INSPIREMD, INC.

FORM 8-K
(Current report filing)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 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): April 5, 2012

InspireMD, Inc.

(Exact Name of Registrant as Specified in Charter)

Delaware	000-54335	26-2123838
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

3 Menorat Hamaor St. Tel Aviv, Israel	67448
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 972-3-691-7691

(Former name or former address, if changed since last report)

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:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4 (c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry into a Material Definitive Agreement.

On April 5, 2012 (the " ***Closing Date*** "), InspireMD, Inc., a Delaware corporation (the " ***Company*** "), entered into a Securities Purchase Agreement (the " ***Securities Purchase Agreement*** ") with certain institutional investors (the " ***Buyers*** ") pursuant to which the Company issued (i) senior secured convertible debentures in the original aggregate principal amount of $11,702,128 (the " ***Debentures*** ") and (ii) warrants to purchase an aggregate of 3,343,465 shares of common stock, $0.0001 par value per share (the " ***Common Stock*** "), of the Company (the " ***Warrants*** ") for aggregate gross proceeds of $11,000,000 (the " ***Private Placement*** ").

In connection with the Private Placement, the Company also entered into a Registration Rights Agreement, a Security Agreement, an Intellectual Property Security Agreement, a Deposit Account Control Agreement and various ancillary certificates, disclosure schedules and exhibits in support thereof, each dated April 5, 2012. In addition, the subsidiaries of the Company entered into a Subsidiary Guarantee in favor of the Buyers, dated April 5, 2012, and InspireMD Ltd., a wholly-owned subsidiary of the Company, issued to the Buyers a Fixed and Floating Charge Debenture, dated April 5, 2012.

The following is a brief summary of each of those agreements. These summaries are not complete, and are qualified in their entirety by reference to the full text of the agreements that are attached as exhibits to this Current Report on Form 8-K. Readers should review those agreements for a more complete understanding of the terms and conditions associated with this transaction.

Securities Purchase Agreement

The Securities Purchase Agreement provides for the purchase by the Buyers and the sale by the Company of the Debentures and the Warrants (collectively, the " ***Securities*** "). The Securities Purchase Agreement contains representations and warranties of the Company and the Buyers that are typical for transactions of this type. The representations and warranties made by the Company in the Securities Purchase Agreement are qualified by reference to certain exceptions contained in disclosure schedules delivered to the Buyers. Accordingly, the representations and warranties contained in the Securities Purchase Agreement should not be relied upon by third parties who have not reviewed those disclosure schedules and the documentation surrounding the transaction as a whole.

The Securities Purchase Agreement contains covenants on the part of the Company that are typical for transactions of this type, as well as the following covenants:

- Should the Company fail to timely remove a restrictive legend from a certificate for shares of Common Stock issued or issuable upon the conversion of the Debentures or upon exercise of the Warrants (the " ***Underlying Shares*** ") , the Company is required to pay the Buyers certain liquidated damages penalties.

- Until the earliest of (i) the five year anniversary of the Closing Date and (ii) the time that no Buyer holds or has the right to acquire at least $375,000 of the Underlying Shares (based on the volume-weighted average price of the Common Stock on the date of determination) (such earlier date, the " ***End Date*** "), the Company is required to maintain the registration of the Common Stock under Section 12(b) or 12(g) of the Securities Exchange Act of 1934, as amended (the " ***Exchange Act*** "), and to timely file (or obtain extensions in respect thereof and file within the applicable grace period) all reports required to be filed by the Company pursuant to the Exchange Act even if the Company is not then subject to the reporting requirements of the Exchange Act.

- Should the Company, at any time commencing six months following the Closing Date and ending on the End Date, fail to satisfy the public information requirement under Rule 144(c) of the Securities Act of 1933, as amended (the " ***Securities Act*** "), the Company shall pay the Buyers liquidated damages of 1% of their purchase price on the date of such failure and on each 30th day thereafter until such public information failure has been cured or such time as public information is no longer required pursuant to Rule 144.

- The Company is required to use the proceeds from the Private Placement for conducting clinical trials, expanding its sales and marketing division and general working capital purposes. The Company may not use any of the proceeds from the Private Placement (i) for the repayment of debt, (ii) for the redemption or repurchase of any equity securities, (iii) for the settlement of any claims, actions or proceedings against the Company or any of its subsidiaries, or (iv) in violation of Foreign Corrupt Practices Act of 1977, as amended, or the Office of Foreign Assets Control of the U.S. Treasury Department regulations.

- The Company is required to ensure that, on a continuous basis, there is a sufficient number of shares authorized that equals or exceeds the maximum aggregate number of Underlying Shares issued or potentially issuable in the future, ignoring any conversion or exercise limits set forth therein, using a conversion price that is equal to 75% of the then current Conversion Price (as defined below) and all such Underlying Shares are required to be approved for listing on the Company's principal trading market.

- Until the End Date, the Company may not (i) issue additional shares of Common Stock or any securities convertible to, exchangeable for or exercisable for Common Stock with a price that varies or may vary with the market price of the Common Stock, or (ii) enter into any agreement, including, but not limited to, an equity line of credit, whereby the Company may sell securities at a future determined price.

- Until the one year anniversary of the Closing Date, other than to qualify for initial listing on a national securities exchange or to meet the continued listing requirements of such exchange, the Company may not undertake a reverse or forward stock split or reclassification of the Common Stock without the prior written consent of the Buyers holding 60% in principal amount of outstanding Debentures.

- In the event that Sol J. Barer, Ph.D., ceases to serve as chairman of the Company due to (i) his resignation following a material adverse change to the condition of Dr. Barer or any member of Dr. Barer's immediate family or (ii) any action taken by the Company's unaffiliated stockholders, one of the Buyers will have the right to nominate, and have appointed, two director designees to the Company's board of directors, subject to the satisfaction of certain conditions.

The Securities Purchase Agreement also obligates the Company to indemnify the Buyers for certain losses resulting from (i) any breach of any representation or warranty made by the Company or any obligation of the Company, and (ii) certain third party claims.

Senior Secured Convertible Debentures

Repayment

The Debentures were issued in the original aggregate principal amount of $11,702,128 and at an original issue discount of 6%. The Debentures mature on April 5, 2014 (the " ***Maturity Date*** "), or such earlier date as required or permitted by the Debentures, upon which such date the entire outstanding principal balance and any outstanding fees or interest will be due and payable in full. The Debentures bear interest at the rate of 8% per annum, which rate is increased to 12% upon and during the occurrence of an event of default (as described below) and is further increased in the event that, after the occurrence of an event of default, the Debentures are voted to be redeemed by Buyers holding at least 60% of the Debentures (as described below). Interest on the Debentures is payable quarterly beginning on July 1, 2012.

Conversion

The Debentures, including accrued interest on such Debentures, are convertible at the option of the Buyers into shares of Common Stock at an initial conversion price of $1.75 per share, subject to adjustment for stock splits, fundamental transactions or similar events (the " ***Conversion Price*** ").

The Company may force conversion of the Debentures if, amongst other things, the closing bid price on the Company's stock equals or exceeds 165% of the Conversion Price for twenty consecutive trading days, the minimum daily trading volume for such period is $1,100,000, all of the Underlying Shares during such period are either registered for resale with the Securities and Exchange Commission (the " ***SEC*** ") or eligible for sale pursuant to Rule 144 and there is no existing event of default or no existing event which, with the passage of time or the giving of notice, would constitute an event of default during such period.

The Debentures contain certain limitations on conversion. For example, they provide that no conversion may be made if, after giving effect to the conversion, any Buyer would own in excess of 4.99% of the Company's outstanding shares of Common Stock. This percentage may be increased to a percentage not to exceed 9.99%, at the option of such Buyer, except any increase will not be effective until 61 days' prior notice to the Company.

The Debentures impose penalties on the Company for any failure to timely deliver any shares of its Common Stock issuable upon conversion.

Events of Default

The Debentures contains a variety of events of default that are typical for transactions of this type, as well as the following events:

- The failure by the Company to perform a covenant or agreement under any of the Securities Purchase Agreement, the Debentures, the Warrants, the Registration Rights Agreement, the Security Agreement, the Israel Security Agreement (as defined below) and the Subsidiary Guarantee (collectively, the " ***Transaction Documents*** ") (other than a breach by the Company (i) to deliver shares of Common Stock upon conversion of the Debentures or exercise of the Warrants or (ii) under the Registration Rights Agreement) when, unless a cure period is specifically provided with respect to such failure to observe or perform, such failure is not cured within the earlier of four trading days after receiving notice or seven trading days after the Company should have been or was aware of such failure.

- A default by the Company or any subsidiary of the Company on the payment of indebtedness and (i) such indebtedness is greater than $375,000 and (ii) such indebtedness is accelerated.

- The Common Stock becoming ineligible for listing on a trading market for at least five trading days.

- The Company's involvement in a change of control transaction or a sale or transfer of at least 50% of its assets.

- The failure to issue shares upon conversion of any Debentures prior to the sixth trading day after the relevant conversion date or upon exercise of any Warrants prior to the sixth trading date after the relevant exercise date or a notice of the Company's intention not to comply with a request for conversion or exercise, as the case may be.

- Sol J. Barer, Ph.D. ceasing to serve as chairman of the Company, except as a result of (i) Dr. Barer's resignation as a director due to a material adverse change to the condition of Dr. Barer or any member of Dr. Barer's immediate family or (ii) any action by the Company's unaffiliated stockholders so long as one of the Buyers is afforded the right to appoint two persons to the Company's board of directors and certain other conditions relating to continuing independence of a majority of the board of directors and its chairman.

- A judgment of at least $375,000 being ordered against the Company and such judgment is not vacated within 45 days.

- The Company's inability to meet the current public information requirements under Rule 144 with respect to the Underlying Shares.

- The failure to complete the initial enrollment of the Company's MASTER Trial by January 1, 2013.

- The failure to pay liquidated damages under the Registration Rights Agreement for more than 30 calendar days.

If there is an event of default, then by election of the Buyers holding at least 60% of the Debentures, the Company shall redeem all of the Debentures in cash for 112% of the outstanding principal, together with all unpaid and accrued interest, all interest that would have been payable through the Maturity Date and any other amounts due under the Debentures (such amount, the " ***Mandatory Default Amount*** "). The Mandatory Default Amount shall accrue interest at a rate of 24% per annum commencing on the fifth calendar date following the relevant event of default.

Redemption

Commencing 18 months following the original issuance date of the Debentures, the Buyers may require the Company to redeem all or a portion of the Debentures, for a price equal to 112% of the amount of principal to be redeemed plus all accrued but unpaid interest and other amounts due under the Debentures.

Commencing 6 months following the original issuance date of the Debentures, the Company may redeem all or a portion of the Debentures for a price equal to 112% of the amount of principal to be redeemed plus all accrued but unpaid interest and other amounts due under the Debentures.

Covenants

The Debentures contain a variety of covenants on the part of the Company that are typical for transactions of this type, as well as the following covenants, which may be waived upon written consent of the Buyers holding at least 60% of the Debentures:

- The Company may not incur other indebtedness, except for certain permitted indebtedness.
- The Company may not incur any liens, except for certain permitted liens.
- The Company may not amend its charter documents in a way that would materially and adversely affect any holder of the Debentures.
- The Company must at all times reserve a number of shares equal to the number of shares of Common Stock issuable upon conversion of the Debentures outstanding at that time.
- The Company may not, directly or indirectly, redeem or repay all or any portion of any indebtedness, other than scheduled payments on permitted indebtedness and the Debentures on a pro-rata basis.
- The Company may not redeem, repurchase or otherwise acquire more than a de minimis number of shares of its Common Stock or Common Stock equivalents.
- The Company may not pay dividends or distributions on any equity securities of the Company.
- The Company may not enter an affiliate transaction material to the Company unless such transaction was approved by a majority of the Company's disinterested directors.

Purchase Rights

If, while the Debentures are outstanding, the Company issues any evidences of indebtedness, assets, rights or warrants to subscribe for or purchase any security of the Company, then any holder of the Debentures shall, upon conversion, have the right to acquire the same securities as if it had converted the Debentures immediately before the date on which a record is taken for such distribution, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the participation in such distribution.

Warrants

The Warrants are immediately exercisable and, in the aggregate, entitle the Buyers to purchase up to 3,343,465 shares of Common Stock. The Warrants have an initial exercise price of $1.80 per share payable in cash, or, if within 60 days of the issuance of the Warrants, each share of Common Stock issuable upon exercise of the Warrants is not registered for resale with the SEC or such registration statement is not available for resale, by way of a "cashless exercise." The Warrants expire on April 5, 2017.

Similar to the Debentures, the Warrants require payments to be made by the Company for failure to deliver the shares of Common Stock issuable upon exercise. The Warrants also contain similar limitations on exercise, including the limitation that any Buyer may not exercise its Warrants to the extent that upon exercise, such Buyer, together with its affiliates, would own in excess of 4.99% of the Company's outstanding shares of Common Stock (subject to an increase, upon at least 61 days' notice by such Buyer to the Company, of up to 9.99%).

Anti-Dilution Protection

The exercise price of the Warrants and the number of shares issuable upon exercise of the Warrants are subject to adjustments for stock splits, combinations or similar events.

In addition, the Warrants are also subject to a "most favored nation" adjustment pursuant to which, in the event that the Company issues or is deemed to have issued certain securities with terms that are superior than those of the holders of the Warrants, except with respect to exercise price and warrant coverage, the terms of such superior issuance shall automatically be incorporated into the Warrants.

Fundamental Transactions

Upon the occurrence of a transaction involving a change of control that is (i) an all cash transaction, (ii) a "Rule 13e-3 transaction" as defined in Rule 13e-3 under the Exchange Act, or (iii) involving a person or entity not traded on a national securities exchange, the holders of the Warrants will have the right, among others, to have the Warrants repurchased for a purchase price in cash equal to the Black-Scholes value (as calculated pursuant to the Warrants) of the then unexercised portion of the Warrants.

Purchase Rights

If, while the Warrants are outstanding, the Company issues any evidences of indebtedness, assets, rights or warrants to subscribe for or purchase any security of the Company, then any holder of the Warrants shall, upon exercise, have the right to acquire the same securities as if it had exercised the Warrants immediately before the date on which a record is taken for such distribution, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the participation in such distribution.

Registration Rights Agreement

Pursuant to the Registration Rights Agreement, the Company agreed to file a registration statement with the SEC within 45 days of the Closing Date covering the resale of all of the Underlying Shares not then registered. The Company will use its commercially reasonable efforts to cause such registration statement to be declared effective by the SEC within 90 days of the Closing Date in the event that the registration statement is not reviewed by the SEC and within 120 days of the Closing Date in the event that the registration statement is reviewed by the SEC and the SEC issues comments.

If (i) the registration statement is not filed within 45 days of the Closing Date, (ii) the registration statement is not declared effective by the SEC within 90 days of the Closing Date in the case of a no review, (iii) the registration statement is not declared effective by the SEC within 120 days of the Closing Date in the case of a review by the SEC pursuant to which the SEC issues comments or (iv) the registration statement ceases to remain continuously effective for more than 30 consecutive calendar days or more than an aggregate of 60 calendar days during any 12-month period after its first effective date, then the Company shall pay liquidated damages to the Buyers in an amount equal to 1% of the aggregate purchase price paid by the Buyers on the day of delinquency and each 30 th day of delinquency thereafter. Notwithstanding the foregoing, (i) the maximum aggregate liquidated damages due under the Registration Rights Agreement shall be 6% of the aggregate purchase price paid by the Buyers, and (ii) if any partial amount of liquidated damages remains unpaid for more than seven days, the Company shall pay interest of 18% per annum, accruing daily, on such unpaid amount.

Pursuant to the Registration Rights Agreement, the Company must maintain the effectiveness of the registration statement from the effective date until the date on which all securities registered under the registration statement have been sold, or are otherwise able to be sold pursuant to Rule 144 without volume or manner-of-sale restrictions pursuant, subject to the Company's right to suspend or defer the use of the registration statement in certain events.

