consulting advice to others. Nothing herein contained shall be construed to limit or restrict Sunrise in conducting such business with respect to others, or in rendering such advice to others, except as such advice may relate to matters relating to the Company's business and properties. In addition, the Company acknowledges and agrees that Sunrise may use, at Sunrise's sole discretion, the services of third parties agents for the purposes of assisting Sunrise with the selling and distribution of the Securities of the Company; provided however, that the fees for such agents shall be paid by Sunrise out of its Financing Fee.

10. The Company recognizes and confirms that, in advising the Company and in fulfilling its engagement hereunder, Sunrise will use and rely on data, material and other information furnished to Sunrise by the Company. The Company acknowledges and agrees that in performing its services under this engagement, Sunrise may rely upon the data, material and other information supplied by the Company without independently verifying its accuracy, completeness or veracity, except to the extent Sunrise has actual knowledge to the contrary. The Company represents and warrants to Sunrise that all such information concerning the Company provided by the Company in response to requests made by Sunrise or otherwise, will be true and accurate in all material respects and will not contain 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 light of the circumstances under which such statements are made. Sunrise shall be under no obligations to make an independent appraisal of assets or an investigation or inquiry as to any information regarding, or any representations of, any other participant in a Financing, and shall have no liability with regard thereto. The Company acknowledges and agrees that Sunrise will be using and relying upon such information supplied by the Company and its officers, agents and others and any other publicly available information concerning the Company without any independent investigation or verification thereof or independent appraisal by Sunrise of the Company or its business or assets. If, in Sunrise's opinion after completion of its due diligence process, the condition of the Company, financial or otherwise, and its prospects are not substantially as represented or do not fulfill Sunrise's expectations, Sunrise shall have the sole discretion to review and determine its

continued interest in proposed Financings. The Company further represents and agrees that (i) the Company is not obligated to pay any finder in connection with any proposed Financing pursuant to this Agreement and in any and all events that any parties other than Sunrise ("Other Parties") seek compensation relating to the closing of any proposed Financing, Sunrise shall be entitled to receive its full compensation from the Company as set forth in this Agreement and that Sunrise shall have no obligation whatsoever to pay any Other Parties, (ii) the Company shall deliver at the closing of each Financing conducted hereunder (a) a certificate of each of the Company's President and Treasurer to the effect that the Company's information provided to the Investors does not contain any untrue statement of material fact or fail to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and all necessary corporate approvals have been obtained to enable the Company to deliver the Securities in accordance with the terms of the Financing, and (b) an opinion of counsel for the Company satisfactory to Sunrise to the effect that the Company's information provided to the Investors does not (except with respect to the financial statements or forecasts as to which no opinion need be expressed) contain any untrue statement of material fact or fail to state any material fact required to be stated therein or necessary to make the statements therein not misleading, in light of the circumstances in which they were made, and such other opinions as Sunrise and/or Sunrise's counsel shall reasonably require, (iii) any Financing shall only be conducted and closed, at the sole expense of the Company, through an escrow account and escrow agent that are both pre-approved by Sunrise.

11. Since Sunrise will be acting on behalf of the Company in connection with its engagement hereunder, the Company and Sunrise have entered into a separate indemnification agreement substantially in the form attached hereto as Schedule A and dated the date hereof, providing for the indemnification of Sunrise by the Company. Sunrise has entered into this Agreement in reliance on the indemnities set forth in such indemnification agreement.

12. Sunrise shall perform its services hereunder as an independent contractor and not as an employee of the Company or an affiliate thereof. It is expressly understood and agreed to by the parties hereto that Sunrise shall have no authority to act for, represent or bind the Company or any affiliate thereof in any manner, except as may be agreed to expressly by the Company in writing from time to time.

13. A. This Agreement and the Schedule A attached hereto constitute the entire agreement and understanding of the parties hereto, and supersede any and all previous agreements and understandings, whether oral or written, between the parties with respect to the matters set forth herein.

B. Any notice or communication permitted or required hereunder shall be in writing and shall be deemed sufficiently given if hand-delivered or sent (i) postage prepaid by registered mail, return receipt requested, or (ii) by facsimile to the respective parties as set forth below, or to such other address as either party may notify the other of in writing:

if to the Company, to:

PV Nano Cell Ltd
8 hamasger Street
Migdal HaEmek 2310102, Israel
Attn: Dr Fernando de la Vega

if to Sunrise, to:

Sunrise Securities LLC and Trump Securities LLC
1330 Avenue of the Americas, 36th Floor
New York, New York 10019
Attn: Dr. Amnon Mandelbaum

C. This Agreement shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors, legal representatives and assigns.

D. This Agreement may be executed in any number of counterparts, each of which together shall constitute one and the same original document. This Agreement may be executed and delivered by exchange of facsimile copies showing the parties' signatures, and those signatures need not be affixed to the same copy. The facsimile copies showing the signatures of the parties will constitute originally signed copies of the same Agreement requiring no further execution.

E. No provision of this Agreement may be amended, modified or waived, except in a writing signed by all of the parties hereto.

F. This Agreement shall be construed in accordance with and governed by the laws of the State of New York, without giving effect to its conflict of law principles. The parties hereby agree that any dispute which may arise between them arising out of or in connection with this Agreement shall be adjudicated before a court located in New York City, and they hereby submit to the exclusive jurisdiction of the courts of the State of New York located in New York, New York and of the federal courts in the Southern District of New York with respect to any action or legal proceeding commenced by any party, and irrevocably waive any objection they now or hereafter may have respecting the venue of any such action or proceeding brought in such a court or respecting the fact that such court is an inconvenient forum, relating to or arising out of this Agreement, and consent to the service of process in any such action or legal proceeding by means of registered or certified mail, return receipt requested, in care of the address set forth in Paragraph 13B hereof.

14. Anti-Money Laundering. To help the United States government fight the funding of terrorism and money laundering, the federal laws of the United States requires all financial institutions to obtain, verify and record information that identifies each person with whom they do business. This means we must ask you for certain identifying information, including a government-issued identification number (e.g., a U.S. taxpayer identification number) and such other information or documents that we consider appropriate to verify your identity, such as certified articles of incorporation, a government-issued business license, a partnership agreement or a trust instrument.

The Company represents that, to the best of its knowledge, none of (i) the Company, (ii) any person controlling or controlled by the Company, (iii) any person having a beneficial ownership interest in the Company or (iv) any person for whom the Company acts as an agent or nominee is (x) a country, territory, individual or entity named on the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") list, (y) a person or entity prohibited under the programs administered by OFAC ("OFAC Programs") or (z) a country, territory, individual or entity named on another international sanctions list. The Company further represents that, to the best of its knowledge, none of the proceeds of the Transaction shall be derived from or used for any purpose prohibited under the OFAC Programs or other international sanctions programs.

The parties hereby waive trial by jury in any action or proceeding involving, directly or indirectly, any matter in any way arising out of or in connection with this Agreement.

If the foregoing correctly sets forth the understanding between Sunrise and the Company with respect to the foregoing, please so indicate your agreement by signing in the place provided below, at which time this letter shall become a binding contract.

SUNRISE SECURITIES LLC
By Its Authorized Signatory:

By:_____
Amnon Mandelbaum
President

Trump Securities LLC
By its Authorized Signatory:

By:_____
Amnon Mandelbaum
Registered Representative

PV NANO CELL LTD.
Accepted and Agreed:

By Its Authorized Signatory:

By:_____
Name:
Title:

SCHEDULE A
Indemnification Provisions

In connection with the engagement of SUNRISE SECURITIES LLC and Trump Securities LLC. (together "Sunrise") by PV NANO CELL LTD. (together with all subsidiaries, affiliates, successors and other controlled units, either existing or formed subsequent to the execution of this engagement, the "Company") pursuant to a letter agreement dated February 23, 2017 between the Company and Sunrise as it may be amended from time to time (the "Letter Agreement"), the Company, hereby agrees as follows:

1. In connection with or arising out of or relating to the engagement of Sunrise under the Letter Agreement, or any actions taken or omitted, services performed or matters contemplated by or in connection with the Letter Agreement, the Company agrees to reimburse Sunrise, its affiliates and their respective directors, officers, employees, agents and controlling persons (each an "Indemnified Party") promptly upon demand for actual, out-of-pocket expenses (including reasonable fees and expenses for legal counsel) as they are incurred in connection with the investigation of, preparation for or defense of any pending or threatened claim, or any litigation, proceeding or other action in respect thereof (collectively, a "Claim"). The Company also agrees (in connection with the foregoing) to indemnify and hold harmless each Indemnified Party from and against any and all out-of-pocket losses, claims, damages and liabilities, joint or several, to which any Indemnified Party may become subject, including any amount paid in settlement of any litigation or other action (commenced or threatened) to which the Company shall have consented in writing (such consent not to be unreasonably withheld), whether or not any Indemnified Party is a party and whether or not liability resulted; provided, however, that the Company shall not be liable pursuant to this sentence in respect of any loss, claim, damage or liability to the extent that a court or other agency having competent jurisdiction shall have determined by final judgement (not subject to further appeal) that such loss, claim, damage or liability was incurred solely as a direct result of the willful misconduct or gross negligence of such Indemnified Party.

2. An Indemnified Party shall have the right to retain separate legal counsel of its own choice to conduct the defense and all related matters in connection with any Claim. The Company shall pay the reasonable fees and expenses of such legal counsel and such counsel shall to the fullest extent, consistent with its professional responsibilities, cooperate with the Company and any legal counsel designated by the Company.

3. The Company will not, without the prior written consent of each Indemnified Party settle, compromise or consent to the entry of any judgement in any pending or threatened Claim in respect of which indemnification may be reasonably sought hereunder (whether or not any Indemnified Person is an actual or potential party to such Claim), unless such settlement, compromise or consent includes an unconditional, irrevocable release of each Indemnified Person against whom such Claim may be brought hereunder from any and all liability arising out of such Claim.

4. In the event the indemnity provided for in paragraphs 1 and 2 hereof is unavailable or insufficient to hold any Indemnified Party harmless, then the Company shall contribute to amounts paid or payable by an Indemnified Party in respect of such Indemnified Party's losses, claims, damages and liabilities as to which the indemnity provided for in paragraphs 1 and 2 hereof is unavailable or insufficient (i) in such portion as appropriately reflects the relative benefits received by the Company, on the one hand, and the Indemnified Party, on the other hand, in connection with the matters as to which losses, claims, damages or liabilities relate, or (ii) if the allocation provided by (i) above is not permitted by applicable law, in such proportion as appropriately reflects not only the relative benefits referred to in clause (i) but also the relative fault of the Company, on the one hand, and the Indemnified Parties, on the other hand, as well as any other equitable considerations. The amounts paid or payable by a party in respect of losses, claims, damages and liabilities referred to above shall be deemed to include any reasonable legal or other out-of-pocket fees and expenses incurred in defending any litigation,

proceeding or other action or claim. Notwithstanding the provisions hereof, Sunrise's share of the liability hereunder shall not be in excess of the amount of fees actually received by Sunrise under the Letter Agreement (excluding any amounts received as reimbursement of expenses by Sunrise).

5. It is understood and agreed that, in connection with Sunrise's engagement by the Company under the Letter Agreement, Sunrise may also be engaged to act for the Company in one or more additional capacities, and that the terms of any such additional engagement may be embodied in one or more separate written agreements. These Indemnification Provisions shall apply to the engagement under the Letter Agreement and to any such additional engagement and any modification of such additional engagement; provided, however, that in the event that the Company engages Sunrise to act as a dealer manager in an exchange or tender offer or as an underwriter in connection with the issuance of securities by the Company or to furnish an opinion letter, such further engagement may be subject to separate indemnification and contribution provisions as may be mutually agreed upon.

6. These Indemnification Provisions shall remain in full force and effect in connection with the transaction contemplated by the Letter Agreement whether or not consummated, and shall survive the expiration of the period of the Letter Agreement, and shall be in addition to any liability that the Company might otherwise have to any Indemnified Party under the Letter Agreement or otherwise.

7. Each party hereto consents to personal jurisdiction and service of process and venue in any court in the State of New York in which any claim for indemnity is brought by any Indemnified Person.

8. These Indemnification Provisions may be executed in any number of counterparts, each of which shall be deemed an original but all of which when taken together shall constitute one and the same instrument. These Indemnification Provisions may be delivered by facsimile, and facsimile signatures shall be treated as original signatures for all applicable purposes.

