

FOUNDERS AGREEMENT

THIS FOUNDERS AGREEMENT (the "Agreement") is made as of [_____, 20__] ("Effective Date"), by and among [NAME & ID OF FOUNDER A] ("Founder A"), and [NAME & ID OF FOUNDER B] ("Founder B"). Founder A and Founder B shall be referred to, each as a "Founder" and together as "Founders".

Whereas The Founders wish to collaborate with the purposes of developing certain business model ("Business Model") which is an idea for a business involving involve a new product, service or invention, or different approach to marketing or delivering an existing product or service that gives a company an advantage over competitors, and the related technology and intellectual property that is used to create, implement, develop, or perfect the idea; and

Whereas The Founders wish to form a joint company ("Company") which shall be involved in the research, development and implementation of Business Model outlined in the Exhibit A _____; and

Whereas the Founders wish to specify their respective rights and obligations, with respect to the Company and its future business, all in accordance with the terms and conditions detailed herein.

NOW, THEREFORE, in consideration of the mutual representations and covenants herein contained, the Founders hereby agree as follows:

1. Formation and Governance of the Company

1.1. Promptly after the execution of this Agreement, the Founders shall make their best efforts to establish a corporation to be founded in _____, under the tentative company name of _____, or such other which shall be mutually agreed by the Founders.

1.2 The Company's Articles will be in a standard form as is customarily used in _____, which shall include however the relevant special provisions of this Agreement. In the case of any conflict between the terms of this Agreement and the terms of the Articles, the terms of this Agreement shall prevail.

1.3 Any change and/or amendment to the Articles shall be resolved by the shareholders meeting and require the consent of both Founders.

1.4 The Company's initial registered capital shall be of _____ divided into _____ ordinary common shares of _____ par value each share, ("**Ordinary Shares**"), all of which shall have the same rights, in all respects. Each share shall be entitled to one vote in any matter brought before the shareholders of the Company. The shares shall not have any preferences in dividend, liquidation or any other matter.

1.5 A quorum for the convening of shareholder's meeting shall be at of shareholders representing at least 50.1% of the issued and outstanding shares of the Company. Resolutions put to a vote at the shareholder's meeting shall be passed by a simple majority of the shares present.

1.6 The Founders agree that the Company will be deemed to be a beneficiary of the provisions of Sections 6 (Non Competition) and 7 (Confidentiality) of this Agreement and the Company may exercise any and all rights granted thereunder as against any of the Founders.

2. Transfer of IP Ownership

Each Founder will grant and assign to the Company, immediately upon its formation, all rights, titles, and interests including all ideas, work products, intellectual property, know-how, and other rights, developed by the Founders in the Fields of Business Model which will be the exclusive property of the Company, and neither Founder will be entitled at any time and for any reason to exploit such rights except in the framework of, and for the benefit of, the Company. All intellectual property rights relating to or arising out of the Business Model, including patents and trademarks, which are capable of registration will be registered solely in the name of the Company..

3. Business Structure, Shares & Transfer

3.1 Upon formation of the Company, the ownership interests in the Company will reflect the following:

	Initial Shareholding Percentage Interest
[Founder A]	___% of total initial shares (_____ shares)
[Founder B]	___% of total initial shares (_____ shares)

(a)

3.2 The Company shall reserve ___% of its capital for issuance to employees, as shall be determined by the Board, within the framework of an employee stock option plan to be approved by the Board. Such shareholding percentage reserved will dilute each Founder’s shareholding percentage equally.

3.4 The Initial Shareholding Percentage Interest issued to each Founder will vest in accordance with ___ years vesting schedule to be approved by the Board.

If a Founder departs the Company so that such Founder’s relationship with the Company terminates for any reason prior to full vesting of his or her Percentage Interest, during the _____ year period from the date of the issuance of the shares, then:

the Company may buy back the portion of shares that have not vested or nominate the other Founder or any other person to acquire and hold those shares in each case for consideration of _____ per share.

3.5 Each Founder will have the same rights (including but not limited to voting and distribution rights) accorded to the Percentage Interest issued to each Founder.

3.6 The Founders agree that Company shall not issue (or agree to issue) any equity, option, warrant or other equity security without the written agreement of all Founders. No Founder shall be entitled to transfer, sell or otherwise create any encumbrance over their shares in the Company for a period of ___ years without the prior written agreement of all other Founders.

3.7 If at any time prior to the Company’s initial public offering of its securities (the “IPO”), the Company authorizes the offer, issuance or sale of any new shares or any securities exchangeable,

exercisable or convertible into shares of the Company, (“New Shares”), the Company will first offer to sell to each of the Founders a portion of such New Securities equal to such Founder’s pro rata holdings in the Company’s outstanding share capital at such time. Each Founder will be entitled (but not obligated) to purchase, within fourteen (14) days after receipt of notice from the Company that it intends to offer New Shares, all or part of his portion of the New Shares, and all or any of the portions of the other Founders who have not exercised their rights hereunder, at the same price and on the same terms as such New Shares are proposed to be offered by the Company. The Articles of the Company shall further specify the general terms under which the preemptive rights granted hereunder shall be exercised. The term New Shares shall not include any shares issued under stock or option incentive plans, shares issued upon stock dividends, reclassification or re-capitalization, shares issued upon conversion or exercise of preferred shares whose issuance was approved by the Board, issuances in connection with acquisitions or settlements of claims and issuances of shares to strategic investors who are defined as such by the Board.