Security Documents

Pursuant to the Security Agreement, the Intellectual Property Security Agreement and the Deposit Account Control Agreement, the Company's obligations under the Debentures are secured by a first priority perfected security interest in all of the assets and properties of the Company, including the stock of InspireMD Ltd. and InspireMD GmbH. On April 5, 2012, InspireMD Ltd., the Company's wholly owned subsidiary, and Inspire MD GmbH, a wholly owned subsidiary of InspireMD Ltd., also executed a Subsidiary Guarantee in favor of the Buyers supporting the Company's performance under the Debentures. On April 5, 2012, InspireMD Ltd. issued to the Buyers a Fixed and Floating Charge Debenture (the " ***Israel Security Agreement*** ") in order to create a security interest in the all assets and property of InspireMD Ltd. securing the Company's obligations.

Placement Agents

In consideration for serving as a placement agents for the Private Placement, Oppenheimer & Co. Inc., JMP Securities LLC and Palladium Capital Advisors, LLC (collectively, the " ***Placement Agents*** ") were issued an aggregate cash fee of $848,750 and warrants to purchase 312,310 shares of Common Stock (the " ***Placement Agent Warrants*** "). The Placement Agent Warrants are identical to the Warrants issued to the Buyers.

Lock-Up Agreements

In connection with the Private Placement, the Company's executive officers and directors entered into lock-up agreements for a period of 30 days following the effectiveness of the registration statement to be filed pursuant to the Registration Rights Agreement, subject to the approval of Oppenheimer & Co. Inc. (the " ***Lock-Up Agreements*** ").

The Securities Purchase Agreement, the Debentures, the Warrants, the Registration Rights Agreement, the Security Agreement, the Intellectual Property Security Agreement, the Deposit Account Control Agreement, the Subsidiary Guarantee, the Israel Security Agreement and the form of Lock-Up Agreement are attached as Exhibits 10.1, 10.2, 10.3, 10.4, 10.5, 10.6, 10.7, 10.8, 10.9 and 10.10, respectively, to this Current Report on Form 8-K. The above descriptions are qualified by reference to the complete text of the documents and agreements described. However, those documents and agreements, including, without limitation, the representations and warranties contained in those documents, are not intended as documents for investors and the public to obtain factual information about the current state of affairs of the parties to those documents and agreements. Rather, investors and the public should look to other disclosures contained in the Company's reports under the Exchange Act.

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

The information required to be disclosed under this Item 2.03 is set forth above under Item 1.01.

Item 3.02. Unregistered Sales of Equity Securities.

On April 5, 2012, the Company issued the Debentures and the Warrants described in Item 1.01 of this Current Report on Form 8-K in exchange for aggregate gross proceeds of $11,000,000. The details of this transaction are described in Item 1.01, which is incorporated in its entirety by this reference into this Item 3.02.

The Debentures and the Warrants issued to the Buyers were not registered under the Securities Act or the securities laws of any state, and were offered and issued in reliance on the exemption from registration under the Securities Act, provided by Section 4(2) and Regulation D (Rule 506) under the Securities Act. Each of the Buyers was an accredited investor (as defined by Rule 501 under the Securities Act) at the time of the Private Placement.

The Placement Agent Warrants issued to the Placement Agents were not registered under the Securities Act or the securities laws of any state, and were offered and issued in reliance on the exemption from registration under the Securities Act, provided by Section 4(2) and Regulation D (Rule 506) under the Securities Act. Each Placement Agent was an accredited investor (as defined by Rule 501 under the Securities Act) at the time of the Private Placement.

Item 7.01 Regulation FD Disclosure.

On April 5, 2012, the Company issued a press release announcing the signing of the Securities Purchase Agreement disclosed in Item 1.01 above. A copy of that press release is filed as Exhibit 99.1 to this Current Report on Form 8-K.

Item 9.01 Financial Statements And Exhibits

(d) Exhibits

Exhibit Number	Description
10.1	Securities Purchase Agreement, dated April 5, 2012, by and between InspireMD, Inc. and the Buyers thereto
10.2	Form of Senior Secured Convertible Note issued April 5, 2012
10.3	Form of Common Stock Purchase Warrant issued April 5, 2012
10.4	Registration Rights Agreement, dated April 5, 2012, by and between InspireMD, Inc. and the Buyers

Exhibit Number	Description
10.5	Security Agreement, dated April 5, 2012, by and between the Company, InspireMD Ltd., Inspire MD GmbH and the Buyers
10.6	Intellectual Property Security Agreement, dated April 5, 2012, by and between InspireMD, Inc., InspireMD Ltd., Inspire MD GmbH and the Buyers
10.7	Deposit Account Control Agreement, dated April 5, 2012, among InspireMD, Inc., the Buyers and Bank Leumi USA
10.8	Subsidiary Guarantee, dated April 5, 2012, by InspireMD Ltd. and Inspire MD GmbH, in favor of the Buyers
10.9	Fixed and Floating Charge Debenture, dated April 5, 2012, by and between InspireMD Ltd. and the Buyers
10.10	Form of Lock-Up Agreement
99.1	Press release dated April 5, 2014

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.

INSPIREMD, INC.

Dated: April 6, 2012

By: 

Name: Craig Shore
Title: Chief Financial Officer

SECURITIES PURCHASE AGREEMENT

This Securities Purchase Agreement (this " Agreement ") is dated as of April 5, 2012, between InspireMD, Inc., a Delaware corporation (the " Company "), and each purchaser identified on the signature pages hereto (each, including its successors and assigns, a " Purchaser " and collectively, the " Purchasers ").

WHEREAS, subject to the terms and conditions set forth in this Agreement and pursuant to Section 4(2) of the Securities Act of 1933, as amended (the " Securities Act "), and Rule 506 promulgated thereunder, the Company desires to issue and sell to each Purchaser, and each Purchaser, severally and not jointly, desires to purchase from the Company, securities of the Company as more fully described in this Agreement.

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants contained in this Agreement, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Company and each Purchaser agree as follows:

ARTICLE I.
DEFINITIONS

1.1 Definitions . In addition to the terms defined elsewhere in this Agreement: (a) capitalized terms that are not otherwise defined herein have the meanings given to such terms in the Debentures (as defined herein), and (b) the following terms have the meanings set forth in this Section 1.1:

" Acquiring Person " shall have the meaning ascribed to such term in Section 4.7.

" Action " shall have the meaning ascribed to such term in Section 3.1(j).

" Affiliate " means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person, as such terms are used in and construed under Rule 405 under the Securities Act.

" Board of Directors " means the board of directors of the Company.

" Business Day " means any day except any Saturday, any Sunday, any day which is a federal legal holiday in the United States or any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close.

" Closing " means the closing of the purchase and sale of the Securities pursuant to Section 2.1.

" Closing Date " means the Trading Day on which all of the Transaction Documents have been executed and delivered by the applicable parties thereto, and all conditions precedent to (i) the Purchasers' obligations to pay the Subscription Amount and (ii) the Company's obligations to deliver the Securities, in each case, have been satisfied or waived, but in no event later than the third Trading Day following the date hereof.

" Commission " means the United States Securities and Exchange Commission.

" Common Stock " means the common stock of the Company, par value $0.0001 per share, and any other class of securities into which such securities may hereafter be reclassified or changed.

" Common Stock Equivalents " means any securities of the Company or the Subsidiaries which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

" Company Counsel " means Haynes and Boone, LLP, with offices located at 30 Rockefeller Plaza, 26 th Floor, New York, New York 10112.

" Contingent Obligation " shall have the meaning ascribed to such term in Section 3.1(aa).

" Conversion Price " shall have the meaning ascribed to such term in the Debentures.

" Debentures " means the 8% Original Issue Discount Senior Secured Convertible Debentures due, subject to the terms therein, two years from their date of issuance, issued by the Company to the Purchasers hereunder, in the form of Exhibit A attached hereto.

" Deposit Account Control Agreement " means the deposit account control agreement, dated the date hereof, among the Company, HUG Funding LLC, as Agent, and Bank Leumi USA.

" Escrow Agent " means Law Debenture Trust Company of New York, with offices at 400 Madison Avenue, Suite 4D, New York, New York 10017.

" Escrow Agreement " means the escrow agreement entered into prior to the date hereof, by and among the Company, the Escrow Agent and Oppenheimer & Co. Inc. pursuant to which the Purchasers shall deposit Subscription Amounts with the Escrow Agent to be applied to the transactions contemplated hereunder.

" Evaluation Date " shall have the meaning ascribed to such term in Section 3.1(r).

" Exchange Act " means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

" Exempt Issuance " means the issuance of (a) shares of Common Stock or options to employees, officers or directors of the Company pursuant to any stock or option plan duly adopted for such purpose, by a majority of the non-employee members of the Board of Directors or a majority of the members of a committee of non-employee directors established for such purpose, (b) securities upon the exercise or exchange of or conversion of any Securities issued hereunder and/or other securities exercisable or exchangeable for or convertible into shares of Common Stock issued and outstanding on the date of this Agreement, provided that such securities have not been amended since the date of this Agreement to increase the number of such securities or to decrease the exercise price, exchange price or conversion price of such securities, (c) securities issued pursuant to acquisitions or strategic transactions approved by a majority of the disinterested directors of the Company, provided that any such issuance shall only be to a Person (or to the equityholders of a Person) which is, itself or through its subsidiaries, an operating company or an owner of an asset (including, but not primarily, securities) in a business synergistic with the business of the Company and shall provide to the Company additional benefits in addition to the investment of funds, but shall not include a transaction in which the Company is issuing securities primarily for the purpose of raising capital or to an entity whose primary business is investing in securities and (d) securities issuable pursuant to agreements existing as of the date hereof, as listed on Schedule 3.1(g) , provided that such agreements have not been amended since the date of this Agreement to increase the number of such securities or to decrease the exercise price, exchange price or conversion price of such securities.

" FCPA " means the Foreign Corrupt Practices Act of 1977, as amended.

" GAAP " shall have the meaning ascribed to such term in Section 3.1(h).

" Genesis " means Genesis Capital Advisors LLC or any of its Affiliates.

" Indebtedness " shall have the meaning ascribed to such term in Section 3.1(aa).

" Intellectual Property Rights " shall have the meaning ascribed to such term in Section 3.1(o).

" Israeli Subsidiary " means InspireMD Ltd., an Israeli company and wholly owned subsidiary of the Company.

" Israeli Security Agreement " means the Israeli Security Agreement, dated the date hereof, among the Company, the Israeli Subsidiary and the Purchasers, in the form of Exhibit E attached hereto.

" Legend Removal Date " shall have the meaning ascribed to such term in Section 4.1(c).

" Legend Removal Qualification Event " shall have the meaning ascribed to such term in Section 4.1(c).

" Lien " means a lien, charge, pledge (fixed or floating), security interest, encumbrance, right of first refusal, preemptive right or other restriction.

" Material Adverse Effect " shall have the meaning assigned to such term in Section 3.1(b).

" Material Permits " shall have the meaning ascribed to such term in Section 3.1(m).

" Maximum Rate " shall have the meaning ascribed to such term in Section 5.17.

" Medical Device " shall mean any instrument, apparatus, implement, machine, contrivance, implant, in vitro reagent, or other similar or related article, including a component part, or accessory which is: recognized in the official National Formulary, or the United States Pharmacopoeia, or any supplement to them, intended for use in the diagnosis of disease or other conditions, or in the cure, mitigation, treatment, or prevention of disease, in man or other animals, or intended to affect the structure or any function of the body of man or other animals, and which does not achieve any of its primary intended purposes through chemical action within or on the body of man or other animals and which is not dependent upon being metabolized for the achievement of any of its primary intended purposes or other non-drug based medical related technology or product developed, manufactured, marketed or distributed by the Company as of the date hereof.

" Meitar " means the law firm of Meitar Liquornik Geva & Leshem Brandwein, with offices at 16 Abba Hillel Road, Ramat Gan, 52506, Israel.

" Person " means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

" Placement Agents " shall mean Oppenheimer & Co. Inc., JMP Securities Inc. and Palladium Capital Advisors, LLC, in each case in their capacities as placement agents for the offering of the Securities on a best efforts basis.

" Principal Amount " means, as to each Purchaser, the amounts set forth below such Purchaser's signature block on the signature pages hereto next to the heading "Principal Amount," in United States Dollars, which shall equal such Purchaser's Subscription Amount divided by 0.94.

" Proceeding " means an action, claim, suit, investigation or proceeding (including, without limitation, an informal investigation or partial proceeding, such as a deposition), whether commenced or threatened.

" Public Information Failure " shall have the meaning ascribed to such term in Section 4.3(b).

" Public Information Failure Payments " shall have the meaning ascribed to such term in Section 4.3(b).

" Purchaser Party " shall have the meaning ascribed to such term in Section 4.10.

" Registration Rights Agreement " means the Registration Rights Agreement, dated the date hereof, among the Company and the Purchasers, in the form of Exhibit G attached hereto.

" Registration Statement " means a registration statement meeting the requirements set forth in the Registration Rights Agreement and covering the resale of the Underlying Shares by each Purchaser as provided for in the Registration Rights Agreement.

" Required Approvals " shall have the meaning ascribed to such term in Section 3.1(e).

" Required Minimum " means, as of any date, the maximum aggregate number of shares of Common Stock then issued or potentially issuable in the future pursuant to the Transaction Documents, including any Underlying Shares issuable upon exercise in full of all Warrants or conversion in full of all Debentures, ignoring any conversion or exercise limits set forth therein, and assuming that the Conversion Price is at all times on and after the date of determination 75% of the then Conversion Price on the Trading Day immediately prior to the date of determination.

" Rule 144 " means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

" Rule 424 " means Rule 424 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

" SEC Reports " shall have the meaning ascribed to such term in Section 3.1(h).

" Securities " means the Debentures, the Warrants, the Warrant Shares and the Underlying Shares.

" Securities Act " means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

" Security Agreement " means the Security Agreement, dated the date hereof, among the Company and the Purchasers, in the form of Exhibit D attached hereto.

" Security Documents " shall mean the Security Agreement, the Subsidiary Guarantees, the Israeli Security Agreement, the Deposit Account Control Agreement and any other documents and filing required thereunder in order to grant the Purchasers a first priority security interest in the assets of the Company and the Subsidiaries as provided in the Security Agreement, including all UCC-1 filing receipts and evidence of all mortgage or other required filings necessary to perfect the first priority security interest in the Company's and its Subsidiaries' Intellectual Property Rights (such filings, the " US IP Filings ") and fixed and floating pledges in the assets of the Israeli Subsidiary as provided in the Israeli Security Agreement, including all filing receipts and evidence of all required filings necessary to perfect the fixed pledge over the Israeli Subsidiary's Intellectual Property Rights (such filings, the " Israeli IP Filings " and, together with the US IP Filings, the " IP Filings ").

" Short Sales " means all "short sales" as defined in Rule 200 of Regulation SHO under the Exchange Act (but shall not be deemed to include the location and/or reservation of borrowable shares of Common Stock).

" Subscription Amount " means, as to each Purchaser, the aggregate amount to be paid for Debentures and Warrants purchased at the Closing and as specified below such Purchaser's name on the signature page of this Agreement and next to the heading "Subscription Amount," in United States dollars and in immediately available funds.

" Subsidiary " means any subsidiary of the Company as set forth on Schedule 3.1(a) (including the Israeli Subsidiary) and shall, where applicable, also include any direct or indirect subsidiary of the Company formed or acquired after the date hereof.

" Subsidiary Guarantee s" means the Subsidiary Guarantees, dated the date hereof, by each Subsidiary in favor of the Purchasers, in the form of Exhibit F attached hereto.

" Trading Day " means a day on which the principal Trading Market is open for trading.

" Trading Market " means any of the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE AMEX, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange, the OTC Bulletin Board or the OTCQB over-the-counter bulletin board service maintained by OTC Markets Group Inc. (or any successors to any of the foregoing).

" Transaction Documents " means this Agreement, the Debentures, the Warrants, the Registration Rights Agreement, the Security Agreement, the Israeli Security Agreement, the Subsidiary Guarantee, all exhibits and schedules thereto and hereto and any other documents or agreements executed in connection with the transactions contemplated hereunder.