SUNRISE SECURITIES LLC
By Its Authorized Signatory:

By: _____
Amnon Mandelbaum
President

Trump Securities LLC
By Its Authorized Signatory:

By: _____
Amnon Mandelbaum
Registered Representative

PV NANO CELL LTD
By Its Authorized Signatory:

By: _____
Name:
Title:

SCHEDULE B

Pursuant to the Investment Banking Agreement ("**Agreement**") by and between **Sunrise Securities LLC. And Trump Securities LLC.** ("**Sunrise**") and **PV Nano Cell Ltd.** (together with all subsidiaries, affiliates, successors and other controlled units, either existing or formed subsequent to the execution of this engagement, the "**Company**") dated as of February ___, 2017, for purposes of the Agreement, the definition of "**Investors**" shall include any one or more of the names set forth below together with all subsidiaries, affiliates, successors and other controlled units, either existing or formed subsequent to the execution of this Schedule B.

To be provided by emails confirmation

SUNRISE SECURITIES LLC.
By Its Authorized Signatory

By:_____
Amnon Mandelbaum
President

PV NANO CELL LTD.
By Its Authorized Signatory

By:_____
Name:
Title:

TRUMP SECURITIES LLC
By Its Authorized Signatory

By:_____
Amnon Mandelbaum
Registered Representative

Dated:_____

Dated:_____

Exhibit 4.24

NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE EXERCISABLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL, IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES. ANY TRANSFEREE OF THIS WARRANT SHOULD CAREFULLY REVIEW THE TERMS OF THIS WARRANT. THE SECURITIES REPRESENTED BY THIS WARRANT MAY BE LESS THAN THE NUMBER SET FORTH ON THE FACE HEREOF.

PV Nano Cell Ltd.

Warrant To Purchase Ordinary Shares

Warrant No.: _____
Number of Warrant shares of Ordinary Shares: _____
Date of Issuance: _____ ("**Issuance Date**")
Date of Expiration: _____ ("**Expiration Date"**)

PV Nano Cell Ltd., a company formed in the State of Israel, (the "**Company**"), hereby certifies that, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, **_____**, the registered holder hereof, or its permitted assigns (the "**Holder**"), is entitled, subject to the terms set forth below, to purchase from the Company, at the Exercise Price (as defined below) then in effect, at any time or times on or after the Issuance Date, but not after 11:59 p.m., New York time, on _____ (the "**Expiration Date**", as defined below), _____ fully paid non-assessable Ordinary Shares (as defined below), subject to adjustment as provided herein (the "**Warrant Shares**"). Except as otherwise defined herein, capitalized terms in this Warrant to Purchase Ordinary Shares shall have the meanings set forth in Section 17.

1. EXERCISE OF WARRANT.

(a) Mechanics of Exercise. Subject to the terms and conditions hereof (including, without limitation, the limitations set forth in Section 1(f)), this Warrant may be exercised by the Holder on any Trading Day on or after the Issuance Date, in whole or in part, by (i) delivery by such Holder to the Company of a written notice, in the form attached hereto as Exhibit A (the "**Exercise Notice**"), of the Holder's election to exercise this Warrant and (ii) (A) payment by or on behalf of such Holder to the Company, in cash or by wire transfer of immediately available funds, of an amount equal to the applicable Exercise Price multiplied by the number of Warrant Shares as to which this Warrant is being exercised (the "**Aggregate Exercise Price**") and/or (B) by notifying the Company that this Warrant is being exercised pursuant to a Cashless Exercise (as defined in Section 1(d)). The Holder shall not be required to deliver the original Warrant in order to effect an exercise hereunder, unless this Warrant is being exercised with respect to all remaining Warrant Shares. Execution and delivery of the Exercise Notice with respect to less than all of the Warrant Shares shall have the same effect as cancellation of the original Warrant and issuance of a new Warrant evidencing the right to purchase the remaining number of Warrant Shares. On or before the first (1st) Trading Day following the date on which the Company has received the Exercise Notice, the Company shall transmit by facsimile an acknowledgment of confirmation of receipt of the Exercise Notice to the Holder and the Company's transfer agent (the "**Transfer Agent**"). On or before the third (3rd) Trading Day following the date on which the Company has received the Exercise Notice, so long as the Holder delivers the Aggregate Exercise Price (or notice of a Cashless Exercise) on or prior to the second (2nd) Trading Day following the date on which the Company has received the Exercise Notice (the "**Share Delivery Date**") (provided that if the Aggregate Exercise Price has not been delivered by such date, the Share Delivery Date shall be one (1) Trading Day after the Aggregate Exercise Price (or notice of Cashless Exercise) is delivered), the Company shall (x) provided that the Transfer Agent and the Company are participating in The Depository Trust Company ("**DTC**") Fast Automated Securities Transfer Program and the Ordinary Shares are eligible for the book-entry delivery and depository services offered by the DTC, credit such aggregate number of Warrant Shares to which the Holder is entitled pursuant to such exercise to the Holder's or its designee's balance account with DTC through its Deposit / Withdrawal At Custodian system, or (y) if the Transfer Agent or the Company is not participating in the DTC Fast Automated Securities Transfer Program, or the Ordinary Shares are not eligible for the book-entry delivery and depository services offered by the DTC, issue and deliver to the Holder or, at the Holder's instruction pursuant to the Exercise Notice, the Holder's agent or designee, in each case, sent by reputable overnight courier to the address as specified in the applicable Exercise Notice, a certificate, registered in the Company's share register in the name of the Holder or its designee (as indicated in the applicable Exercise Notice), for the number of Ordinary Shares to which the Holder is entitled pursuant to such exercise. The Company shall be responsible for all fees and expenses of the Transfer Agent and all other fees and expenses with respect to the issuance of Warrant Shares via DTC. Upon delivery of the Exercise Notice, the Holder shall be deemed for all corporate purposes to have become the holder of record of the Warrant Shares with respect to which this Warrant has been exercised, irrespective of the date such Warrant Shares are credited to the Holder's DTC account or the date of delivery of the certificates evidencing such Warrant Shares, as the case may be. If following any exercise pursuant to this Section 1(a) the number of Warrant Shares represented by this Warrant submitted for exercise is greater than the number of Warrant Shares being acquired upon such exercise, then the Company shall as soon as practicable and in no event later than three (3) Trading Days after any exercise and at its own expense, issue a new Warrant (in accordance with Section 7(d)) representing the right to purchase the number of Warrant Shares issuable immediately prior to such exercise under this Warrant, less the number of Warrant Shares with respect to which this Warrant is exercised. No fractional Warrant Shares are to be issued upon the exercise of this Warrant, but rather the number of Warrant Shares to be issued shall be rounded up to the nearest whole number. The Company shall pay any and all taxes which may be payable with respect to the issuance and delivery of Warrant Shares upon exercise of this Warrant. So long as the Holder delivers the items referred to in clauses (i) and (ii) above, and subject to Section 1(f), the Company's obligations to issue and deliver Warrant Shares in accordance with the terms and subject to the conditions hereof are absolute and unconditional (except for the conditions contained herein, including the payment of the Aggregate Exercise Price), irrespective of any action or inaction by the Holder to enforce the same, any waiver or consent with respect to

any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination. **The Holder and any assignee, by acceptance of this Warrant, acknowledge and agree that, by reason of the provisions of this paragraph, following the purchase of a portion of the Warrant Shares hereunder, the number of Warrant Shares available for purchase hereunder at any given time may be less than the amount stated on the face hereof.**

(b) Exercise Price. For purposes of this Warrant, "**Exercise Price**" means the exercise price per share of the Ordinary Shares under this warrant shall be _____, subject to adjustment as provided herein.

(c) Company's Failure to Timely Deliver Securities. If on or prior to the Share Delivery Date the Company shall fail to issue and deliver a certificate representing the Ordinary Shares to the Holder and register the Ordinary Shares on the Company's share register or credit the Holder's balance account with DTC for the number of Ordinary Shares to which the Holder is entitled upon the Holder's exercise hereunder, and if on or after such Share Delivery Date the Holder purchases (in an open market transaction or otherwise) Ordinary Shares to deliver in satisfaction of a sale by the Holder of Ordinary Shares issuable upon such exercise that the Holder anticipated receiving from the Company (a "**Buy-In**"), then the Company shall, (A) within three (3) Trading Days after the Holder's request, honor its obligation to deliver to the Holder a certificate or certificates representing such Ordinary Shares or credit such Holder's balance account with DTC and (B) pay cash to the Holder in an amount equal to the excess (if any) of the Holder's total purchase price (including brokerage commissions and other out-of-pocket expenses, if any) for the Ordinary Shares so purchased (including, without limitation, by any other Person in respect, or on behalf, of the Holder) over the product of (1) such number of Warrant Shares and (2) the price at which the sell order giving rise to the Holder's purchase obligation was executed. For example, if the Holder purchases Ordinary Shares having a total purchase price of $11,000 to cover a Buy-In with respect to an attempted exercise of Warrant Shares with an aggregate sale price giving rise to such purchase obligation of $10,000, under clause (B) of the immediately preceding sentence the Company shall be required to pay the Holder $1,000. The Holder shall provide the Company written notice indicating the amounts payable to the Holder in respect of the Buy-In and, upon request of the Company, evidence of the amount of such loss.

(d) Cashless Exercise. The Holder may, in its sole discretion, exercise this Warrant in whole or in part and, in lieu of making the cash payment otherwise contemplated to be made to the Company upon such exercise in payment of the Aggregate Exercise Price, elect instead to receive upon such exercise the "Net Number" of Ordinary Shares determined according to the following formula (a "**Cashless Exercise**"):

$$\text{Net Number} = \frac{(A \times B) - (A \times C)}{B}$$

For purposes of the foregoing formula:

A = the total number of shares with respect to which this Warrant is then being exercised.

B = the weighted average of the Closing Sale Prices for the five (5) consecutive Trading Days ending on the date immediately preceding the date of the Exercise Notice.

C = the Exercise Price then in effect for the applicable Warrant Shares at the time of such exercise.

For purposes of Rule 144(d) promulgated under the 1933 Act, as in effect on the date hereof, it is intended that the Warrant Shares issued in a Cashless Exercise shall be deemed to have been acquired by the Holder, and the holding period for the Warrant Shares shall be deemed to have commenced, on the date this Warrant was originally issued pursuant to the Securities Purchase Agreement.

(e) Disputes. In the case of a dispute as to the determination of the Exercise Price or the arithmetic calculation of the Warrant Shares, the Company shall promptly issue to the Holder the number of Warrant Shares that are not disputed and seek to resolve such dispute in accordance with Section 12.

