

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

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ON TRACK INNOVATIONS LTD

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

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

Date of report (Date of earliest event reported): **December 15, 2020 (December 9, 2020)**

On Track Innovations Ltd.
(Exact Name of Registrant as Specified in Its Charter)

Israel
(State or Other Jurisdiction of Incorporation)

000-49877

(Commission
File Number)

N/A

(IRS Employer
Identification No.)

Hatnufa 5, Yokneam Industrial Zone, Yokneam, Israel

(Address of Principal Executive Offices)

2069200

(Zip Code)

011 972 4 6868000

(Registrant's Telephone Number, Including Area Code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None		

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 or Rule 12b-2 of the Securities Exchange Act of 1934.

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.



Item 1.01. Entry into a Material Definitive Agreement.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

On December 9, 2020, On Track Innovations Ltd. (the “Company”) entered into a loan financing agreement (the “Agreement”) with Jerry L. Ivy, Jr., Descendants’ Trust (the “Lender”), the Controlling Shareholder of the Company (as such term is defined under the Israeli Companies Law, 5759-1999, as amended (the “Companies Law”). The Agreement provides that the Lender will extend a loan to the Company in the amount of up to \$1,500,000 (the “Loan Amount”), payable in two tranches: one of \$625,000 (the “Initial Tranche”) at the initial closing, and the other of \$875,000 at the second closing (the “Second Tranche”), subject to the terms and conditions of the Agreement. The initial closing is expected to take place on December 21, 2020 (the “Initial Closing”). Additional lender/s may participate in the Second Tranche, subject to the Company’s consent. The Company has agreed to use the proceeds of the Loan Amount to fund the Company’s operations and working capital while the Company explores strategic options.

The Loan Amount is secured pursuant to a debenture (the “Debenture”) by a first priority floating charge over all the tangible or intangible assets and other property of the Company as of the date of the Agreement or thereafter acquired (subject only to certain permitted security interests, as set forth in Agreement) (the “Floating Charge”).

The Loan Amount and all accrued interest matures upon the elapse of six months following the Initial Closing (the “Maturity Date”), and will be payable in full on the Maturity Date, provided that the maturity date can be extended at the sole option of the majority of the Lenders. The Loan Amount bears interest on all outstanding principal at an interest rate of 8.0% per annum (the “Interest”); provided, however, that upon an extension of the maturity period beyond the Maturity Date, the Interest will automatically increase, effective as of the Maturity Date, to the rate of 10.0% per annum. Also, in case of an extension of the Maturity Date, the accrued interest for the first six months for which the Loan Amount has been outstanding will be payable by the Company to the Lender at the time of the extension, and the accrued Interest for the extension period will be payable by the Company to the Lender on the extended maturity date. In addition, the Company may repay the Initial Tranche and/or the Second Tranche, in whole and not in part, and any accrued Interest thereon, at any time prior to the Maturity Date (as it may be extended), in its sole discretion.

Pursuant to the Agreement, a second closing (the “Second Closing”) will take place if, among other things, the Company meets certain conditions, including the following: (i) filing of notices for convening of a meeting of the Company’s shareholders for the approval of the Lender’s option to convert the Secured Amount (as defined below) into Ordinary Shares, par value NIS 0.1 each, of the Company (the “Ordinary Shares”); (ii) obtaining the approval of the Israeli Innovation Authority (the “IIA”) to include the charge of intellectual property funded by the IIA in the Floating Charge; and (iii) the repayment in full by ASEC S.A. (Spolka Akcyjna), a wholly-owned Polish subsidiary of the Company, of the loan provided to it by PKO Bank Polski (the “Polish Debt”), or the postponement of the maturity date of the Polish Debt to no earlier than December 22, 2021. Pursuant to the Agreement, proceeds of the Loan Amount may not be used by the Company for the purposes of repayment of the Polish Debt.

Subject to obtaining the Shareholders’ Approval (as defined below), at any time prior to the repayment in full of the Loan Amount together with Interest accrued and all other amounts outstanding under the Agreement (the “Secured Amount”), the Lender will be entitled, at its sole discretion, to demand to convert (the “Conversion Right”) the entire Secured Amount into Ordinary Shares, at a price per share equal to the lower of (a) \$0.20 per share (subject to adjustment in the event of any bonus shares, combinations or splits) and (b) a price per share reflecting a discount to the average closing bid price of an Ordinary Share over the 20 trading days preceding the Initial Closing (the “Benchmark Price”), as follows: (i) if conversion occurs no later than three months after the Initial Closing, the discount will be 20% of the Benchmark Price; (ii) if conversion occurs more than three months but no later than six months after the Initial Closing, the discount will be 30% of the Benchmark Price; (iii) if conversion occurs more than six months after the Initial Closing (to the extent extended in accordance with the terms of the Agreement), the discount will be 50% of the Benchmark Price; and (iv) if conversion occurs upon an event of default, the discount will be 50% of the Benchmark Price.

Pursuant to the Agreement, the Conversion Right will become effective only following the approval thereof by the shareholders of the Company in accordance with the requirements of the Companies Law, which approval will apply to a controlling shareholder transaction that includes a private offering that may increase the holdings of a controlling shareholder to and above 45% of the share capital of the Company (a “Shareholders' Approval”), and will be deemed of no force or effect at any time prior to obtaining such Shareholders' Approval, if at all. The Company has agreed to convene a shareholders meeting to obtain the Shareholders' Approval no later than 50 days following the Initial Closing.

The Agreement includes customary events of default, including, among others, failures to repay any amounts due to the Lender, breaches or defaults under the terms of the Agreement, etc. If an event of default occurs, the Secured Amount shall immediately become due and payable, without the need for any notice by the Lender.

The foregoing descriptions of the Agreement and the Debenture are qualified by reference to the full text of the Agreement and the Debenture, copies of which are filed as Exhibit 10.1 and 10.2, respectively, to this Current Report on Form 8-K.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

10.1 [Loan Financing Agreement dated December 9, 2020.](#)

10.2 [Debenture dated December 9, 2020.](#)

Warning Concerning Forward-Looking Statements

This Current Report on Form 8-K contains forward-looking statements within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995 and federal securities laws. For example, forward-looking statements are being used when the Company discusses the timing and actual occurrence of the Initial Closing, Second Closing, potential extension of the Maturity Date, convening a shareholders meeting and obtaining the Shareholders' Approval and potential conversion of the Secured Amount into Ordinary Shares. These forward-looking statements and their implications are based on the current expectations of the management of the Company only and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Except as otherwise required by law, the Company undertakes no obligation to publicly release any revisions to the forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. For a more detailed description of the risks and uncertainties affecting the registrant, reference is made to the Company's reports filed from time to time with the Securities and Exchange Commission.

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 hereunto duly authorized.

On Track Innovations Ltd.

Date: December 15, 2020

By: /s/ Assaf Cohen

Name: Assaf Cohen

Title: Chief Financial Officer

LOAN FINANCING AGREEMENT

This LOAN FINANCING AGREEMENT (this “**Agreement**”) is made and entered into as of December 9, 2020 (the “**Effective Date**”) by and among **On Track Innovations Ltd.**, a company incorporated under the laws of the State of Israel, having its principal executive offices at Hatnufa 5, Yokneam Industrial Zone, Box 372, Yokneam 2069200, Israel (the “**Borrower**” or the “**Company**”) and the Lender(s) (as defined below).

WHEREAS, in order to assist in funding the day-to-day operations of the Company while the Company pursues strategic options, including without limitation financing options such as a rights offering, the Lender(s) have agreed to extend to the Company a convertible bridge loan in the amount of up to US \$1,500,000 (one million and five hundred thousand United States dollars), payable in two tranches: one of US \$625,000 (six hundred and twenty five thousand United States dollars) (the “**Initial Tranche**”) at the initial closing, and one of US \$875,000 (eight hundred and seventy five thousand United States dollars) at a deferred closing (the “**Second Tranche**”), subject to the terms and conditions of this Agreement; and

WHEREAS, the Lead Lender (as such term is defined below) is the Controlling Shareholder of the Company (as such term is defined under the Israeli Companies Law, 5759-1999, as amended (the “**Companies Law**”) and accordingly this Agreement is structured so it meets the requirements of Regulation 1(5) to the Companies Regulations (Reliefs – Interested Party Transactions) 5760-2000, as amended (the “**Reliefs Regulations**”); and

WHEREAS the Audit committee of Company and the Board of Directors of the Company (the “**Board**”) have each determined that the provisions of this Agreement are in accordance with Regulation 1(5) of the Reliefs Regulations and in particular that the entering into this Agreement is in the best interest of the Company.

NOW, THEREFORE, in consideration of the mutual agreements herein contained, and intending to be legally bound, the Lender(s) and the Borrower agree as follows:

1. Definitions.

- “**Additional Lender(s)**” shall mean one or more lender(s) approved by the Board to advance all or part of the Second Tranche, on the same terms and conditions as those contained in this Agreement. In the event that Additional Lender(s) participate in the Second Closing (as defined below), each such Additional Lender shall become a party to this Agreement and shall be deemed a Lender under this Agreement, shall enjoy all rights and be bound by all obligations as the Lender(s) under this Agreement and shall be bound by the notices, consents or agreements, elections, demands or other actions to be given, made or taken by the Majority Lender(s), on behalf of all Lender(s), in accordance with the terms and conditions hereof.
- 1.1. Agreement and shall be deemed a Lender under this Agreement, shall enjoy all rights and be bound by all obligations as the Lender(s) under this Agreement and shall be bound by the notices, consents or agreements, elections, demands or other actions to be given, made or taken by the Majority Lender(s), on behalf of all Lender(s), in accordance with the terms and conditions hereof.
- 1.2. “**Group**” means (i) the Borrower and its subsidiaries, (ii) any holding company of the Borrower, and (iii) any subsidiaries of such subsidiaries or holding companies from time to time, and “**Group Company**” means any member of the Group.
- 1.3. “**Lender(s)**” shall mean the JERRY L. IVY, JR., DESCENDANTS’ TRUST (the “**Lead Lender**”) and Additional Lenders to the extent existing.
- 1.4. “**Loan Amount**” shall mean the principal amount advanced by the Lender(s) to the Company in both the Initial Closing and the Second Closing.

- 1.5. “**Majority Lender(s)**” shall mean the Lender(s) who have loaned (or, prior to the Initial Closing, have undertaken to loan) more than 50% (fifty percent) of the Loan Amount, which majority shall include the Lead Lender.
- 1.6. “**Maturity Period**” shall mean 6 (six) months following the Initial Closing, unless extended, in writing and in advance at the option of the Majority Lender(s) at their sole and absolute discretion, for such time from the Initial Closing as to be agreed by Majority Lenders and the Borrower.
- 1.7. “**Secured Amount**” shall mean the Loan Amount together with Interest accrued and all fees, expenses, and other amounts outstanding under this Agreement.
- 1.8. “**Security Interest**” shall mean any mortgage, pledge, lien, hypothecation, assignment by way of security, security interest or other charge or encumbrance over, of or in the relevant property.

2. **Loan.**

- 2.1. Initial Tranche. On the basis of, and subject to, the conditions to the Initial Closing stated in Section 9.1 below and the representations and covenants made by the Borrower herein, the Lead Lender agrees to make a loan in the total amount of the Initial Tranche to the Borrower, at the Initial Closing, and the Borrower undertakes to receive from the Lead Lender the Initial Tranche, at the Initial Closing.