" Transfer Agent " means Action Stock Transfer Corp., the current transfer agent of the Company, with a mailing address of 2469 E. Fort Union Blvd, Ste 214, Salt Lake City, UT 84121 and a facsimile number of (801) 274-1099, and any successor transfer agent of the Company.

" Underlying Shares " means the shares of Common Stock issued and issuable upon conversion or redemption of the Debentures and upon exercise of the Warrants and issued and issuable in lieu of the cash payment of interest and other amounts on the Debentures in accordance with the terms of the Debentures.

" Variable Rate Transaction " shall have the meaning ascribed to such term in Section 4.13.

" VWAP " means, for any date, when the price determined by the first of the following clauses that applies: (a) if the Common Stock is listed or quoted on a Trading Market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)) or (b) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Purchasers of a majority in interest of the Securities then outstanding and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

" Warrants " means, collectively, the Common Stock purchase warrants delivered to the Purchasers at the Closing in accordance with Section 2.2(a) hereof, which Warrants shall be exercisable immediately and have a term of exercise equal to five years from the Closing Date, in the form of Exhibit B attached hereto. The Placement Agents and/or their designees are also receiving placement agent warrants as compensation for services rendered in connection with the transactions set forth herein, which warrants shall also constitute "Warrants" for all purposes hereunder.

" Warrant Shares " means the shares of Common Stock issuable upon exercise of the Warrants.

ARTICLE II.
PURCHASE AND SALE

2.1 Closing . On the Closing Date, upon the terms and subject to the conditions set forth herein, substantially concurrent with the execution and delivery of this Agreement by the parties hereto, the Company agrees to sell, and the Purchasers, severally and not jointly, agree to purchase, an aggregate of $11,702,127 in principal amount of the Debentures. Each Purchaser shall deliver to the Escrow Agent via wire transfer or a certified check of immediately available funds equal to such Purchaser's Subscription Amount as set forth on the signature page hereto executed by such Purchaser, and the Company shall deliver to each Purchaser its respective Debenture and a Warrant, as determined pursuant to Section 2.2(a), and the Company and each Purchaser shall deliver the other items set forth in Section 2.2 deliverable at the Closing. Upon satisfaction of the covenants and conditions set forth in Sections 2.2 and 2.3, the Closing shall occur at the offices of Meitar or such other location as the parties shall mutually agree .

2.2 Deliveries .

(a) On or prior to the Closing Date, the Company shall deliver or cause to be delivered to each Purchaser the following:

(i) this Agreement duly executed by the Company;

(ii) a legal opinion of Company Counsel, substantially in the form of Exhibit C-1 attached hereto and a legal opinion of Kafri Leibovich, Law Office, Israeli counsel to the Company, substantially in the form of Exhibit C- 2 attached hereto, in each case addressed to the Purchasers and the Placement Agents;

(iii) a Debenture with a principal amount equal to such Purchaser's Principal Amount, registered in the name of such Purchaser;

(iv) a Warrant registered in the name of such Purchaser to purchase up to a number of shares of Common Stock equal to 50% of the number of shares of Common Stock into which the Debenture issued to such Purchaser would be convertible at the Closing, with an exercise price equal to $1.80 per share of Common Stock, subject to adjustment as set forth therein;

(v) the Registration Rights Agreement duly executed by the Company;

(vi) the Security Agreement and the Israeli Security Agreement, each duly executed by the Company and each Subsidiary party thereto, along with all of the Security Documents, including the Subsidiary Guarantee, duly executed by the parties thereto; and

(vii) evidence of the IP Filings, including true and complete copies of the documents evidencing the IP Filings.

(b) On or prior to the Closing Date, each Purchaser shall deliver or cause to be delivered the following:

(i) to the Company, this Agreement duly executed by such Purchaser;

(ii) to the Escrow Agent, such Purchaser's Subscription Amount by wire transfer or certified check to the account specified in the Escrow Agreement;

(iii) to the Company, the Registration Rights Agreement, duly executed by such Purchaser; and

(iv) to the Company, the Security Agreement and Israeli Security Agreement, each duly executed by such Purchaser.

2.3 Closing Conditions .

(a) The obligations of the Company hereunder in connection with each Purchaser in respect of the Closing are subject to the following conditions being met:

(i) the accuracy in all respects at the time of the Closing of the representations and warranties of such Purchaser contained herein (unless as of a specific date therein in which case they shall be accurate as of such date);

(ii) all obligations, covenants and agreements of such Purchaser required to be performed at or prior to the Closing shall have been performed; and

(iii) the delivery by such Purchaser of the items set forth in Section 2.2(b) of this Agreement.

(b) The respective obligations of the Purchasers hereunder in connection with the Closing are subject to the following conditions being met:

(i) the accuracy in all respects when made at the time of the Closing of the representations and warranties of the Company contained herein (unless as of a specific date therein);

(ii) all obligations, covenants and agreements of the Company required to be performed at or prior to the Closing shall have been performed;

(iii) the delivery by the Company of the items set forth in Section 2.2(a) of this Agreement;

(iv) from the date hereof to the Closing Date, trading in the Common Stock shall not have been suspended by the Commission or the Company's principal Trading Market and, at any time prior to the Closing Date, trading in securities generally as reported by Bloomberg L.P. shall not have been suspended or limited, or minimum prices shall not have been established on securities whose trades are reported by such service, or on any Trading Market, nor shall a banking moratorium have been declared either by the United States or New York State authorities nor shall there have occurred any material outbreak or escalation of hostilities or other national or international calamity of such magnitude in its effect on, or any material adverse change in, any financial market which, in each case, in the reasonable judgment of such Purchaser, makes it impracticable or inadvisable to purchase the Securities at the Closing; and

(v) the Purchasers shall have completed to their satisfaction their due diligence investigation of the Company.

ARTICLE III.
REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of the Company . Except as set forth in the Disclosure Schedules, which Disclosure Schedules shall be deemed a part hereof and shall qualify any representation or otherwise made herein to the extent of the disclosure contained in the corresponding section of the Disclosure Schedules only to the extent such disclosure is reasonably apparent on its face, without any independent knowledge on the part of the reader regarding the matter disclosed, that such disclosure is responsive to such other representations, the Company hereby makes the following representations and warranties to each Purchaser and to the Placement Agents:

(a) Subsidiaries . All of the direct and indirect subsidiaries of the Company are set forth on Schedule 3.1(a) . The Company owns, directly or indirectly, all of the capital stock or other equity interests of each Subsidiary free and clear of any Liens, and all of the issued and outstanding shares of capital stock of each Subsidiary are validly issued and are fully paid, non-assessable and free of preemptive and similar rights to subscribe for or purchase securities.

(b) Organization and Qualification . The Company and each of the Subsidiaries is an entity duly incorporated or otherwise organized, validly existing and, in those jurisdictions in which a concept of good standing exists, in good standing under the laws of the jurisdiction of its incorporation or organization, with the requisite power and authority to own and use its properties and assets and to carry on its business as currently conducted. Neither the Company nor any Subsidiary is in violation or default of any of the provisions of its respective certificate or articles of incorporation, bylaws, articles of association or other organizational or charter documents. Each of the Company and the Subsidiaries is duly qualified to conduct business and is in good standing as a foreign corporation or other entity in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, could not have or reasonably be expected to result in: (i) a material adverse effect on the legality, validity or enforceability of any Transaction Document, (ii) a material adverse effect on the results of operations, assets, business, prospects or condition (financial or otherwise) of the Company and the Subsidiaries, taken as a whole, or (iii) a material adverse effect on the Company's ability to perform in any material respect on a timely basis its obligations under any Transaction Document (any of (i), (ii) or (iii), a " Material Adverse Effect ") and no Proceeding has been instituted in any such jurisdiction revoking, limiting or curtailing or seeking to revoke, limit or curtail such power and authority or qualification.

(c) Authorization; Enforcement . The Company and each of the Subsidiaries has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by this Agreement and each of the other Transaction Documents to which it is a party and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and each of the other Transaction Documents by the Company and each of the Subsidiaries, to the extent it is a party thereto, and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of the Company or such Subsidiary, as applicable, and no further action is required by the Company, the Board of Directors, the Company's stockholders or any of the Subsidiaries in connection herewith or therewith other than in connection with the Required Approvals. This Agreement and each other Transaction Document to which it is a party has been (or upon delivery will have been) duly executed by the Company and each Subsidiary and, when delivered in accordance with the terms hereof and thereof, will constitute the valid and binding obligation of the Company or such Subsidiary enforceable against the Company or such Subsidiary in accordance with its terms, except: (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(d) No Conflicts . The execution, delivery and performance by the Company and each of the Subsidiaries of this Agreement and the other Transaction Documents to which it is a party, the issuance and sale of the Securities and the consummation by it of the transactions contemplated hereby and thereby do not and will not: (i) conflict with or violate any provision of the Company's or any Subsidiary's certificate or articles of incorporation, bylaws, articles of association or other organizational or charter documents, (ii) conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, result in the creation of any Lien upon any of the properties or assets of the Company or any Subsidiary, or give to others any rights of termination, amendment, acceleration or cancellation (with or without notice, lapse of time or both) of, any agreement, credit facility, debt or other instrument (evidencing a Company or Subsidiary debt or otherwise) or other understanding to which the Company or any Subsidiary is a party or by which any property or asset of the Company or any Subsidiary is bound or affected, or (iii) subject to the Required Approvals, conflict with or result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which the Company or a Subsidiary is subject (including federal and state securities laws and regulations), or by which any property or asset of the Company or a Subsidiary is bound or affected; except in the case of each of clauses (ii) and (iii), such as could not have or reasonably be expected to result in a Material Adverse Effect.

(e) Filings, Consents and Approvals . None of the Company or any Subsidiary is required to obtain any consent, waiver, authorization or order of, give any notice to, or make any filing or registration with, any court or other federal, state, local or other governmental authority or other Person in connection with the execution, delivery and performance by the Company of the Transaction Documents, other than: (i) the filings required pursuant to Section 4.6 of this Agreement, (ii) the filing with the Commission pursuant to the Registration Rights Agreement, (iii) to the extent required, the notice and/or application(s) to each applicable Trading Market for the issuance and sale of the Securities and the listing of the Shares and Warrant Shares for trading thereon in the time and manner required thereby and (iv) the filing of a Form D with the Commission and such filings as are required to be made under applicable state securities laws (collectively, the " Required Approvals ").

(f) Issuance of the Securities . The Securities are duly authorized and, when issued and paid for in accordance with the applicable Transaction Documents, will be duly and validly issued and free and clear of all Liens imposed by the Company other than restrictions on transfer provided for in the Transaction Documents. The Underlying Shares, when issued in accordance with the terms of the Transaction Documents, will be duly and validly issued, fully paid and nonassessable, free and clear of all Liens imposed by the Company other than restrictions on transfer provided for in the Transaction Documents. The Company has reserved from its duly authorized capital stock a number of shares of Common Stock for issuance of the Underlying Shares at least equal to the Required Minimum on the date hereof.

(g) Capitalization . The capitalization of the Company is as set forth on Schedule 3.1(g) , which Schedule 3.1(g) shall also include the number of shares of Common Stock owned beneficially, and of record, by Affiliates of the Company as of the date hereof and any and all options, warrants or other rights to purchase shares of Common Stock, together with a summary description of the material terms of such options, warrants and other rights. The Company has not issued any capital stock since its most recently filed periodic report under the Exchange Act, other than pursuant to the exercise of employee stock options under the Company's stock option plans, the issuance of shares of Common Stock to employees pursuant to the Company's employee stock purchase plans and pursuant to the conversion and/or exercise of Common Stock Equivalents outstanding as of the date of the most recently filed periodic report under the Exchange Act. No Person has any right of first refusal, preemptive right, right of participation, or any similar right to participate in the transactions contemplated by the Transaction Documents or future transactions of the type contemplated by the Transaction Documents. Except as a result of the purchase and sale of the Securities and as set forth on Schedule 3.1(g) , there are no outstanding options, warrants, scrip rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities, rights or obligations convertible into or exercisable or exchangeable for, or giving any Person any right to subscribe for or acquire any shares of Common Stock, or contracts, commitments, understandings or arrangements by which the Company or any Subsidiary is or may become bound to issue additional shares of Common Stock or Common Stock Equivalents. The issuance and sale of the Securities will not obligate the Company to issue shares of Common Stock or other securities to any Person (other than the Purchasers) and will not result in a right of any holder of Company securities to adjust the exercise, conversion, exchange or reset price under any of such securities. Except as set forth on Schedule 3.1(g) , all of the outstanding shares of capital stock of the Company or any predecessor of the Company are duly authorized, validly issued, fully paid and nonassessable, have been issued in compliance with all federal and state securities laws, and none of such outstanding shares was issued in violation of any preemptive rights or similar rights to subscribe for or purchase securities. No further approval or authorization of any stockholder, the Board of Directors or others is required for the issuance and sale of the Securities. There are no stockholders agreements, voting agreements or other similar agreements with respect to the Company's capital stock to which the Company is a party or, to the knowledge of the Company, between or among any of the Company's stockholders.

(h) SEC Reports; Financial Statements . Except as set forth on Schedule 3.1(h) , the Company has filed all reports, schedules, forms, statements and other documents required to be filed by the Company under the Securities Act and the Exchange Act, including pursuant to Section 13(a) or 15(d) thereof, for the two years preceding the date hereof (or such shorter period as the Company was required by law or regulation to file such material) (the foregoing materials, including the exhibits thereto and documents incorporated by reference therein, being collectively referred to herein as the " SEC Reports ") on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension. As of their respective dates, the SEC Reports complied in all material respects with the requirements of the Securities Act and the Exchange Act, as applicable, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. Assuming the Company files all of the required SEC Reports, Rule 144 shall be available for the resale of securities issued by the Company after April 6, 2012. The financial statements of the Company included in the SEC Reports comply in all material respects with applicable accounting requirements and the rules and regulations of the Commission with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis during the periods involved (" GAAP "), except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes required by GAAP, and fairly present in all material respects the financial position of the Company and its consolidated Subsidiaries as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments.

(i) Material Changes; Undisclosed Events, Liabilities or Developments . Since the date of the latest audited financial statements included within the SEC Reports, except as specifically disclosed in a subsequent SEC Report filed prior to the date hereof: (i) there has been no event, occurrence or development that has had or that could reasonably be expected to result in a Material Adverse Effect, (ii) the Company has not incurred any liabilities (contingent or otherwise) other than (A) trade payables and accrued expenses incurred in the ordinary course of business consistent with past practice and (B) liabilities not required to be reflected in the Company's financial statements pursuant to GAAP or disclosed in filings made with the Commission, (iii) the Company has not altered its method of accounting, (iv) the Company has not declared or made any dividend or distribution of cash or other property to its stockholders or purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock and (v) the Company has not issued any equity securities to any officer, director or Affiliate, except pursuant to existing Company stock option plans. The Company does not have pending before the Commission any request for confidential treatment of information. Except for the issuance of the Securities contemplated by this Agreement, no event, liability, fact, circumstance, occurrence or development has occurred or exists or is reasonably expected to occur or exist with respect to the Company or its Subsidiaries or their respective businesses, properties, operations, assets or financial condition, that would be required to be disclosed by the Company under applicable securities laws at the time this representation is made or deemed made that has not been publicly disclosed at least 1 Trading Day prior to the date that this representation is made.

(j) Litigation . Except as set forth on Schedule 3.1(j) , there is no action, suit, inquiry, notice of violation, proceeding or investigation pending or, to the knowledge of the Company, threatened against or affecting the Company, any Subsidiary or any of their respective properties before or by any court, arbitrator, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign) (collectively, an " Action ") which (i) could adversely affect or challenge the legality, validity or enforceability of any of the Transaction Documents or the Securities or (ii) could, if there were an unfavorable decision, have or reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any Subsidiary, nor any director or officer thereof, is or has been the subject of any Action involving a claim of violation of or liability under federal or state securities laws or a claim of breach of fiduciary duty. There has not been, and to the knowledge of the Company, there is not pending or contemplated, any investigation by the Commission involving the Company or any current or former director or officer of the Company. The Commission has not issued any stop order or other order suspending the effectiveness of any registration statement filed by the Company or any Subsidiary under the Exchange Act or the Securities Act.