(f) Limitation on Beneficial Ownership. Notwithstanding anything to the contrary contained herein, the Company shall not effect the exercise of any portion of this Warrant, and the Holder shall not have the right to exercise any portion of this Warrant, pursuant to the terms and conditions of this Warrant and any such exercise shall be null and void and treated as if never made, to the extent that after giving effect to such exercise, the Holder together with the other Attribution Parties collectively would beneficially own in excess of 4.99% (the "**Maximum Percentage**") of the number of Ordinary Shares outstanding immediately after giving effect to such exercise. For purposes of the foregoing sentence, the aggregate number of Ordinary Shares beneficially owned by the Holder and the other Attribution Parties shall include the number of Ordinary Shares held by the Holder and all other Attribution Parties plus the number of Ordinary Shares issuable upon exercise of this Warrant with respect to which the determination of such sentence is being made, but shall exclude the number of Ordinary Shares which would be issuable upon (A) exercise of the remaining, unexercised portion of this Warrant beneficially owned by the Holder or any of the other Attribution Parties and (B) exercise or conversion of the unexercised or unconverted portion of any other securities of the Company (including, without limitation, any convertible notes or convertible preferred stock or warrants,) beneficially owned by the Holder or any other Attribution Party subject to a limitation on conversion or exercise analogous to the limitation contained in this Section 1(f). For purposes of this Section 1(f), beneficial ownership shall be calculated in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). For purposes of this Warrant, in determining the number of Ordinary Shares the Holder may acquire upon the exercise of this Warrant without exceeding the Maximum Percentage, the Holder may rely on the number of Ordinary Shares as reflected in (x) the Company's most recent Annual Report on Form 20-F, Current Report on Form 6-K or other public filing with the Securities and Exchange Commission (the "**SEC**"), as the case may be, (y) a more recent public announcement by the Company or (z) any other written notice by the Company or its transfer agent setting forth the number of Ordinary Shares outstanding (the "**Reported Outstanding Share Number**"). For any reason at any time, upon the written or oral request of the Holder, the Company shall within two (2) Business Days confirm orally and in writing or by electronic mail to the Holder the number of Ordinary Shares then outstanding. In any case, the number of outstanding Ordinary Shares shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by the Holder and any other Attribution Party since the date as of which the Reported Outstanding Share Number was reported. In the event that the issuance of Ordinary Shares to the Holder upon exercise of this Warrant results in the Holder and the other Attribution Parties being deemed to beneficially own, in the aggregate, more than the Maximum Percentage of the number of outstanding Ordinary Shares (as determined under Section 13(d) of the Exchange Act), the number of shares so issued by which the Holder's and the other Attribution Parties' aggregate beneficial ownership exceeds the Maximum Percentage (the "**Excess Shares**") shall be deemed null and void and shall be cancelled ab initio, and the Holder shall not have the power to vote or to transfer the Excess Shares. As soon as reasonably practicable after the issuance of the Excess Shares has been deemed null and void, the Company shall return to the Holder the exercise price paid by the Holder for the Excess Shares. Upon delivery of a written notice to the Company, the Holder may from time to time increase (with such increase not effective until the sixty-first (61^{st}) day after delivery of such notice) or decrease the Maximum Percentage to any other percentage not in excess of 9.99% as specified in such notice; provided that (i) any such increase in the Maximum Percentage will not be effective until the sixty-first (61^{st}) day after such notice is delivered to the Company and (ii) any such increase or decrease will apply only to the Holder and the other Attribution Parties. For purposes of clarity, it is the intention of the parties that the Ordinary Shares issuable pursuant to the terms of this Warrant in excess of the Maximum Percentage shall not be deemed to be beneficially owned by the Holder for any purpose including for purposes of Section 13(d) or Rule 16a-1(a)(1) of the Exchange Act. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 1(f) to the extent necessary to correct this paragraph or any portion of this paragraph which may be defective or inconsistent with the intended beneficial ownership limitation contained in this Section 1(f) or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitation contained in this paragraph may not be waived except as expressly set forth herein and shall apply to a successor holder of this Warrant.

(g) Insufficient Authorized Shares. If at any time while this Warrant remains outstanding the Company does not have a sufficient number of authorized and unreserved Ordinary Shares to satisfy its obligation to reserve for issuance upon exercise of this Warrant at least a number of Ordinary Shares equal to the number of Ordinary Shares (the "**Required Reserve Amount**") as shall from time to time be necessary to effect the exercise of all of this Warrant then outstanding (an "**Authorized Share Failure**"), then the Company shall immediately take all action necessary to increase the Company's authorized Ordinary Shares to an amount sufficient to allow the Company to reserve the Required Reserve Amount for this Warrant then outstanding. Without limiting the generality of the foregoing sentence, as soon as practicable after the date of the occurrence of an Authorized Share Failure, but in no event later than one hundred and twenty (120) days after the occurrence of such Authorized Share Failure, the Company shall hold a meeting of its shareholders for the approval of an increase in the number of authorized Ordinary Shares. In connection with such meeting, the Company shall provide each shareholder with a proxy statement and shall use its best efforts to solicit its shareholders' approval of such increase in authorized Ordinary Shares and to cause its board of directors to recommend to the shareholders that they approve such proposal. Notwithstanding the foregoing, if any such time of an Authorized Share Failure, the Company is able to obtain the written consent of a majority of the shares of its issued and outstanding Ordinary Shares to approve the increase in the number of authorized Ordinary Shares, the Company may satisfy this obligation by obtaining such consent.

(h) Registration Rights. If, at any time commencing after the Issuance Date, but no later than the Expiration Date, the Company proposes to register any of its securities under the Act, it will give written notice by registered mail, at least thirty (30) days prior to the filing of each such registration statement, to the Holder of the Warrants and/or the Warrant Shares of its intention to do so. If the Holder of the Warrants and/or the Warrant Shares notifies the Company within twenty (20) days after receipt of any such notice of its or their desire to include any such securities in such proposed registration statement, the Company shall afford such Holder of the Warrants and/or the Warrant Shares the opportunity to have any such Warrant Securities registered under such registration statement. The Company shall include the Warrant Shares in said registration statement subject to the Holder providing the needed documentation and information requested by the Company, and the execution of the needed instruments requested by the Company with respect to said registration statement.

2. ADJUSTMENT OF EXERCISE PRICE AND NUMBER OF WARRANT SHARES. The Exercise Price and the number of Warrant Shares shall be adjusted from time to time as follows:

(a) Voluntary Adjustment By Company. The Company may at any time during the term of this Warrant reduce the then current Exercise Price to any amount and for any period of time deemed appropriate by the Board of Directors of the Company.

(b) Adjustment Upon Subdivision or Combination of Ordinary Shares. If the Company at any time on or after the Issuance Date subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its outstanding Ordinary Shares into a greater number of shares, as applicable, the Exercise Price in effect immediately prior to such subdivision will be proportionately reduced and the number of Warrant Shares will be proportionately increased. If the Company at any time on or after the Issuance Date combines (by combination, reverse stock split or otherwise) one or more classes of its Ordinary Shares into a smaller number of shares, as applicable, the Exercise Price in effect immediately prior to such combination will be proportionately increased and the number of Warrant Shares will be proportionately decreased. Any adjustment under this Section 2(b) shall become effective at the close of business on the date the subdivision or combination becomes effective.

(c) Other Events. If any event occurs of the type contemplated by the provisions of this Section 2 but not expressly provided for by such provisions (including, without limitation, the granting of share appreciation rights, phantom share rights or other rights with equity features), then the Company's Board of Directors will make an appropriate adjustment in the Exercise Price and the number of Warrant Shares, as determined by the Company's Board of Directors, so as to protect the rights of the Holder; provided that no such adjustment pursuant to this Section 2(c) will increase the Exercise Price or decrease the number of Warrant Shares as otherwise determined pursuant to this Section 2.

3 . RIGHTS UPON DISTRIBUTION OF ASSETS. If the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) to holders of Ordinary Shares, by way of return of capital or otherwise (including, without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (a "**Distribution**"), at any time after the issuance of this Warrant, then, in each such case, provision shall be made so that the Holder shall receive, upon exercise of the Warrant, in addition to the number of Warrant Shares receivable thereupon, such assets (or rights to acquire its assets) that such Holder would have been entitled to receive if the Holder had held the number of Ordinary Shares acquirable upon complete exercise of this Warrant (without regard to any limitations or restrictions on exercise hereof, including without limitation, the Maximum Percentage) immediately before the date of which a record is taken for such Distribution, or, if no such record is taken, the date as of which the record holders of Ordinary Shares are to be determined for the participation in such Distribution (provided, however, that to the extent that the Holder's right to participate in any such Distribution upon exercise of this Warrant would result in the Holder and the other Attribution Parties exceeding the Maximum Percentage, then the Holder shall not be entitled to participate in such Distribution to such extent (and shall not be entitled to beneficial ownership of such Ordinary Shares as a result of such Distribution (and beneficial ownership) to such extent) and the portion of such Distribution shall be held in abeyance for the benefit of the Holder until such time or times as its right thereto would not result in the Holder and the other Attribution Parties exceeding the Maximum Percentage, at which time or times the Holder shall be granted such Distribution (and any Distributions declared or made on such initial Distribution or on any subsequent Distribution held similarly in abeyance) to the same extent as if there had been no such limitation).

4. PURCHASE RIGHTS; FUNDAMENTAL TRANSACTIONS.

(a) Purchase Rights. In addition to any adjustments pursuant to Section 2 above, if at any time the Company grants, issues or sells any Options, Convertible Securities or rights to purchase shares, warrants, securities or other property pro rata to the record holders of its Ordinary Shares (the "**Purchase Rights**"), then provision shall be made so that the Holder shall receive, upon exercise of the Warrant, in addition to the number of Warrant Shares receivable thereupon, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of Ordinary Shares acquirable upon complete exercise of this Warrant (without regard to any limitations or restrictions on exercise of this Warrant, including without limitation, the Maximum Percentage) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of Ordinary Shares are to be determined for the grant, issue or sale of such Purchase Rights (provided, however, that to the extent that the Holder's right to participate in any such Purchase Right upon exercise of this Warrant would result in the Holder and the other Attribution Parties exceeding the Maximum Percentage, then the Holder shall not be entitled to participate in such Purchase Right to such extent (and shall not be entitled to beneficial ownership of such Ordinary Shares as a result of such Purchase Right (and beneficial ownership) to such extent) and such Purchase Right to such extent shall be held in abeyance for the benefit of the Holder until such time or times as its right thereto would not result in the Holder and the other Attribution Parties exceeding the Maximum Percentage, at which time or times the Holder shall be granted such right (and any Purchase Right granted, issued or sold on such initial Purchase Right or on any subsequent Purchase Right to be held similarly in abeyance) to the same extent as if there had been no such limitation).

(b) Fundamental Transactions. The Company shall not enter into or be party to a Fundamental Transaction unless the Successor Entity assumes in writing all of the obligations of the Company under this Warrant and the other Transaction Documents (as defined in the Securities Purchase Agreement) in accordance with the provisions of this Section 4(b) pursuant to written agreements in form and substance satisfactory to the Holder and approved by the Holder prior to such Fundamental Transaction, including agreements to deliver to the Holder in exchange for this Warrant a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant which is exercisable for a corresponding number of shares of capital stock equivalent to the Ordinary Shares acquirable and receivable upon exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) prior to such Fundamental Transaction, and with an exercise price which applies the exercise price hereunder to such shares of capital stock (but taking into account the relative value of the Ordinary Shares pursuant to such Fundamental Transaction and the value of such share capital, such adjustments to the number of shares of capital stock and such exercise price being for the purpose of protecting the economic value of this Warrant immediately prior to the consummation of such Fundamental Transaction). Upon the consummation of each Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of the applicable Fundamental Transaction, the provisions of this Warrant and the other Transaction Documents referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Warrant and the other Transaction Documents with the same effect as if such Successor Entity had been named as the Company herein. Upon consummation of each Fundamental Transaction, the Successor Entity shall deliver to the Holder confirmation that there shall be issued upon exercise of this Warrant at any time after the consummation of the applicable Fundamental Transaction, in lieu of the Ordinary Shares (or other securities, cash, assets or other property (except such items still issuable under Sections 3 and 4(a) above, which shall continue to be receivable thereafter)) issuable upon the exercise of this Warrant prior to the applicable Fundamental Transaction, such Ordinary Shares (or its equivalent) of the Successor Entity (including its Parent Entity) which the Holder would have been entitled to receive upon the happening of the applicable Fundamental Transaction had this Warrant been exercised immediately prior to the applicable Fundamental Transaction (without regard to any limitations on the exercise of this Warrant), as adjusted in accordance with the provisions of this Warrant. In addition to and not in substitution for any other rights hereunder, prior to the consummation of each Fundamental Transaction pursuant to which holders of Ordinary Shares are entitled to receive securities or other assets with respect to or in exchange for Ordinary Shares (a "**Corporate Event**"), the Company shall make appropriate provision to ensure that the Holder will thereafter have the right to receive upon an exercise of this Warrant at any time after the consummation of the applicable Fundamental Transaction but prior to the Expiration Date, in lieu of the Ordinary Shares (or other securities, cash, assets or other property (except such items still issuable under Sections 3 and 4(a) above, which shall continue to be receivable thereafter)) issuable upon the exercise of the Warrant prior to such Fundamental Transaction, such shares of stock, securities, cash, assets or any other property whatsoever (including warrants or other purchase or subscription rights) which the Holder would have been entitled to receive upon the happening of the applicable Fundamental Transaction had this Warrant been exercised immediately prior to the applicable Fundamental Transaction (without regard to any limitations on the exercise of this Warrant). Provision made pursuant to the preceding sentence shall be in form and substance reasonably satisfactory to the Holder.

(c) Notwithstanding the foregoing and the provisions of Section 4(b) above, at the request of the Holder delivered at any time commencing on the earliest to occur of (x) the public disclosure of any Fundamental Transaction, (y) the consummation of any Fundamental Transaction and (z) the Holder first becoming aware of any Fundamental Transaction through the date that is ninety (90) days after the public disclosure of the consummation of such Fundamental Transaction by the Company pursuant to a Current Report on Form 6-K filed with the SEC (or, if the Company is not then subject to such requirement, 90 days after the earlier of such date referenced in (x), (y) and (z)), the Company or the Successor Entity (as the case may be) shall purchase this Warrant from the Holder on the date of such request by paying to the Holder cash in an amount equal to the Black Scholes Value.