3.8 Subject to the provisions of this Section 9, no shareholder in the Company may sell, assign, transfer, pledge or otherwise dispose of, whether directly or indirectly, any Shares or any interest therein (each a “Transfer”) without complying with the terms of this Agreement. Any attempted transfer in violation of this Agreement shall be void and of no force and effect and shall not be honored by the Company.

3.9 If, at any time prior to the IPO, any one of the Founders (the “Offeror”) desires to Transfer any or all of his shares in the Company to a third party other than to a Permitted Transferee (the “Offered Shares”) then such Offeror shall be obligated to give written notice (“Notice”) to the other Founder (“Offeree”) of his intention to Transfer any or all of his shares, providing the details as to the price and terms offered by the third party. The Offeree shall be required to give written notice of his decision to the Offeror, within 21 days of receipt of the Notice, whether to purchase all, but not less than all, of the Offered Shares or does not give any notice at all within the allotted period, then the Offeror shall be free to Transfer his shares to a third party, but on terms which shall not be less favorable to the third party than those specified in the Notice. If the Offeror shall not consummate a Transfer to a third party within 45 days of the date following the refusal to purchase by the Offeree, then if the Offeror is still interested in making a Transfer he shall be obligated to re-commence the offering procedure described in this Section above. A Transfer to a third party shall only become effective after such third party has executed a written undertaking to comply with the provisions of this Agreement and such Transfer was approved by the Board. The Board shall not refuse to approve a Transfer of shares to a third party on unreasonable grounds.

3.10 For the purposes hereof, the term “Permitted Transferees” shall refer to transferees, under a voluntary Transfer or a Transfer by will or operation of law, in each case to a parent, sibling, spouse, or a trust for the benefit of any of the foregoing. In each of the above cases, the transfer shall come into effect only after the transferee has executed a written undertaking to comply with the provisions of this Agreement and only as long as such transferee qualifies as a Permitted Transferee, as approved by the Board.

3.11 Until the earlier of (i) the IPO; or (ii) a period of ___ years have from the execution hereof; the Founders shall not be entitled to transfer any of their shares in the Company unless such transfer is approved by the Board.

4. Management.

4.1 The Board of Directors shall consist of two directors, until it is decided otherwise by the joint decision of the Founders.

The Board shall appoint Founder A as the Chairman and Chief Financial Officer of the Company, and Founder B as the Chief Executive Officer of the Company.

Founder B shall be responsible, in accordance with the instructions of the Board, for the daily management of the Company. Founder A shall be responsible, in accordance with the instructions of the Board, for the financing activities of the Company.

The Founders together shall design and implement the scientific and engineering strategies and plans of the Company.

4.2 The quorum for all meetings of the Board shall be two directors.

In the event of a tie vote, the chairman shall have a casting vote, except as contemplated in 4.3 below.

4.3 Notwithstanding anything to the contrary in this Agreement and in the Articles, the following matters shall be subject to the affirmative vote of Founder B, as long as Founder B holds at least ____% of the outstanding shares of the Company:

- (a) the sale and/or other disposition of the Business Model.
- (b) The receipt of loans by the Company and/or any loan or guarantee given by the Company to any third party;
- (c) determination of any change to the Company's signature rights;
- (d) any transaction of the Company not in the ordinary course of business including the grant of any rights in the Business Model not in the ordinary course of business;
- (e) any encumbrance, charge or pledge on the Business Model.

4.4 Until the Company obtains financing from third party sources, the Founders shall finance the activities of the Company in direct proportion to their rate of holdings of shares in the Company.

5. Non Competition

Each Founder hereby covenants to the Company and to the other Founder that he or she will not, directly or indirectly, engage in any activity, whether as employee, consultant, contractor, officer, director, stockholder, partner, investor, representative, agent of any entity or otherwise, which competes in any manner with, or is adverse to, the business of the Company in the Fields of Activity, for as long as he or she is a director, officer, employee, consultant or the holder of more than [five (5)]% of the Company's then outstanding share capital and for [one (1)] year thereafter.

6. Confidentiality

The Founders will keep the Business Model confidential; Founders may disclose the Business Model only on an as-needed basis and only upon agreement of all Founders. Upon the formation of the Company, the

Founders may further detail and define any additional confidentiality obligations. The foregoing provision shall not apply to (i) information which is in the public domain other than as a result of a breach of a confidentiality obligation by the disclosing party, (ii) information which is required (at the advice of counsel) to be disclosed under applicable law, (iii) information which the disclosing party can show by written evidence was known to such party prior to its disclosure to the disclosing party, or (iv) information which can be shown by written evidence to have been independently developed by the disclosing party.