(k) Labor Relations . No labor dispute exists or, to the knowledge of the Company, is imminent with respect to any of the employees of the Company, which could reasonably be expected to result in a Material Adverse Effect. None of the Company's or its Subsidiaries' employees is a member of a union that relates to such employee's relationship with the Company or such Subsidiary, and neither the Company nor any of its Subsidiaries is a party to a collective bargaining agreement, and the Company and its Subsidiaries believe that their relationships with their employees are good. To the knowledge of the Company, no executive officer of the Company or any Subsidiary, is, or is now expected to be, in violation of any material term of any employment or consulting contract, confidentiality, disclosure or proprietary information agreement or non-competition agreement, or any other contract or agreement or any restrictive covenant in favor of any third party, and the continued employment or engagement of each such executive officer does not subject the Company or any of its Subsidiaries to any liability with respect to any of the foregoing matters. The Company and its Subsidiaries are in compliance with all Israeli and German laws and regulations and all U.S. federal, state, local and foreign laws and regulations relating to employment and employment practices, terms and conditions of employment and wages and hours, except where the failure to be in compliance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Neither the Company nor any of its Subsidiaries is subject to, nor do any of its employees benefit from, whether pursuant to applicable employment laws, regulations, extension orders (" *tzavei harchava* ") or otherwise, any agreement, arrangement, understanding or custom with respect to employment (including, without limitation, termination thereof), other than the minimum benefits and working conditions required by law to be provided pursuant to rules and regulations of the Histadrut (General Federation of Labor), the Coordinating Bureau of Economic Organization and the Industrialists' Association or extension orders that apply to all employees in Israel or to all employees in the Company's industry in Israel. The severance pay due to the Employees is fully funded or provided for in accordance with generally accepted accounting principles, consistently applied.

(l) Compliance . Neither the Company nor any Subsidiary: (i) is in default under or in violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by the Company or any Subsidiary under), nor has the Company or any Subsidiary received notice of a claim that it is in default under or that it is in violation of, any indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived), (ii) is in violation of any judgment, decree or order of any court, arbitrator or other governmental authority or (iii) is or has been in violation of any statute, rule, ordinance or regulation of any governmental authority, including without limitation all foreign, federal, state and local laws relating to taxes, environmental protection, occupational health and safety, product quality and safety and employment and labor matters, except in each case as could not have or reasonably be expected to result in a Material Adverse Effect.

(m) Regulatory Permits . Except with respect to Medical Device Permits, which are covered by Section 3.1(pp), the Company and the Subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state, local or foreign regulatory authorities necessary to conduct their respective businesses as described in the SEC Reports, except where the failure to possess such permits could not reasonably be expected to result in a Material Adverse Effect (" Material Permits "), and neither the Company nor any Subsidiary has received any notice of proceedings relating to the revocation or modification of any Material Permit. The Israeli Subsidiary has not received any funding from the Office of Chief Scientist in the Israeli Ministry of Industry and Trade.

(n) Title to Assets . The Company and the Subsidiaries have good and marketable title in fee simple to all real property owned by them and good and marketable title in all personal property owned by them that is material to the business of the Company and the Subsidiaries, in each case free and clear of all Liens, except for (i) Liens as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company and the Subsidiaries and (ii) Liens for the payment of federal, state or other taxes, for which appropriate reserves have been made therefor in accordance with GAAP and, the payment of which is neither delinquent nor subject to penalties. Any real property and facilities held under lease by the Company and the Subsidiaries are held by them under valid, subsisting and enforceable leases with which the Company and the Subsidiaries are in compliance.

(o) Intellectual Property . The Company and the Subsidiaries have, or have rights to use, all patents, patent applications, trademarks, trademark applications, service marks, trade names, trade secrets, knowhow, inventions, copyrights, licenses, governmental authorizations and other intellectual property rights and similar rights (collectively, the " Intellectual Property Rights ") as described in the SEC Reports as necessary or required for use in connection with their respective businesses. None of, and neither the Company nor any Subsidiary has received a notice (written or otherwise) that any of, the Company's Intellectual Property Rights has expired, terminated or been abandoned, or is expected to expire or terminate or be abandoned, within five (5) years from the date of this Agreement, except for such expiration, termination or abandonment that could not reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any Subsidiary has received, since the date of the latest audited financial statements included within the SEC Reports, a written notice of a claim or otherwise has any knowledge that the Company's Intellectual Property Rights violate or infringe upon the Intellectual Property Rights of any Person. To the knowledge of the Company, all such Intellectual Property Rights are enforceable. There is no claim, action or proceeding being made or brought, or to the knowledge of the Company, being threatened, against the Company or its Subsidiaries regarding its Intellectual Property Rights. The Company is unaware of any facts or circumstances which might give rise to any of the foregoing infringements or claims, actions or proceedings. The Company and its Subsidiaries have taken reasonable security measures to protect the secrecy, confidentiality and value of all of their intellectual properties. There are no third parties who have or, to the Company's knowledge, will be able to establish, rights to any of the Company's Intellectual Property Rights, except for the ownership rights of the owners of the Intellectual Property Rights which is licensed or assigned to the Company. There is no patent or, to the knowledge of the Company, patent application that contains claims that interfere with the issued or pending claims of any of the Company's Intellectual Property Rights. There is no prior art that may render any patent application owned by the Company as part of its Intellectual Property Rights unpatentable that has not been disclosed to the U.S. Patent and Trademark Office or any equivalent non-U.S. body.

(p) Insurance . The Company and the Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which the Company and the Subsidiaries are engaged, including, but not limited to, directors and officers insurance coverage in amount set forth on Schedule 3.1(p) . Neither the Company nor any Subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business without a significant increase in cost.

(q) Transactions With Affiliates and Employees . Except as set forth in the SEC Reports, none of the officers or directors of the Company or any Subsidiary and, to the knowledge of the Company, none of the employees of the Company or any Subsidiary is presently a party to any transaction with the Company or any Subsidiary (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from providing for the borrowing of money from or lending of money to, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee, stockholder, member or partner, in each case in excess of $120,000 other than for: (i) payment of salary or consulting fees for services rendered, (ii) reimbursement for expenses incurred on behalf of the Company and (iii) other employee benefits, including stock option agreements under any stock option plan of the Company.

(r) Sarbanes-Oxley; Internal Accounting Controls . The Company and the Subsidiaries are in compliance with any and all applicable requirements of the Sarbanes-Oxley Act of 2002 that are effective as of the date hereof, and any and all applicable rules and regulations promulgated by the Commission thereunder that are effective as of the date hereof and as of the Closing Date. The Company and the Subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that: (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. The Company and the Subsidiaries have established disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and the Subsidiaries and designed such disclosure controls and procedures to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. The Company's certifying officers have evaluated the effectiveness of the disclosure controls and procedures of the Company and the Subsidiaries as of the end of the period covered by the most recently filed periodic report under the Exchange Act (such date, the " Evaluation Date "). The Company presented in its most recently filed periodic report under the Exchange Act the conclusions of the certifying officers about the effectiveness of the disclosure controls and procedures based on their evaluations as of the Evaluation Date. Since the Evaluation Date, there have been no changes in the internal control over financial reporting (as such term is defined in the Exchange Act) that have materially affected, or is reasonably likely to materially affect, the internal control over financial reporting of the Company and its Subsidiaries.

(s) Certain Fees . Except as set forth on Schedule 3.1(s) , no brokerage or finder's fees or commissions are or will be payable by the Company or any Subsidiaries to any broker, financial advisor or consultant, finder, placement agent, investment banker, bank or other Person with respect to the transactions contemplated by the Transaction Documents. The Purchasers shall have no obligation with respect to any fees or with respect to any claims made by or on behalf of other Persons for fees of a type contemplated in this Section that may be due in connection with the transactions contemplated by the Transaction Documents.

(t) Private Placement . Assuming the accuracy of the Purchasers' representations and warranties set forth in Section 3.2, no registration under the Securities Act is required for the offer and sale of the Securities by the Company to the Purchasers as contemplated hereby. The issuance and sale of the Securities hereunder does not contravene the rules and regulations of the Company's principal Trading Market.

(u) Investment Company . The Company is not, and is not an Affiliate of, and immediately after receipt of payment for the Securities, will not be or be an Affiliate of, an "investment company" within the meaning of the Investment Company Act of 1940, as amended. The Company shall conduct its business in a manner so that it will not become an "investment company" subject to registration under the Investment Company Act of 1940, as amended.

(v) Registration Rights . Other than each of the Purchasers, no Person has any right to cause the Company to effect the registration under the Securities Act of any securities of the Company or any Subsidiaries.

(w) Listing and Maintenance Requirements . The Common Stock is registered pursuant to Section 12(b) or 12(g) of the Exchange Act, and the Company has taken no action designed to terminate or which to its knowledge is likely to have the effect of terminating the registration of the Common Stock under the Exchange Act nor has the Company received any notification that the Commission is contemplating terminating such registration. Except as set forth on Schedule 3.1(w) , the Company has not, in the 12 months preceding the date hereof, received notice from any Trading Market on which the Common Stock is or has been listed or quoted to the effect that the Company is not in compliance with the listing or maintenance requirements of such Trading Market. The Company is, and has no reason to believe that it will not in the foreseeable future continue to be, in compliance with all such listing and maintenance requirements.

(x) Application of Takeover Protections . The Company and the Board of Directors have taken all necessary action, if any, in order to render inapplicable any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or other similar anti-takeover provision under the Company's certificate of incorporation (or similar charter documents) or the laws of its state of incorporation that is or could become applicable to the Purchasers as a result of the Purchasers and the Company fulfilling their obligations or exercising their rights under the Transaction Documents, including without limitation as a result of the Company's issuance of the Securities and the Purchasers' ownership of the Securities.

(y) Disclosure . Except with respect to the material terms and conditions of the transactions contemplated by the Transaction Documents, the Company confirms that neither it nor any other Person acting on its behalf has provided any of the Purchasers or their agents or counsel with any information that it believes constitutes or might constitute material, non-public information. The Company understands and confirms that the Purchasers will rely on the foregoing representation in effecting transactions in securities of the Company. All of the disclosure furnished by or on behalf of the Company to the Purchasers regarding the Company and its Subsidiaries, their respective businesses and the transactions contemplated hereby, including the Disclosure Schedules to this Agreement, is true and correct and does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. The press releases disseminated by the Company during the twelve months preceding the date of this Agreement taken as a whole do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made and when made, not misleading. The Company acknowledges and agrees that no Purchaser makes or has made any representations or warranties with respect to the transactions contemplated hereby other than those specifically set forth in Section 3.2 hereof.

(z) No Integrated Offering . Assuming the accuracy of the Purchasers' representations and warranties set forth in Section 3.2, neither the Company, nor any of its Affiliates, nor any Person acting on its or their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would cause this offering of the Securities to be integrated with prior offerings by the Company for purposes of (i) the Securities Act which would require the registration of any such securities under the Securities Act, or (ii) any applicable shareholder approval provisions of any Trading Market on which any of the securities of the Company are listed or designated.

(aa) Solvency and Indebtedness . Based on the consolidated financial condition of the Company as of the Closing Date, after giving effect to the receipt by the Company of the proceeds from the sale of the Securities hereunder: (i) the fair saleable value of the Company's assets exceeds the amount that will be required to be paid on or in respect of the Company's existing debts and other liabilities (including known contingent liabilities) as they mature, (ii) the Company's assets do not constitute unreasonably small capital to carry on its business as now conducted and as proposed to be conducted including its capital needs taking into account the particular capital requirements of the business conducted by the Company, consolidated and projected capital requirements and capital availability thereof, and (iii) the current cash flow of the Company, together with the proceeds the Company would receive, were it to liquidate all of its assets, after taking into account all anticipated uses of the cash, would be sufficient to pay all amounts on or in respect of its liabilities when such amounts are required to be paid. The Company does not intend to incur debts beyond its ability to pay such debts as they mature (taking into account the timing and amounts of cash to be payable on or in respect of its debt). The Company has no knowledge of any facts or circumstances which lead it to believe that it will file for reorganization or liquidation under the bankruptcy or reorganization laws of any jurisdiction within one year from the Closing. Except as disclosed in Schedule 3(aa) , neither the Company nor any Subsidiary (i) has any outstanding Indebtedness (as defined below), (ii) is a party to any contract, agreement or instrument, the violation of which, or default under which, by the other party(ies) to such contract, agreement or instrument would result in a Material Adverse Effect, (iii) is in violation of any term of or in default under any contract, agreement or instrument, except where such violations and defaults would not result, individually or in the aggregate, in a Material Adverse Effect, or (iv) is a party to any contract, agreement or instrument relating to any Indebtedness, the performance of which, in the judgment of the Company's officers, has or is expected to have a Material Adverse Effect. Schedule 3(aa) sets forth as of the date hereof all outstanding secured and unsecured Indebtedness of the Company or any Subsidiary, or for which the Company or any Subsidiary has commitments and provides a detailed description of the material terms of any such outstanding Indebtedness. For purposes of this Agreement: (y) " Indebtedness " of any Person means, without duplication (A) all indebtedness for borrowed money in excess of $100,000 (other than trade payables incurred in the ordinary course of business), (B) all obligations issued, undertaken or assumed as the deferred purchase price of property or services (other than trade payables entered into in the ordinary course of business), (C) all reimbursement or payment obligations with respect to letters of credit, surety bonds and other similar instruments in excess of $100,000, (D) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses, (E) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to any property or assets acquired with the proceeds of such indebtedness (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property), (F) all monetary obligations under any leasing or similar arrangement classified as a capital lease under GAAP with a present value in excess of $100,000, (G) all indebtedness referred to in clauses (A) through (F) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any mortgage, lien, pledge, charge, security interest or other encumbrance upon or in any property or assets (including accounts and contract rights) owned by any Person, even though the Person which owns such assets or property has not assumed or become liable for the payment of such indebtedness, and (H) all Contingent Obligations in respect of indebtedness or obligations of others of the kinds referred to in clauses (A) through (G) above; and (z) " Contingent Obligation " means, as to any Person, any direct or indirect liability, contingent or otherwise, of that Person with respect to any indebtedness, lease, dividend or other obligation of another Person if the primary purpose or intent of the Person incurring such liability, or the primary effect thereof, is to provide assurance to the obligee of such liability that such liability will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such liability will be protected (in whole or in part) against loss with respect thereto.

(bb) Tax Status . Except for matters that would not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect, the Company and its Subsidiaries each (i) has made or filed all United States federal, state and local income and all foreign income and franchise tax returns, reports and declarations required by any jurisdiction to which it is subject, (ii) has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations and (iii) has set aside on its books provision reasonably adequate for the payment of all material taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no material unpaid taxes claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company or of any Subsidiary know of no basis for any such claim.

(cc) No General Solicitation . Neither the Company nor any person acting on behalf of the Company has offered or sold any of the Securities by any form of general solicitation or general advertising. The Company has offered the Securities for sale only to the Purchasers and certain other "accredited investors" within the meaning of Rule 501 under the Securities Act.

(dd) Foreign Corrupt Practices . Neither the Company nor any Subsidiary, nor to the knowledge of the Company or any Subsidiary, any agent or other person acting on behalf of the Company or any Subsidiary, has: (i) directly or indirectly, used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses related to foreign or domestic political activity, (ii) made any unlawful payment to foreign or domestic government officials or employees or to any foreign or domestic political parties or campaigns from corporate funds, (iii) failed to disclose fully any contribution made by the Company or any Subsidiary (or made by any person acting on its behalf of which the Company is aware) which is in violation of law or (iv) violated in any material respect any provision of the Foreign Corrupt Practices Act of 1977, as amended.

(ee) Accountants . The Company's accounting firm is set forth on Schedule 3.1(ee) of the Disclosure Schedules. To the knowledge and belief of the Company, such accounting firm is a registered public accounting firm as required by the Exchange Act.