5. NONCIRCUMVENTION. The Company hereby covenants and agrees that the Company will not, by amendment of its Articles of Association, or through any reorganization, transfer of assets, consolidation, merger, scheme of arrangement, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, and will at all times in good faith carry out all the provisions of this Warrant. Without limiting the generality of the foregoing, the Company (i) shall not increase the par value of the Ordinary Shares receivable upon the exercise of this Warrant above the Exercise Price then in effect, (ii) shall take all such actions as may reasonably be necessary or appropriate in order that the Company may validly and legally issue fully paid and non-assessable shares Ordinary Shares upon the exercise of this Warrant, and (iii) shall, so long as any of the Warrants are outstanding, take all action reasonably necessary to reserve and keep available out of its authorized and unissued Ordinary Shares, solely for the purpose of effecting the exercise of the Warrants, the number of Ordinary Shares as shall from time to time be necessary to effect the exercise of the Warrants then outstanding (without regard to any limitations on exercise).

6. WARRANT HOLDER NOT DEEMED A SHAREHOLDER . Except as otherwise specifically provided herein, the Holder, solely in such Person's capacity as a holder of this Warrant, shall not be entitled to vote or receive dividends or be deemed the holder of share capital of the Company for any purpose, nor shall anything contained in this Warrant be construed to confer upon the Holder, solely in such Person's capacity as the Holder of this Warrant, any of the rights of a shareholder of the Company or any right to vote, give or withhold consent to any corporate action (whether any reorganization, issue of stock, reclassification of stock, consolidation, merger, conveyance or otherwise), receive notice of meetings, receive dividends or subscription rights, or otherwise, prior to the issuance to the Holder of the Warrant Shares which such Person is then entitled to receive upon the due exercise of this Warrant. In addition, nothing contained in this Warrant shall be construed as imposing any liabilities on the Holder to purchase any securities (upon exercise of this Warrant or otherwise) or as a stockholder of the Company, whether such liabilities are asserted by the Company or by creditors of the Company. Notwithstanding this Section 6, the Company shall provide the Holder with copies of the same notices and other information given to the stockholders of the Company generally, contemporaneously with the giving thereof to the stockholders.

7. REISSUANCE OF WARRANTS.

(a) Transfer of Warrant. If this Warrant is to be transferred, the Holder shall surrender this Warrant to the Company, whereupon the Company will forthwith issue and deliver upon the order of the Holder a new Warrant (in accordance with Section 7(d)), registered as the Holder may request, representing the right to purchase the number of Warrant Shares being transferred by the Holder and, if less than the total number of Warrant Shares then underlying this Warrant is being transferred, a new Warrant (in accordance with Section 7(d)) to the Holder representing the right to purchase the number of Warrant Shares not being transferred.

(b) Lost, Stolen or Mutilated Warrant. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant, and, in the case of loss, theft or destruction, of any indemnification undertaking by the Holder to the Company in customary form and, in the case of mutilation, upon surrender and cancellation of this Warrant, the Company shall execute and deliver to the Holder a new Warrant (in accordance with Section 7(d)) representing the right to purchase the Warrant Shares then underlying this Warrant.

(c) Exchangeable for Multiple Warrants. This Warrant is exchangeable, upon the surrender hereof by the Holder at the principal office of the Company, for a new Warrant or Warrants (in accordance with Section 7(d)) representing in the aggregate the right to purchase the number of Warrant Shares then underlying this Warrant, and each such new Warrant will represent the right to purchase such portion of such Warrant Shares as is designated by the Holder at the time of such surrender; provided, however, that no Warrants for fractional Ordinary Shares shall be given.

(d) Issuance of New Warrants. Whenever the Company is required to issue a new Warrant pursuant to the terms of this Warrant, such new Warrant (i) shall be of like tenor with this Warrant, (ii) shall represent, as indicated on the face of such new Warrant, the right to purchase the Warrant Shares then underlying this Warrant (or in the case of a new Warrant being issued pursuant to Section 7(a) or Section 7(c), the Warrant Shares designated by the Holder which, when added to the number of Ordinary Shares underlying the other new Warrants issued in connection with such issuance, does not exceed the number of Warrant Shares then underlying this Warrant), (iii) shall have an issuance date, as indicated on the face of such new Warrant which is the same as the Issuance Date, and (iv) shall have the same rights and conditions as this Warrant.

8. NOTICES. Whenever notice is required to be given under this Warrant, unless otherwise provided herein, such notice shall be given in accordance with Section 9(f) of the Securities Purchase Agreement. The Company shall provide the Holder with prompt written notice of all actions taken pursuant to this Warrant, including in reasonable detail a description of such action and the reason therefor. Without limiting the generality of the foregoing, the Company will give written notice to the Holder (i) immediately upon any adjustment of the Exercise Price, setting forth in reasonable detail, and certifying, the calculation of such adjustment and (ii) at least fifteen (15) days prior to the date on which the Company closes its books or takes a record (A) with respect to any dividend or distribution upon the Ordinary Shares, (B) with respect to any grants, issuances or sales of any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property to holders of Ordinary Shares or (C) for determining rights to vote with respect to any Fundamental Transaction, dissolution or liquidation; provided in each case that such information shall be made known to the public prior to or in conjunction with such notice being provided to the Holder. It is expressly understood and agreed that the time of execution specified by the Holder in each Exercise Notice shall be definitive and may not be disputed or challenged by the Company.

9. AMENDMENT AND WAIVER. Except as otherwise provided herein, the provisions of this Warrant may be amended or waived and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company has obtained the written consent of the Holder.

10. GOVERNING LAW; JURISDICTION; JURY TRIAL. This Warrant shall be governed by and construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Warrant shall be governed by, the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York. The Company hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in The City of New York, Borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. The Company hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to the Company at its regular address and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. Nothing contained herein shall be deemed or operate to preclude the Holder from bringing suit or taking other legal action against the Company in any other jurisdiction to collect on the Company's obligations to the Holder, to realize on any collateral or any other security for such obligations, or to enforce a judgment or other court ruling in favor of the Holder. The Company hereby appoints Vcorp Agent Services, Inc., with offices at 25 Robert Pitt Drive, Suite 204, Monsey NY 10952, as its agent for service of process in New York. **THE COMPANY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS WARRANT OR ANY TRANSACTION CONTEMPLATED HEREBY.**

11. CONSTRUCTION; HEADINGS. This Warrant shall be deemed to be jointly drafted by the Company and all the Holder and shall not be construed against any Person as the drafter hereof. The headings of this Warrant are for convenience of reference and shall not form part of, or affect the interpretation of, this Warrant.

12. DISPUTE RESOLUTION. In the case of a dispute as to the determination of the Exercise Price or the arithmetic calculation of the Warrant Shares, the Company shall submit the disputed determinations or arithmetic calculations via facsimile within two (2) Business Days of receipt of the Exercise Notice giving rise to such dispute, as the case may be, to the Holder. If the Holder and the Company are unable to agree upon such determination or calculation of the Exercise Price or the Warrant Shares within three (3) Business Days of such disputed determination or arithmetic calculation being submitted to the Holder, then the Company shall, within two (2) Business Days submit via facsimile (a) the disputed determination of the Exercise Price to an independent, reputable investment bank selected by the Company and approved by the Holder or (b) the disputed arithmetic calculation of the Warrant Shares to the Company's independent, outside accountant. The Company shall cause at its expense the investment bank or the accountant, as the case may be, to perform the determinations or calculations and notify the Company and the Holder of the results no later than ten (10) Business Days from the time it receives the disputed determinations or calculations. Such investment bank's or accountant's determination or calculation, as the case may be, shall be binding upon all parties absent demonstrable error.

13. REMEDIES, OTHER OBLIGATIONS, BREACHES AND INJUNCTIVE RELIEF . The remedies provided in this Warrant shall be cumulative and in addition to all other remedies available under this Warrant and the other Transaction Documents, at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit the right of the Holder to pursue actual damages for any failure by the Company to comply with the terms of this Warrant. The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder and that the remedy at law for any such breach may be inadequate. The Company therefore agrees that, in the event of any such breach or threatened breach, the holder of this Warrant shall be entitled, in addition to all other available remedies, to an injunction restraining any breach, without the necessity of showing economic loss and without any bond or other security being required.

14. TRANSFER. Subject to any transfer restrictions under applicable law (including the 1933 Act) this Warrant and the Warrant Shares may be offered for sale, sold, transferred, pledged or assigned without the consent of the Company.

15. SEVERABILITY. If any provision of this Warrant is prohibited by law or otherwise determined to be invalid or unenforceable by a court of competent jurisdiction, the provision that would otherwise be prohibited, invalid or unenforceable shall be deemed amended to apply to the broadest extent that it would be valid and enforceable, and the invalidity or unenforceability of such provision shall not affect the validity of the remaining provisions of this Warrant so long as this Warrant as so modified continues to express, without material change, the original intentions of the parties as to the subject matter hereof and the prohibited nature, invalidity or unenforceability of the provision(s) in question does not substantially impair the respective expectations or reciprocal obligations of the parties or the practical realization of the benefits that would otherwise be conferred upon the parties. The parties will endeavor in good faith negotiations to replace the prohibited, invalid or unenforceable provision(s) with a valid provision(s), the effect of which comes as close as possible to that of the prohibited, invalid or unenforceable provision(s).

16. DISCLOSURE. Upon receipt or delivery by the Company of any notice in accordance with the terms of this Warrant and provided that the Company's shares are quoted or traded on the Principal Market, unless either (A) the Company has in good faith determined that the matters relating to such notice do not constitute material, nonpublic information relating to the Company or its Subsidiaries or (B) the Company has determined that it would be materially detrimental to the Company to publicly disclose such information at such time, the Company shall within one (1) Business Day after any such receipt or delivery publicly disclose such material, nonpublic information on a Current Report on Form 6-K or otherwise. In the event that the Company believes that a notice contains material, nonpublic information relating to the Company or its Subsidiaries, the Company so shall indicate to such Holder contemporaneously with delivery of such notice, and in the absence of any such indication, the Holder shall be allowed to presume that all matters relating to such notice do not constitute material, nonpublic information relating to the Company or its Subsidiaries.

17. CERTAIN DEFINITIONS. For purposes of this Warrant, the following terms shall have the following meanings:

(a) "**1933 Act**" means the Securities Act of 1933, as amended.

(b) "**Affiliate**" means, with respect to any Person, any other Person that directly or indirectly controls, is controlled by, or is under common control with, such Person, it being understood for purposes of this definition that "control" of a Person means the power directly or indirectly either to vote 10% or more of the stock having ordinary voting power for the election of directors of such Person or direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

(c) "**Attribution Parties**" means, collectively, the following Persons and entities: (i) any investment vehicle, including, any funds, feeder funds or managed accounts, currently, or from time to time after the Issuance Date, directly or indirectly managed or advised by the Holder's investment manager or any of its Affiliates or principals, (ii) any direct or indirect Affiliates of the Holder or any of the foregoing, (iii) any Person acting or who could be deemed to be acting as a Group together with the Holder or any of the foregoing and (iv) any other Persons whose beneficial ownership of the Company's Ordinary Shares would or could be aggregated with the Holder's and the other Attribution Parties for purposes of Section 13(d) of the Exchange Act. For clarity, the purpose of the foregoing is to subject collectively the Holder and all other Attribution Parties to the Maximum Percentage.

(d) "**Black Scholes Value**" means the value of this Warrant based on the Black and Scholes Option Pricing Model obtained from the "OV" function on Bloomberg determined as of the day immediately following the public announcement of the applicable Fundamental Transaction, or, if the Fundamental Transaction is not publicly announced, the date the Fundamental Transaction is consummated, for pricing purposes and reflecting (i) a risk-free interest rate corresponding to the U.S. Treasury rate for a period equal to the remaining term of this Warrant as of such date of request, (ii) an expected volatility equal to the 100 day volatility obtained from the HVT function on Bloomberg as of the day immediately following the public announcement of the applicable Fundamental Transaction, or, if the Fundamental Transaction is not publicly announced, the date the Fundamental Transaction is consummated, (iii) the underlying price per share used in such calculation shall be the sum of the price per share being offered in cash, if any, plus the value of any non-cash consideration, if any, being offered in the Fundamental Transaction, (iv) a zero cost of borrow and (v) a 360 day annualization factor.

(e) "**Bloomberg**" means Bloomberg Financial Markets.

