From:	jeffrey E. <jeevacation@gmail.com>
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To:	ehud barak

1.Pre-money valuation was estimated at $3,338,710, and $1.5MM investment was intended to be 31% of Company on a fully diluted basis. Now $1.5MM bu=s 25% on a fully diluted basis based on a $4.5 MM company valuation. However, to get EB up to 31% he is being offered up to 6% of ordinary=20 shares for serving as director. The 6 percent vests in 8 equal quarterly installments over 2 years. However, by doing it this way, I=20 believe the warrant exercise prices which are based on a percentage of the original purchase price per share will start at a higher exercise price per share.

2. Regarding warrant exercise prices, you may recall that in the last iteration of the term sheet, the investor was to be given two sets of warrants: one set of $1MM worth of warrants exercisable at any time over a 4 year period at 150% of the purchase price per share of the preferred shares in this investment; and the second set of $2.5MM of warrants exercisable at any time over a 4 year period at 175% of the purchase price per share of the preferred shares in this investment. Now this has been=20 changed so that only for the 1st two years of the 4 year exercise period are the warrants exercisable at 150% and 175% of the purchase price per share, respectively. In the third year the exercise prices increase =o 195% and 225%, respectively, of the original purchase price per share, and in the fourth year, the exercise prices increase to 240% and 275%, respectively of the purchase price per share. If the original intent=20 was for the warrants to enable EB to acquire a majority interest of the Company, with the increase in the original purchase price per share, while the aggregate dollar amount that may be exercised remains the same, even with a full exercise of all $3.5 MM of warrants in the first two years (i.e., with an exercise price at 150% and 175% of the purchase price per share), it does not appear that EB will acquire a majority interest. He certainly won't when the exercise prices are inc=eased in years 3 and 4 of the warrant exercise period.

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3. There is a note that is deleted about there being a finders fee payable to Echar Erez under which he was supposed to receive cash in the amount of 2.5% of the investment amount, plus options for 2.5% of the investment shares. Although the note was deleted, I wonder whether that fee is=20 being paid somewhere.

4. They put a time limit of 2 years on price anti-dilution. They also change= the description of the price anti-dilution from broad based weighted average to narrow based weighted average.

5. Whereas previously any deemed liquidation event would require EB approval, now only liquidation events where EB would receive less than 400% of his investment require EB approval.

6. Whereas budget variations required EB approval now only if the budget varies by 10% in any given month (and not in the aggregate) would prior approval be required.

7. incurring any single debt o= $100K or more would require EB approval. Obviously this can be avoide= with a series of separate debt transactions.

8. Financial reporting that was unaudited monthly reports 15 days after the end of every month, unaudited quarterly financials 45 days after end of each of the first, second and third quarters and audited annual financials 60 days after the fiscal year end has been changed to 30 days for monthly reports, 60 days for unaudited quarterly financials and 90 days for audited annual financials.

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9. Auto conversion of the ordinary shares was originally to take place if the Company netted $10MM in an IPO at a pre-money valuation of the Company of at least $50MM. Those numbers have now been changed to auto conversion upon the company netting $30MM in an IPO at a pre-money valuation of at least $100MM.

10. The term=20 sheet originally provided that founders could not sell any of their holdings until the earlier of the expiration of four years, a qualified IPO or a Deemed Liquidation of the Company. The revised term sheet allows the Founders after two years to sell their holdings until they receive $300,000, but each of the Founders may not sell more than 10% of his or her holdings. Any such transfers will be subject to the right=20 of first refusal of each 5% shareholder to purchase a pro rata portion of the shares to be sold by the Founder, but such transfers will not be subject to the EB's tag along rights.

DARREN K. INDYKE

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p=ease note

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