(ff) Seniority . As of the Closing, no Indebtedness or other claim (other than trade payables entered into in the ordinary course of business) against the Company is senior to the Debentures in right of payment, whether with respect to interest or upon liquidation or dissolution, or otherwise, other than indebtedness secured by purchase money security interests (which is senior only as to underlying assets covered thereby) and capital lease obligations (which is senior only as to the property covered thereby).

(gg) No Disagreements with Accountants and Lawyers . Except as set forth on Schedule 3.1(gg) , there are no disagreements of any kind presently existing, or reasonably anticipated by the Company to arise, between the Company and the accountants and lawyers formerly or presently employed by the Company and the Company is current with respect to any fees owed to its accountants and lawyers.

(hh) Acknowledgment Regarding Purchasers' Purchase of Securities . The Company acknowledges and agrees that each of the Purchasers is acting solely in the capacity of an arm's length purchaser with respect to the Transaction Documents and the transactions contemplated thereby. The Company further acknowledges that no Purchaser is acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to the Transaction Documents and the transactions contemplated thereby and any advice given by any Purchaser or any of their respective representatives or agents in connection with the Transaction Documents and the transactions contemplated thereby is merely incidental to the Purchasers' purchase of the Securities. The Company further represents to each Purchaser that the Company's decision to enter into this Agreement and the other Transaction Documents has been based solely on the independent evaluation of the transactions contemplated hereby by the Company and its representatives.

(ii) Acknowledgment Regarding Purchaser's Trading Activity . Anything in this Agreement or elsewhere herein to the contrary notwithstanding (except for Sections 3.2(f) and 4.15 hereof), it is understood and acknowledged by the Company that: (i) none of the Purchasers has been asked by the Company to agree, nor has any Purchaser agreed, to desist from purchasing or selling, long and/or short, securities of the Company, or "derivative" securities based on securities issued by the Company or to hold the Securities for any specified term, (ii) past or future open market or other transactions by any Purchaser, specifically including, without limitation, Short Sales or "derivative" transactions, before or after the closing of this or future private placement transactions, may negatively impact the market price of the Company's publicly-traded securities, (iii) any Purchaser, and counter-parties in "derivative" transactions to which any such Purchaser is a party, directly or indirectly, may presently have a "short" position in the Common Stock and (iv) each Purchaser shall not be presumed to have any affiliation with or control over any arm's length counter-party in any "derivative" transaction. The Company further understands and acknowledges that (y) one or more Purchasers may engage in hedging activities at various times during the period that the Securities are outstanding, including, without limitation, during the periods that the value of the Underlying Shares deliverable with respect to Securities are being determined, and (z) such hedging activities (if any) could reduce the value of the existing stockholders' equity interests in the Company at and after the time that the hedging activities are being conducted. The Company acknowledges that such aforementioned hedging activities do not constitute a breach of any of the Transaction Documents.

(jj) Regulation M Compliance . The Company has not, and to its knowledge no one acting on its behalf has, (i) taken, directly or indirectly, any action designed to cause or to result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of any of the Securities, (ii) sold, bid for, purchased, or paid any compensation for soliciting purchases of, any of the Securities, or (iii) paid or agreed to pay to any Person any compensation for soliciting another to purchase any other securities of the Company during the applicable restricted period referred to in Regulation M under the Exchange Act relating to the offer and sale of the Securities, other than, in the case of clauses (ii) and (iii), compensation paid to the Company's placement agent in connection with the placement of the Securities.

(kk) Stock Option Plans . Except as set forth on Schedule 3.1 (kk) , each stock option granted by the Company under the Company's stock option plan was granted (i) in accordance with the terms of the Company's stock option plan and (ii) with an exercise price at least equal to the fair market value of the Common Stock on the date such stock option would be considered granted under GAAP and applicable law. No stock option granted under the Company's stock option plan has been backdated. The Company has not knowingly granted, and there is no and has been no Company policy or practice to knowingly grant, stock options prior to, or otherwise knowingly coordinate the grant of stock options with, the release or other public announcement of material information regarding the Company or its Subsidiaries or their financial results or prospects.

(ll) Office of Foreign Assets Control . Neither the Company nor any Subsidiary nor, to the Company's knowledge, any director, officer, agent, employee or affiliate of the Company or any Subsidiary is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department (" OFAC ").

(mm) Bank Holding Company Act . Neither the Company nor any of its Subsidiaries or Affiliates is subject to the Bank Holding Company Act of 1956, as amended (the " BHCA ") and to regulation by the Board of Governors of the Federal Reserve System (the " Federal Reserve "). Neither the Company nor any of its Subsidiaries or Affiliates owns or controls, directly or indirectly, five percent (5%) or more of the outstanding shares of any class of voting securities or twenty-five percent or more of the total equity of a bank or any entity that is subject to the BHCA and to regulation by the Federal Reserve. Neither the Company nor any of its Subsidiaries or Affiliates exercises a controlling influence over the management or policies of a bank or any entity that is subject to the BHCA and to regulation by the Federal Reserve.

(nn) Money Laundering . The operations of the Company and its Subsidiaries are and have been conducted at all times in compliance with applicable financial record-keeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, applicable money laundering statutes and applicable rules and regulations thereunder (collectively, the " Money Laundering Laws "), and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any Subsidiary with respect to the Money Laundering Laws is pending or, to the knowledge of the Company or any Subsidiary, threatened.

(oo) Environmental Laws . To the Company's knowledge, the Company and each Subsidiary (i) is in compliance with any and all Environmental Laws (as hereinafter defined), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (iii) are in compliance with all material terms and conditions of any such permit, license or approval where, in each of the foregoing clauses (i), (ii) and (iii), the failure to so comply could be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect. The term " Environmental Laws " means all applicable laws relating to pollution or protection of human health or the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata), including, without limitation, laws relating to emissions, discharges, releases or threatened releases of chemicals, pollutants, contaminants, or toxic or hazardous substances or wastes (collectively, " Hazardous Materials ") into the environment, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, as well as all authorizations, codes, decrees, demands or demand letters, injunctions, judgments, licenses, notices or notice letters, orders, permits, plans or regulations issued, entered, promulgated or approved thereunder.

(pp) Regulation of Medical Devices . The Company and each Subsidiary (i) possesses all certificates, authorizations, approvals, clearances, licenses, registrations and permits issued by the appropriate federal, state or foreign regulatory authorities necessary to conduct its business as presently conducted (" Medical Device Permits "), including, without limitation, all Medical Device Permits required by the United States Food and Drug Administration or any other federal, state or foreign agencies or bodies engaged in the regulation of Medical Devices (a " Regulatory Agency "), (ii) is in compliance with all Medical Device Permits and all Applicable Laws and Requirements (defined below) pertaining to its business as presently conducted, except where such non-compliance is not reasonably expected to result in a Material Adverse Effect, and (iii) has not received any notice of proceedings relating to the revocation or modification of any such Medical Device Permit, except for any revocation or modification that is not reasonably expected to result in a Material Adverse Effect. There is no pending, completed or, to the Company's knowledge, threatened, action (including any lawsuit, arbitration, or legal or administrative or regulatory proceeding, charge, complaint, or investigation) against the Company or any of its Subsidiaries, and none of the Company or any of its Subsidiaries has received any notice, warning letter or other communication from any Regulatory Agency which (i) contests the premarket clearance, licensure, registration, or approval of, the uses of, the distribution of, the manufacturing or packaging of, the testing of, the storage of, the sale of, or the labeling and promotion of any Medical Device, (ii) withdraws its approval of, requests the recall, suspension, or seizure of, or withdraws or orders the withdrawal of advertising or sales promotional materials relating to, any Medical Device, (iii) imposes a clinical hold on any clinical investigation by the Company or any of its Subsidiaries, (iv) enjoins production or manufacturing at any facility of the Company or any of its Subsidiaries or any facility at which a product of the Company or a component of any such product is produced or manufactured, (v) enters or proposes to enter into a consent decree of permanent injunction with the Company or any of its Subsidiaries, or (vi) otherwise alleges any violation of any Applicable Laws and Rules (as defined below) by the Company or any of its Subsidiaries, and which, either individually or in the aggregate, would have a Material Adverse Effect. Neither the Company not any Subsidiary has been informed by any Regulatory Agency that such Regulatory Agency will prohibit the marketing, sale, license or use in any jurisdiction of any product proposed to be developed, produced or marketed by the Company and its Subsidiaries nor has any Regulatory Agency expressed to the Company or any Subsidiary any concern as to approving or clearing for marketing any product being developed or proposed to be developed by the Company and its Subsidiaries, and the Company and its Subsidiaries have not received any information from any Regulatory Agency which would reasonably be expected to lead to such actions.

(qq) Clinical Trials . The clinical, pre-clinical and other studies and tests conducted by or on behalf of or sponsored by the Company or its Subsidiaries were and, if still pending, are being conducted in compliance with all applicable statutes, laws, rules, regulations, policies, guidelines and protocols, as applicable (including, without limitation, those administered or issued by any applicable Regulatory Agency, including the relevant guidelines of the Israeli Ministry of Health) (collectively, " Applicable Laws and Rules "), except for any non-compliance that is not reasonably expected to result in a Material Adverse Effect. Neither the Company nor its Subsidiaries has received any written notices from any Regulatory Agency with respect to any ongoing clinical or pre-clinical studies or tests requiring the termination, suspension or modification of such studies or tests, except for any termination, suspension or modification that is not reasonably expected to result in a Material Adverse Effect.

3.2 Representations and Warranties of the Purchasers . Each Purchaser, for itself and for no other Purchaser, hereby represents and warrants as of the date hereof and as of each Closing Date to the Company and the Placement Agents as follows (unless as of a specific date therein):

(a) Organization; Authority . Such Purchaser is either an individual or an entity duly incorporated or formed, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation with full right, corporate, partnership, limited liability company or similar power and authority to enter into and to consummate the transactions contemplated by the Transaction Documents to which it is a party and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of the Transaction Documents to which it is a party and performance by such Purchaser of the transactions contemplated by the Transaction Documents to which it is a party have been duly authorized by all necessary corporate, partnership, limited liability company or similar action, as applicable, on the part of such Purchaser. Each Transaction Document to which it is a party has been duly executed by such Purchaser, and when delivered by such Purchaser in accordance with the terms hereof, will constitute the valid and legally binding obligation of such Purchaser, enforceable against it in accordance with its terms, except: (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(b) Own Account . Such Purchaser understands that the Securities are "restricted securities" and have not been registered under the Securities Act or any applicable state securities law and is acquiring the Securities as principal for its own account and not with a view to or for distributing or reselling such Securities or any part thereof in violation of the Securities Act or any applicable state securities law, has no present intention of distributing any of such Securities in violation of the Securities Act or any applicable state securities law and has no direct or indirect arrangement or understandings with any other persons to distribute or regarding the distribution of such Securities in violation of the Securities Act or any applicable state securities law (this representation and warranty not limiting such Purchaser's right to sell the Securities pursuant to the Registration Statement or otherwise in compliance with applicable federal and state securities laws). Such Purchaser is acquiring the Securities hereunder in the ordinary course of its business.

(c) Purchaser Status . At the time such Purchaser was offered the Securities, it was, and as of the date hereof it is, and on each date on which it exercises any Warrants or converts any Debentures it will be either: (i) an "accredited investor" as defined in Rule 501(a)(1), (a)(2), (a)(3), (a)(7) or (a)(8) under the Securities Act or (ii) a "qualified institutional buyer" as defined in Rule 144A(a) under the Securities Act. Such Purchaser is not required to be registered as a broker-dealer under Section 15 of the Exchange Act.

(d) Experience of Such Purchaser . Such Purchaser, 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 Securities, and has so evaluated the merits and risks of such investment. Such Purchaser is able to bear the economic risk of an investment in the Securities and, at the present time, is able to afford a complete loss of such investment.

(e) Information . Such Purchaser and its advisors, if any, have been furnished with all materials relating to the business, finances and operations of the Company and materials relating to the offer and sale of the Securities that have been requested by such Purchaser. Such Purchaser and its advisors, if any, have been afforded the opportunity to ask questions of the Company. Neither such inquiries nor any other due diligence investigations conducted by such Buyer or its advisors, if any, or its representatives shall modify, amend or affect such Buyer's right to rely on the Company's representations and warranties contained in Section 3.1 above or contained in any of the other Transaction Documents. Such Purchaser understands that its investment in the Securities involves a high degree of risk. Such Purchaser has sought such accounting, legal and tax advice as it has considered necessary to make an informed investment decision with respect to its acquisition of the Securities. Such Purchaser understands that the Placement Agents have acted solely as the agents of the Company in this placement of the Securities and such Purchaser has not relied on the business or legal advice of the Placement Agents or any of their agents, counsel or Affiliates in making its investment decision hereunder, and confirms that none of such Persons has made any representations or warranties to such Purchaser in connection with the transactions contemplated by the Transaction Documents.

(f) General Solicitation . Such Purchaser is not purchasing the Securities as a result of any advertisement, article, notice or other communication regarding the Securities published in any newspaper, magazine or similar media or broadcast over television or radio or presented at any seminar or any other general solicitation or general advertisement.

(g) Certain Transactions and Confidentiality . Other than consummating the transactions contemplated hereunder, such Purchaser has not directly or indirectly, nor has any Person acting on behalf of or pursuant to any understanding with such Purchaser, executed any purchases or sales, including Short Sales, of the securities of the Company during the period commencing as of the time that such Purchaser first received a term sheet (written or oral) from the Company or any other Person representing the Company setting forth the material terms of the transactions contemplated hereunder and ending immediately prior to the execution hereof. Other than to other Persons party to this Agreement, such Purchaser has maintained the confidentiality of all disclosures made to it in connection with this transaction (including the existence and terms of this transaction). Notwithstanding the foregoing, for avoidance of doubt, nothing contained herein shall constitute a representation or warranty, or preclude any actions, with respect to the identification of the availability of, or securing of, available shares to borrow in order to effect Short Sales or similar transactions in the future.

The Company acknowledges and agrees that the representations contained in Section 3.2 shall not modify, amend or affect such Purchaser's right to rely on the Company's representations and warranties contained in this Agreement or any representations and warranties contained in any other Transaction Document or any other document or instrument executed and/or delivered in connection with this Agreement or the consummation of the transaction contemplated hereby.

ARTICLE IV.
OTHER AGREEMENTS OF THE PARTIES

4.1 Transfer Restrictions .

(a) The Securities may only be disposed of in compliance with state and federal securities laws. In connection with any transfer of Securities other than pursuant to an effective registration statement or Rule 144, to the Company or to an Affiliate of a Purchaser or in connection with a pledge as contemplated in Section 4.1(b), the Company may require the transferor thereof to provide to the Company an opinion of counsel selected by the transferor and reasonably acceptable to the Company, the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that such transfer does not require registration of such transferred Securities under the Securities Act. As a condition of transfer, any such transferee shall agree in writing to be bound by the terms of this Agreement and the Registration Rights Agreement and shall have the rights and obligations of a Purchaser under this Agreement and the Registration Rights Agreement.

(b) The Purchasers agree to the imprinting, so long as is required by this Section 4.1, of a legend on any of the Securities in the following form:

[NEITHER] THIS SECURITY [NOR THE SECURITIES INTO WHICH THIS SECURITY IS [EXERCISABLE] [CONVERTIBLE]] HAS [NOT] BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), 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 FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. THIS SECURITY [AND THE SECURITIES ISSUABLE UPON [EXERCISE] [CONVERSION] OF THIS SECURITY] MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT WITH A REGISTERED BROKER-DEALER OR OTHER LOAN WITH A FINANCIAL INSTITUTION THAT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT OR OTHER LOAN SECURED BY SUCH SECURITIES.