(f) "**Business Day**" means any day other than Saturday, Sunday or other day on which commercial banks in New York, New York or Tel Aviv, Israel are authorized or required by law to remain closed.

(g) "**Closing Sale Price**" means, for any security as of any date, the last closing trade price for such security on the Principal Market, as reported by Bloomberg, or, if the Principal Market begins to operate on an extended hours basis and does not designate the closing trade price, then the last trade price of such security prior to 4:00:00 p.m., New York time, as reported by Bloomberg, or, if the Principal Market is not the principal securities exchange or trading market for such security, the last trade price of such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg, or if the foregoing do not apply, the last trade price of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg, or, if no last trade price is reported for such security by Bloomberg, the average of the ask prices of any market makers for such security as reported in the OTC Link or "pink sheets" by OTC Markets Group Inc. (formerly Pink OTC Markets Inc.). If the Closing Sale Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Closing Sale Price of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved pursuant to Section 12. All such determinations to be appropriately adjusted for any stock dividend, stock split, stock combination, reclassification or other similar transaction during the applicable calculation period.

(h) "**Convertible Securities**" means any stock or securities (other than Options) directly or indirectly convertible into or exercisable or exchangeable for Ordinary Shares.

(i) "**Eligible Market**" means the NYSE MKT LLC, The NASDAQ Global Market, The NASDAQ Global Select Market, The NASDAQ Capital Market, The New York Stock Exchange, Inc., or the Tel Aviv Stock Exchange.

(j) "**Expiration Date**" means the seventh anniversary of the Issuance Date, or, if such date falls on a day other than a Business Day or on which trading does not take place on the Principal Market, if any (a "**Holiday**"), the next day that is not a Holiday.

(k) "**Fundamental Transaction**" means (A) that the Company shall, directly or indirectly, including through subsidiaries, Affiliates or otherwise, in one or more related transactions, (i) consolidate or merge with or into (whether or not the Company is the surviving corporation) another Subject Entity, or (ii) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company or any of its "significant subsidiaries" (as defined in Rule 1-02 of Regulation S-X) to one or more Subject Entities, or (iii) make, or allow one or more Subject Entities to make, or allow the Company to be subject to or have its Ordinary Shares be subject to or party to one or more Subject Entities making, a purchase, tender or exchange offer that is accepted by the holders of at least either (x) 50% of the outstanding Ordinary Shares, (y) 50% of the outstanding Ordinary Shares calculated as if any Ordinary Shares held by all Subject Entities making or party to, or Affiliated with any Subject Entities making or party to, such purchase, tender or exchange offer were not outstanding; or (z) such number of Ordinary Shares such that all Subject Entities making or party to, or Affiliated with any Subject Entity making or party to, such purchase, tender or exchange offer, become collectively the beneficial owners (as defined in Rule 13d-3 under the Exchange Act) of at least 50% of the outstanding Ordinary Shares, or (iv) consummate a stock purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with one or more Subject Entities whereby all such Subject Entities, individually or in the aggregate, acquire, either (x) at least 50% of the outstanding Ordinary Shares, (y) at least 50% of the outstanding Ordinary Shares calculated as if any Ordinary Shares held by all the Subject Entities making or party to, or Affiliated with any Subject Entity making or party to, such stock purchase agreement or other business combination were not outstanding; or (z) such number of Ordinary Shares such that the Subject Entities become collectively the beneficial owners (as defined in Rule 13d-3 under the Exchange Act) of at least 50% of the outstanding Ordinary Shares, or (v) reorganize, recapitalize or reclassify its Ordinary Shares such that such modified Ordinary Shares no longer have the residual right to dividends or distributions form the Company or the residual right to vote on matters given to the shareholders under Israeli law, (B) that the Company shall, directly or indirectly, including through subsidiaries, Affiliates or otherwise, in one or more related transactions, allow any Subject Entity individually or the Subject Entities in the aggregate to be or become the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, whether through acquisition, purchase, assignment, conveyance, tender, tender offer, exchange, reduction in outstanding Ordinary Shares, merger, consolidation, business combination, reorganization, recapitalization, spin-off, scheme of arrangement, reorganization, recapitalization or reclassification or otherwise in any manner whatsoever, of either (x) at least 50% of the aggregate ordinary voting power represented by issued and outstanding Ordinary Shares, (y) at least 50% of the aggregate ordinary voting power represented by issued and outstanding Ordinary Shares not held by all such Subject Entities as of the date of this Warrant calculated as if any Ordinary Shares held by all such Subject Entities were not outstanding, or (z) a percentage of the aggregate ordinary voting power represented by issued and outstanding Ordinary Shares or other equity securities of the Company sufficient to allow such Subject Entities to effect a statutory short form merger or other transaction requiring other stockholders of the Company to surrender their Ordinary Shares without approval of the stockholders of the Company or (C) directly or indirectly, including through subsidiaries, Affiliates or otherwise, in one or more related transactions, the issuance of or the entering into any other instrument or transaction structured in a manner to circumvent, or that circumvents, the intent of this definition in which case this definition shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this definition to the extent necessary to correct this definition or any portion of this definition which may be defective or inconsistent with the intended treatment of such instrument or transaction.

(l) "**Group**" means a "group" as that term is used in Section 13(d) of the Exchange Act and as defined in Rule 13d-5 thereunder.

(m) "**Options**" means any rights, warrants or options to subscribe for or purchase Ordinary Shares or Convertible Securities.

(n) "**Ordinary Shares**" means (i) the Company's ordinary shares, par value $0.0001 NIS per share, and (ii) any share capital into which such Ordinary Shares shall have been changed or any share capital resulting from a reclassification of such Ordinary Shares.

(o) "**Parent Entity**" of a Person means an entity that, directly or indirectly, controls the applicable Person, including such entity whose shares or equivalent equity security is quoted or listed on an Eligible Market, or, if there is more than one such Person or such entity, the Person or Parent Entity designated by the Holder or in the absence of such designation, such Person or entity with the largest public market capitalization as of the date of consummation of the Fundamental Transaction.

(p) "**Person**" means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity and a government or any department or agency thereof.

(q) "**Principal Market**" means, as of the date of determination, the principal market on which the Ordinary Shares are then traded, if any.

(r) "**Subject Entity**" means any Person, Persons or Group or any Affiliate or associate of any such Person, Persons or Group.

(s) "**Successor Entity**" means one or more Person or Persons (or, if so elected by the Holder, the Company or Parent Entity) formed by, resulting from or surviving any Fundamental Transaction or one or more Person or Persons (or, if so elected by the Holder, the Company or the Parent Entity) with which such Fundamental Transaction shall have been entered into.

(t) "**Trading Day**" means any day on which the Ordinary Shares are traded on the Principal Market; provided that "Trading Day" shall not include any day on which the Ordinary Shares are scheduled to trade on such exchange or market for less than 4.5 hours or any day that the Ordinary Shares are suspended from trading during the final hour of trading on such exchange or market (or if such exchange or market does not designate in advance the closing time of trading on such exchange or market, then during the hour ending at 4:00:00 p.m., New York time). So long as the Ordinary Shares are not traded on a Principal Market, then any reference herein to a Trading Day shall be deemed to be a reference to a Business Day.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Warrant to Purchase Ordinary Shares to be duly executed as of the Issuance Date set out above.

PV NANO CELL LTD

By: _____
Name: Dr. Fernando de la Vega
Title: CEO

EXHIBIT A

EXERCISE NOTICE

TO BE EXECUTED BY THE REGISTERED HOLDER TO EXERCISE THIS WARRANT TO PURCHASE ORDINARY SHARES

PV NANO CELL LTD.

The undersigned holder hereby exercises the right to purchase _____ of the Ordinary Shares ("**Warrant Shares**") of PV Nano Cell Ltd., a company formed in the State of Israel, (the "**Company**"), evidenced by the attached Warrant to Purchase Ordinary Shares (the "**Warrant**"). Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Warrant.

1. Form of Exercise Price. The Holder intends that payment of the Exercise Price shall be made as:

_____ a "Cash Exercise" with respect to _____ Warrant Shares; or

_____ a "Cashless Exercise" with respect to _____ Warrant Shares.

2. Payment of Exercise Price. In the event that the holder has elected a Cash Exercise with respect to some or all of the Warrant Shares to be issued pursuant hereto, the holder shall pay the Aggregate Exercise Price in the sum of $_____ to the Company in accordance with the terms of the Warrant.

3. Delivery of Warrant Shares. The Company shall deliver to the holder _____ Warrant Shares in accordance with the terms of the Warrant.

Date: _____ __, _____

_____
Name of Registered Holder

By: _____
Name:
Title:

Exhibit 4.25

SHARE PURCHASE AGREEMENT

THIS SHARE PURCHASE AGREEMENT (this "Agreement") is made as of May 8th , 2018 by and among P.V. Nano Cell Ltd., a company incorporated under the laws of the State of Israel, with offices located at 8 Hamasger St., PO Box 236, Migdal Ha-Emek, 2310102, Israel (the "Company") and Slobel. ("Investor").

The Parties hereby agree as follows:

1. The Company wishes to raise capital by means of a loan convertible to Ordinary Shares, par value NIS 0.01 each, of the Company (the "Ordinary Shares").

2. The Investor agrees to give a loan to the Company at an amount of $170,000 ("The Loan").

3. The loan has a Original **Issue Discount** (01D) of 10%.

4. The loan will be for a period of 18 month from closing date and will convertible to Ordinary shares at a conversion price of $1 per share.

5. The Loan will bear interest of 6% per year.

6. Further to Section 2 above, it is agreed that upon receipt by the Company of the Loan, the Company will grant the Investor 170,000 warrants to purchase 170,000 Ordinary Shares of the Company par value NIS 0.01 each, at an exercise price per share of US $0.5 for a period of 5 years.

7. The Shares from Loan conversion an exercise of warrants hereunder shall have the rights, preferences and privileges as set forth in the Articles of Association of the Company.

8. Transfer Restrictions. The Shares from Loan conversion an exercise of warrants may only be disposed of in compliance with applicable Israeli and US state and federal securities laws. In connection with any transfer of the Purchased Shares other than pursuant to an effective registration statement or Rule 144 to an Affiliate of the Investor or in connection with a pledge, the Company may require the transferor thereof to provide, at the transferor's expense, an opinion of counsel selected by the transferor and reasonably acceptable to the Company, the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that such transfer does not require registration of such transferred shares under the Securities Act.

9. This Agreement shall be governed by and construed solely in accordance with the laws of the State of Israel, without giving effect to the rules respecting conflict of law. The Parties hereby irrevocably submit to the jurisdiction of the courts of Haifa in respect of any dispute or matter arising out of or connected with this Agreement.

10. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. Facsimile or scanned signatures of a Party shall be binding as evidence of such Party's agreement hereto and acceptance hereof.

IN WITNESS WHEREOF, each Investor and the Company have caused their respective signature page to this Agreement to be duly executed as of the date first written above.

INVESTOR:

Slobel

By: /s/ Jacques Spijer

COMPANY:

P.V. NANO CELL LTD

By: Dr. Fernando de la Vega, Director

Exhibit 4.26

Consultancy Agreement

This Consultancy Agreement ("**Agreement**"), is made effective as of November 12, 2017 ("**Effective Date**") by and between:

P.V. Nano Cell Ltd. , Israeli Company Number 514287093, with its head office located at 8 HaMasger Street, Migdal Haemek, POB 236, 23100, Israel (the "**Company**"); and

Evyatar Cohen, I.D Number 025104464 (certified dealer *קסוהשר מוi7*), residing at 112 Levi Eshkol Street, Tel Aviv, 6936188 Israel (the "**Consultant**").

(Each a "**Party**" and together the "**Parties**")

WHEREAS the Company wishes to retain the Consultant services in his field of expertise and the Consultant agrees to provide Services (as defined below) as an independent contractor.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree and covenant as follows:

1. <u>Consultancy Agreement</u>

1.1 The preamble hereto and the schedules attached hereto form integral and binding parts of this Agreement.

1.2 The Company hereby retains the Consultant in order to provide the services described in **<u>Schedule 1</u>** of this Agreement (the "**Services**"), effective as of November 12, 2017 (the "Effective Date"), and during the Term (as defined below) of this Agreement and the Consultant agrees to provide these Services. The scope of Services shall be agreed between the Parties from time to time.

1.3 The Consultant shall report directly to the CEO of the Company.

1.4 The Consultant will provide the Services solely via its employees and/or consultants, and may not assign or sub-contract the performance of the Services to any third party, without the prior written consent of the Company. The Services shall be provided by Mr. Evyatar Cohen ("**Evyatar**") in the position of CFO and Ms. Moran Cohen ("**Moran**") in the position of controller, or any other person pre-approved by the Company.

1.5 Evyatar shall be entitled to enter into an indemnification and exemption agreement with the Company and to be included in the Company's D&O Insurance. Moran shall also be entitled to be included in such Insurance, provided that the Company receives the insurer's approval to include her in such Insurance. Evyatar shall be responsible to procure a professional liability insurance policy with respect to the Services provided by him to the Company and the Company shall be an additional insured.

1.6 The Consultant will cause Evyatar and Moran, and/or other personnel approved by the Company who is rendering the Services on its behalf (the "**Representatives**"), to dedicate their time to the extent agreed upon between the Parties and to dedicate their best experience, talent, expertise and knowledge for the provision of the Services, and to perform the Services in a loyal, conscientious and dedicated manner, and in accordance with the Company's policies as may be in effect from time to time and with reasonable instructions of the Company's CEO. The Consultant will cause his Representatives to comply with the terms of this Agreement.

During the Term of this Agreement, neither the Consultant nor its Representatives shall engage in any activity, commercial or otherwise, if such activity can reasonably be expected to create or assist in creating a conflict of availability or a conflict of interest or competition with the Company.

1.7 The Consultant confirms that neither it nor any of its Representatives bring or were required to bring to the Company any proprietary materials of third parties, and that the Consultant is under no restrictions regarding the rendering of the Services to the Company and the execution of this Agreement.

1.8 The Consultant is an independent contractor. The Services are provided to the Company by the Consultant, via the Representatives, on an independent contractor basis, absent of an employment relationship between the Company, the Consultant and/or the Representatives, based on the Consultant's and its Representatives' specific request. The Consultant declares that it is aware of all the financial consequences resulting from the Consultant's engagement as an independent contractor. The Consultant shall be solely responsible for its Representatives and their performance under this Agreement and shall bear and timely make payments of their salaries, social rights and any other rights they are entitled to under any applicable law including any deductions and allocations. The Parties do not intend, and this Agreement and the performance of the Services hereunder shall not be construed, to give effect to employment, partnership, joint venture or agency relations between the Parties and/or between the Company and any of the Representatives. The Consultant undertakes not to present any claims against the Company in that regard.

1.9 The Consultant hereby confirms that: (i) it is a certified dealer מ קסוהשר ii7, duly registered under the tax and employment laws applicable to Consultant; and (ii) it files all necessary reports with the applicable tax authorities and national security authorities as an independent contractor, and makes all due payments. Without derogating from the above, it shall be the sole and exclusive responsibility of the Consultant to make the necessary contributions and/or compulsory payments to the applicable tax and other government authorities and/or private funds and insurance companies, all in accordance with applicable laws.

1.10 The Consultant undertakes to maintain a proper set of accounting books as required by applicable law and to open and/or maintain a file with the applicable tax and other governmental authorities. The Consultant is exclusively responsible for filing any reports with said authorities, which are required to be filed in connection with and arising out of the Services rendered by the Consultant under this Agreement.

1.11 Should the Consultant or any other party on its behalf present any other claim against the Company, whether based upon allegation of employee-employer relations or otherwise, the Consultant will indemnify and hold the Company harmless for and against such claims, and the Company may offset any consideration it may owe to the Consultant against such indemnification sums. Furthermore, the Consultant agrees that if a claim is filed by it or by any of its Representatives or any third party against the Company based on alleged employee-employer relations, and a competent court of law rules that the Consultant or its Representatives were employed by the Company, then: (i) the monthly gross salary due will be calculated as 60% of the Consulting Fee (as per Section 2.1 below), (ii) the Consultant shall refund to the Company all sums previously paid by the Company in excess of such gross salary, and (iii) the Company shall use the refund amounts towards satisfaction of employer's obligations arising from the aforesaid court-recognized employee-employer relations.

1.12 The Services performed hereunder are "work for hire", and the Consultant or its Representatives shall have no rights or title in such Services, or any part thereof or any of its products or results, and the Company shall own all rights to such work in its name or otherwise, including copyrights, patents, trademarks and other rights.

1.13 The Consultant or its Representatives are not allowed to obligate and/or bind the Company in any way and/or create any commitments on the Company's behalf, except as required for the performance of the Services and as authorized by the Company.

1.14 The Consultant shall perform the Services according to all applicable laws, rules and regulations. Without derogating from the above said, the Consultant specifically warrants that it shall comply with all applicable rules and regulations concerning the prevention of corruption, money laundering and terrorism, and in accordance thereto.

2. Remuneration

2.1 Fee: In consideration of the Services to be provided by the Consultant and in consideration of the Consultant's other obligations hereunder, the Company will pay the Consultant a gross monthly consulting fee in the amount set out in **Schedule 1** attached hereto (the "**Consulting Fee**").

2.2 Options: The Company's management shall recommend to the Board of Directors of the Company to grant the Consultant options to purchase Ordinary Shares of the Company in the amount and terms set out in **Schedule 1** attached hereto ("**Options**").

Such Options grant shall be subject to: (i) the approval of the Board of Directors; and (ii) the provisions of the Israeli Income Ordinance or any other applicable law. The Options, when granted, shall be subject to the terms and provisions of the Company's 2010 Option Plan and the provisions of a respective share option agreement to be executed between the Company and the Consultant. Other terms and conditions of such Options shall be determined by the Board, in its sole discretion.

The Consultant shall bear all taxes and other compulsory payments associated with the Options. In the event of termination of this Agreement for any reason, any unvested Options shall expire immediately. With respect to vested Options held by the Consultant on such termination date, the Consultant may choose to: (i) exercise all vested Options in accordance with the provisions of the Option Plan, after paying the applicable exercise price of each vested Option; or (ii) exercise only 50% of the vested Options, at an exercise price per share of NIS 0.01, and the remaining vested Options shall be forfeited immediately. In the event that the Consultant will chose to exercise only 50% of the vested Options, the Company shall pay the Consultant a lump sum in the amount of the total exercise price paid by the Consultant for such Options, provided that such payment is permitted under applicable law.

2.3 Expenses: in addition to the Consulting Fee, the Consultant shall be reimbursed for certain Service-related out of pocket expenditures incurred by it in connection with the performance of the Services, subject to prior written approval of the Company and in accordance with the Company's expense return policy. All other expenses and costs of the Consultant arising from or related to the provision of the Services will be borne and paid by the Consultant.

2.4 At the end of each calendar month or at the beginning of the following one, the Consultant will submit an Invoice with the Consulting Fee due, to be verified by the Company. VAT will be added at the rate applicable at the time of each payment. The Company will pay the monthly verified Invoice for the previous month until the 9th of each month. The Company shall withhold any required withholding tax from any remuneration payable to the Consultant according to applicable laws or according to a specific tax withholding approval provided by the Consultant, if provided.

2.5 The Consultant shall bear, be responsible for, and shall indemnify and hold the Company harmless from, all payments required to be made to the tax authorities, National Insurance Institute, health and life insurance and any other obligatory payments related to the provision of the Services hereunder or to the remuneration provided in connection therewith.

2.6 The Parties confirm that the remuneration detailed in this Section 2 above is the full and exclusive remuneration due to the Consultant for the Services hereunder, and constitute the total cost to the Company.

3. Secrecy and other Intellectual Property Issues

3.1 The Consultant undertakes to execute, perform and abide by the Secrecy, Intellectual Property And Non-Compete Undertakings as attached hereto as **Schedule 2**, and shall cause its Representatives to countersign, perform and abide by the terms therein.

4. Term & Termination

4.1 This Agreement is made for an undefined period and may be terminated by either party upon a 45 days prior written notice to the other party.

4.2 In addition, the Company shall have a right to terminate this Agreement immediately – if termination is made for Cause. The term "Cause" in this Agreement shall be defined as any of the following events or acts of the Consultant: (a) a material breach of this Agreement which has not been remedied within 14 days of written notice, (b) breach of confidence, loyalty or unauthorized disclosure or use of the Company's or third parties intellectual properties, (c) serious and continuing breach of work behavior rules by the Consultant or its Representatives, (d) continuing and unjustified refusal to carry out work assignments, (e) self-dealing, embezzlement or misappropriation of the Company's property or serious damage to the Company's property which is intentionally caused, (f) gross negligence or misconduct, (g) criminal behavior as determined by a court of law, except as for traffic violations, or other offences which do not require mens rea.

4.3 Termination of this Agreement as stated above is without liability of the Company for any claims or payments beyond those earned or accrued in the course of the Services hereunder; and the Consultant hereby waives any and all such claims towards the Company, its affiliates and any other third party acting on its behalf. Without derogating from the generality of the aforementioned, termination of this Agreement will not entitle either Party to any compensation.

4.4 Upon termination of this Agreement or at such other time as directed by the Company, the Consultant shall immediately return to the Company each and every asset in its possession or control which belongs, or has been entrusted, to the Company, including, without limitation, all materials of any kind (whether in written or electronic form, computer files or otherwise) concerning the Company's Proprietary Information (as such term is defined in Schedule 2) and all copies thereof, and the Consultant shall not retain any copies of such materials in whatever form and on whatever media.

4.5 The provisions of Sections 1.8 – 1.12, 2.5, 4.3, 4.4 and 5.1 through 5.6 of this Agreement shall remain valid and binding regardless the termination of this Agreement, and will survive such termination.

5. <u>General Provisions</u>

5.1 This Agreement forms the complete and exclusive agreement between the Parties as to its subject matter; and it cancels any prior verbal or written agreement related thereto. Any change to this Agreement requires a duly signed document.

5.2 The Consultant shall be entitled to assign this Agreement to a company wholly owned by Evyatar by providing the Company with an assignment notice signed both the assignor and the assignee. The Company shall be entitled to assign its rights and/or obligations under this Agreement, in whole or in part, to any third party without the need to obtain the consent of the Consultant, provided only that the Consultant's rights are not materially prejudiced by such assignment.

5.3 The failure or delay of either Party to require the performance of any term under this Agreement, or the waiver by either Party of any breach under this Agreement, shall not prevent subsequent enforcement of such terms, nor be deemed a waiver of any subsequent or prolonged breach.

5.4 Any notice sent by one Party to the other by registered mail will be deemed to have been received on the 5th business day after the day of mailing. Fax and electronic messages will be deemed to have been received on the business day following the day of transmission, hand delivery shall be deemed to have been received upon delivery.

5.5 This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same instrument, with the same effect as if the signatures thereto were upon the same instrument. The exchange of signature pages (in counterparts or otherwise) by electronic transmission in electronic files or by facsimile copies shall have the same legal effect as the exchange of signed originals and shall be sufficient to bind the Parties to the terms and conditions of this Agreement.

5.6 This Agreement is exclusively governed by the laws of the State of Israel, as they apply to agreements made and to be performed in Israel, without regard to "choice of law" provisions. The courts of Israel (in the city of Haifa) will have exclusive jurisdiction over all claims arising out of or relating to this Agreement, and each Party hereby consents and submits to such exclusive jurisdiction. However, in matters involving a breach or infringement of intellectual property rights, the Company shall be entitled to bring action against the Consultant in any other competent court. Jusgements, verdicts and decrees of any of the aforesaid courts shall be enforceable against either Party in any country.

THE CONSULTANT CONFIRMS THAT IT IS FAMILIAR WITH THE ENGLISH LANGUAGE AND DOES NOT REQUIRE TRANSLATION OF THIS AGREEMENT TO ANY OTHER LANGUAGE. THE CONSULTANT FURTHER CONFIRMS THAT IT HAS BEEN ADVISED BY THE COMPANY THAT IT MAY CONSULT AN ATTORNEY BEFORE EXECUTING THIS AGREEMENT AND THAT IT HAS BEEN AFFORDED AN OPPORTUNITY TO DO SO.

היועץ מצהיר בזאת כי השפה האנגלית מוכרת לו וכי הוא אינו זקוק לתרגום הסכם זה לשפה אחרת. היועץ גם מצהיר כי הומלץ בפניו על ידי החברה לקבל ייעוץ משפטי בקשר להסכם זה בטרם החתימה עליו וכי ניתנה לו הזדמנות נאותה לעשות כן.