- 2.2. Second Tranche. On the basis of, and subject to, the conditions to the Second Closing stated in Section 9.2 below and the representations and covenants made by the Borrower herein, the Lead Lender and/or the Additional Lender(s), if any, agree, severally and not jointly, to make a loan in the total amount of the Second Tranche to the Borrower, at the Second Closing, according to the allocation between the Lender(s) as shall be agreed and appended hereto as Appendix A (provided, however, that the Lead Lender hereby commits to advance any unsubscribed portion of the Second Tranche, under the terms and conditions hereof) and the Borrower undertakes to receive from the Lender(s) the Second Tranche, at the Second Closing.

- 2.3. Disbursement. The Loan Amount shall be disbursed to the Company at the Initial Closing or the Second Closing, as the case may be, by wire transfer in immediately available funds to the account designated in writing by the Company.

- 2.4. Use of Proceeds. As an affirmative covenant of the Company, the proceeds of the Loan Amount shall be used by the Company for the purposes of funding the Company’s operations and working capital while the Company pursues strategic options, including, without limitation, engaging an investment bank to identify opportunities for a sale of the Company, such engagement to be made within two (2) weeks of the Initial Closing, and exploring financing options such as a rights offering. As a further affirmative covenant of the Company, the proceeds of the Loan Amount shall not be used by the Company for the purposes of repayment of the Polish Debt (as defined below), in whole or in part. The Board shall approve the use of the proceeds of the Loan Amount and monitor its use according to the cash budget appended hereto as Appendix B (the “**Budget**”).

3. **Interest.** The Loan Amount shall bear interest on all outstanding principal at an interest rate of 8.0% (eight percent) per annum (the “**Interest**”), which shall accrue daily and be payable, together with the principal amount of the Loan Amount, from the date of the Initial Closing and/or the Second Closing, as the case may be, and until its full repayment in accordance with Section 4; provided, however, that upon an extension of the Maturity Period beyond the initial 6 (six) months period, in accordance with Section 1.6, the Interest shall automatically increase, effective as of the expiration of such initial 6 (six) months period, to the rate of 10.0% (ten percent) per annum.

4. **Repayment.**

4.1. **Repayment.** The Loan and all accrued interest shall be repaid in cash by the Company to the Lender(s) on the last day of the Maturity Period, provided that if the Maturity Period is extended in accordance with Section 1.6 the accrued interest for the first 6 (six) months shall be paid by the Company to the Lender(s) in cash at the time of the extension and the accrued Interest for the extension period, as increased in accordance with Section 3, shall be paid by the Company to the Lender(s) in cash on the last day of the Maturity Period as extended. In addition, the Company may repay the Initial Tranche and/or the Second Tranche, in whole and not in part, and any accrued Interest thereon, at any time prior to the expiration of the Maturity Period, in its sole discretion. The Company shall notify the Lender(s) of its intention to repay any tranche no less than ten (10) business days prior to any actual repayment.

4.2. **Maturity.** In the event that upon expiration of the Maturity Period, any portion of the Secured Amount is still outstanding, then the Lead Lender, may at any time following the expiration of the Maturity Period, demand in writing, at its sole and absolute discretion, the immediate repayment to all Lender(s) of each Lender’s respective portion of the Secured Amount.

4.3. **Sale of Asset or Business.** Without derogating from the provisions of the Debenture (as defined below), in the event that the Company and/or any Group Company sells, conveys, transfers, exclusively licenses, grants or leases or otherwise disposes of (or agrees to do any of the foregoing at any future time) any asset, business or activity, except only for non-material assets in the ordinary course of business of the Company and consistent with its past practices and/or as set forth in Sections 6.1(a)-(c) only of the Debenture, as defined below (“**Dispose**” or “**Disposition**”), while any portion of the Secured Amount remains outstanding, then the proceeds from such Disposition shall be used to repay to each Lender its respective portion of the Secured Amount, subject to the provisions of Section 7 below. In the event of a Disposition is consummated prior to the Second Closing, then the repayment in full to each Lender of its respective portion of the Secured Amount in connection with the Initial Tranche, pursuant to the provisions of this Section 4.3 above, shall not relieve the Lender(s) from their obligation to provide the Second Tranche under the terms and conditions hereof (including, without limitation, by way of setoff of such repayment against the provision of the Second Tranche, if so elected by the Lead Lender).

4.4. **Corporate Transaction.** In the event that the Company enters into a transaction pertaining to either (a) a Disposition of all or substantially all of its assets in any market to any person, or group of related persons, in one transaction or a series of related transactions, (b) a consolidation or merger of the Company with or into any other corporation or other entity or person, or any other recapitalization, share exchange or corporate reorganization, in which the shareholders of the Company immediately prior to such consolidation, merger, recapitalization, share exchange or reorganization own less than 50% (fifty percent) of the voting power of the continuing or surviving entity immediately thereafter, (c) the sale or other disposition of shares of the Company representing 50% (fifty percent) or more of the total voting power of the Company’s outstanding share capital in one transaction or a series of related transactions to any person, or group of related persons, or (iv) the formation of any form of partnership, joint venture, association or other business organization or strategic alliance, in which the Company would participate if, as a result thereof, all or substantially all of the assets of the Company would be transferred to any person not controlled by the Company (each such event being referred to herein as a “**Corporate Transaction**”), while any portion of the Secured Amount is still outstanding, then the Secured Amount shall be repaid in full to the Lender(s), immediately prior to, or concurrently with, and as a condition to, the closing of the Corporate Transaction, subject to the provisions of Section 7 below.

5. **Conversion.**

At any time prior to the repayment in full of the Secured Amount, the Lead Lender shall be entitled, at its sole and absolute discretion, by written notice to the Company, to demand (such demand shall bind and shall apply to all the Lender(s)), to convert the entire Secured Amount into Ordinary Shares, par value NIS 0.1 each, of the Company (the “**Ordinary Shares**”), at a price per share equal to the lower of (a) US \$0.20 (twenty US cents) per share (subject to appropriate adjustment in the event of any bonus shares, combinations or splits) and (b) a price per share reflecting a discount to the average closing bid price of an Ordinary Share over the twenty (20) trading days preceding the Initial Closing (the “**Benchmark Price**”) as follows:

- a) If conversion occurs no later than three (3) months after the Initial Closing, the discount shall be 20% (twenty percent) of the Benchmark Price;
- b) If conversion occurs more than three (3) months but no later than six (6) months after the Initial Closing, the discount shall be 30% (thirty percent) of the Benchmark Price;
- c) If conversion occurs more than six (6) months after the Initial Closing (to the extent extended in accordance with the terms hereof), the discount shall be 50% (fifty percent) of the Benchmark Price; and
- d) If conversion occurs upon an Event of Default (as defined below), the discount shall be 50% (fifty percent) of the Benchmark Price.

For the avoidance of any doubt and notwithstanding any other provision herein, other than being subject to Section 5.3, in any event in which the Company intends or is obligated to repay the Secured Amount, in whole or in part, in cash, under the terms hereof, the Company shall notify the Lead Lender of such intended repayment no less than ten (10) business days prior to any actual repayment, to allow the Lead Lender to demand conversion of the respective amount, or any part thereof, into Ordinary Shares pursuant to Section 5.1 above. To the extent that the repayment in cash is expected to be performed in connection with the completion or consummation of a Disposition or a Corporate Transaction (subject to Section 5.3), the Lead Lender shall be so advised and shall be entitled to provide a conversion notice that is contingent upon such completion or consummation.

- This Section 5 shall enter into effect only upon approval thereof by the shareholders of the Company in accordance with the requirements of the Companies Law, which approval shall apply to a controlling shareholder transaction that includes a private offering that may increase the holdings of a controlling shareholder to and above 45% (forty five percent) of the share capital of the Company (a “**Shareholders’ Approval**”), and (except for this Section 5.3) shall be deemed of no force or effect at any time prior to obtaining such Shareholders’ Approval, if at all. The Company shall act to convene a shareholders meeting to obtain the Shareholders’ Approval as soon as possible following the execution hereof, but in any event no later than fifty (50) days following the Initial Closing.
- 5.3.

- Default.** Unless waived in writing by the Majority Lender(s) (either prospectively or retroactively), the Secured Amount shall immediately become due and payable in cash, without the need for any notice by the Lender(s), upon the occurrence of any of the following events: (a) immediately prior to the commencement by the Borrower or any Group Company of any liquidation proceedings or the adoption of a winding up resolution by the Borrower or any Group Company, or the calling by Borrower or any Group Company of a meeting of creditors for the purpose of entering into a scheme or arrangement with them; (b) the commencement by third parties of any liquidation proceedings that is not dismissed or stayed within thirty (30) days; (c) the appointment of a receiver or trustee over the whole or any part of the Borrower’s or any Group Company’s assets; (d) the levy of an attachment or the institution of execution proceedings against all or a substantial part of Borrower’s or any Group Company’s assets, and the levy is not discharged or stayed (whether through the posting of a bond or otherwise) within ten (10) days after the occurrence thereof; (e) a breach by the Borrower or any Group Company of any term of the Transaction Documents (as defined below), that was not cured within ten (10) days from its occurrence (if curable); (f) any representation, warranty or statement made by the Borrower or by any Group Company in the Transaction Documents and/or in any filing made by the Company with the SEC or any other governmental agency is incorrect, untrue or misleading in any material respect when it is made or deemed repeated; (g) any financial indebtedness of the Company or any Group Company is not paid when due or any Security Interests over any material part of the assets of the Borrower or any Group Company is lawfully enforced; (h) any event that triggers an acceleration of any rights or obligations of the Borrower or any Group Company occurs such as rights held by employees and service providers, or repayment obligations towards lenders or noteholders; (i) any judgment made against the Borrower or any Group Company is not paid, stayed or discharged within the applicable legal period; (j) the Borrower or any Group Company shall stop payment or shall be unable to, or shall admit inability to, pay its debts as they fall due, or shall be adjudicated or declared bankrupt or insolvent or shall enter into any composition or other arrangement with its creditors generally; (k) any event or series of events occur(s), which in the reasonable opinion of the Majority Lender(s) (after receiving a written explanation from the Company within seven (7) days of the Majority Lender(s) written notice to the Company regarding the facts triggering the material adverse effect) has a material adverse effect either (a) on the ability of the Borrower or any Group Company to comply with any of its material obligations hereunder, or (b) on the value of the Borrower or any Group Company’s ownership rights with respect to the key assets covered by the Floating Charge (a “**Material Adverse Effect**”); or (l) the Borrower or any Group Company ceases, threatens to cease, or suspends carrying on its business or a part of its business (except in respect to a subsidiary of the Borrower as part of an internal reorganization of the Group) (each, an “**Event of Default**”). The Borrower shall notify the Lender(s) immediately of the occurrence of any Event of Default as soon as it is aware of it and, upon receipt of a written request to that effect from any Lender (which shall only be made when such Lender has internal reasons to so request), confirm within two (2) business days to all the Lender(s) that, except as previously notified to the Lender(s) or as notified in such confirmation, no Event of Default has occurred.
- 6.

7. **Other Indebtedness.**

- The Lender(s) acknowledge the indebtedness of the Borrower's Polish subsidiary, ASEC S.A. (Spolka Akcyjna) ("ASEC") to PKO Bank Polski, a Polish bank (the "**Polish Bank**") under that certain loan agreement dated May 24, 2019 (as amended), between ASEC and the Polish Bank, as further amended prior to the date hereof to postpone the maturity date of the loan provided to ASEC by the Polish Bank to December 22, 2020 (the "**Polish Debt**"). Borrower agrees to make commercial efforts to extend (under existing terms) the maturity debt to December 22, 2021.
- 7.1.
- Notwithstanding anything herein to the contrary, the Lender(s) shall not restrict repayment in cash or other settlement of the Polish Debt by ASEC through use of proceeds from the Disposition of any asset, business or activity of ASEC only.
- 7.2.
- Immediately upon repayment or other settlement of the Polish Debt to the Polish Bank, the Company shall secure the release of any Security Interests granted to the Polish Bank by ASEC in connection with the Polish Debt.
- 7.3.