The Company acknowledges and agrees that a Purchaser may from time to time pledge pursuant to a bona fide margin agreement with a registered broker-dealer or grant a security interest in some or all of the Securities to a financial institution that is an "accredited investor" as defined in Rule 501(a) under the Securities Act and who agrees to be bound by the provisions of this Agreement and the Registration Rights Agreement and, if required under the terms of such arrangement, such Purchaser may transfer pledged or secured Securities to the pledgees or secured parties. Such a pledge or transfer would not be subject to approval of the Company and no legal opinion of legal counsel of the pledgee, secured party or pledgor shall be required in connection therewith. Further, no notice shall be required of such pledge. At the appropriate Purchaser's expense, the Company will execute and deliver such reasonable documentation as a pledgee or secured party of Securities may reasonably request in connection with a pledge or transfer of the Securities, including, if the Securities are subject to registration pursuant to the Registration Rights Agreement, the preparation and filing of any required prospectus supplement under Rule 424(b)(3) under the Securities Act or other applicable provision of the Securities Act to appropriately amend the list of Selling Stockholders (as defined in the Registration Rights Agreement) thereunder.

(c) Certificates evidencing the Underlying Shares shall not contain any legend (including the legend set forth in Section 4.1(b) hereof): (i) while a registration statement (including the Registration Statement) covering the resale of such security is effective under the Securities Act, (ii) following any sale of such Underlying Shares pursuant to Rule 144, (iii) following the six-month anniversary of the Closing Date if such Underlying Shares are eligible for sale under Rule 144 without volume or manner-of-sale restrictions and as of such date the Company is in compliance with the current public information required under Rule 144 as to such Underlying Shares, or (iv) if such legend is not required under applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the staff of the Commission) (each such event being a " Legend Removal Qualification Event "). Upon request, the Company shall cause its counsel to issue a legal opinion to the Transfer Agent, if required by the Transfer Agent, promptly after a Legend Removal Qualification Event and the delivery to the Company or the Company's counsel of any reasonable certifications requested by the Company or the Company's counsel in connection with the issuance of such opinion to effect the removal of the legend hereunder with respect to any qualifying Underlying Shares. Following an applicable Legend Removal Qualification Event, the Company will no later than three (3) Trading Days following the delivery by a Purchaser to the Company or the Transfer Agent (with notice to the Company) of (i) a legended certificate representing Underlying Shares (endorsed or with stock powers attached, signatures guaranteed, and otherwise in form necessary to affect the reissuance and/or transfer) or (ii) a Notice of Exercise or Notice of Conversion in the manner stated in the Warrants or Debentures to effect the exercise of a Warrant or conversion of a Debenture in accordance with its terms, and, in each case, any reasonable certifications from the Purchaser requested by the Company or the Company's counsel in order to effectuate a legend removal (such third Trading Day, the " Legend Removal Date "), deliver or cause to be delivered to such Purchaser a certificate representing such Underlying Shares that is free from all restrictive and other legends. In addition, promptly upon request of a Purchaser, the Company shall cause its counsel to promptly, but in no event later than two (2) Trading Days after such request and the delivery to the Company or the Company's counsel of any reasonable certifications requested by the Company or the Company's counsel, issue a legal opinion to the Transfer Agent at any time after the six month anniversary of the Closing Date if required by the Transfer Agent to transfer any of the Underlying Shares, which legal opinion shall provide that a Purchaser may transfer any of the Underlying Shares free of restriction during the 10 Trading Days following the date of such legal opinion and that the transferee thereof shall receive the Underlying Shares free from all restrictive and other legends. The Company may not make any notation on its records or give instructions to the Transfer Agent that enlarge the restrictions on transfer set forth in this Section 4. Certificates for Underlying Shares subject to legend removal hereunder shall be transmitted by the Transfer Agent to the Purchaser by crediting the account of the Purchaser's prime broker with the Depository Trust Company System as directed by such Purchaser if the Company is then a participant in such system. In the event that, as of the Closing, the Company's Common Stock does not participate in The Depository Trust Company's Deposit or Withdrawal at Custodian (" DWAC ") system program, the Company shall use commercially reasonable efforts to ensure that the Company becomes a participant in the DWAC system as soon as practicable following the Closing.

(d) In addition to such Purchaser's other available remedies, the Company shall pay to a Purchaser, in cash, as partial liquidated damages and not as a penalty, for each $1,000 of Underlying Shares (based on the VWAP of the Common Stock on the date such Securities are submitted to the Transfer Agent) delivered for removal of the restrictive legend and subject to Section 4.1(c), $5 per Trading Day (increasing to $10 per Trading Day five (5) Trading Days after such damages have begun to accrue) for each Trading Day commencing on the third Trading Day following the Legend Removal Date, until such certificate is delivered without a legend. Nothing herein shall limit such Purchaser's right to pursue actual damages for the Company's failure to deliver certificates representing any Securities as required by the Transaction Documents, and such Purchaser shall have the right to pursue all remedies available to it at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief.

(e) Each Purchaser, severally and not jointly with the other Purchasers, agrees with the Company that such Purchaser will sell any Securities pursuant to either the registration requirements of the Securities Act, including any applicable prospectus delivery requirements, or an exemption therefrom, and that if Securities are sold pursuant to the Registration Statement, they will be sold in compliance with the plan of distribution set forth therein, and acknowledges that the removal of the restrictive legend from certificates representing Securities as set forth in this Section 4.1 is predicated upon the Company's reliance upon this understanding.

4.2 Acknowledgment of Dilution . The Company acknowledges that the issuance of the Securities may result in dilution of the outstanding shares of Common Stock, which dilution may be substantial under certain market conditions. The Company further acknowledges that its obligations under the Transaction Documents, including, without limitation, its obligation to issue the Underlying Shares pursuant to the Transaction Documents, are unconditional and absolute and not subject to any right of set off, counterclaim, delay or reduction, regardless of the effect of any such dilution or any claim the Company may have against any Purchaser and regardless of the dilutive effect that such issuance may have on the ownership of the other stockholders of the Company.

4.3 Furnishing of Information; Public Information .

(a) Until the earliest of (i) 5 years following the Closing Date or (ii) the time that no Purchaser holds or has the right to acquire at least $375,000 of Underlying Shares (based on the VWAP of the Common Stock on the date of determination) (such earlier date, the " End Date "), the Company covenants to maintain the registration of the Common Stock under Section 12(b) or 12(g) of the Exchange Act and to timely file (or obtain extensions in respect thereof and file within the applicable grace period) all reports required to be filed by the Company after the date hereof pursuant to the Exchange Act even if the Company is not then subject to the reporting requirements of the Exchange Act.

(b) At any time during the period commencing from the six (6) month anniversary of the date hereof and ending on the End Date, if the Company shall fail for any reason to satisfy the current public information requirement under Rule 144(c) (a " Public Information Failure ") then, in addition to such Purchaser's other available remedies, the Company shall pay to a Purchaser, in cash, as partial liquidated damages and not as a penalty, by reason of any such delay in or reduction of its ability to sell the Securities, an amount in cash equal to one percent (1.0%) of the aggregate Subscription Amount of such Purchaser's Securities on the day of a Public Information Failure and on every thirtieth (30 th) day (pro rated for periods totaling less than 30 days) thereafter until the earlier of (a) the date such Public Information Failure is cured and (b) such time that such public information is no longer required for the Purchasers to transfer the Underlying Shares pursuant to Rule 144. The payments to which a Purchaser shall be entitled pursuant to this Section 4.3(b) are referred to herein as " Public Information Failure Payments ." Public Information Failure Payments shall be paid on the earlier of (i) the last day of the calendar month during which such Public Information Failure Payments are incurred and (ii) the fifth (5 th) Business Day after the event or failure giving rise to the Public Information Failure Payments is cured. In the event the Company fails to make Public Information Failure Payments in a timely manner, such Public Information Failure Payments shall bear interest at the rate of 1.5% per month (prorated for partial months) until paid in full. Nothing herein shall limit such Purchaser's right to pursue actual damages for the Public Information Failure, and such Purchaser shall have the right to pursue all remedies available to it at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief.

4.4 Integration . The Company shall not sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in Section 2 of the Securities Act) that would be integrated with the offer or sale of the Securities in a manner that would require the registration under the Securities Act of the sale of the Securities or that would be integrated with the offer or sale of the Securities for purposes of the rules and regulations of any Trading Market such that it would require shareholder approval prior to the closing of such other transaction unless shareholder approval is obtained before the closing of such subsequent transaction.

4.5 Conversion and Exercise Procedures . Each of the form of Notice of Exercise included in the Warrants and the form of Notice of Conversion included in the Debentures set forth the totality of the procedures required of the Purchasers in order to exercise the Warrants or convert the Debentures. No additional legal opinion, other information or instructions shall be required of the Purchasers to exercise their Warrants or convert their Debentures. The Company shall honor exercises of the Warrants and conversions of the Debentures and shall deliver Underlying Shares in accordance with the terms, conditions and time periods set forth in the Transaction Documents.

4.6 Securities Laws Disclosure; Publicity . The Company shall, by 8:30 a.m. (New York City time) on the Trading Day immediately following the date hereof, file a Current Report on Form 8-K and press release, in a form reasonably acceptable to Oppenheimer & Co. Inc. on behalf of the Placement Agents, disclosing the material terms of the transactions contemplated hereby, including the Transaction Documents as exhibits thereto. From and after the issuance of such press release, the Company represents to the Purchasers that it shall have publicly disclosed all material, non-public information delivered to any of the Purchasers by the Company or any of its Subsidiaries, or any of their respective officers, directors, employees or agents in connection with the transactions contemplated by the Transaction Documents. The Company and each Purchaser shall consult with each other in issuing any other press releases with respect to the transactions contemplated hereby, and neither the Company nor any Purchaser shall issue any such press release nor otherwise make any such public statement without the prior consent of the Company, with respect to any press release of any Purchaser, or without the prior consent of each Purchaser, with respect to any press release of the Company, which consent shall not unreasonably be withheld or delayed, except if such disclosure is required by law, in which case the disclosing party shall promptly provide the other party with prior notice of such public statement or communication. Notwithstanding the foregoing, the Company shall not publicly disclose the name of any Purchaser, or include the name of any Purchaser in any filing with the Commission or any regulatory agency or Trading Market, without the prior written consent of such Purchaser, except: (a) as required by federal securities law in connection with (i) any registration statement contemplated by the Registration Rights Agreement and (ii) the filing of final Transaction Documents (including conformed signature pages thereto) with the Commission and (b) to the extent such disclosure is required by law or Trading Market regulations, in which case the Company shall provide the Purchasers with prior notice of such disclosure permitted under this clause (b).

4.7 Shareholder Rights Plan . No claim will be made or enforced by the Company or, with the consent of the Company, any other Person, that any Purchaser is an "Acquiring Person" under any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or similar anti-takeover plan or arrangement in effect or hereafter adopted by the Company, or that any Purchaser could be deemed to trigger the provisions of any such plan or arrangement, by virtue of receiving Securities under the Transaction Documents or under any other agreement between the Company and the Purchasers.

4.8 Non-Public Information . Except with respect to the material terms and conditions of the transactions contemplated by the Transaction Documents, the Company covenants and agrees that neither it, nor any other Person acting on its behalf, will provide any Purchaser or its agents or counsel with any information that the Company believes constitutes material non-public information, unless prior thereto such Purchaser shall have entered into a written agreement with the Company regarding the confidentiality and use of such information. The Company understands and confirms that each Purchaser shall be relying on the foregoing covenant in effecting transactions in securities of the Company.

4.9 Use of Proceeds . The Company shall use the net proceeds from the sale of the Securities hereunder for (i) conducting clinical trials, (ii) expanding its sales and marketing division and (ii) its general working capital purposes and shall not use such proceeds: (a) for the satisfaction of any portion of the Company's debt (other than as set out herein and for the payment of trade payables in the ordinary course of the Company's business and prior practices), (b) for the redemption of any Common Stock or Common Stock Equivalents, (c) for the settlement of any outstanding litigation or (d) in violation of FCPA or OFAC regulations.

4.10 Indemnification of Purchasers . Subject to the provisions of this Section 4.10, the Company will indemnify and hold each Purchaser and its directors, officers, shareholders, members, partners, employees and agents (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title), each Person who controls such Purchaser (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, shareholders, agents, members, partners or employees (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title) of such controlling persons (each, a " Purchaser Party ") harmless from any and all losses, liabilities, obligations, claims, contingencies, damages, costs and expenses, including all judgments, amounts paid in settlements, court costs and reasonable attorneys' fees and costs of investigation that any such Purchaser Party may suffer or incur as a result of or relating to (a) any breach of any of the representations, warranties, covenants or agreements made by the Company in this Agreement or in the other Transaction Documents or (b) any action instituted against the Purchaser Parties in any capacity, or any of them or their respective Affiliates, by any stockholder of the Company who is not an Affiliate of such Purchaser Party, with respect to any of the transactions contemplated by the Transaction Documents (unless such action is based upon a breach of such Purchaser Party's representations, warranties or covenants under the Transaction Documents or any agreements or understandings such Purchaser Party may have with any such stockholder or any violations by such Purchaser Party of state or federal securities laws or any conduct by such Purchaser Party which constitutes fraud, gross negligence, willful misconduct or malfeasance). If any action shall be brought against any Purchaser Party in respect of which indemnity may be sought pursuant to this Agreement, such Purchaser Party shall promptly notify the Company in writing, and the Company shall have the right to assume the defense thereof with counsel of its own choosing reasonably acceptable to the Purchaser Party. Any Purchaser Party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Purchaser Party except to the extent that (i) the employment thereof has been specifically authorized by the Company in writing, (ii) the Company has failed after a reasonable period of time to assume such defense and to employ counsel or (iii) in such action there is, in the reasonable opinion of counsel to the Purchaser Party, a material conflict on any material issue between the position of the Company and the position of such Purchaser Party, in which case the Company shall be responsible for the reasonable fees and expenses of no more than one such separate counsel. The Company will not be liable to any Purchaser Party under this Agreement (y) for any settlement by a Purchaser Party effected without the Company's prior written consent, which shall not be unreasonably withheld or delayed; or (z) to the extent, but only to the extent that a loss, claim, damage or liability is attributable to any Purchaser Party's breach of any representations, warranties or covenants under the Transaction Documents or any violations by such Purchaser Party of state or federal securities laws. The indemnification required by this Section 4.10 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or are incurred. The indemnity agreements contained herein shall be in addition to any cause of action or similar right of any Purchaser Party against the Company or others and any liabilities the Company may be subject to pursuant to law.

4.11 Reservation and Listing of Securities .

(a) The Company shall maintain a reserve from its duly authorized shares of Common Stock for issuance pursuant to the Transaction Documents in such amount as may then be required to fulfill its obligations in full under the Transaction Documents.

(b) If, on any date, the number of authorized but unissued (and otherwise unreserved) shares of Common Stock is less than the Required Minimum on such date, then the Board of Directors shall use commercially reasonable efforts to amend the Company's certificate of incorporation to increase the number of authorized but unissued shares of Common Stock to at least the Required Minimum at such time, as soon as possible and in any event not later than the 75th day after such date.

(c) The Company shall, if applicable: (i) in the time and manner required by the principal Trading Market, prepare and file with such Trading Market an additional shares listing application covering a number of shares of Common Stock at least equal to the Required Minimum on the date of such application, (ii) take all steps necessary to cause such shares of Common Stock to be approved for listing or quotation on such Trading Market as soon as possible thereafter, (iii) provide to the Purchasers evidence of such listing or quotation and (iv) maintain the listing or quotation of such Common Stock on any date at least equal to the Required Minimum on such date on such Trading Market or another Trading Market.

4.12 Reserved

4.13 Subsequent Equity Sales . From the date hereof until the End Date, the Company shall be prohibited from effecting or entering into an agreement to effect any issuance by the Company or any of its Subsidiaries of Common Stock or Common Stock Equivalents for cash consideration (or a combination of units thereof) involving a Variable Rate Transaction. " Variable Rate Transaction " means a transaction in which the Company (i) issues or sells any debt or equity securities that are convertible into, exchangeable or exercisable for, or include the right to receive, additional shares of Common Stock either (A) at a conversion price, exercise price or exchange rate or other price that is based upon, and/or varies with, the trading prices of or quotations for the shares of Common Stock at any time after the initial issuance of such debt or equity securities or (B) with a conversion, exercise or exchange price that is subject to being reset at some future date after the initial issuance of such debt or equity security or upon the occurrence of specified or contingent events directly or indirectly related to the business of the Company or the market for the Common Stock or (ii) enters into any agreement, including, but not limited to, an equity line of credit, whereby the Company may sell securities at a future determined price. Any Purchaser shall be entitled to obtain injunctive relief against the Company to preclude any such issuance, which remedy shall be in addition to any right to collect damages.