[Signature page to follow]

[Signature Page of the Consultancy Agreement]

And in Witness hereof the Parties sign and execute this Agreement

/s/ Fernando de la Vega,	
The Company	**Consultant**
P.V. Nano Cell Ltd.	**Evyatar Cohen**

By: Dr. Fernando de la Vega,
CEO

Confirmation:

We, the undersigned, being Representatives of the Consultant pursuant to the above Agreement, hereby confirm and undertake towards the Company that we will personally comply with the undertakings and representations of the Consultant as detailed in this Agreement including its annexes.

/s/ Evyatar Cohen	
Mr. Evyatar Cohen	**Ms. Moran Cohen**

SCHEDULE 1

Services:

1. The Services to be performed by Evyatar shall include:

   1.1 CFO services, including, without limitation, leading and directing the auditing process and financial reporting including consolidation of the Company and the preparation of budgets, forecasts, cost allocations, tax filings, investor disclosure, management financial reports and all financial statements and any other document or report required for the Company to comply with the reporting requirements under the applicable laws (including the 20-F and F1).

   1.2 Manage financial controls and accounting procedures.

   1.3 Oversee budgeting, budget implementations.

   1.4 Supporting the CEO with the preparation of monthly and annual financial plans.

   1.5 Such other ancillary tasks required in order to fully perform the CFO duties.

2. Controller services through the services of Ms. Moran Cohen.

Scope:

The Scope of the Services shall be as needed in order to best perform the Services, and on an average of 50% of a full time position. The parties acknowledge that the Services are subject to peaks of long hours and the Consultant acknowledges and agrees to be available at changing scopes.

Consulting Fee:

3. The Consulting Fee shall be the following gross amount for each full month in which the Services in the agreed scope were provided:

   3.1 For the first period (as of the Effective Date and until the filling of the Company's 2017 20-F form) (the "**First Period**") the Consulting Fee shall be in the gross amount of NIS 33,000 per month plus VAT.

   3.2 For the second period (as of the date the Company's 2017 20-F form is filed, and until termination of the Agreement for any reason) (the "**Second Period**") the Consulting Fee shall be in the gross amount of NIS 45,000 per month plus VAT.

   3.3 In the event of termination of the Agreement for any reason prior to November 12, 2018, the Consultant shall be entitled for additional gross amount of NIS 3,000 + VAT per each month of performing the Service.

Options:

4. Under the terms of this Agreement, the management shall recommend to the Board to grant the Consultant options to purchase Ordinary Shares of the Company, at an exercise price per option of US $0.917, in accordance with the following amounts and vesting schedule:

   4.1 The Consultant shall be entitled to receive **80,000** Options which shall vest as follows: (i) 3,341 Options to vest on November 30, 2017; and (ii) 3,333 Options to vest at the last calendar day of each calendar month thereafter until October 31, 2019.

   4.2 In addition, provided that the Consultant is still providing Services once the 2017 20-F form is filed, the Consultant shall be entitled to receive **40,000** Options which shall vest as follows: (i) 1682 Options to vest at the last calendar day of the first calendar month following the 2017 20-F filing; and (ii) 1,666 Options to vest at the last calendar day of each calendar month thereafter over 23 additional months.

****

SCHEDULE 2

SECRECY, INTELLECTUAL PROPERTY AND NON-COMPETE UNDERTAKINGS

In consideration of the disclosure by the Company to the Consultant of information relating to the Services and the remuneration as set out in Section 2 of the Agreement, the Consultant hereby agrees as follows:

1. In this Schedule 2, the term "Company" shall mean the Company and any of the Company's present or future subsidiaries in which the Company is a shareholder, directly or indirectly, and the Company's affiliates, as currently exist and as may exist in the future.

2. The term "Proprietary Information" means any and all confidential and/or proprietary knowledge, data or information of the Company or of any third party which is disclosed to Consultant or which it otherwise obtains or generates as a result of the Services (including the implications, results and applications of the Services and any knowhow, intellectual property and other rights relating to the results of the Services), including without limitation technical, business, marketing, financial, administrative, management and commercial information related to the Company, its products, current or prospective, knowhow, technology, trade secrets, software, copyright, process, commercial relations, actual and potential clients and suppliers, business or other plans, and any other information of a proprietary or confidential nature. Without derogating from the generality of the above said, information which by nature is deemed to be proprietary and non-public information and any information discussed and presented at any meeting of the Company in which the Consultant attended shall also be recognized as Proprietary Information.

3. The term "Proprietary Information" does not include information (i) which is, at the date of signature hereof or thereafter, enters the public domain, through no act or omission by the Consultant or anyone on its behalf, (ii) information which was known to Consultant prior to its disclosure (in the case of information disclosed by Company) or prior to its generation (in the case of Proprietary Information generated by Consultant), as evidenced by its written records at the time of disclosure or generation (as applicable), (iii) information developed independently by Consultant without use of or reference to the Proprietary Information, as demonstrated by documentary evidence, (iv) information received by Consultant at any time from other sources that were legally entitled to receive and transfer such information without any obligation of confidentiality to Company.

4. Proprietary Information and any part thereof are recognized by Consultant as being confidential and the exclusive and sole property of the Company.

5. The Consultant undertakes to maintain the confidentiality of the Proprietary Information, not to disclose or make available to any third party any of the Proprietary Information nor to make any use or enable others to make any use thereof other than for purposes of the Services, without the express prior written approval of the Company.

If required by law, Consultant may disclose Proprietary Information to a governmental authority or by order of a court of competent jurisdiction, provided that (a) unless restricted by such authority, Consultant shall immediately notify Company and take reasonable steps to assist Company in contesting such request, requirement or order or otherwise protecting Company's rights and (b) Consultant shall limit the scope of such disclosure only to such portion of the Proprietary Information that it is legally required to disclose.

The confidentiality and non-use obligations contained herein will remain valid and binding regardless of the termination of the Agreement and shall survive for a period of seven (7) years from the date of termination of this Agreement, and with respect to technological and technical information of the Company including trade secrets, the post termination period of compliance shall remain until said information comes into the public domain through no fault of the Consultant or anyone on its behalf.

6. The term "Proprietary Rights" shall mean all inventions, discoveries, ideas, know-how, works of authorship and confidential information, including copyrights, patents and patent applications, trade secrets, trademarks, service marks, design marks, any registrations or applications relating to any of the foregoing.

Inventions, if any, patented or unpatented, made by Consultant prior to the date of this Agreement are excluded from the scope of this Agreement.

Consultant hereby assigns and agrees to assign in the future (when any such inventions or Proprietary Rights are first reduced to practice or first fixed in a tangible medium, as applicable) to the Company all its rights, title and interest in and to any and all Proprietary Rights whether or not patentable or registrable under copyright or similar statutes, made or conceived or reduced to practice or generated by Consultant, either alone or jointly with others, in the performance of the Services for the Company. Inventions assigned to the Company, or to a third party as directed by the Company pursuant to this Section 6, are hereinafter referred to as "Company Inventions."

The Consultant acknowledge that all original works of authorship which are made by Consultant (solely or jointly with others) in the performance of the Services for the Company and which are protectable by copyright are "works made for hire" and are the property of the Company pursuant to applicable copyright law. Any assignment of copyright hereunder (and any ownership of a copyright as a work made for hire) includes all rights of paternity, integrity, disclosure and withdrawal and any other rights that may be known as or referred to as "moral rights" (collectively "Moral Rights"). To the extent such Moral Rights cannot be assigned under applicable law and to the extent the following is allowed by the laws in the various countries where Moral Rights exist, the Consultant hereby waives such Moral Rights and consents to any action of the Company that would violate such Moral Rights in the absence of such consent including the right to prevent changes in such works and/or to be named in its name.

Consultant will assist the Company in every proper way to obtain, and from time to time enforce, any patent rights relating to Company Inventions in any and all countries, at Company's expense. To that end Consultant will execute, verify and deliver such documents and perform such other acts (including appearances as a witness) as the Company may reasonably request for use in applying for, obtaining, perfecting, evidencing, sustaining and enforcing such patent rights and the assignment thereof. In addition, Consultant will execute, verify and deliver such assignments of such patent rights to the Company or its designee as the Company may reasonably request. The Company shall compensate the Consultant at a reasonable rate for the time actually spent by Consultant at the Company's request on such assistance. Consultant's obligation to assist the Company with respect to patent rights relating to such Company Inventions in any and all countries shall continue beyond the termination of this Agreement.

The Consultant hereby agrees that it shall not be entitled to any additional compensation for the assignments described in this Section 6 above beyond the consideration set forth in the Agreement. The Consultant acknowledges and agrees that it will not be entitled to additional royalties, consideration or other payments with regard to any of the Proprietary Rights assigned to Company as set forth above, and does hereby explicitly, irrevocably and unconditionally waives the right to receive any such additional royalties, consideration or other payments.

7. The Consultant shall not use any third party's intellectual property, materials, documents, other resources or confidential information in the performance of the Services.

8. The Consultant shall report to the Company's CEO during the period of the Agreement of any intention to provide services which create conflict of interest between Consultant's other business interests and its position as a consultant in the Company. Within ten (10) business days from such notification, the Company shall inform the Consultant whether it wishes to continue with the terms of the Agreement or, at its sole discretion, terminate it with immediate effect.

9. Without prejudice to the generality of the foregoing, the Consultant agrees that during the period of this Agreement plus a "freeze period" (as defined below), the Consultant will not, directly or indirectly, for its own account or for the account of others (including without limitation as a stockholder, director, officer, employee/employer, investor, partner, consultant, sole proprietor or independent contractor), do or participate or assist or allow to do any of the following:

   (a) Directly compete or assist others to compete with the business of the Company;

   (b) Request or advise any past, present or future business associate of the Company to decrease or cancel their business with the Company;

   (c) Cause any employee or consultant of the Company to terminate his relations with the Company or to work for the Consultant or for any party associated with the Consultant.

The "Freeze Period" shall be equal in length to the service period hereunder, but in any case, not shorter than 6 months and not longer than 12 months.

The Parties confirm that during the provision of the Services hereunder, the Consultant will be exposed to confidential Proprietary Information of the Company; and that any activity as forbidden under subsections (a), (b) and (c) above is bound to breach the right of the Company to the exclusive use of such Proprietary Information; and therefore, the Parties agree that the freeze period is intended to ensure such rights of the Company.

10. Upon termination of the Agreement, the Consultant shall immediately return to the Company and delete from its network all materials of any kind (whether in written or electronic form, computer files or otherwise) concerning the Proprietary Information, including all copies thereof, and it shall not retain any copies of such materials and shall erase such from all of his files and records in any format.

And in Witness hereof the Parties sign and execute this Schedule 2

The Company	**Consultant**
P.V. Nano Cell Ltd.	**Evyatar Cohen**

By: Dr. Fernando de la Vega,
CEO

Confirmation:

We, the undersigned, being Representatives of the Consultant pursuant to the above Agreement, hereby confirm and undertake towards the Company that we will personally comply with the undertakings and representations of the Consultant as detailed in this Schedule 2, Secrecy, Intellectual Property And Non-Compete Undertakings.

/s/ Evyatar Cohen
Ms. Evyatar Cohen

/s/ Moran Cohen
Ms. Moran Cohen

Exhibit 4.27

Employment Agreement

By and Between:

P.V. NanoCell Ltd., of Hamasger St 8, Migdal Ha'emek (the "**Company**"); and

Eyal Shpilberg, I.D. 055970172 of Rimon 7, Shoham, Israel (the "Employee").

1. Employment Agreement

1.1 The parties confirm that as of **_September 10th, 2017** (the "**Effective Date**"), the Employee shall be a full time employee of the Company, under the terms herein.

The position of the Employee shall be: **COO**

The Employee shall report to the Company's CEO.

The Company may approve a change in the position, reporting structure, title, responsibilities and authority of the Employee; and such change shall not be considered a breach of this Agreement provided, however, that Employee's remuneration and terms of employment shall not be derogated from those provided herein, and provided further that such position shall be at least as senior as the abovementioned position.

1.2 The Employee agrees to dedicate the Employee's work-time, experience, talent, expertise and knowledge to the Company, and to fulfill the Employee's job in the Company in a loyal and dedicated manner, and in accordance with the Company's policies and codes, and in accordance with instructions of the Employee's superiors in the Company.

1.3 During the term of the Employee's employment, the Employee shall not engage in any professional activity, commercial or otherwise, if such activity interferes with the Employee's work in the Company, unless consented to by the Company in writing. In any event, the performance of such activity may not be made in breach of Employee's obligations herein.

1.4 The Employee is not allowed to obligate and/or bind the Company in any way and/or create any commitments, except as expressly authorized.