7. Schedule.

If the Founders have not yet formed a Company within twelve (12) months of executing this Agreement, the Founders will have 30 additional days to take substantial steps toward forming the Company. If the Company has still not been formed after 30 days, the Founders will execute a separation agreement which divides rights to the Business Model and any other assets accumulated by the Founders in pursuit of developing the Business Model. The Founders will further define any and all confidentiality obligations related to the Business Model within the separation agreement.

8. Representations and Warranties

Each Founder represents and warrants that he or she is not a party to any other agreement that would restrict such Founder's ability to perform its obligations as set forth in this Founders' Collaboration Agreement. Each Founder represents and warrants that no third party can claim any rights to any intellectual property or other proprietary right possessed by that Founder as it relates to the Business Model.

9. Miscellaneous Provisions

9.1 Expenses. All costs and expenses incurred in connection with the formation of the Company, shall be borne by the Founders in equal shares.

9.2 Amendment and Modification. This Agreement may be amended, modified or supplemented only by written agreement of both Founders.

9.3 Termination. This Agreement shall terminate upon the closing of the Company's initial public offering; with respect to any Founder who no longer holds any shares in the Company; and as of such date and/or upon liquidation of the Company.

9.4 Remedies.

It is specifically understood and agreed that any breach of the provisions of this Agreement by any Founder subject hereto will result in irreparable injury to the other Founder hereto, that the remedy at law alone will be an inadequate remedy for such breach, and that, in addition to any other legal or equitable remedies which they may have, such other Founder may enforce his or her respective rights by actions for specific performance (to the extent permitted by law) and the Company may refuse to recognize any unauthorized Transferee as one of its Stockholders for any purpose, including, without limitation, for purposes of dividend and voting rights, until the relevant Founder has complied

9.5 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given on delivery if delivered personally or sent by facsimile transmission with electronic confirmation, or four (4) business days following such notice being sent, if mailed by registered or registered, postage prepaid, to the other Founder at the address as mentioned in the heading of this Agreement (or at such other address for a Founder as shall be specified by like notice; provided that notices of a change of address shall be effective only upon receipt thereof).

- 9.6 Choice of Law. This Agreement will be governed by and construed in all respects in accordance with _____.
- 9.7 Arbitration. Any disputes arising under or in connection with the validity, interpretation and performance of this Agreement that cannot be resolved amicably by the Founders shall be brought before a mediator agreed to be the Founders for settlement and in the event such settlement is not reached within ____ days then the dispute shall be resolved in arbitration before a single arbitrator. The Founders shall endeavor in good faith to mutually agree on the selection of an arbitrator of commercial disputes. If the Founders cannot mutually agree on the selection of an arbitrator within ten (10) days of the request, they shall apply to the Chairperson of the Israeli Bar Association to appoint one.[TBD] The arbitrator thus selected shall not be bound to the procedural rules and rules of evidence, but will be otherwise bound by the Israeli substantive law. Arbitration proceedings shall be conducted in Israel, in the Hebrew language. The arbitrator will be requested to render his award within no more than ninety (90) days and to provide, in writing the reasoning for his award. The decision of any such arbitrator shall be final and binding on the Founders. The signature of the Founders upon this Agreement shall be deemed as a signature upon a deed of arbitration. Each Founder shall pay the arbitrator's fees when due, and if he shall not do so, the arbitrator shall enter a final award against such Founder.
- 9.8 Adoption and Ratification by the Company. Upon its formation the Founders shall cause the Company to adopt and ratify the terms and conditions of this Agreement.
- 9.9 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.
- 9.10 Entire Agreement. This Agreement, including the exhibits and schedules hereto and the documents, schedules, certificates and instruments referred to herein, embody the entire agreement and understanding of the Founders hereto in respect of the transactions contemplated by this Agreement. There are no restrictions, promises, representations, warranties, covenants or undertakings, other than those expressly set forth or referred to herein. This Agreement supersedes all prior agreements and understandings between the Founders with respect to such transactions.
- 9.11 Severability. If any provision of this Agreement is held by a competent court to be invalid or unenforceable under applicable law, then such provision shall be severed from this Agreement and the remainder of this Agreement shall be interpreted as if such provision were so severed and shall be enforceable in accordance with its terms; provided, however, that in such event this Agreement shall be interpreted so as to give effect, to the greatest extent consistent with and permitted by applicable law, to the meaning and intention of the severed provision as determined by the Founders or as determined by court of competent jurisdiction.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Founders hereto have caused this Founders Agreement to be duly executed as of the date first set forth above.

**Agreed by
FOUNDERS:**

Name:

Address For Notice:

Name:

Address For Notice:

**Ratified by
COMPANY:**

Name:

Title:

Address For Notice:

Ratification Date: