From: ehbarak [redacted]
Sent: Thursday, August 11, 2016 2:47 PM
To: jeffrey E.
Subject: Re:

I'll call in an hour.
Best
EB

=ent from my iPhone

On 11 Aug 2016, at 17:08, jeffrey E. <<= href="mailto:jeevacation@gmail.com">jeevacation@gmail.com> wrote:=br>

> 505-938-2929
>
> On Thursday= August 11, 2016[redacted] > wrote:

The automatic conversion of the preferred share that was initially stated in the term sheet to occur upon a qualified IPO of no less than $50 MM in gross proceeds that nets $10MM of proceeds, now will not occur unless there is a qualified IPO of $80MM gross proceeds that nets $20MM of proceeds.

3.=The 6% liquidation preference per share that was initially stated in the term sheet to terminate once the preferred holders received distributions of 2 times the purchase price for their shares, no will not terminate until the preferred holders receive 3.5 times the purchase price for their shares.

4. The bring along rights that in the term sheet were initially effective only upon 60% shareholder approval of a transaction with a pre-money valuation of not less than $50MM, now may be imposed even if the pre-money valuation is less than $50MM as long as there is 75% shareholder approval. That is to say, bring along rights are imposed i= if there is 60% shareholder approval of a transaction with a pre-money valuation of not less then $50MM or if there is 75% shareholder approval of a transaction with a pre-money valuation of less than $50MM.
<=r>
Because there is missing information, I cannot give you a full=summary of the deal as currently drafted. For example:

=div>I understand from the email we previously received that transmitted the signed term sheet to us that there were certain changes to be made to the warrants. Specifically, the 25% increase in the exercise price of =the warrants was not to take effect unless either the first warrant for $1,500,000 was exercised by us or there was a subsequent round of equity financing of at least $1MM where the purchase price per share in that round was at least 25% higher than the purchase price in our round. =However, the documents provided to me include only a reference to the warrants to be issued in the transaction as being on schedules to the Share Purchase Agreement and does not include the schedules or the full terms of the warrants. So, I have no idea of what the terms are for =warrants. There is a vague reference in the purchase agreement to a =First Warrant for $1,500,000, but nothing else about the terms of that warrant and nothing about the other warrant (which the term sheet says is supposed to be for another $2MM, but I cannot not verify).

The other big problem is that, in addition to the omission of the schedules containing the forms and terms of the warrants, no other schedules have been provided to us, including:

The schedule of=milestones that trigger obligation to fund second tranche of $680K in no mo=e than 9 month.

Board Resolutions
Shareholder Resol=tions
CEO Compliance Certificate
Legal Opinion
Director Indemnification Agreements
Services Agreement of Gideon=Levita
Employment Agreement of Raviv Levita
Consulting A=reement of Ehud Barak
Founders Repurchase Agreements

Reviewed but not audited Financial Statements
Business Plan and Budget
Form of Non-Comp, Non-=olicitation and Confidentiality Agreements
Form of Employment Agr=ements
Disclosure Schedule, which includes the lists of except=ons to the representations and warranties of the Company. The dis=losure schedule that is missing includes:

list of options grante=
contracts, agreements and commitments list
list of rel=ted party transactions
list of officers and directors prior to cl=sing
schedule of real property and tangible assets
IP S=hedule
Product Schedule
Royalty Payment Obligations&nbs=;
Open Source Materials used
Schedule of liabilities
Exceptions to Absence of Changes from Delivered Financial Statements=</div>
Employee list
List of Employment, contractor and consul=ant agreements
List of employment, contractor and consultant agre=ments not terminable at will upon 30 days notice without liability
List of government funding, government or university resources, or other p=rson funding used to develop IP
List of employees, contractors, c=nsultants that were affiliated with Govt or universities, etc.
Li=t of Brokers entitled to be paid for this transaction
List of Ins=rance Policies
List of laws not complied with <=div>

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&nb=p; please note

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