1.5 All reasonable procedures and directives of the Company applicable to subjects of work behavior, discipline etc., will have a binding effect on the Employee provided, however, that such policies have been brought to the Employee's attention in advance and in writing.

The Employee hereby confirms that: (i) no compensation or remuneration from any third party has been or shall be given with respect to the Employee's employment with the Company: and (ii) the Employee shall not accept from any third party any gifts, gratuities, kickbacks or bribes.

1.6 This Agreement forms the complete and exclusive agreement between the parties as to its subject matter; and it cancels any prior verbal or written agreement related thereto. Any change to this Agreement requires a duly signed document.

1.7 Failure or delay of either party to require the performance of any term under this Agreement, or the waiver by either party of any breach under this Agreement, shall not prevent subsequent enforcement of such terms, nor be deemed a waiver of any subsequent or prolonged breach.

1.8 The amount and details of the Employee's salary and other benefits are confidential. This information may not be disclosed by the Employee to other employees nor may such information be published to people who are not authorized by the Company, unless legally required to do so.

2. Remuneration

2.1 Salary: the Employee's gross salary will be **NIS 32,000** per month (the **"Salary").**

2.2 Overtime payment: The parties confirm that the Employee's job will require overtime

work and work at irregular hours, without the need to approve each such hour. In consideration thereof, the Company will pay the Employee, in addition to the Salary, a gross sum of **NIS 8,000** per month (the **"Global Overtime Payment"),** which the parties estimate to be a fair average compensation for the overtime work and work at irregular hours per each month of employment, provided that, the Employee does not work more than 37 overtime hours per month (the **"Ceiling").**

The Employee will be allowed to work over the above Ceiling **only with the prior written approval of the Company's CEO** per each month in which such additional above the Ceiling overtime hours are required.

Subject to receiving the CEO's above prior approval per each month, overtime hours beyond the Ceiling, will entitle the Employee to receive compensation as required by law.

If the Employee or any third party on the Employee's behalf file a claim against the Company for payment on overtime hours which exceed the terms set forth in this Section 2.2, the Company shall be ertitled to offset the entire Global Overtime Payment that it had paid to the Employee, against any sums ruled in favor of the Employee in such claim.

2.3 The Salary and the Global Overtime Payment will be payable until the 10th of each month for the previous month. All benefits due to the Employee as set forth in this Agreement or by law shall be provided on the Salary and the Global Overtime Payment and on any payment due to overtime hours exceeding the Ceiling, if any. Taxes, social security payments, social bet efits and other obligatory payments which are to be borne by the Employee according to applicable laws and regulations - will be deducted from all the above payments.

2.4 The parties confirm that the Employee's job will require work at long and irregular hours including extensive travel and the compensation for such work is included in the aforesaid Salary and Global Overtime Payment and the other terms of this Agreement.

2.5 Benevolent Fund - Bituach Menahalim or Pension Fund: the Company will pay 17.33% of the Salary and Global Overtime Payment each month into a fund selected by the Employee (consisting of 8.33% for severance pay, 6.5% for pension and up to 2.5% for disability insurance and/or sickness insurance), and the Employee will pay into this plan 6% or more (as the Employee shall decide) of the Employee's Salary and Global Overtime Payment up to the tax limit set forth under the applicable laws.

The parties agree to apply the terms of **Annex "A"** hereto according to Section 14 to the Severance Pay act of 1963. Subject to Section 2.2 to the agreement set forth in Annex A, the Company commits to transfer the ownership of the fund to the Employee upon termination or resignation.

2.6 Study Fund - Keren Hishtalmut: the Company will pay 7.5% of the Salary and Global Overtime Payment each month into a fund selected by the Employee, and the Employee will pay into this fund 2.5% of the Employee's Salary and Global Overtime Payment up to the highest amount recognized by the Israeli Tax Authorities for income tax exemption regarding study fund payments. The Company commits to transfer the ownership of the fund to the Employee upon termination or resignation.

2.7 Vacation Days, Sick Leave, Travel Expenses & D'mei Havraa: the Employee is entitled to 24 vacation days per year, sick leave from the first day, and 14 days D'mei Havraa per year. At the Effective Day the employee will have 8 vacations days (not part of the 24 days).

2.8 Expenses: the Employee will be reimbursed for out of pocket expenditures related to the Employee's work, in accordance with Company's procedures.

2.9 Car expenses: the Company will pay the Employee an amount of NIS 5,000 per month (in addition to the Salary and Global Overtime Payment) to cover the Car Expenses. In addition the Company will cover Dalkan and Kvish 6 expenses.

2.10 The Company will give the Employee Options (in the framework of the Company's Option Plan) as to be determined and approved by the Company's Board of Directors (will suggest the board to give 140,000 options).

2.11 The Company will provide a phone and computer to the Employee and cover the expenses.

3. Secrecy and Non-Compete Provisions

3.1 In this chapter 3 below, the term "Group" shall mean the Company and its subsidiaries and affiliates as currently exist and as may exist in the future.

3.2 Any proprietary business, commercial or technical information related to the Group's knowhow, inventions, technology, products, marketing, business plans, investment strategies, negotiations and any other commercial or technical information (collectively referred to as "Knowhow"), whether protected, patentable or patented or not and whether subject to any other legal protection or not, arising out of the Employee's or others' work for the Group, shall be the exclusive property of the Group. The Employee will promptly submit to the Company full details related to the Knowhow; and will execute patent applications and assignments as may be requested by the Company (whether during or after the employment period, all on the Company's sole expense) to confirm and register the Group's ownership thereof. It is hereby clarified, that Employee's obligations as specified in this section above shall be valid only regarding Knowhow which has been created or discovered during the term of Employee's employment by the Company.

3.3 Any and all information known to the Employee due to the Employee's work in the Company, which constitutes, or is directly related to trade secrets, commercial relations, actual and potential clients and suppliers, technology and products, investments, prospective investment negotiations, Knowhow and any other infoimation of a proprietary or confidential nature, of the Group, will hereinafter be together referred to as "Information". Information may include commercial, technical, marketing, financial, administrative and management subjects. The Information and any part thereof are and shall be the exclusive property of the Group.

3.4 The Employee will not use any part of the Information, nor disclose or make it available to others, unless in the line of the Employee's job in the Company or if required by judicial or governmental authority. The Employee shall be obliged to notify the Company of the requirement to so disclose such Information as soon as such demand is made upon him and before any disclosure of the Information, if permitted by law.

3.5 The Employee recognizes that the Company received and will receive confidential or proprietary information from third parties subject to a duty on the Group's part to maintain the confidentiality of such information and to use it only for certain limited purposes. At all times, both during the Employee's employment and after its telmination, the Employee undertakes to keep and hold all such information in strict confidence and trust, and the Employee will not use or disclose any of such information without the prior written consent of the Company, except as may be necessary to perform the Employee's duties as an employee of the Company and consistent with the Company's agreement with such third party. Upon termination of the Employee's employment with the Company, the the Employee shall act with respect to such information as set forth in Section 3.7 hereunder.

3.6 The foregoing provisions will survive the termination of this Agreement.

However, these provisions shall not apply to Information which is in the public domain or becomes in the public domain through no wrongful doing of the Employee, which may have been lawfully received from a third party not bound by confidentiality to the Company, or has already been known to Employee not due to the Employee's work in the Company.

3.7 Upon termination of the employment hereunder, the Employee shall immediately return to the Group all materials of any kind (whether in written or electronic form, computer files or otherwise) concerning the Information, including all copies thereof, and the Employee shall not retain any copies of such materials.

3.8 Without prejudice to the generality of the foregoing, the Employee agrees that during the period of this Agreement plus a "Freeze Period" (as defined below) after the termination - for any reason - of the Employee's employment the Employee will not, directly or indirectly, for the Employee's own account or for the account of others (including without limitation as a stockholder, director, officer, investor, partner, employee, sole proprietor, independent contractor or consultant), do or participate or assist or allow to do any of the following:

(a) engage in any business in direct competition with the business of the Company (engaging in the same business of the subsidiaries or affiliates of the Company or other entities of the Group, in which the Employee was not involved, and to which the Employee was not exposed in any way due to the Employee's work in the Company, is permitted, and shall not be deemed to constitute a direct competition);

(b) request or advise any past, present or future business associate of the Group to decrease or cancel their business with the Group;

(c) cause any employee of the Group to telminate his/her employment with the Group or to work for the Employee or for any party associated with the Employee.

The "Freeze Period" shall be equal in length to the employment period hereunder, but in any case not shorter than 6 months and not longer than 12 months.

The parties confirm that during the employment hereunder, the Employee is more than likely to be exposed to the Information of the Group; and that any activity as forbidden under subsections (a), (b) and (c) above is bound to breach the rights of the Company in connection with such Information; and therefore the parties agree that the Freeze Period is intended to ensure such rights of the Group.

3.9 The Employee confirms that the Employee does not bring and was not required to bring to the Group any proprietary materials of third parties and that the Employee is under no restrictions relevant to the fulfillment of the Employee's job in the Company, whether by virtue of former employment, business dealings or otherwise. The Employee further confirms that the Employee has not retained in the Employee's possession any material (whether in written, electronic form, computer files or otherwise containing) any confidential information from any prior employer or other third party which is competitive with or related to or can be used in the business of the Group, whether or not created by him.

3.10 The Employee recognizes and agrees that the Employee has no expectation of privacy with respect to the Company's networks, telecommunications systems or information processing systems (including, without limitation, stored computer files, electronic mail messages and voice messages), and that the Employee's activity and any files or messages on or using any of those systems may be monitored at any time by the Company without notice.

3.11 The Employee acknowledges and agrees that a breach of any material provision of this chapter 3 might cause the Group substantial and irreparable harm.

4. Period of Employment

4.1 This Agreement is made for an unlimited period of time, subject to the right of each party, at any time, to terminate it by giving prior notice: (i) with 3 months prior notice if termination is provided by either party at will, following the first 3 months of employment. OR with prior notice as required according the applicable law, if termination is provided by either party at will, prior to the lapse of the first 3 months of employment; or (ii) immediately - if termination is made for cause.

The term "cause" in this agreement shall be defined as any of the following events or acts of the Employee: (a) a material breach of agreement which has not been remedied within 14 days of written notice, (b) breach of confidence, loyalty or unauthorized disclosure or use of the Group's or third parties intellectual properties, (c) serious and continuing breach of work behavior rules, (d) continuing and unjustified refusal to carry out work assignments, (e) self-dealing, embezzlement or misappropriation of the Company's property or serious damage to the Company's property which is intentionally caused, (f) gross negligence or misconduct, (g) criminal behavior as determined by a court of law except traffic violations.

4.2 The Company shall have the right to terminate the Agreement immediately without cause, provided however that it pays to the Employee the entire amount due to him for the entire notice period due on the termination date.

4.3 This Agreement shall come into effect only upon the Effective Date provided the Employee reports to work at such time.

And in Witness, the parties sign and execute this Agreement, on this 10th day of September, 2017

P.V. NanoCell TLtd	Eyal Shpilberg

Exhibit 8.1

List of Subsidiaries

1. Nano Size Ltd., a company incorporated under the laws of Israel.
2. Digiflex Ltd., a company incorporated under the laws of Israel.
3. Digiflex Inc,, a company incorporated under the laws of the United States.
4. Digiflex HK Limited, a company incorporated under the laws of Hong Kong.

Exhibit 12.1

CERTIFICATIONS

I, Fernando de la Vega, certify that:

1. I have reviewed this annual report on Form 20-F of P.V. Nano Cell Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 15, 2018

By: /s/ Fernando de la Vega
Fernando de la Vega
Chief Executive Officer
(Principal Executive Officer)

Exhibit 12.2

CERTIFICATIONS

I, Evyatar Cohen, certify that:

1. I have reviewed this annual report on Form 20-F of P.V. Nano Cell Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 15, 2018

By: /s/ Evyatar Cohen
Evyatar Cohen
Chief Financial Officer
(Principal Financial Officer)

Exhibit 13.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of P.V. Nano Cell Ltd. (the "Company") on Form 20-F for the period ending December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certify that to the best of our knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

By: /s/ Fernando de la Vega
Fernando de la Vega
Chief Executive Officer

By: /s/ Evyatar Cohen
Evyatar Cohen
Principal Financial Officer
Date: May 15, 2018

The certification set forth above is being furnished as an exhibit solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the Annual Report on Form 20-F for the period ended December 31, 2017, or as a separate disclosure document of the Company or the certifying officers.