

**January 3, 2021**  
**(“Application Date”)**

To:

The Limited Partners of

I Argento Fund for Investment in Ayyeka, Limited Partnership

**(the “Partnership”)**

**Re: Receipt of Indication with respect to the Willingness of the Limited Partners to Participate in an Exchange of their Interests in the Partnership for Participation Unites in a Public Partnership**

**I Argento Ltd.**, the general partner of the Partnership (the “**I Argento**”) is pleased to address the Limited Partners of the Partnership (the “**Limited Partners**”) with this notice (the “**Notice**” or “**This Notice**”) with respect to the following matter:

**1. The Public Partnership.**

1.1. Presently, a company controlled by I Argento, which serves as the general partner of **I Argento High Tech Assets, Limited Partnership** (the “**General Partner**” and the “**Public Partnership**” respectively), is working together with the Public Partnership for the publishing of a prospectus (the “**Prospectus**”) for the purpose of making a public offering and listing the Public Partnership’s participation units for trade in the Tel-Aviv Stock Exchange (the “**Stock Exchange**”) as a “*Research and Development Partnership*” pursuant to the Stock Exchange’s Regulations.

1.2. The objective of the Public Partnership is to serve as a “*Public Venture Capital Fund*” and to invest in companies engaging in Research and Development (as such terms are defined under the Encouragement of Industrial Research and Development Law, 5744-1984), in various fields according to the Public Partnership’s investment policy and the discretion of the General Partner.

1.3. It is hereby emphasized that investment in the Public Partnership means holding an interest in a portfolio of Research and Development companies in which the Public Partnership shall invest. This investment shall be tradable further to the listing of the Public Partnership in the Stock Exchange (subject to a lockup period as set forth in Section 7.1 hereafter). Additionally, upon the listing of the Public Partnership's participation units, the Public Partnership is expected to already hold three (3) portfolio companies (including the target company (as defined hereafter)).

1.4. A link of the public draft of the Prospectus (in Hebrew) is attached hereto: <https://www.magna.isa.gov.il/details.aspx?reference=2020-01-143490&file=1&id=013484#?id=013484&reference=2020-01-143490&file=1> (the “**Prospectus Draft**”). The translated Cover and Chapter 7 are attached hereto as separate files (non official translation).

2. **The Partnership Investment.** As you know, the Partnership invested in Preferred B shares of Ayyeka Technologies Ltd. (the “**Target Company**”) and it holds as of the Application Date 19.76% of the issued and paid up capital of the Target Company.

3. Quantity of Target Company Shares attributed to each Limited Partner. The quantity of Target Company shares attributed to each Limited Partner by force of the Partnership's foregoing holding in the Target Company is set forth in the investment approval provided to each Limited Partner who invested in the Partnership, to be attached personally to the applicable Limited Partner as **Appendix A** to this notice, upon the delivery of the Notice to each Limited Partner ("**Quantity of Target Company Shares attributed to a Limited Partner**").
4. Obtaining an Indication with Respect to the Limited Partners' Willingness to participate in the Exchange
  - 4.1. As part of the preparations for obtaining a final permit for the publishing of the Prospectus, the Partnership hereby approaches you in order to obtain an indication as to your wish of participating as a Limited Partner in the Partnership in the exchange of your entire interest in the Partnership for participation units in the Public Partnership (the "**Exchange Proposal**" or the "**Exchange**"), **This is subject to obtaining a final permit for publishing the Prospectus and simultaneously to the closing of the public fundraising and the listing of the Public Partnership's participation units pursuant to the Prospectus** ("**Exchange Date**").
  - 4.2. The portion of Limited Partners who provided a positive indication as to their wish of participating in the Exchange shall be specified in the final version of the Prospectus and shall serve as basis for the binding proposal addressed to you by the Partnership and the Public Partnership immediately upon obtaining the permit to publish the final Prospectus, as aforesaid.
5. The value of the Target Company and the Share Price of the Target Company for the purpose of the Exchange. The value of the Target Company is \$50,000,000 based on a valuation of the Target Company ordered by the Public Partnership (the "**Target Company's Value**"). The share price of the Target Company deriving from the Target Company's Value as aforesaid, is \$23 (the "**Exchange Share Price**") and this price shall serve as basis for calculating the number of participation units Batches ('**Batch**', as defined in the Prospectus Draft) to be received by each Limited Partner who wishes to participate in the Exchange Proposal as set forth below. For further information with respect to the manner of calculating the Exchange Share Price see Section 7.5.2 in Chapter 7 to the Prospectus Draft.
6. Provisions pertaining to the Exchange
  - 6.1. A Limited Partner shall be allowed to exchange only his entire interest in the Partnership.
  - 6.2. The entire interests in the Partnership of each Limited Partner who wishes to Participate in the Exchange shall be exchanged for participation units batches in the Public Partnership, in an number to be calculated pursuant to the following formula:
    - 6.2.1. The Quantity of Target Company Shares attributed to a Limited Partner (as set forth in Appendix A to be sent personally to each Limited Partner alongside this Notice) multiplied by the Exchange Share Price, converted to NIS