4.14 Equal Treatment of Purchasers . No consideration (including any modification of any Transaction Document) shall be offered or paid to any Person to amend or consent to a waiver or modification of any provision of any of the Transaction Documents unless the same consideration is also offered to all of the parties to the Transaction Documents. Further, the Company shall not make any payment of principal or interest on the Debentures in amounts which are disproportionate to the respective principal amounts outstanding on the Debentures at any applicable time. For clarification purposes, this provision constitutes a separate right granted to each Purchaser by the Company and negotiated separately by each Purchaser, and is intended for the Company to treat the Purchasers as a class and shall not in any way be construed as the Purchasers acting in concert or as a group with respect to the purchase, disposition or voting of Securities or otherwise.

4.15 Certain Transactions and Confidentiality . Each Purchaser, severally and not jointly with the other Purchasers, covenants that neither it, nor any Affiliate acting on its behalf or pursuant to any understanding with it will execute any purchases or sales, including Short Sales, of any of the Company's securities during the period commencing with the execution of this Agreement and ending at such time that the transactions contemplated by this Agreement are first publicly announced pursuant to the initial press release as described in Section 4.6. Each Purchaser, severally and not jointly with the other Purchasers, covenants that until such time as the transactions contemplated by this Agreement are publicly disclosed by the Company pursuant to the initial press release as described in Section 4.6, such Purchaser will maintain the confidentiality of the existence and terms of this transaction and the information included in the Transaction Documents and the Disclosure Schedules. Notwithstanding the foregoing, and notwithstanding anything contained in this Agreement to the contrary, the Company expressly acknowledges and agrees that (i) no Purchaser makes any representation, warranty or covenant hereby that it will not engage in effecting transactions in any securities of the Company after the time that the transactions contemplated by this Agreement are first publicly announced pursuant to the initial press release as described in Section 4.6, (ii) no Purchaser shall be restricted or prohibited from effecting any transactions in any securities of the Company in accordance with applicable securities laws from and after the time that the transactions contemplated by this Agreement are first publicly announced pursuant to the initial press release as described in Section 4.6 and (iii) no Purchaser shall have any duty of confidentiality to the Company or its Subsidiaries after the issuance of the initial press release as described in Section 4.6. Notwithstanding the foregoing, in the case of a Purchaser that is a multi-managed investment vehicle whereby separate portfolio managers manage separate portions of such Purchaser's assets and the portfolio managers have no direct knowledge of the investment decisions made by the portfolio managers managing other portions of such Purchaser's assets, the covenant set forth above shall only apply with respect to the portion of assets managed by the portfolio manager that made the investment decision to purchase the Securities covered by this Agreement.

4.16 Form D; Blue Sky Filings . The Company agrees to timely file a Form D with respect to the Securities as required under Regulation D as promulgated by the Commission under the Securities Act. The Company shall take such action as the Company shall reasonably determine is necessary in order to obtain an exemption for, or to qualify the Securities for, sale to the Purchasers at the Closing under applicable securities or "Blue Sky" laws of the states of the United States, and shall provide evidence of such actions promptly upon request of any Purchaser.

4.17 Capital Changes . Until the one year anniversary of the Closing Date, other than for purposes of qualifying for initial listing on a national securities exchange or meeting the continued listing requirements of such exchange, the Company shall not undertake a reverse or forward stock split or reclassification of the Common Stock without the prior written consent of the Purchasers holding 60% in principal amount outstanding of the Debentures.

4.18 Corporate Existence . So long as any Purchaser owns any Debentures or Warrants, the Company shall not be party to any Fundamental Transaction (as defined in the Debentures) unless the Company is in compliance with the applicable provisions governing Fundamental Transactions set forth in the Debentures and the Warrants.

4.19 Board Representation . If Sol J. Barer, Ph.D. ceases to serve as Chairman of the Board of Directors due to (a) Dr. Barer's resignation as a director due to a material adverse change to the condition of Dr. Barer or any member of Dr. Barer's immediate family or (b) a vote or written consent of stockholders of the Company, in which the requisite majority for approval of such removal by the stockholders of the Company does not include any stockholders who serve on the Board of Directors or who are Affiliates of any individuals who serve on the Board of Directors, the Company shall promptly take any and all actions (including by increasing the size of the Board of Directors) as may be required under the laws of its state of incorporation, its certificate of incorporation and bylaws and any all other applicable laws set forth by any governmental authority in order to (i) cause, within five (5) Trading Days following Dr. Barer's departure, (x) the election of two directors designated by Genesis, which designees shall be (A) independent under Section 5605(a)(2) of the rules of the Nasdaq Stock Market (the " Independence Rules "), (B) not existing stockholders of the Company on the date hereof and (C) persons with relevant experience in either the biotechnology, pharmaceutical or healthcare industries, to serve as members of the Board of Directors from the date hereof until such director designees' resignation, death, removal or disqualification (the " Genesis Designees ") and (y) the election of a chairman of the Board of Directors of the Company who qualifies as an independent director under the Independence Rules and (ii) until the Debentures are either repaid or converted in full, include the Genesis Designees as nominees for election or re-election as members of the Board of Directors, as the case may be, in the proxy statement to be sent to any holders of the Company's capital stock in connection with any annual or special meeting of such holders entitled to vote on such matters if the re-election of the members of the Board of Directors shall be proposed by the Board of Directors in such proxy statement and, in such instance, the Board of Directors shall recommend to any such holders of its capital stock entitled to vote at such meeting in such proxy statement the election or re-election, as applicable, of the Genesis Designees.

ARTICLE V.
MISCELLANEOUS

5.1 Termination . This Agreement may be terminated by any Purchaser, as to such Purchaser's obligations hereunder only and without any effect whatsoever on the obligations between the Company and the other Purchasers, by written notice to the other parties, if the Closing has not been consummated on or before April 10, 2012; provided , however , that such termination will not affect the right of any party to sue for any breach by any other party (or parties).

5.2 Fees and Expenses . At the applicable Closing, the Company has agreed to reimburse Genesis up to $75,000 plus applicable VAT for their legal and due diligence fees and expenses, $25,000 of which has been paid prior to the date hereof. Accordingly, in lieu of the foregoing payments, the aggregate amount that Genesis is to pay for the Securities at the Closing shall be reduced by $50,000. Except as expressly set forth in the Transaction Documents to the contrary, each party shall pay the fees and expenses of its advisers, counsel, accountants and other experts, if any, and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of this Agreement. The Company shall pay all Transfer Agent fees, stamp taxes and other taxes and duties levied in connection with the delivery of any Securities to the Purchasers.

5.3 Entire Agreement . The Transaction Documents, together with the exhibits and schedules thereto, contain the entire understanding of the parties with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings, oral or written, with respect to such matters, which the parties acknowledge have been merged into such documents, exhibits and schedules.

5.4 Notices . Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of: (a) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth on the signature pages attached hereto at or prior to 5:30 p.m. (New York City time) on a Trading Day, (b) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth on the signature pages attached hereto on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (c) the second (2 nd) Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service or (d) upon actual receipt by the party to whom such notice is required to be given. The address for such notices and communications shall be as set forth on the signature pages attached hereto.

5.5 Amendments; Waivers . No provision of this Agreement may be waived, modified, supplemented or amended except in a written instrument signed, in the case of an amendment, by the Company and the Purchasers holding at least 60% in interest of the Securities then outstanding or, in the case of a waiver, by the party against whom enforcement of any such waived provision is sought. No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right.

5.6 Headings . The headings herein are for convenience only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.

5.7 Successors and Assigns . This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns. The Company may not assign this Agreement or any rights or obligations hereunder without the prior written consent of each Purchaser (other than by merger). Any Purchaser may assign any or all of its rights under this Agreement to any Person to whom such Purchaser assigns or transfers any Securities, provided that such transferee agrees in writing to be bound, with respect to the transferred Securities, by the provisions of the Transaction Documents that apply to the "Purchasers."

5.8 No Third-Party Beneficiaries . This Agreement is intended for the benefit of the parties hereto and their respective successors and permitted assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other Person, except that the Placement Agents are intended third party beneficiaries of Article III hereof and except as otherwise set forth in Section 4.10.

5.9 Governing Law . All questions concerning the construction, validity, enforcement and interpretation of the Transaction Documents shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Each party agrees that all legal proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement and any other Transaction Documents (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the City of New York, Borough of Manhattan for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper or is an inconvenient venue for such proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law. If either party shall commence an action, suit or proceeding to enforce any provisions of the Transaction Documents, then, in addition to the obligations of the Company under Section 4.10, the prevailing party in such action, suit or proceeding shall be reimbursed by the other party for its reasonable attorneys' fees and other costs and expenses incurred with the investigation, preparation and prosecution of such action or proceeding.

5.10 Survival . The representations and warranties contained herein shall survive the Closing and the delivery of the Securities.

5.11 Execution . This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to each other party, it being understood that the parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

5.12 Severability . If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

5.13 Rescission and Withdrawal Right . Notwithstanding anything to the contrary contained in (and without limiting any similar provisions of) any of the other Transaction Documents, whenever any Purchaser exercises a right, election, demand or option under a Transaction Document and the Company does not timely perform its related obligations within the periods therein provided, then such Purchaser may rescind or withdraw, in its sole discretion from time to time upon written notice to the Company, any relevant notice, demand or election in whole or in part without prejudice to its future actions and rights; provided , however , that in the case of a rescission of a conversion of a Debenture or exercise of a Warrant, the applicable Purchaser shall be required to return any shares of Common Stock subject to any such rescinded conversion or exercise notice concurrently with (a) the return to such Purchaser of the aggregate exercise price paid to the Company for such shares in connection with a rescinded Warrant exercise and (b) the restoration of such Purchaser's right to acquire such shares pursuant to such Purchaser's Warrant or Debenture (including, issuance of a replacement warrant or debenture certificate evidencing such restored right).

5.14 Replacement of Securities . If any certificate or instrument evidencing any Securities is mutilated, lost, stolen or destroyed, the Company shall issue or cause to be issued in exchange and substitution for and upon cancellation thereof (in the case of mutilation), or in lieu of and substitution therefor, a new certificate or instrument, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction. The applicant for a new certificate or instrument under such circumstances shall also pay any reasonable third-party costs (including customary indemnity) associated with the issuance of such replacement Securities.

5.15 Remedies . In addition to being entitled to exercise all rights provided herein or granted by law, including recovery of damages, each of the Purchasers and the Company will be entitled to specific performance under the Transaction Documents. The parties agree that monetary damages may not be adequate compensation for any loss incurred by reason of any breach of obligations contained in the Transaction Documents and hereby agree to waive and not to assert in any action for specific performance of any such obligation the defense that a remedy at law would be adequate.

5.16 Payment Set Aside . To the extent that the Company makes a payment or payments to any Purchaser pursuant to any Transaction Document or a Purchaser enforces or exercises its rights thereunder, and such payment or payments or the proceeds of such enforcement or exercise or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, recovered from, disgorged by or are required to be refunded, repaid or otherwise restored to the Company, a trustee, receiver or any other Person under any law (including, without limitation, any bankruptcy law, state or federal law, common law or equitable cause of action), then to the extent of any such restoration the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

5.17 Usury . To the extent it may lawfully do so, the Company hereby agrees not to insist upon or plead or in any manner whatsoever claim, and will resist any and all efforts to be compelled to take the benefit or advantage of, usury laws wherever enacted, now or at any time hereafter in force, in connection with any claim, action or proceeding that may be brought by any Purchaser in order to enforce any right or remedy under any Transaction Document. Notwithstanding any provision to the contrary contained in any Transaction Document, it is expressly agreed and provided that the total liability of the Company under the Transaction Documents for payments in the nature of interest shall not exceed the maximum lawful rate authorized under applicable law (the " Maximum Rate "), and, without limiting the foregoing, in no event shall any rate of interest or default interest, or both of them, when aggregated with any other sums in the nature of interest that the Company may be obligated to pay under the Transaction Documents exceed such Maximum Rate. It is agreed that if the maximum contract rate of interest allowed by law and applicable to the Transaction Documents is increased or decreased by statute or any official governmental action subsequent to the date hereof, the new maximum contract rate of interest allowed by law will be the Maximum Rate applicable to the Transaction Documents from the effective date thereof forward, unless such application is precluded by applicable law. If under any circumstances whatsoever, interest in excess of the Maximum Rate is paid by the Company to any Purchaser with respect to indebtedness evidenced by the Transaction Documents, such excess shall be applied by such Purchaser to the unpaid principal balance of any such indebtedness or be refunded to the Company, the manner of handling such excess to be at such Purchaser's election.

5.18 Independent Nature of Purchasers' Obligations and Rights . The obligations of each Purchaser under any Transaction Document are several and not joint with the obligations of any other Purchaser, and no Purchaser shall be responsible in any way for the performance or non-performance of the obligations of any other Purchaser under any Transaction Document. Nothing contained herein or in any other Transaction Document, and no action taken by any Purchaser pursuant hereto or thereto, shall be deemed to constitute the Purchasers as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Purchasers are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated by the Transaction Documents. Each Purchaser shall be entitled to independently protect and enforce its rights, including, without limitation, the rights arising out of this Agreement or out of the other Transaction Documents, and it shall not be necessary for any other Purchaser to be joined as an additional party in any proceeding for such purpose. Each Purchaser has been represented by its own separate legal counsel in its review and negotiation of the Transaction Documents. For reasons of administrative convenience only, each Purchaser and its respective counsel have chosen to communicate with the Company through Meitar. Meitar does not represent any of the Purchasers and only represents Genesis. The Company has elected to provide all Purchasers with the same terms and Transaction Documents for the convenience of the Company and not because it was required or requested to do so by any of the Purchasers.

5.19 Liquidated Damages . The Company's obligations to pay any partial liquidated damages or other amounts owing under the Transaction Documents is a continuing obligation of the Company and shall not terminate until all unpaid partial liquidated damages and other amounts have been paid notwithstanding the fact that the instrument or security pursuant to which such partial liquidated damages or other amounts are due and payable shall have been canceled.

5.20 Saturdays, Sundays, Holidays, etc . If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then such action may be taken or such right may be exercised on the next succeeding Business Day.

5.21 Construction . The parties agree that each of them and/or their respective counsel have reviewed and had an opportunity to revise the Transaction Documents and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of the Transaction Documents or any amendments thereto. In addition, each and every reference to share prices and shares of Common Stock in any Transaction Document shall be subject to adjustment for reverse and forward stock splits, stock dividends, stock combinations and other similar transactions of the Common Stock that occur after the date of this Agreement.

5.22 **WAIVER OF JURY TRIAL . IN ANY ACTION, SUIT, OR PROCEEDING IN ANY JURISDICTION BROUGHT BY ANY PARTY AGAINST ANY OTHER PARTY, THE PARTIES EACH KNOWINGLY AND INTENTIONALLY, TO THE GREATEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY AND EXPRESSLY WAIVES FOREVER TRIAL BY JURY.**

(Signature Pages Follow)

IN WITNESS WHEREOF, the parties hereto have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

INSPIREMD, INC.