8. **Collateral.**

- Floating Charge.** The Borrower hereby undertakes that on the date hereof it shall enter into a Debenture, in the form attached as Appendix C (the "**Debenture**"), as security for the Secured Amounts, granting to the Lender(s) a first priority (subject only to those Security Interests detailed in Appendix D-1 attached hereto, the "**Company Permitted Security Interests**") floating charge over all the tangible or intangible assets and other property of the Borrower as of the date hereof or hereafter acquired (the "**Floating Charge**"). At the reasonable request of the Lead Investor, at any time prior to the repayment in full of the Secured Amount, the Borrower shall enter into additional security documents, as shall be required to protect and perfect the Floating Charge for the benefit of the Lender(s) hereunder.
- 8.1.
- Covenant.** The Borrower hereby undertakes to maintain its current level of debt in Bank Leumi as reflected in Appendix I attached hereto (subject to a five percent (5%) margin) except in respect of receivables factoring which may vary from current levels provided that receivables payment and factoring terms remain consistent with past practice.
- 8.2.
- Negative Pledge.** The Borrower hereby undertakes not to create or permit to subsist any Security Interest on (or agree to do any of the foregoing at any future time) any of the Borrower's or any Group Company's rights, assets and property (whether ranking in priority or parity to the Security Interests created under this Agreement), except for the Company Permitted Security Interests and future fixed charges on assets of the Company acquired by the Company following the Initial Closing, provided that such charges are made in favor of the actual sellers or lessors of such assets, and purchase loans (including bank guarantees and letters of credit) made by the actual seller or lessor of such assets or a financial institution specifically financing such an acquisition or lease of assets.
- 8.3.

- 8.4. Removal. Upon the repayment in full of the Secured Amount, the Lender(s) shall promptly execute any and all documents required by the Company in order to remove the Security Interest created pursuant hereto and the Debenture shall expire and shall become null and void.

9. **Closing**.

- 9.1. **Initial Closing**. Subject to the fulfillment, or waiver by the Lead Lender, of the conditions set forth herein, the initial closing of the transaction contemplated hereunder shall take place electronically, on December 14, 2020 or such other date, time and place as the Company and the Lead Lender shall mutually agree (the "**Initial Closing**").

- 9.1.1. The obligation of the Lead Lender to disburse the Initial Tranche to the Borrower is subject to the satisfaction, at or prior to the Initial Closing, of each of the following conditions, which shall be deemed to occur simultaneously (no transaction shall be deemed to have been completed or any document delivered until all such transactions have been completed and all required documents delivered):

- 9.1.1.1. The Board and the Company's audit committee shall have approved the execution and delivery by the Company of this Agreement (including all appendices, exhibits and schedules hereto, which shall form an integral part of this Agreement), the Debenture and all ancillary and associated documents (the "**Transaction Documents**") in compliance with the provisions of the Companies Law, and a copy of such consent was provided to the Lead Lender, to its satisfaction.

- 9.1.1.2. The Company shall have received the consent and approval of Bank Leumi and all necessary third party consents and approvals for the execution and delivery of this Agreement (except only for the approval of the Israeli Innovation Authority ("**IIA**") with respect to the charge of intellectual property funded by the IIA ("**Funded-IP**")), and copies of such consents and approvals were provided to the Lead Lender, to its satisfaction.

- 9.1.1.3. The Company shall have executed and delivered to the Lead Lender a signed copy of the Transaction Documents.

- 9.1.1.4. The Company shall have submitted the original Debenture, its translation to Hebrew and an original confirmation of its translation's compatibility to the Companies Registrar or any equivalent in any relevant foreign jurisdiction for registration of the Security Interest therein, in compliance with all applicable laws in respect of such registration within the time frame provided for under applicable law, and shall have provided the Lead Lender with certificate(s) issued by the applicable governmental agencies confirming the registration and perfection of the Floating Charge created hereunder.

- 9.1.1.5. The Borrower's representations and warranties hereunder or those which are set out in other Transaction Documents are true and correct on the Initial Closing.

- 9.1.1.6. The Borrower shall have performed and complied with all covenants, agreements, obligations and conditions contained in this Agreement or other Transaction Documents that are required to be performed or complied with by it on or before the Initial Closing.
- 9.1.1.7. An Event of Default has not occurred or would result from the borrowing to be made pursuant to this Agreement.
- 9.1.1.8. There is no material adverse change in the general affairs, business, management, results of operations or financial condition of the Group, whether or not arising from transactions in the ordinary course of business.
- 9.1.1.9. The Company's Chief Executive Officer shall have duly executed a compliance certificate, and a copy of such certificate was provided to the Lead Lender, to its satisfaction.
- 9.1.1.10. The Company's Chief Financial Officer shall have duly executed a certificate pertaining to the budget set forth in Appendix B as updated as of the date of the Initial Closing, and a copy of such certificate was provided to the Lead Lender, to its satisfaction.

9.1.2. The obligation of the Borrower to effect the Initial Closing is subject to the satisfaction, at or prior to the Initial Closing, of each of the following conditions, which shall be deemed to occur simultaneously (no transaction shall be deemed to have been completed or any document delivered until all such transactions have been completed and all required documents delivered):

- 9.1.2.1. The Lead Lender's representations and warranties hereunder or those which are set out in other Transaction Documents are true and correct on the Initial Closing.
- 9.1.2.2. The Lead Lender shall have made payment of the Initial Tranche by way of a wire transfer in immediately available funds to the account designated in writing by the Company.

9.2. **Second Closing.** Subject to the fulfillment, or waiver by the Majority Lender(s), of the conditions set forth herein, the second closing of the transaction contemplated hereunder shall take place electronically, as soon as the following conditions are fulfilled (or shall be fulfilled upon closing), as the Company and the Majority Lender(s) shall mutually agree (the "**Second Closing**").

9.2.1. The obligation of Lender(s), severally and not jointly, to disburse their respective portions of the Second Tranche to the Borrower is subject to the satisfaction, at or prior to the Second Closing, of each of the following conditions, which shall be deemed to occur simultaneously (no transaction shall be deemed to have been completed or any document delivered until all such transactions have been completed and all required documents delivered):

- 9.2.1.1. The Company shall have either: (i) repaid the Polish Debt in full, or (ii) secured the postponement of the maturity date of the Polish Debt to no earlier than December 22, 2021, such postponement evidenced to the satisfaction of the Lead Lender.

- 9.2.1.2. The Company shall have received the approval of the IIA in compliance with all requirements under the Law for the Encouragement of Research, Development and Technological Innovation, 5744-1984 to include the Funded-IP in the Floating Charge, and a copy of such approval was provided to the Lender(s), to their satisfaction.
- 9.2.1.3. To the extent required, the Company shall have registered the Floating Charge on the Funded-IP with the Companies Registrar or any equivalent in any relevant foreign jurisdiction and perfected the Security Interest therein.
- 9.2.1.4. To the extent required, the Company shall have provided the Lead Lender with certificate(s) issued by the applicable governmental agencies confirming the registration and perfection of the Floating Charge created hereunder with respect to the Funded-IP.
- 9.2.1.5. To the extent that the Company shall not have been able to register (pursuant to Section 9.2.1.3) in the US the Floating Charge over intellectual property that is registered in the US, such inability to be evidenced to the satisfaction of the Lead lender, the Company shall have registered a fixed, specific or "blanket charge" over such intellectual property in the USPTO, as the local law shall permit, and shall have provided the Lead Lender with certificate(s) issued by the USPTO confirming such registration, while it is hereby agreed that this registration is subject to the Company Permitted Security Interests and shall not affect the priorities set forth in Section 8.1 above.
- 9.2.1.6. The Company shall have received all necessary corporate and third party consents and approvals, if and as required, for the execution and delivery of any joinder to the Transaction Documents by all Additional Investors, if any ("**Joinder**"), and copies of such consents and approvals were provided to the Lender(s), to their satisfaction.
- 9.2.1.7. The Company shall have executed and delivered to the Lender(s) a signed copy of each Joinder, if applicable.
- 9.2.1.8. The Borrower's representations and warranties hereunder or those which are set out in the other Transaction Documents are true and correct on the Second Closing.
- 9.2.1.9. The Borrower shall have performed and complied with all covenants, agreements, obligations and conditions contained in this Agreement and the other Transaction Documents that are required to be performed or complied with by it on or before the Second Closing, including without limitation the engagement of an investment bank and the circulation of notices or actual convening of a general meeting of the Company's shareholders for obtaining the Shareholders' Approval, in compliance herewith.

- 9.2.1.10. The Borrower shall have presented satisfactory evidence of the use of proceeds of the First Tranche in compliance with the Budget (as it may have been supplemented in writing with the prior consent of the Lead Lender).
- 9.2.1.11. An Event of Default has not occurred or would result from the borrowing to be made pursuant to this Agreement.
- 9.2.1.12. There is no material adverse change in the general affairs, business, management, results of operations or financial condition of the Group, whether or not arising from transactions in the ordinary course of business.
- 9.2.1.13. The Company's Chief Executive Officer shall have duly executed a compliance certificate and a copy of such certificate was provided to the Lender(s), to their satisfaction.
- 9.2.1.14. The Company's Chief Financial Officer shall have duly executed a certificate pertaining to the budget set forth in Appendix B as updated as of the date of the Second Closing, and a copy of such certificate was provided to the Lead Lender, to its satisfaction.

9.2.2. The obligation of the Borrower to effect the Second Closing is subject to the satisfaction, at or prior to the Second Closing, of each of the following conditions, which shall be deemed to occur simultaneously (no transaction shall be deemed to have been completed or any document delivered until all such transactions have been completed and all required documents delivered):

- 9.2.2.1. The representations and warranties of each Lender(s) hereunder or those which are set out in the other Transaction Documents are true and correct on the Second Closing.
- 9.2.2.2. The Lender(s) shall have made payment of their respective portions of the Second Tranche by way of a wire transfer in immediately available funds to the account designated in writing by the Company.

Borrower's Representations and Warranties. Borrower hereby represents and warrants, as of the Effective Date and as of the date of the Initial Closing and the Second Closing, to the Lender(s) that (any reference in this Section 10 to the Borrower shall be deemed to apply to the Borrower and all Group Companies):

10.1. The Borrower is a corporation duly organized and validly existing under the laws of the state of its incorporation and has the power to own and lease its properties and to carry on its business as now being conducted and as proposed to be conducted.

10.2. Assuming provision of the Initial Tranche and the Second Tranche pursuant to this agreement, the Borrower is not "insolvent", within the meaning prescribed by applicable law, or unable to pay its debts and liabilities (including contingent, future or subordinated) when due, nor could it be deemed by a court to be insolvent or unable to pay such debts when due, nor, in any such case, will it become so as a result of entering into this Agreement, or performing any transaction contemplated by the Transaction Documents.

10.3. The Borrower has full power and authority to consummate the transactions contemplated hereunder. Unless otherwise provided in this Agreement, no consents, authorizations or approvals of any kind of any governmental authority or other third party are required in connection with the execution or performance of the Transaction Documents by Borrower, or such consents have been obtained.

10.4. The consummation of the transactions contemplated hereunder and the performance of the Transaction Documents by the Borrower do not violate the provisions of the Articles of Association of the Borrower, or any applicable law, and will not result in any breach of, or constitute a default under, any agreement or instrument to which the Borrower is a party or under which it is bound. The execution and performance of the Transaction Documents by the Borrower have been duly authorized by all necessary actions, and the Transaction Documents have been duly executed and delivered by the Borrower. The Transaction Documents are valid and binding upon the Borrower and enforceable in accordance with their terms.

10.5. The execution and performance of the Transaction Documents by the Borrower will not (a) give to others any rights, including rights of termination, cancellation or acceleration, in or with respect to any agreement, contract or commitment referred to in this paragraph, or to any of the properties of the Borrower, or (b) unless otherwise provided in this Agreement, require the consent or approval of any person or entity.

10.6. In this Agreement, all patents, trademarks, service marks, trade names, copyrights and all trade secrets, including know-how, invention, designs, processes, computer programs, algorithms, drawings, photographs, models, and any other form of intellectual property, shall collectively referred to herein as “**Intellectual Property**”. The Borrower's registered or registrable Intellectual Property is listed on Appendix E hereof (“**Registered IP**”). Intellectual Property which is not listed in Appendix E shall be referred to as “**Un-Registered IP**”. The Borrower possesses all right, title, and interest in and to the Registered IP (it being understood that with respect to patents, the foregoing representations shall apply only to the ownership of a patent application and the inventions covered thereunder and not as a representation regarding the patentability of any invention or the scope of any patent that may be granted pursuant to such application). All Un-Registered IP which the Borrower currently uses or intends to use is either owned by the Borrower or the Borrower has the right to use such Un-Registered IP pursuant to written license, sublicense, agreement, or permission, free and clear of any security interest, third party rights and royalties or other fees. Each item of Intellectual Property owned or used by the Borrower immediately prior to either the Initial Closing or the Second Closing hereunder, as the case may be, will be owned or available for use by the Borrower on substantially the same terms and conditions immediately subsequent to the Initial Closing or the Second Closing hereunder, as applicable. The Borrower's Funded-IP is also listed on Appendix E hereof.

10.7. **No Infringement.** (i) To the Borrower's best knowledge, the Borrower has not interfered with, infringed upon, misappropriated, or otherwise come into conflict with any intellectual property rights of any third party nor will the conducting by it of its business, or use of the Intellectual Property, as presently conducted and as proposed to be conducted interfere, infringe upon, misappropriate or otherwise come into conflict with any Intellectual Property rights of any third party; (ii) since 1.1.2014, the Borrower has not received any charge, complaint, claim, demand, or notice alleging any such interference, infringement, misappropriation, or violation (including any claim that the Borrower must license or refrain from using any intellectual property rights of any third party) and to the Borrower's best knowledge there is no basis for such; and (iii) to the Borrower's best knowledge, no third party has interfered with, infringed upon, misappropriated, or otherwise come into conflict with any Intellectual Property of the Borrower.

Protection of IP Rights and Trade Secrets. The Borrower takes such action to maintain and protect each item of Intellectual Property that it owns or uses which actions are reasonable and customary in the industry in which the Borrower operates. All the confidential information is being (and has been) continuously maintained in confidence by the Borrower by taking reasonable precautions to protect and prevent its disclosure to unauthorized parties. The

10.8. Borrower has complied in all material respects with the requirements of, and has filed all material documentation required in dealing with, all patent and trademark offices and any other patent registry agency in which its patent applications were filed; and all patents (if any) and patent applications are in effect, and, to the Borrower's best knowledge, there is no prior art or any other possible claim which renders the inventions of the Borrower referred to in the patents, patent applications and related documentation (if any) invalid in any manner.

Litigation. Except as set forth in Appendix F attached hereto, or as otherwise communicated in writing to the Lead Lender prior to the execution of this Agreement, the Borrower is not: (i) subject to any outstanding injunction, judgment, order, decree, writ, stipulation, ruling, or charge of any court or any governmental agency or any arbitrator; or (ii) a party or to the Borrower's knowledge, is threatened in writing to be made a party to any action, suit, proceeding, hearing, complaint, charge or investigation of, in, or before any court or quasi-judicial or administrative agency of any state, municipal, or foreign jurisdiction or before any arbitrator or other method of settling disputes or disagreements.

10.9. The Borrower does not know, anticipate, or has any basis to believe that any such action, suit, proceeding, hearing, complaint, charge or investigation may be brought or threatened against the Borrower and the Borrower does not intend to initiate any such action, suit, proceeding, hearing, complaint, charge or investigation. Without derogating from any of the foregoing, there is no action, suit, proceeding, or investigation pending or to the Borrower's knowledge, currently threatened in writing involving any of the Borrower's employees, their use in connection with the Borrower's business of any information or techniques allegedly proprietary to any of their former employers, or their obligations under any agreement with prior employers.

Financial Statements. Attached as Appendix G hereto are reviewed consolidated financial statements of the Borrower as of and for the period that ended on September 30, 2020 (the "**Financial Statements**"). The Financial Statements: (i) have been prepared in accordance with accounting practices generally accepted in the United States ("**US GAAP**") applied on a consistent basis, (ii) are in accordance with the books and records of the Borrower, and (iii) are true and correct in all respects and present fairly the financial condition of the Borrower at the date or dates therein indicated and the results of operations and cash flows for the periods therein specified; provided, however, that the reviewed Financial Statements are subject to normal year-end adjustments and lack footnotes and other presentation items and that the Monthly Report has not been audited or reviewed by Company's auditing accountants. All proper and necessary books of account and accounting records have been maintained by the Borrower, are in its possession and contain accurate information in accordance with generally accepted principles consistently applied relating to all transactions to which the Borrower has been a party. Except as set forth in the Financial Statements, the Borrower has no known or unknown liabilities, contingent or otherwise, and obligations under contracts and commitments incurred in the ordinary course of business and not required under US GAAP to be reflected in the Financial Statements. The Borrower maintains and will continue to maintain a standard system of accounting established and administered in accordance with US GAAP.

10.10.

Changes. Except as set forth in Appendix H, Since September 30, 2020, the operations and business of the Borrower have been conducted in all respects only in the ordinary course of business, the Borrower has not entered into any transaction which was not in the ordinary course of its business and there has not been: (i) any material change in the assets, liabilities, financial condition or operating results of the Borrower; (ii) any damage, destruction or loss, whether or not covered by insurance, to any of the material assets, properties, financial condition, operating results, prospects or business of the Borrower (as such business is presently conducted and as it is proposed to be conducted); (iii) any waiver or compromise by the Borrower of a valuable right or of a material debt owed to it; (iv) any satisfaction or discharge of any lien, claim or encumbrance or payment of any obligation by the Borrower; (v) any change or amendment to a material contract or arrangement by which the Borrower or any of its assets or properties are bound or subject; (vi)

10.11. any material change in any compensation arrangement or agreement with any employee, officer, director or shareholder of the Borrower; (vii) any sale, assignment or transfer of any patents, trademarks, copyrights, trade secrets or other intangible assets of the Borrower; (viii) any resignation or termination of employment of any officer or key employee of the Borrower; (ix) any receipt of written notice that there has been a loss of, or material order cancellation by, any major customer of the Borrower; (x) any mortgage, pledge, transfer of a Security Interest in, or lien, created by the Borrower, with respect to any of its material properties or assets, except liens for taxes not yet due or payable; (xi) any loans or guarantees made by the Borrower to or for the benefit of its employees, officers or directors, or any members of their immediate families, other than travel advances and other advances made in the ordinary course of its business; (xii) any declaration, setting aside or payment or other distribution in respect of any of the Borrower's share capital, or any direct or indirect redemption, purchase or other acquisition of any of such share capital; (xiii) any other event or condition of

any character that might to the Borrower's knowledge, materially and adversely affect the assets, properties, financial condition, operating results or business of the Borrower, as such business is presently conducted and as it is proposed to be conducted.

- Compliance with Law and other Instruments.** The Borrower has conducted its business in accordance with all applicable laws of the countries in which it is or has conducted its business and is not in violation or default that could cause a Material Adverse Effect on the Borrower with respect to any law, or judgment of any court or any governmental agency, or any of the Borrower's permits. To the Borrower's best knowledge, there is no existing law, rule, regulation or order which would prohibit or restrict the Borrower from, or otherwise materially adversely affect the Borrower in, conducting its business in any jurisdiction in which it is now conducting business or in which it currently proposes to conduct business.
- 10.12.

Debts and Loan Facilities. Except as set forth in Appendix I, there are no debts owing by or to the Company or any Group Company in excess of \$20,000, other than debts which have arisen in the ordinary course of business, nor has the Company or any Group Company borrowed or lent any money which has not yet been repaid. Neither the Company nor any Group Company are in default under any instrument constituting any material indebtedness or under any guarantee of any material indebtedness and no event has occurred which, under the terms of any such instrument or guarantee, such indebtedness or guarantee should be called or the liabilities thereunder accelerated before their due date (if any) or any loan facilities terminated.

Security Interests. Appendices D-1 and D-2 set forth any and all the Security Interests existing in connection with any tangible or intangible assets and other property of the Borrower and/or any Group Company. Except as set forth in Appendices D-1 and D-2, no other Security Interest is existing and/or registered on the assets and property of the Company or any Group Company, except for the Security Interest created for the benefit of the Lender(s) hereunder.

Reports. The Borrower has filed or furnished all forms, reports and documents with the SEC and other governmental agency that it has been required to file or furnish under any applicable securities or other law (all such forms, reports and documents, including exhibits and schedules, filed or furnished, together with any amendments thereto, the “**Reports**”). As of its filing or furnishing date (or, if amended or superseded by a filing or furnishing prior to the date of this Agreement, on the date of such amended or superseded filing or furnishing), (i) the Reports complied as to form in all material respects with the applicable requirements of the Securities Act, the Exchange Act, the Sarbanes-Oxley Act and any other applicable law, and (ii) The Reports did not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

Liabilities. Except as set forth in the Reports and Appendix I and except for normal liabilities arising in the ordinary course of business consistent with past practice, the Company does not have any liabilities, either accrued, contingent or otherwise, whether due or to become due, that individually or in the aggregate have had or would reasonably be expected to have a material adverse effect on the Company.

Capitalization. As of the date hereof, the authorized and registered share capital of the Company is NIS 10,000,000, divided into 100,000,000 ordinary shares of NIS 0.1 par value each (hereinafter “**Ordinary Shares**”), 53,824,377 shares of which are issued and outstanding as of December 8, 2020. As of December 8, 2020, the Company’s share capital also consists of the following securities: Options outstanding- 1,446,500 options, Number of Options remaining available for future issuance under 2001 stock option plan – 632,000 options. Except as set forth herein and as arising under this Agreement, there are no other shares, convertible or other securities, outstanding warrants, options, or other rights to subscribe for, purchase, or acquire from the Company any securities of the Company, or under which the Company is, or may become, obligated to issue any securities.

Taxation. The Company (i) has timely filed (taking into account any extensions of time in which to file) all returns and reports (including elections, declarations and disclosures) relating to taxes (“**Tax Returns**”) required to be filed with any governmental authority by the Company and (ii) has paid, or adequately reserved (in accordance with US GAAP) on the most recent Financial Statements for the payment of, all taxes required to be paid. The Company is not aware of any outstanding dispute, audit, investigation, proceeding or claim with any relevant taxation authority in relation to any material liability of the Company for taxation, any material relief, deduction, or allowance afforded to it, or in relation to the status or characterization of the Company or any of its enterprises under or for the purpose of any provision of any legislation relating to taxation.

11. **Lenders' Representations and Warranties**. Each Lender hereby represents and warrants, severally and not jointly, as of the Effective Date and as of the date of the Initial Closing and the Second Closing, to the Company that:
- 11.1. **Power**. The Lender has all requisite legal and other power and authority to execute and deliver the Transaction Documents to which it is a party and to carry out and perform its obligations under the terms thereof.
- 11.2. **Enforceability**. The Transaction Agreements to be executed by such Lender, when executed and delivered by such Lender on the Initial Closing or the Second Closing, as the case may be, shall constitute the valid, binding and enforceable obligations of such Lender. If such Lender is a corporate entity, the execution, delivery and performance of the Transaction Documents by such Lender will not conflict with or result in a violation of, any of the terms, conditions and provisions of such Lender's governing instruments.
- 11.3. **Authorization**. The execution, delivery and performance of the obligations of such Lender hereunder have been duly authorized by all necessary corporate action, if such Lender is a corporate entity, and will not violate any provision of any instrument, judgment, order, writ, decree or contract to which it is party or by which it is bound, or any provision of law, rule or regulation applicable to such Lender which would prevent the execution by such Lender of the Transaction Documents or the performance of its obligations thereunder.
- 11.4. **Private Placement**. The Lender hereby represents that the shares that may be issuable thereto upon conversion of the Secured Amount shall be acquired for its own account for investment and not with a view to distribution or resale thereof. The Lender understands that such shares are being offered and sold to it in reliance upon specific exemptions from the registration requirements of United States federal and state securities laws and the prospectus requirements of the laws of the State of Israel and that the Company is relying upon the truth and accuracy of, and the Lender's compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Lender set forth herein in order to determine the availability of such exemptions and the eligibility of the Lender to acquire such shares. At the time the Lender was offered such shares, it was, and as of the date hereof it is an "accredited investor" as defined in Regulation D under the Securities Act. The Lender, 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 Company, and has so evaluated the merits and risks of such investment.
- The Lender is able to bear the economic risk of an investment in the Company and, at the present time, is able to afford a complete loss of such investment. The Lender shall not be purchasing such shares as a result of any advertisement, article, notice or other communication regarding such shares published in any newspaper, magazine or similar media or broadcast over television, radio or the Internet or presented at any seminar or meeting any other general advertisement. The Lender acknowledges that it has had the opportunity to: (i) ask such questions as it has deemed necessary of, and to receive answers from, representatives of the Company concerning the terms and conditions of the offering herein and the merits and risks of investing in the Company's equity; (ii) access to information about the Company and its financial condition, results of operations, business, properties, management and prospects sufficient to enable it to evaluate its investment; 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 the investment and other transactions herein. The Lender agrees to the imprinting (or other evidence) of the following legend, together with such other legends as may be required by applicable law:

THE SHARES REPRESENTED BY THIS SHARE CERTIFICATE HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR SIMILAR LAWS IN OTHER JURISDICTIONS, 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 THEREUNDER, AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE COMPANY OR OTHER COUNSEL ACCEPTABLE TO THE COMPANY.

- Confidentiality.** Each of the Lender(s) and the Company acknowledges that the (i) data and the information obtained by the Lender(s) from the Company or anyone on its behalf prior to or during the term of this Agreement (or after the term of the Agreement by virtue of rights granted under this Agreement) which relate to the Company and/or any Group Company and (ii) the terms and conditions more fully set forth in the Transaction Documents, shall be deemed "confidential information" pursuant to that certain Nondisclosure Agreement between the parties dated January 29, 2020. Each Lender other than the Lead Lender shall enter into a standard nondisclosure agreement in form satisfactory to the Company. Notwithstanding the above, in connection with reports to their shareholders and/or investors, the Lender(s) may, without first obtaining such written consent, make general statements regarding the nature and progress of the Company's business and provide non-confidential data and information. If the Company consents to disclosing non-public material information to a Lender's shareholders and/or investors, such shareholders and/or investors shall agree to maintain such information in confidence and shall not trade the Company equity while (i) in possession of such non-public material information regarding the Company or (ii) such information has not been disclosed by the Company. Furthermore, the Lender(s) may disclose any data and information to their directors, officers employees and advisors on a need to know basis, provided that such recipients are bound by similar non-disclosure undertakings and prohibitions on trading as the Lender(s)' undertakings with respect thereto. The Company and the Lead Lender (or the Majority Lender(s), if applicable) shall consult with each other in issuing any press releases or similar public statements with respect to the transactions contemplated hereby and no party shall issue any such press release or otherwise make any similar public statement, other than as required by law, without the prior written consent of the other parties, which consent shall not be unreasonably withheld or delayed, except that no prior consent shall be required if such disclosure is required by law, in which such case the disclosing party shall provide the other party with prior notice of such public statement. The Lender(s) acknowledge that the Transaction Documents may be deemed to be "material contracts," as that term is defined by Item 601(b)(10) of Regulation S-K, and that the Company may therefore be required to file such documents as exhibits to reports or registration statements filed under the Securities Act or the Exchange Act. The Investors further agree that the status of such documents and materials as material contracts shall be determined solely by the Company, in consultation with its counsel. The Company acknowledges that the Agreement and Debenture (without appendices and exhibits) may be required to be filed pursuant to the Exchange Act as exhibits to Lead Lender's Schedule 13D, which determination shall be determined solely by Lead Lender in consultation with its counsel.
- 12.

13. Miscellaneous.

- 13.1. At any time and from time to time, each of the parties agrees, without further consideration, to take such actions and to execute and deliver such documents as, in the other party's opinion, may be reasonably necessary to carry out and give full effect to the provisions of the Transaction Documents and the intentions of the parties as reflected hereby and thereby, including without limitation a customary form of undertaking towards the IIA, if required.
- 13.2. Borrower may not assign or transfer any of its rights and obligations under this Agreement. Each Lender may assign its rights and obligations under this Agreement to any of the following (each a “**Permitted Transferee**”) without having to obtain the Company’s consent: (i) any entity which controls, is controlled by, or is under common control with, such Lender, (ii) if the Lender is a trustee or is appointed to act on behalf of others - its beneficiaries, or (iii) any other Lender. The transfer of rights and obligations by a Lender to a Permitted Transferee shall be contingent upon the Permitted Transferee undertaking in writing to assume all obligations of the Lender (in its capacity as a Lender) under the applicable Transaction Documents by executing an appropriate joinder to such agreements with the Company. The foregoing provisions shall apply, *mutatis mutandis*, to the transfer of rights and obligations by a Permitted Transferee.
- 13.3. This Agreement may not be amended, supplemented, discharged, terminated or altered except in writing signed by the Company and the Majority Lender(s).
- 13.4. This Agreement constitutes the full and entire understanding and agreement between the parties with regard to the subject matter hereof and supersedes all prior agreements between the parties hereof with regard to such subject matter.
- 13.5. No failure or delay by any party to this Agreement to enforce at any time any of the provisions hereof, or to exercise any power or right hereunder, shall operate as or be construed to be, a waiver of any such provision, power or right. Any waiver of any provision hereof or any power or right there under shall be in writing and shall be effective only in the specific instance and for the purpose for which given.
- 13.6. Any notice required or permitted there under shall be in writing and shall be sent by courier, registered mail or confirmed facsimile to the parties hereto at the respective addresses set forth in this Agreement, as may be changed by each of the parties in a written notice from time to time.
- 13.7. At the Initial Closing, the Company shall reimburse the Lead Lender for all reasonably documented costs and expenses incurred by it directly related to the transactions contemplated in the Transaction Documents, including legal fees and expenses, in an aggregate amount not exceeding forty two thousand and five hundred US dollars (US \$42,500) plus VAT against validly issued tax invoices, if applicable, which shall be deducted from the Initial Tranche otherwise payable hereunder by the Lead Lender (such amount to be treated for all purposes under this Agreement as having been paid to the Company by the Lead Lender as part of the Initial Tranche).
- 13.8. All payments under this Agreement or any other Transaction Documents by the Borrower, whether by way of principal, interest or otherwise, shall be made net of, without deduction or offset for, and free and clear of, any Israeli imposed taxes and withholdings, including VAT, if applicable.
- 13.9. This Agreement shall be governed in all respects by the laws of State of Israel, without regard to the principles of conflict of law, and the courts of Tel Aviv-Jaffa will have exclusive jurisdiction over all matters arising from this Agreement.
- 13.10. For as long as any portion of the Secured Amount remains outstanding Borrower shall provide to Lead Lender and each Additional Lender(s), to the extent existing, a monthly profit and loss report and balance at the end of each month of available cash, restricted cash and loans for each calendar month (the first such month being November 2020), within 15 days of the end of such month (the “**Monthly Report**”). The Monthly Report in respect of October 2020, shall be provided together with the aforesaid November 2020 Monthly Report.

[Signature page to follow]

IN WITNESS WHEREOF the parties have signed this Agreement as of the date first hereinabove set forth.

On Track Innovations, Ltd.

By: /S/ Yehuda Holtzman

Name: Yehuda Holtzman

Title: Chief Executive Officer

By: /S/ Assaf Cohen

Name: Assaf Cohen

Title: Chief Financial Officer

The JERRY L. IVY, JR., DESCENDANTS' TRUST

By: /S/ Jerry L. Ivy, Jr.

Name: Jerry L. Ivy, Jr.

Title: Trustee

[Signature Page to Loan Financing Agreement]

Appendix A – Allocation of Second Tranche

Lenders	Investment Amount in USD
Total	

Appendix B – Budget



Appendix C – Debenture



Appendix D-1 – Company Permitted Security Interests



Appendix D-2 – Company Group Permitted Security Interests



Appendix E – Intellectual Property

Appendix F – Litigation



Appendix G – Financial Statements



Appendix H – Changes



Appendix I – Debt and Loan Facilities



DEBENTURE – FLOATING CHARGE

THIS DEBENTURE – FLOATING CHARGE (this “**Debenture**”) is made and entered into as of December 9, 2020 (the “**Effective Date**”) by and among **On Track Innovations Ltd.**, a company incorporated under the laws of the State of Israel, having its principal executive offices at Hatnufa 5, Yokneam Industrial Zone, Box 372, Yokneam 2069200, Israel (the “**Company**”) and the Lender(s) (as defined under the Loan Agreement).

WHEREAS, the Company and the Lender(s) entered into that certain Loan Financing Agreement, dated as of the same date herewith, 2020 (the “**Loan Agreement**”);

WHEREAS, in order to secure the full and punctual payment and performance when due of the Secured Liabilities (as defined below), the Company has agreed to charge and pledge, by way of a first ranking (subject only to the Company Permitted Security Interests (as defined under Appendix D-1 of the Loan Agreement)) floating charge, all of the Company’s assets, in favour of the Lender(s), in accordance with the terms hereof;

WHEREAS, the Lead Lender (as such term defined under the Loan Agreement) is the Controlling Shareholder of the Company (as such term is defined under the Israeli Companies Law, 5759-1999, as amended), and accordingly this Debenture is structured so it meets the requirements of Regulation 1(5) to the Companies Regulations (Reliefs – Interested Party Transactions) 5760-2000, as amended (the “**Reliefs Regulations**”); and

WHEREAS, the Audit committee of the Company and the Board of Directors of the Company have each determined that the provisions of this Debenture are in accordance with Regulation 1(5) of the Reliefs Regulations and in particular that the entering into this Debenture is in the best interest of the Company.

NOW, THEREFORE, in consideration of the mutual agreements herein contained, and intending to be legally bound, the Lender(s) and the Company agree as follows:

1. **Definitions.** Capitalized terms not defined herein shall have the meaning ascribed thereto in the Loan Agreement.
2. **Nature of the Debenture.**

- 2.1 **Secured Liabilities.** This Debenture and the Security Interests (as defined below) created hereby are made to secure the full and punctual payment of sums due and to become due to the Lender(s) from the Company in connection with the Loan Agreement, including, without limitation, in connection with the Company’s obligations pursuant to the Loan Agreement or any amendment thereof, whether due from the Company alone or jointly with others, whether the Company may have incurred or shall incur liability with respect thereto in the future, as obligor and/or as guarantor and/or as endorser or otherwise, now due or becoming due in the future, which are payable prior to the realisation of the collateral security to which this Debenture is applicable or subsequent thereto, whether due absolutely or contingently, directly or indirectly, unlimited in amount, together with interest, commissions, charges, fees and expenses of whatever nature, including costs of realising the collateral security, lawyers’ fees, insurance, stamp duty and any other payments specified in this Debenture and together with any nature of linkage differences due and becoming due from the Company to the Lender(s) in any manner whatsoever in respect of linked principal and interest and any other linked sum (all such amounts, the “**Secured Liabilities**”).

2.2 Prepayment. Except as specifically permitted under the Loan Agreement, including Section 4.1 thereto, the Lender(s) may decline to accept any prepayment of the Secured Liabilities or pay part thereof prior to the date of maturity thereof, and the Company shall not be entitled to redeem all or any of the Pledged Assets by discharging the Secured Liabilities and/or any part thereof prior to their prescribed maturity dates. Neither the Company nor any person having a right liable to be affected by the pledges and charges hereby created or the realisation thereof shall have any right under Section 13(b) of the Pledge Law, 5727-1967 (the “**Pledges Law**”), or any other statutory provisions in substitution therefor.

3. **Security.**

3.1 Floating Charge. As collateral security for the full and punctual payment or performance when due (whether at stated maturity, acceleration or otherwise) of the Secured Liabilities by the Company, the Company hereby, absolutely and unconditionally charges and pledges in favour of the Lender(s) and their successors, by way of first ranking (subject only to the Company Permitted Security Interests) floating charge and pledge all of the Company’s property, assets and rights, now or at any time belonging to or acquired by the Company, and the profits and benefits derived therefrom, including without derogating from the generality of the aforementioned, the property, assets and rights set forth below (hereinafter jointly and severally, the “**Pledged Assets**”):

- a) all of the Company’s rights, titles and interests in and to all of its present and future tangible and intangible assets, properties, rights and interests of any kind, whether contingent or absolute, including, without limitation, the assets as detailed in Appendix A attached hereto;

- b) all present and future rights to compensation, indemnity, insurance proceeds, warranty or guaranty accruing to the Company by reason of the loss of, damage to or expropriation of, or any other event or circumstance with respect to, such Pledged Assets and all proceeds and benefits deriving from such Pledged Assets as listed in Section 3.1a) above (including, without limitation, those received upon any collection, exchange, sale or other disposition of such Pledged Assets and any property into which such Pledged Assets are converted, whether cash or non-cash);

- c) all present and future rights, claims and remedies of the Company under and in respect of (i) all contracts and policies of insurance executed and/or issued in relation to the Pledged Assets, from time to time; (ii) all payments to the Company in relation to sub-section (i) above; and (iii) all claims, rights and remedies of the Company arising from sub-sections (i) and/or (ii) above (collectively, the “**Insurances**”) and any monies paid or payable pursuant thereto whether held in or for the benefit of any trust or other account relative thereto or otherwise; and
- d) all present and future rights, claims and remedies of the Company under and deriving from the Property Tax and Compensation Fund Law, 5721-1961, as in force from or at any relevant time, and under any other applicable law arising in connection with the Pledged Assets.

In addition, to the extent required by applicable law to create and perfect a first ranking floating charge over the Pledged Assets specified in Section 3.1(b)-(d) above, the Company also assigns such Pledged Assets to the Lender(s) by way of first ranking floating charge and pledge.

For the avoidance of doubt, the Pledged Assets shall include the Intellectual Property as defined in Appendix A of this Debenture. However, since a certain portion of the Intellectual Property was funded by the Israeli Innovation Authority (the “**IIA**” and the “**Funded IP**”, respectively), the charges and pledges of such Funded IP in favour of the Lender(s) hereunder, shall be subject to the approval of the IIA, and this Debenture shall be deemed to apply to such Funded IP only following the IIA’s approval. In addition, the realization of charges and pledges with respect to Funded IP shall be in accordance with provisions of the Encouragement of Research, Development and Technological Innovation in the Industry Law, 5744-1984 (the “**Innovation Law**”), and the applicable procedures of the IIA.

3.2 First Ranking. The Company specifically acknowledges that, subject only to the Company Permitted Security Interests, all of the Security Interests created by the Company under Section 3 of this Debenture shall rank in priority to any other Security Interests created by the Company.

For the purposes hereof, “**Security Interest**” shall mean (i) any mortgage, charge, pledge, lien, hypothecation, assignment by way of security, security interest, title retention or other encumbrance of any kind securing, or any right securing, any obligation of any person, or any other agreement or arrangement having a similar effect; (ii) any arrangement under which moneys or claims to, or the benefit of, a bank or other account, may be set-off or made subject to a combination of accounts so as to affect payments of sums owed or payable to any person; and/or (iii) any other type of preferential arrangement having similar effect.

4. **Preservation of Security.**

4.1 Continuing Security. The Company declares and agrees that the Security Interests created by this Debenture and the powers conferred hereto, shall not be prejudiced or affected by any other agreement between the Company and the Lender(s). The Security Interests created by this Debenture shall remain in force as continuing security for the payment and discharge of the Secured Liabilities and shall remain in full force notwithstanding any settlement of account or any other act, event or matter whatsoever, and, shall be released and discharged upon the full and final payment of the Secured Liabilities. The Lender(s) shall not be bound to enforce any other Security Interests before enforcing the Security Interests created by this Debenture. To the extent that the Company or any third party on behalf of the Company makes a payment to the Lender(s), or the Lender(s) enforce any Security Interest or exercise any right of set-off and such payment or the proceeds of such enforcement or set-off or any part thereof are subsequently avoided or declared by a competent court to be fraudulent or required to be repaid or refunded or reduced by virtue of any applicable law relating to insolvency, administration, receivership, liquidation or similar proceedings, then, the Secured Liabilities or any part thereof originally intended to be satisfied, and this Debenture and all Security Interests, rights and remedies therefor, shall be revived and continued in full force and effect as if such payment was not made or such enforcement or set-off did not occurred.

4.2 Security Interest Absolute. Neither the liability of the Company under this Debenture nor the rights, powers and remedies conferred upon the Lender(s) in respect of the Company under this Debenture, shall be affected, prejudiced or waived by any act, event, omission, circumstance, matter or thing which, whether or not known to the Company or the Lender(s) is (without limitation): (i) any waiver, release, consent, or other indulgence granted to, agreed to be granted to, or composition, compromise or arrangement with any other person; (ii) any failure to exercise any right or remedy under this Debenture, the Loan Agreement and any other Transaction Document; (iii) a single or partial exercise of any right under this Debenture, the Loan Agreement and any other Transaction Document, or of any other right or remedy; (iv) incapacity or lack of powers, authority or legal personality of or dissolution or change in the members or status of, the Company or any other person; (v) any amendment or variation (however fundamental), restatement or replacement of this Debenture, the Loan Agreement, Transaction Document, any agreement between the Lender(s) and the Company or any third party or any other document or instrument from time to time entered into between the Company or any third party and the Lender(s); (vi) any variation (however fundamental), waiver or release of any Secured Liability, or any other amendment or waiver of or under any agreement between the Lender(s) and the Company, the Pledged Assets or any document related thereto; or (vii) any unenforceability, illegality or invalidity of any obligation of the Company or any other person under this Debenture, the Loan Agreement, any Transaction Document or any other document or security, provided however, that any unenforceable, illegal or invalid obligation of the Company under this Debenture, shall be replaced by an enforceable, legal and valid obligation to the same, or the nearest possible equivalent effect; or (viii) any other fact, circumstance, act, event or omission, whether or not similar to any of the foregoing, which would or might otherwise discharge, release, affect or prejudice any of the obligations of the Company contained herein or any of the rights, powers or remedies conferred upon the Lender(s) by this Debenture or by law.

Liability of the Company. Notwithstanding anything to the contrary contained in this Debenture, the Company shall remain liable to the performance and observance of all of the terms and obligations relating to or constituting the Secured Liabilities or the Pledged Assets. Neither the Lender(s) nor any Receiver (as defined below) shall be under any obligation or liability with respect to the Secured Liabilities or the Pledged Assets by reason of or arising out of this Debenture. Neither the Lender(s) nor any Receiver shall be required in any manner to perform or fulfil any of the obligations of the Company in respect of the Secured Liabilities or the Pledged Assets, or to make any payment, or to make any enquiry as to the nature or sufficiency of any payment received by it, or to present or file any claim or take any action or to collect any amount or enforce any right or remedy hereunder. The rights and remedies of the Lender(s) and any Receiver provided by the pledges created under this Debenture are cumulative and are not exclusive of any rights or remedies provided by any applicable law. The exercise by the Lender(s) of any of the rights or remedies under this Debenture shall not release the Company from any of its liabilities or obligations under any agreement between the Lender(s) and the Company; in particular, the application of the Pledged Assets to satisfy part of the Secured Liabilities shall not release the Company from its obligation to pay and perform the unsatisfied part of the Secured Liabilities.

5. **Company's Representations and Warranties.**

The Company hereby represents and warrants to the Lender(s) that:

5.1 The Company has full power and authority to consummate the transactions contemplated hereunder. Except as detailed in Section 3.1 above with respect to the Funded IP, no consents, authorizations or approvals of any kind of any governmental authority or other third party are required in connection with the execution or performance of this Debenture by the Company, or such consents have been obtained.

5.2 The consummation of the transactions contemplated hereunder by the Company do not violate the provisions of the Articles of Association of the Company, or any applicable law, and shall not result in any breach of, or constitute a default under, any agreement or instrument to which the Company is a party or under which it is bound. The execution and performance of this Debenture by the Company have been duly authorized by all necessary actions, and this Debenture have been duly executed and delivered by the Company. This Debenture is valid and binding upon the Company and enforceable in accordance with its terms.

5.3 The execution and performance of this Debenture by the Company shall not (a) give to others any rights, including rights of termination, cancellation or acceleration, in or with respect to any agreement, contract or commitment referred to in this paragraph, or to any of the properties of the Company; or (b) otherwise require the consent or approval of any person or entity.

5.4 All authorisations required in connection with the entry into, performance, validity and, subject to the registration of this Debenture and the Security Interests with the Israeli Registrar of Companies to be made as soon as practicable following the date hereof, enforceability of this Debenture and the transactions contemplated hereby have been obtained or effected and are (and with respect to registration and the IIA approval as detailed in Section 3.1 above, shall be) in full force and effect and no steps have been taken to revoke or cancel any authorisation obtained or effected. The Company undertakes to file the Security Interests created hereby for registration with the Israeli Companies Registrar within 21 days from the date hereof, as provided under Israeli law.

5.5 The Security Interests created hereby constitute a legal, valid and binding, first ranking floating charge over the Pledged Assets (subject only to the Company Permitted Security Interests), enforceable in accordance with the terms hereof. This Debenture confers the Security Interests it purports to confer over all of the Pledged Assets and those Security Interests:

- a) are not void or liable to avoidance, due to (i) bankruptcy, winding-up, creditors' arrangement or any other similar insolvency proceedings for the reorganisation of the affairs of the Company, and/or (ii) any other similar act or circumstance of the Company on execution date of this Debenture; and
- b) are not subject to any senior, *pari passu*, junior or subordinated Security Interests (other than the Company Permitted Security Interests).

5.6 Other than the Company Permitted Security Interests, the Company has good and marketable title to the Pledged Assets, free and clear of any Security Interests. The Pledged Assets are not affected by any restriction or condition relating to the transfer of ownership therein or to the mortgage, pledge or charge thereof, either at law or under any agreement whatsoever, except only for the Company Permitted Security Interests.

5.7 The Pledged Assets that are tangible assets are in all material respects in good and substantial repair, subject to normal wear and tear.

6. **Company's Undertakings.**

The Company hereby undertakes, on behalf of itself and all Group Companies, as follows:

6.1 not to sell, convey, transfer, exclusively license, grant, lease or otherwise dispose of (or agree to do any of the foregoing at any future time) (“**Dispose**” or “**Disposition**”) any asset, claim, right, business or activity, present or future, except only for Dispositions (a) of inventory in the ordinary course of business of the Company (or the Group Company) consistent with its past practices; (b) of worn-out or obsolete equipment; (c) of non-exclusive licenses for the use of the property of Company (or the Group Company) in the ordinary course of business (including to distributors and/or resellers and/or OEMs, appointed thereby, whether such appointment was made on an exclusive basis or not); and (d) as set forth in Appendix B attached hereto.

6.2 It shall not create or permit to subsist any Security Interest on (or agree to do any of the foregoing at any future time) any of the Company’s (or any Group Company’s) rights, assets and property (whether ranking in priority or parity to the Security Interests created under this Debenture) except only for the Company Permitted Security Interests and future fixed charges on assets of the Company (or the Group Company) acquired thereby following the Initial Closing, provided that such charges are made in favour of the actual sellers or lessors of such assets, and purchase loans (including bank guarantees and letters of credit) made by the actual seller or lessor of such assets or a financial institution specifically financing such an acquisition or lease of assets.

6.3 It shall defend the Pledged Assets against, and shall take, at its sole expense, any action necessary to remove any Security Interest over any of the Pledged Assets (other than the Company Permitted Security Interests), and shall defend the rights and interests of the Lender(s) in and to any of the Pledged Assets against the claims of any other persons.

6.4 It shall use and deal with the Pledged Assets with the reasonable degree of care, notify the Majority Lender(s) of any case of disrepair, damage, loss, fault or defect materially affecting same (except if caused by normal wear and tear), remedy any disrepair, damage, fault or defect materially affecting the Pledged Assets (except if caused by normal wear and tear), and be liable towards the Lender(s) for any disrepair, damage, fault or defect as aforesaid. Without derogating from its obligations hereunder, the Company shall notify the Majority Lender(s) immediately of any material damage or defect to the Pledged Assets or any part thereof.

6.5 It shall refrain from any action which may prejudice or damage the Pledged Assets or the enforceability of the Security Interests created in favour of the Lender(s).

6.6 It shall deposit with the Lead Lender, at the Lead Lender’s written request, copies of all certificates and other documents of title or evidence of ownership in the Pledged Assets and all ancillary documents relating to or affecting the Pledged Assets as the Lead Lender may from time to time specify.

6.7 It shall allow the Majority Lender(s) or their representatives at all any time during regular business hours, upon the provision of reasonable notice (and subject to confidentiality duty or obligation as set forth under the Loan Agreement), to inspect and examine the condition of the Pledged Assets wherever the Pledged Assets may be situated.

6.8 It shall keep the insurable Pledged Assets insured at all times, for full value and comply with the terms of such insurance policies.

6.9 It shall furnish the Lead Lender, promptly upon the Lead Lender's first written request, with any license, confirmation, certificate, receipt or other document which, in the opinion of the Lead Lender, is required or necessary for proof of compliance by the Company with its obligations under this Section 6.

6.10 Without derogating from the rights of the Lender(s), the Company shall promptly inform the Lender(s) of any Event of Default and any other default under this Debenture (and the steps or measures, if any, being taken to remedy it at the Company's sole expense). In particular, the Company shall:

a) notify the Lender(s) immediately of the occurrence of any seizure, requisition, expropriation or forfeiture of the Pledged Assets or any part thereof;

b) notify the Lender(s) immediately of the imposition of any attachment or the issue of any execution proceedings or of any application for the appointment of a receiver, liquidator, trustee, administrator, administrative receiver, custodian, conservator, special manager or other similar officer submitted, in regards to the Pledged Assets or any part thereof, or any act, legal proceedings or application similar to those detailed above, and it shall inform without delay the authorities which levied such attachment or issued such execution proceedings or received the application for the appointment of such receiver, liquidator, trustee, administrator, administrative receiver, custodian, conservator, special manager or other similar officer and any third party who initiated or applied for such action, of the existence of this Debenture in favour of the Lender(s), and forthwith take, at the sole expense of the Company, all steps necessary or measures for the discharge or cancellation of such attachment, execution proceedings or appointment, as the case may be; and

c) notify the Lender(s) of any material reduction in value of any Pledged Assets (including any notice of default received by the Company under any agreement related to a Pledged Asset or due to infringements of any intellectual property being a collateral security granted or which may be granted by the Company).

6.11 To ensure the Lender(s)'s rights in connection with the Pledged Assets, immediately following the execution of this Debenture, the Company shall register the Security Interests created by this Debenture with the Israeli Registrar of Companies, and shall file such registration within 21 days from the execution date of this Debenture and shall deliver to the Lead Lender original certificates issued by the Israeli Registrar of Companies, evidencing the registration of this Debenture promptly following receipt of such certificates.

7. **Rights of the Lender(s).**

- 7.1 **Right to Perform.** The management, administration and realization of all the charges and pledges granted under this Debenture, shall be made by the Lead Lender on behalf all the Lender(s), and, in case of realization, the proceeds of such realization shall be distributed among all Lender(s) according to their pro-rata share in the Secured Liabilities, and in accordance with the provisions of Section 9 of this Debenture.

Without derogating from the rights of the Lender(s) to realize the Security Interests granted hereunder, if for any reason whatsoever the Company fails to duly and punctually perform or comply with any of its obligations under this Debenture, including under Section 6 above, then, following a ten (10) business days written notice provided by the Lead Lender to the Company, the Lead Lender shall have the power, on behalf of the Company or otherwise, to perform such obligations and to take any steps which the Lead Lender may, in its absolute discretion, consider appropriate with a view to remedying, or mitigating the consequences of such failure. It is being clarified that under no circumstances shall the exercise of this power by the Lead Lender, or the failure to exercise it, prejudice the Lead Lender's rights hereunder.

- 7.2 **Set-Off.** Each Lender may set-off any sum, whether in Israeli currency or in foreign currency, due or owing to or for the credit or the account of the Company, at any time, against the Secured Liabilities, in whole or in part after the Secured Liabilities matured. For the avoidance of doubt, the Company cannot and shall not set-off any sum that may be due or owing to the Company from each Lender in any account, manner or circumstance whatsoever, against the Secured Liabilities, in whole or in part.

8. **Default and Enforcement.**

8.1 **Events of Default.**

The occurrence of any of the following events shall constitute an “**Event of Default**”:

- a) any event, condition or circumstances that constitutes an Event of Default as defined under the Loan Agreement; and/or
- b) the Company breaches or fails to comply with any provision of this Debenture or any other agreement between the Lender(s) and the Company.

8.2 **Lender(s)' Powers.**

- a) Upon the occurrence of an Event of Default, the Majority Lender(s) shall be entitled to declare any or all of the Secured Liabilities immediately due and payable.

- b) Upon and at any time following the occurrence of an Event of Default, the Majority Lender(s) shall also be entitled at their sole discretion, to take all necessary steps to collect the Secured Liabilities from the Company. In addition, without derogating from any other rights of the Lender(s) under this Debenture and any applicable law, the Majority Lender(s) shall be entitled to realise the Pledged Assets, by the application for the appointment of a Receiver or any other method the Majority Lender(s) shall see fit.

- c) The Majority Lender(s) shall be entitled, in any proceedings concerning the bankruptcy, liquidation, winding up or receivership (or similar proceedings) of the Company, to:
- (i) demand, claim, collect and enforce and prove the Secured Liabilities and give acquittance thereunder;
 - (ii) file any claims and proofs, give receipts and take all such proceedings and do all such things as the Majority Lender(s) see fit to recover the Secured Liabilities; and
 - (iii) receive all distributions on and payments with respect to the Secured Liabilities.
- d) Following the occurrence of an Event of Default, the Lender(s) shall have all powers as it/they may determine to be desirable or necessary, in its/their full discretion, to preserve the Pledged Assets and the Security Interests and to take all steps deemed required for such purpose.

8.3 Powers of Receiver.

- Without derogating from the rights of the holders of the Company Permitted Security Interests, each receiver, receiver and manager, manager, administrator or bailee, or any similar officer under any applicable law, appointed by a court of law or any other duly authorised legal or administrative authority, in connection with this Debenture or the Pledged Assets, including where such appointment is made on a temporary basis (“**Receiver**”) appointed shall have all powers conferred from time to time by applicable law, and in particular without limitation, the power to:
- a)
 - (i) take possession of any of the Pledged Assets;
 - (ii) apply to any court of competent authority for an order to vest in the Lender(s) all of the Company’s rights, title and interest in and to the Pledged Assets or any part thereof;
 - (iii) sell, call in, collect and convert into money or otherwise realise all or any part of the Pledged Assets with all such powers in that respect as are conferred by any applicable law;
 - (iv) sell or agree to the sale of the Pledged Assets, in whole or in part, to dispose of same or agree to dispose of same in such other manner on such terms as it deems fit and to execute all documents required to effect such sale or disposition;

- (v) make such other arrangement regarding the Pledged Assets or any part thereof as it deems fit;
- (vi) exercise any of the rights conferred by the Pledged Assets in the same manner in which the Company was entitled to exercise such right, in accordance with the terms of Section 20 of the Pledges Law;
- (vii) redeem any prior Security Interest on or relating to the Pledged Assets and settle and pass the accounts of the person entitled to that prior Security Interest, so that any accounts so settled and passed shall (subject to any manifest error) be conclusive and binding on the Company and the money so paid shall be deemed to be an expense properly incurred by the Receiver;
- (viii) settle, arrange, compromise or submit to arbitration any claims, accounts, disputes, questions and demands which may arise in connection with the Pledged Assets or in any way relating to this Debenture and execute releases or other discharges in relation thereto;
- (ix) bring, take, defend, compromise, submit to arbitration or discontinue any actions, suits or proceedings whatsoever, civil or criminal, in relation to the Pledged Assets;
- (x) act on behalf of the Company and in its name to perform all obligations and receive all the benefits in relation to or in connection with the Pledged Assets;
- (xi) manage and employ the Pledged Assets for such terms, and generally in such manner and upon such conditions and stipulations as such Receiver shall think fit;
- (xii) use the Company's name for registration and to effect any necessary election for tax or other purposes;
- (xiii) employ accountants, lawyers and other advisers;
- (xiv) do all other acts and things (including signing and executing all documents and deeds) as the Receiver considers to be incidental or appropriate to any of the matters or powers in this Section 8.3, or as permitted under applicable law, or otherwise incidental or conducive to the preservation, improvement or realisation of the Pledged Assets, and use the name of the Company for all such purposes,

and in each case may use the name of the Company and exercise the relevant power in any manner which it may think fit.

- b) To the extent that, the payment date of the Secured Liabilities or any part thereof has not become due at the time of the sale of the Pledged Asset, or if the Secured Liabilities or any part thereof are due solely on a conditional basis, then, the proceeds of such sale shall (i) be used to settle any amounts on the account of the Secured Liabilities that have become due, and (ii) shall be withheld in sufficient amount to repay any amounts on account of the Company's Secured Liabilities that have yet to become due, until the full and final settlement of the Secured Liabilities.