according to the NIS/USD exchange rate in effect as of the Exchange Date (the “**Numerator**”).

**-Divided by-**

6.2.2. The value of the Public Partnership’s participation units Batch, as shall be determined upon its listing in the Stock Exchange (the “**Denominator**”).

**E.G.:**

Working Assumptions:

- a. The Quantity of Target Company Shares attributed to the Limited Partner is 1,000.
- b. The Exchange Share Price is \$19.
- c. The NIS/USD exchange rate is NIS 3.25 per USD, (a through c – the Numerator).
- d. The price of each Batch at the listing date – NIS 100 (the Denominator).

Hence,  $1,000 \times 23 \times 3.25 = 74,750$  (the Numerator), divided by 100 (the Denominator) = 747.5.

Therefore, the Limited Partner shall be entitled to 747 Batches of the Public Partnership’s participation units.

6.2.3. Each Limited Partner is requested to return to the Partnership a notice in the version attached hereto as **Appendix B**, bearing his/her/its signature as an indication for his/her/its wish to participate in the Exchange, this is **within eight 8 days** as of the Application Date via email to the following address: [office@iargento.com](mailto:office@iargento.com). A Limited Partner which eventually participates in the Exchange shall be referred to hereinafter as the “**Participating Partner**”.

6.2.4. It is clarified that a Limited Partner who fails to notify the Partnership within eight (8) days as of the Application Date shall be deemed, for any and all purposes, as a For the purpose of This Notice Limited Partner who has provided a negative indication as to his wish to participate in the Exchange.

## 7. Additional information

Without derogating from the requirement to fully review the Prospectus Draft, the Limited Partners are hereby directed to the following sections of the Prospectus Draft (please find in Section 1.4 above a link to the English translation of the Cover and Chapter 7 (non official), which are relevant to the Exchange:

- 7.1. Chapter 2 to the Prospectus Draft– details of the proposal, including Sections 2.8 and 2.13 to this chapter.
- 7.2. Chapter 4 to the Prospectus Draft– The Public Partnership’s Partnership Agreement. In this regard I Argento refers the Limited Partner to the provisions of Section 9.1 with respect to the payment of Management Fees and Section 9.3 with respect to the

payment of the Initiation Fees the Public Partnership shall pay the General Partner in the cases set forth therein.

7.3. Chapter 6 to the Prospectus Draft– Taxation of the Public Partnership.

7.4. Chapter 7 to the Prospectus Draft– Business Description of the Public Partnership, including Section 7.5 to this chapter, which includes further details as to the Exchange, the process of receipt of indications in accordance with This Notice, Target Companies valuation method, the Exchange Share Price, as well as charts describing the Exchange.