- The Receiver shall be the agent of the Company and the Company shall be the sole responsible for the acts and omissions of the Receiver and for the Receiver's remuneration. In no event shall the Lender(s) be responsible for the acts and omissions of the Receiver or for the Receiver's remuneration. None of the Lender(s) or any other person acting on any of their behalf, shall be liable for, and the Company hereby waives, any claim it may have against each of the Lender(s) or any other person acting on any of their behalf, which arises from any loss or damage which may be caused as a result of the exercise or purported exercise of the powers, authorities, rights or discretions vested, under this Debenture or any applicable law, in the Lender(s) or any other person acting on their behalf.
- c)

9. **Distribution of Proceeds.** Subject to the provisions of Loan Agreement, all moneys and other assets received or recovered by the Receiver or the Lender(s) pursuant to this Debenture shall be applied in such manner as the Majority Lender(s) shall determine in their sole discretion.

10. **Protection of the Lender(s) and the Receiver.**

10.1 Neither the Lender(s) nor the Receiver, nor any of their respective partners, managers, agents, directors, officers, employees, delegates, advisers or representatives of any of them, as the case may be, shall be liable for any loss, damage, claim, demand, liability, cost or expense arising from the exercise or the attempted or purported exercise or the failure to exercise any of their respective rights, powers and discretions under this Debenture, or shall be under any duty to exercise any of their respective rights, powers and discretions under this Debenture.

10.2 No claim shall be made by Company against the Lender(s) or the partners, managers, agents, directors, officers, employees, delegates, advisers or representatives of any of them, for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract or under any other theory of liability arising out of or related to the transactions contemplated by this Debenture, or any act, omission or event occurring in connection therewith.

10.3 The Company waives, releases and agrees not to sue upon any claim for such loss, claim, demand, liability, cost, expense or damages, whether or not accrued and whether or not known or suspected to exist in its favour.

10.4 To the extent permitted by applicable law, the Company hereby waives any requirements, except as otherwise required by this Debenture, with respect to notice, form or the terms of the exercise by the Lender(s), the Receiver, or any of their respective partners, managers, agents, directors, officers, employees, delegates, advisers or representatives of any of them, as the case may be, of their respective rights and discretions under this Debenture.

11. **Indemnification, Costs and Expenses.**

The Lender(s) and/or the Receiver and their respective partners, managers, agents, directors, advisors, officers, consultants, service providers and employees (the “**Indemnified Persons**”) shall be entitled to be indemnified out of the Pledged Assets in respect of any loss, cost or liability incurred by such Indemnified Person as a direct result of: (i) the taking, holding, protection or enforcement of the Security Interest created or purported to be created under this Debenture; (ii) the exercise (or failure to exercise) of any of the rights, powers, discretions and remedies vested in any Indemnified Person under, or in accordance with, this Debenture or by applicable law, (iii) any failure by the Company to comply with its obligations under this Debenture, provided that in all such events the Company shall not be obliged to indemnify an Indemnified Person for any loss, cost or liability of such Indemnified Person as a consequence of the fraud, willful misconduct, or gross negligence thereof.

Any amount payable under Section 11.1 above, that is not paid by the Company within ten (10) days from its due date, shall bear interest at the annual rate of 1.5% (compounded on a monthly basis) for the period commencing from the date on which the Company should have paid such amount until the date of actual payment of the same; such interest shall form part of the Secured Liabilities.

All the reasonable fees, costs and expenses incurred by the Lender(s) or any Receiver in connection with the enforcement of this Debenture and realization of the Pledged Assets, and all filing fees payable in respect of this Debenture, shall be paid by the Company to the Lender(s) or any Receiver, as applicable, upon first demand and shall be an integral part of the Secured Liabilities.

Assignment. The Lender(s) may at any time, at their own discretion and without the Company’s consent being required, assign this Debenture and its rights arising thereunder together with the Loan Agreement to any Permitted Transferee. The Company may not assign or transfer any of its rights and obligations under this Debenture. The transfer of rights and obligations by a Lender to a Permitted Transferee shall be contingent upon the Permitted Transferee undertaking in writing to assume all obligations of the Lender (in its capacity as a Lender) under this Debenture. The foregoing provisions shall apply, *mutatis mutandis*, to the transfer of rights and obligations by a Permitted Transferee.

13. **Power of Attorney.**

For the purposes of securing the due performance of the Company's obligations under or pursuant to this Debenture, the Company hereby irrevocably appoints the Lead Lender to be its attorney, and on its behalf and in its name or otherwise to execute and do all such acts and things which the Company expressly ought to do under or in connection with this Debenture (including, to execute, deliver and register any pledges, charges, assignments or other security and otherwise to perfect, in any jurisdiction, any security granted hereunder or thereunder) and, generally, in its name and on its behalf

13.1 to exercise all or any of the powers, authorities and discretions expressly conferred by or pursuant to this Debenture or by law on the Lender(s) or any such person and (without prejudice to the generality of the aforesaid) to perfect any security granted hereunder or pursuant hereto, provided that such power of attorney may only be exercised after (a) the occurrence of an Event of Default which is continuing, or (b) 10 business days after the Lead Lender has provided the Company with notice in writing of a failure by the Company to take any such action it is obliged to take under this Pledge but which it has failed to take.

The Company hereby ratifies and confirms and agrees to ratify and confirm whatever any such attorney as is mentioned

13.2 in Section 13.1 above shall do in the exercise, in accordance with the provisions of Section 13.1, of all or any of the powers, authorities and discretions referred to in.

14. **Miscellaneous.**

At any time and from time to time, each of the parties agrees, without further consideration, to take such actions and to execute and deliver such documents as, in the other party's opinion, may be reasonably necessary to carry out and give full effect to the provisions of this Debenture and the intentions of the parties as reflected hereby and thereby.

14.1

This Debenture may not be amended, supplemented, discharged, terminated, or altered, except in writing signed by the Company and the Majority Lender(s).

14.2

This Debenture together with the Loan Agreement, all as may be amended and/or supplemented from time to time, constitute the full and entire understanding and agreement between the parties with regard to the subject matter hereof and supersedes all prior agreements between the parties hereof with regard to such subject matter.

14.3

Any notice required or permitted thereunder shall be in writing and shall be sent by courier, registered mail, electronic email or confirmed facsimile to the parties hereto at the respective addresses set forth in this Debenture, as may be changed by each of the parties in a written notice from time to time.

14.4

Each provision of this Debenture shall be severable from every other provision of this Debenture for the purpose of determining the legal enforceability of any specific provision. If any term or provision of this Debenture shall be found by applicable law or a court of competent jurisdiction to be illegal or otherwise unenforceable, the same shall not invalidate the whole of this Debenture, but such term or provision shall be deemed modified to the extent necessary in the court's opinion to render such term or provision enforceable, and the rights and obligations of the parties shall be construed and enforced accordingly, preserving to the fullest permissible extent the intent and agreements of the parties herein set forth.

14.5

This Debenture shall be governed in all respects by the laws of State of Israel, without regard to the principles of conflict of law, and the courts of Tel Aviv-Jaffa shall have exclusive jurisdiction over all matters arising from this Agreement.

14.6

To the extent required, the parties acknowledge that a Hebrew convenience translation of this Debenture shall be prepared for the purpose of registration with the Israeli Registrar of Companies. Notwithstanding the aforesaid, the parties agree that in the event of any inconsistency between the English version and the Hebrew convenience translation, the executed English version of the document shall prevail.

14.7

IN WITNESS WHEREOF the parties have signed this Debenture as of the date first hereinabove set forth.

On Tack Innovations Ltd.

By: /S/ Yehuda Holtzman
Name: Yehuda Holtzman
Title: Chief Executive Officer

By: /S/ Assaf Cohen
Name: Assaf Cohen
Title: Chief Financial Officer

Jerry I. Ivy, Jr., Descendants' Trust

By: /S/ Jerry L. Ivy, Jr.
Name: Jerry L. Ivy, Jr.
Title: Trustee

APPENDIX A

Pledged Assets

1. All goods and equipment now owned or hereafter acquired, including, without limitation, all laboratory equipment, computer equipment, office equipment, machinery, fixtures, vehicles (including motor vehicles and trailers), and any interest in any of the foregoing, and all attachments, accessories, accessions, replacements, substitutions, additions, and improvements to any of the foregoing, wherever located, and any documents of title representing any of the above and any uncalled share capital;
 2. All intellectual property rights of the Company now owned or hereafter acquired (“**Intellectual Property**”), including, without limitation, intangible legal rights, title and interest related to (i) copyrights, copyright applications, copyright registrations and like protections in each work of authorship and derivative work thereof, whether published or unpublished, now owned or hereafter acquired; (ii) patents and all applications, registrations, and renewals in connection therewith; (iii) trademarks, service marks, trade names, trade styles, goodwill, mask works, Internet domain names and all applications, registrations, and renewals in connection therewith; (iv) all trade secrets, rights to unpatented inventions, know-how and confidential information; (v) all computer software programs (including data, computer discs, computer tapes and related documentation); (vi) all intellectual property embodied in or pursuant to contract rights and general intangibles now owned or hereafter acquired, including such intellectual property rights as may be embodied in or pursuant to research agreements, consulting agreements, license agreements and license rights, franchise agreements, blueprints, drawings, reports, catalogues, operating manuals and design rights, and; (vii) all claims for damages by way of any past, present and future infringement of any of the foregoing and rights to payment thereof of any kind;
 3. All inventory, now owned or hereafter acquired, including, without limitation, all merchandise, raw materials, parts, supplies, packaging and shipping materials, work in process and finished products including such inventory as is temporarily out of the Company’s custody or possession or in transit and including any returns upon any accounts or other proceeds, including insurance proceeds, resulting from the sale or disposition of any of the foregoing and any documents of title representing any of the above, and the Company’s books relating to any of the foregoing;
 4. All contract rights and general intangibles of the Company now owned or hereafter acquired, including, without limitation, leases, license agreements, distribution agreements, supply agreements, franchise agreements, purchase orders, customer lists, route lists, infringements, claims, software, computer programs, computer discs, computer tapes, literature, reports, catalogs, design rights, income tax refunds, payment intangibles, commercial tort claims, payments of insurance; all existing and future claims, rights, causes of actions, judgments, remedies and security interests, whether voluntary, involuntary, absolute, contingent or by operation of law;
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5. All now existing and hereafter arising accounts, contract rights, royalties, license rights, license fees and all other forms of obligations owing to the Company arising out of the sale or lease of goods, the licensing of technology or the rendering of services by the Company, whether or not earned by performance, and any and all credit insurance, guaranties, and other security of the Company, as well as all merchandise returned to or reclaimed by the Company, and the Company's books relating to any of the foregoing;
 6. All documents, cash, deposit, savings or other accounts, shares, stocks, securities, securities entitlements, securities accounts, investment property, financial assets, letters of credit (whether or not the letter of credit is evidenced by a writing) and other supporting obligations, certificates of deposit, instruments promissory notes, chattel paper (whether tangible or electronic) and investment property, including all securities, whether certificated or uncertificated, security entitlements, securities accounts, commodity contracts and commodity accounts, and all financial assets held in any securities account or otherwise, wherever located, now owned or hereafter acquired and the Company's books relating to the foregoing;
 7. All the Company's books and records, including records relating to the Company's assets or liabilities, the Pledged Assets, business operations or financial condition and all computer programs or discs or any equipment containing such information;
 8. All claims, rights and interests in any of the above and all substitutions for, additions and accessions to and proceeds thereof;
 9. All insurance policies or the proceeds thereof in respect of the above described assets; and
 10. All accounts receivables.
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