**8. Each Limited Partner hereby declares that he understands that even after the publishing of the final Prospectus, the Exchange is not certain and is subject to the publishing of the final Prospectus and to the *de facto* issuance of the participation units of the Public Partnership and their listing in the Stock Exchange.**

## **9. Israeli Taxation Aspects**

9.1. The Exchange is considered a ‘sale’<sup>1</sup> as defined in Section 88 to the Income Tax Ordinance [New Version] 5721-1961 (the “**Ordinance**”) where the consideration being in kind (rights in the Public Partnership). Therefore the profit obtained by the Limited Partner as result of the Exchange shall be deemed capital gain under Article E to the Ordinance, and the tax rate applicable to the Seller is of up to 25% if the seller is an individual or of up to 30% if the seller is an individual who is a Material Shareholder<sup>2</sup>, provided that this is not income from his business<sup>3</sup>, or Corporate Tax rate if the seller is a corporate entity.

9.2. The Public Partnership intends to submit a tax pre-ruling request to the Israeli Tax Authority (the “**ITA**”) according to Section 104H to the Ordinance (the “**Motion**”) as set forth hereunder:

9.2.1. Pursuant to the provisions of Section 104H (the “**Section**”) the interest exchange shall not be deemed for the purpose of Article E to the Ordinance as a sale upon the Exchange Date of the interests, given the compliance with all the terms set forth in the Section, including that **all** the interests of the Participating Partner and of a related party thereto in the Partnership’s interests have been transferred as part of the Exchange, unless the ITA Manager has approved otherwise, under the terms stipulated by him. This, in the event a Participating Partner requested that the Motion shall apply to his transferred rights.

9.2.2. There shall occur no tax event upon the Exchange Date, rather it shall be postponed to the earlier of the sale of the participation units allocated and the

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<sup>1</sup> “Sale – including trade...”

<sup>2</sup>Material Shareholder – holding, directly or indirectly, severely, or jointly with another, at least 10% in one or more kinds of the means of control in a corporation.

<sup>3</sup> This provided that the exchange, for said seller, is not classified as business operation, since in such case the tax liability shall be calculated pursuant to Section B to the Ordinance: Marginal Tax rate according to the tax brackets under Section 121 to the Ordinance for a seller who is an individual or Corporate Tax rate under Section 126 to the Ordinance for a seller who is a corporate.

end of the maximum postponement period as set forth in Section 9.2.3 hereafter.

- 9.2.3. The maximum postponement period for the locked-up participation units<sup>4</sup> is the later of: (a) twenty-four (24) months as of the Exchange Date, or (b) six (6) months as of the end of the lockup period; all with respect to half of the issued participation units. As for the remaining half of the issued participation units, the later of: (a) forty-eight (48) months as of the Exchange Date, or (b) six (6) months as of the end of the lockup period. For further and more detailed instructions, see Section 104H to the Ordinance, including with respect to the manner of calculating the capital gain and tax payment.
- 9.2.4. In order to secure the tax payment, the participation units shall be deposited with a Trustee approved by the ITA's manager up to the earlier date of the sale of the participation units and the maximum postponement date.
- 9.2.5. With respect to a Participating Partner who opted not to defer the tax event as set forth in Section 9.2.2 hereinabove, the tax event shall apply thereto upon the Exchange Date as set forth in Section 9.1 hereinabove.
- 9.2.6. The maximum postponement date for the non-locked participation units is twenty-four (24) months as of the Exchange Date with respect to half of the issued participation units and forty-eight (48) months as of the Exchange Date for the remaining half of the issued participation units.
- 9.2.7. **The postponement of the tax event, as aforesaid, is conditioned upon obtaining a taxation pre-ruling in advance.** Given that the pre-ruling is expected to be received within several months following the submission of the Motion, the Partnership intends, immediately upon filing the Motion, to approach the Tax Authority and ask for a temporary approval according to which the Public Partnership shall not be required to withhold tax from the payment in kind and the Participating Partner shall not be required to report and pay the down-payment for the capital gain within thirty (30) days as of the Exchange Date (the "**Motion for a Temporary Approval**"); this until the ITA reaches a resolution with respect to the Motion. It is clarified that if the ITA would not accede to the Motion for a Temporary Approval, the Participating Partner shall be required to provide the Partnership with a Withholding Tax Exemption Certificate from the Income Tax Assessor prior to the Exchange, as well as to report and pay to the Income Tax Assessor the down-payment for the capital gain within thirty (30) days as of the Exchange Date. The ITA pre-ruling with respect to the Motion for a Temporary Approval shall be sent to the Participating Partner within one business day as of its receipt. It is clarified that the ITA may, at its own discretion either confirm or reject the Motion and/or the Motion for a Temporary Approval.

### 9.3. Tax Exemption for a Foreign Resident under Section 97(b3)

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Participation units whose sale is completely restricted by law, or which are locked-up for a period set forth under the <sup>4</sup> provisions of the authority competent by law to set forth rules with respect to the trade of securities in the determined period

9.3.1. A foreign resident, as defined in Section 1 to the Ordinance, shall be exempt from capital gain tax upon selling his interest in the Partnership pursuant to Section 97(b3) to the Ordinance, provided that the capital gain is not in a permanent establishment in Israel and that the sold rights were not purchased from a relative<sup>5</sup>.

9.3.2. Obtaining the participation units exempt from tax as aforesaid in Section 9.3.1 is contingent upon obtaining a specific approval from the Tax Authority with respect to the tax exemption upon the Exchange.

**10. The foregoing Does not constitute tax counseling by I Argento or the Partnership to the Limited Partner. I Argento and the Partnership recommend each Limited Partner to consult with advisors (tax, accounting, legal) prior to making any resolution in this regard. Furthermore, each Limited Partner shall exclusively bear the tax implications resulting from the Exchange, if any.**

11. All the terms that have not been explicitly defined in This Notice, shall have the meaning assigned to them in the Prospectus Draft, to the extent they were defined therein.

12. This Notice as well as the Limited Partner's counter notice granted thereunder, may be executed in several copies, each of which shall be deemed an original copy.

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I Argento Ltd.

The General Partner of the Partnership.

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<sup>5</sup> Spouse, brother, sister, parent, parent of a parent, offspring and offspring of a partner and the partner of any of these; an offspring of a brother or sister, and a brother or sister of a parent

**Appendix A**

**Investment Approval for the Limited Partner**

**Appendix B**

**Limited Partner's Notice**

on \_\_\_\_\_, \_\_\_\_\_ 2021

To: I Argento Ltd., (the "General Partner")

Address: \_\_\_\_\_ via \_\_\_\_\_ email:

\_\_\_\_\_

Mr./Mrs./Ms.: \_\_\_\_\_

**Re: Providing an Indication as to the Limited Partners' Willingness to Participate in the Exchange Proposal**

Following the General Partner's notice dated January 3 ,2021 with respect to obtaining an indication as to my willingness to participate in the exchange of my Limited Partner interest in the Partnership, pursuant to the exchange set forth in said notice, I hereby inform you of the following (please check the relevant sections and/or complete, as applicable):

<input type="checkbox"/>	I hereby inform of my willingness to fully participate in the Exchange Proposal related to I Argento Fund for Investment in Ayyeka, Limited Partnership
<input type="checkbox"/>	I hereby inform that I do not intend to participate in the Exchange Proposal
<input type="checkbox"/>	I hereby request to postpone the tax event, such that it would not occur upon the Exchange Date.

If you have chosen to participate in the Interests Exchange offer, please mark the following section, as applicable:

<input type="checkbox"/>	I hereby request to postpone the tax event, such that it would not occur upon the Exchange Date.
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This notice should be delivered to the foregoing email no later than January 10, 2021.

Failure to provide said notice within eight (8) days shall be deemed as the Limited Partner granting a negative indication as to his willingness to participate in the Exchange.

All the terms which were not explicitly defined in this notice shall have the meaning assigned thereto in the General Partner's notice, if defined therein.



Best Regards,

Name of the Limited Partner: \_\_\_\_\_

Address of the Limited Partner: \_\_\_\_\_

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

(in the event the Limited Partner is a corporation, the signatory hereby declares that he/she has the authority to sign on its behalf and such signature is binding to the corporation).