By: /s/ Ofir Paz
Name: Ofir Paz
Title: Chief Executive Officer

Address for Notice:
4 Menorat Hamaor
Tel Aviv, Israel 67448
Fax : 972-3-691-7692

With a copy to (which shall not constitute notice):

Haynes and Boone, LLP
30 Rockefeller Plaza, 26 th Floor
New York, NY 10112
Attention: Rick A. Werner, Esq.
Fax: 212-884- 8234

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK
SIGNATURE PAGE FOR PURCHASER FOLLOWS]

[PURCHASER SIGNATURE PAGES TO INSPIREMD SECURITIES PURCHASE AGREEMENT]

IN WITNESS WHEREOF, the undersigned have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

Name of Purchaser: HUG Funding LLC

Signature of Authorized Signatory of Purchaser : /s/ Daniel Saks

Name of Authorized Signatory: Daniel Saks

Title of Authorized Signatory: Managing Member

Address for Delivery of Securities to Purchaser (if not same as address for notice):

Subscription Amount: $1,300,000

Principal Amount : $1,382,978

[SIGNATURE PAGES CONTINUE]

[Securities Purchase Agreement – Investor Signature Page]

[PURCHASER SIGNATURE PAGES TO INSPIREMD SECURITIES PURCHASE AGREEMENT]

IN WITNESS WHEREOF, the undersigned have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

Name of Purchaser: Genesis Opportunity Fund LP

Signature of Authorized Signatory of Purchaser : /s/ Daniel Saks

Name of Authorized Signatory: Daniel Saks

Title of Authorized Signatory: Managing Member

Address for Delivery of Securities to Purchaser (if not same as address for notice):

Subscription Amount: $4,200,000

Principal Amount : $4,468,085

[SIGNATURE PAGES CONTINUE]

[Securities Purchase Agreement – Investor Signature Page]

[PURCHASER SIGNATURE PAGES TO INSPIREMD SECURITIES PURCHASE AGREEMENT]

IN WITNESS WHEREOF, the undersigned have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

Name of Purchaser: Genesis Asset Opportunity Fund LP

Signature of Authorized Signatory of Purchaser : /s/ Daniel Saks

Name of Authorized Signatory: Daniel Saks

Title of Authorized Signatory: Managing Member

Address for Delivery of Securities to Purchaser (if not same as address for notice):

Subscription Amount: $2,000,000

Principal Amount : $2,127,659

[SIGNATURE PAGES CONTINUE]

[Securities Purchase Agreement – Investor Signature Page]

[PURCHASER SIGNATURE PAGES TO INSPIREMD SECURITIES PURCHASE AGREEMENT]

IN WITNESS WHEREOF, the undersigned have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

Name of Purchaser: Ayer Capital Partners Master Fund, L.P.

Signature of Authorized Signatory of Purchaser : /s/ Jay Venkatesan

Name of Authorized Signatory: Jay Venkatesan

Title of Authorized Signatory: Managing Member

Address for Delivery of Securities to Purchaser (if not same as address for notice):

Subscription Amount: $3,256,500

Principal Amount : $3,464,362

[SIGNATURE PAGES CONTINUE]

[Securities Purchase Agreement – Investor Signature Page]

[PURCHASER SIGNATURE PAGES TO INSPIREMD SECURITIES PURCHASE AGREEMENT]

IN WITNESS WHEREOF, the undersigned have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

Name of Purchaser: Ayer Capital Partners Kestrel Fund, L.P.

Signature of Authorized Signatory of Purchaser : /s/ Jay Venkatesan

Name of Authorized Signatory: Jay Venkatesan

Title of Authorized Signatory: Managing Member

Address for Delivery of Securities to Purchaser (if not same as address for notice):

Subscription Amount: $64,500

Principal Amount : $68,617

[SIGNATURE PAGES CONTINUE]

[Securities Purchase Agreement – Investor Signature Page]

[PURCHASER SIGNATURE PAGES TO INSPIREMD SECURITIES PURCHASE AGREEMENT]

IN WITNESS WHEREOF, the undersigned have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

Name of Purchaser: Epworth-Ayer Capital

Signature of Authorized Signatory of Purchaser : /s/ Jay Venkatesan

Name of Authorized Signatory: Jay Venkatesan

Title of Authorized Signatory: Managing Member

Address for Delivery of Securities to Purchaser (if not same as address for notice):

Subscription Amount: $179,000

Principal Amount : $190,426

[Securities Purchase Agreement – Investor Signature Page]

COMPANY DISCLOSURE SCHEDULE

in connection with the

SECURITIES PURCHASE AGREEMENT

dated as of

April 5, 2012

by and among

INSPIREMD, INC.

and

THE PURCHASERS LISTED ON THE SIGNATURE PAGES ATTACHED THERETO

No disclosure of any item in these Schedules shall be construed as an admission that such item is material. These Schedules are intended to limit and not expand the scope of the representations, warranties and covenants contained in the Agreement. Information contained in these Schedules is not necessarily limited to the information required to be reflected in this Schedule and such additional information is included for informational purposes only. Disclosure of any item in any section of these Schedules shall be deemed disclosure with respect to all applicable sections to the extent such disclosure is reasonably apparent on its face, without any independent knowledge on the part of the reader regarding the matter disclosed, that such disclosure is responsive to such other representations.

SCHEDULE 3.1(a)

SUBSIDIARIES

InspireMD Ltd.

InspireMD GmbH

SCHEDULE 3.1(g)

CAPITALIZATION

I. Capitalization

The authorized capital stock of the Company consists of (i) 5,000,000 shares of preferred stock, of which no shares are issued and outstanding; (ii) 125,000,000 shares of Common Stock, of which (A) 68,178,954 shares are issued and outstanding; (B) 8,564,756 shares issuable pursuant to outstanding awards under the InspireMD, Inc. 2011 UMBRELLA Option Plan; (C) 3,858,583 shares reserved for issuance pursuant to stock options issued outside of the InspireMD, Inc. 2011 UMBRELLA Option Plan; and (D) 7,723,583 shares reserved for issuance pursuant to outstanding warrants.

In addition, the Company has agreed to make the following option grants in the future:

Name and Description	No. of Options	Exercise Price	Vesting Schedule
As part of the compensation package for a candidate for the Vice-President of Sales and Marketing position	200,000	FMV	Over Three Years
Kafri Leibovich, Law Office	141,220 (1)	0.003	Fully vested
Kafri Leibovich, Law Office	9,674 (2)	0.003	Fully vested on grant
Total	350,894		

(1) Options have not yet received board approval but are covered by written agreement.

(2) Options have received board approval, but have not yet been earned.

II. Affiliate Stock Holdings

None.

III. Description of Options and Warrants

1. *2011 UMBRELLA Option Plan*

The InspireMD, Inc. 2011 UMBRELLA Option Plan currently consists of three components, the primary plan document that governs all awards granted under the InspireMD, Inc. 2011 UMBRELLA Option Plan, and two appendices: (i) Appendix A, designated for the purpose of grants of stock options and restricted stock to Israeli employees, consultants, officers and other service providers and other non-U.S. employees, consultants, and service providers, and (ii) Appendix B, which is the 2011 U.S. Equity Incentive Plan, designated for the purpose of grants of stock options and restricted stock awards to U.S. employees, consultants, and service providers who are subject to the U.S. income tax.

The purpose of the InspireMD, Inc. 2011 UMBRELLA Option Plan is to provide an incentive to attract and retain employees, officers, consultants, directors, and service providers whose services are considered valuable, to encourage a sense of proprietorship and to stimulate an active interest of such persons in the Company's development and financial success. Unless terminated earlier by the board of directors, the InspireMD, Inc. 2011 UMBRELLA Option Plan will expire on March 27, 2021.

2. *Options*

Options granted under the InspireMD, Inc. 2011 UMBRELLA Option Plan

Number of Shares	Exercise Price
3,558,412	Par Value
205,012	0.183
149,869	0.655
584,357	0.986
2,063,943	1.232
670,394	1.500
14,608	1.725
81,161	1.750
215,000	1.930
467,000	1.950
40,000	2.000
10,000	2.100
500,000	2.500
5,000	2.600
Total: 8,564,756	

Options granted outside under the InspireMD, Inc. 2011 UMBRELLA Option Plan

Number of Shares	Exercise Price
287,666	Par Value
334,545	0.188
336,372	1.232
2,900,000	1.950
Total: 3,858,583	

3. *Warrants*

March $1.80 Warrants

On March 31, 2011 and on April 18, 2011, the Company issued certain investors five-year warrants to purchase up to an aggregate of 3,560,332 shares of Common Stock at an exercise price of $1.80 per share. The Company is prohibited from effecting the exercise of any such warrant to the extent that as a result of such exercise the holder of the exercised warrant beneficially owns more than 4.99% in the aggregate of the issued and outstanding shares of Common Stock calculated immediately after giving effect to the issuance of shares of Common Stock upon the exercise of the warrant. The warrants contain provisions that protect their holders against dilution by adjustment of the purchase price in certain events such as stock dividends, stock splits and other similar events. If at any time after the one year anniversary of the original issuance date of such warrants there is no effective registration statement registering, or no current prospectus available for, the resale of the shares of Common Stock underlying the warrant, then the holders of such warrants have the right to exercise the warrants by means of a cashless exercise. In addition, if (i) the volume-weighted average price of the Common Stock for 20 consecutive trading days is at least 250% of the exercise price of the warrants; (ii) the 20-day average daily trading volume of the Common Stock has been at least 175,000 shares; (iii) a registration statement providing for the resale of the Common Stock issuable upon exercise of the warrants is effective and (iv) the Common Stock is listed for trading on a national securities exchange, then the Company may require each holder to exercise all or a portion of its warrant pursuant to the terms described above within seven business days following the delivery of a notice of acceleration. Any warrant that is not exercised as aforesaid shall expire automatically at the end of such seven-day period.

April $1.80 Warrants

On April 18 and April 21, 2011, the Company issued certain investors five-year warrants to purchase up to an aggregate of 158,334 shares of Common Stock at an exercise price of $1.80 per share. The Company is prohibited from effecting the exercise of any such warrant to the extent that as a result of such exercise the holder of the exercised warrant beneficially owns more than 4.99% in the aggregate of the issued and outstanding shares of Common Stock calculated immediately after giving effect to the issuance of shares of Common Stock upon the exercise of the warrant. The warrants contain provisions that protect their holders against dilution by adjustment of the purchase price in certain events such as stock dividends, stock splits and other similar events. In addition, if (i) the volume-weighted average price of the Common Stock for 20 consecutive trading days is at least 250% of the exercise price of the warrants; (ii) the 20-day average daily trading volume of the Common Stock has been at least 175,000 shares; and (iii) a registration statement providing for the resale of the Common Stock issuable upon exercise of the warrants is effective, then the Company may require each holder to exercise all or a portion of its warrant pursuant to the terms described above within three business days following the delivery of a notice of acceleration. Any warrant that is not exercised as aforesaid shall expire automatically at the end of such three-day period.

Placement Agent Warrant

As consideration for serving as placement agent in connection with certain private placements, the Company issued Palladium Capital Advisors, LLC a five-year warrant to purchase up to 430,740 shares of Common Stock at an exercise price of $1.80 per share. The terms of this warrant are identical to the March $1.80 Warrants described above.

Employee Warrants

On March 31, 2011, for work performed in connection with the share exchange transactions and as bonus compensation, the Company issued Craig Shore, the Company's chief financial officer, secretary and treasurer, a five-year warrant to purchase up to 3,000 shares of Common Stock at an exercise price of $1.80 per share. The terms of this warrant are identical to the April $1.80 Warrants described above.

Consultant Warrants

In connection with the March 31, 2011 private placement, the Company issued to Hermitage Capital Management, a consultant, a five-year warrant to purchase up to 6,667 shares of Common Stock at an exercise price of $1.80 per share, in consideration for consulting services. The terms of this warrant are identical to the April $1.80 Warrants described above.

In consideration for financial consulting services, the Company issued to The Benchmark Company, LLC, a consultant, a five-year warrant to purchase up to 50,000 shares of Common Stock at an exercise price of $1.50 per share. The terms of this warrant are identical to the April $1.80 Warrants described above, except that the exercise price for this warrant is $1.50 per share.

On March 31, 2011, the Company issued certain consultants five-year warrants to purchase up to an aggregate of 2,500,000 shares of Common Stock at an exercise price of $1.50 per share. The terms of these warrants are identical to the March $1.80 Warrants described above, except that the exercise price for these $1.50 warrants is $1.50 per share.

$1.23 Warrants

In connection with the Company's share exchange transactions on March 31, 2011, the Company issued certain investors warrants to purchase up to an aggregate of 1,014,500 shares of Common Stock at an exercise price of $1.23 per share. These warrants may be exercised any time on or before July 20, 2013 and were issued in exchange for warrants to purchase up to 125,000 ordinary shares of InspireMD Ltd. at an exercise price of $10 per share. The Company is prohibited from effecting the exercise of any such warrant to the extent that as a result of such exercise the holder of the exercised warrant beneficially owns more than 9.99% in the aggregate of the issued and outstanding shares of Common Stock calculated immediately after giving effect to the issuance of shares of Common Stock upon the exercise of the warrant. The warrants contain provisions that protect their holders against dilution by adjustment of the purchase price in certain events such as stock dividends, stock splits and other similar events. In addition, if at any time following the one year anniversary of the original issuance date of the warrants, (i) the Common Stock is listed for trading on a national securities exchange, (ii) the closing sales price of the Common Stock for 15 consecutive trading days is at least 165% of the exercise price of the warrants; (iii) the 15 day average daily trading volume of the Common Stock has been at least 150,000 shares and (iv) a registration statement providing for the resale of the Common Stock issuable upon exercise of the warrants is effective, then the Company may require each investor to exercise all or a portion of its warrant pursuant to the terms described above at any time upon at least 15 trading days prior written notice. Any warrant that is not exercised as aforesaid shall expire automatically at the end of the 15-day notice period.

IV. Commitments to Issue Additional Shares of Common Stock or Common Stock Equivalents

1. Pursuant to Section 4.9 of the Securities Purchase Agreement, dated March 31, 2011, by and between the Company and the purchasers identified on the signature pages thereto, as amended (the " ***2011 SPA*** "), in the event the Company fails to obtain a listing of Common Stock on the NYSE Amex Equities, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market or the New York Stock Exchange on or before December 31, 2012, the Company will issue and deliver to each purchaser additional shares of Common Stock in an amount equal to ten percent (10%) of the number of shares of Common Stock acquired by each such purchaser on the closing date of the transaction contemplated by the 2011 SPA (the " ***2011 SPA Closing Date*** ").

2. Pursuant to Section 4.14 of the 2011 SPA, until March 31, 2014, in the event that the Company issues or sells any shares of Common Stock or any Common Stock Equivalent pursuant to which shares of Common Stock may be acquired at a price less than the Per Share Purchase Price (as defined below), then the Company shall promptly issue additional shares of Common Stock to each purchaser thereunder, for no additional consideration, in an amount sufficient that the purchase price paid pursuant to the 2011 SPA, when divided by the total number of shares of Common Stock issued to each such purchaser will result in an effective per share purchase price paid by each such purchaser pursuant to the 2011 SPA equal to the original per share purchase price multiplied by a fraction, (A) the numerator of which shall be (1) the number of shares of Common Stock outstanding immediately prior to such issue plus (2) the number of shares of Common Stock which the aggregate consideration received or to be received by the Company for the total number of additional shares of Common Stock so issued would purchase at the original per share purchase price; and (B) the denominator of which shall be (x) the number of shares of Common Stock outstanding immediately prior to such issue plus (y) the number of such additional shares of Common Stock so issued (such adjustment, a " ***Dilution Adjustment*** "). This weighted average anti-dilution protection shall not apply in respect of an Exempt Issuance (as defined below).

In the event that the Company consummates a financing at any point until March 31, 2014, pursuant to which the Company sells shares of Common Stock in one transaction or series of related transactions, other than in a transaction with an Affiliate of the Company or any Subsidiary, at a price per share greater than the Per Share Purchase Price (as defined below) that results in aggregate gross proceeds to the Company of at least $5,000,000 and does not provide the investors in such financing with any price protection similar to the weighted average anti-dilution protection described in this Section 2, this weighted average anti-dilution protection shall become void and of no further effect and the purchasers shall not be entitled to any future Dilution Adjustments.

" ***Per Share Purchase Price*** " equals $1.50, subject to appropriate adjustment for reverse and forward stock splits, stock dividends, stock combinations and other similar transactions of the Common Stock that occur after the date of the 2011 SPA.

" ***Exempt Issuance*** " means the issuance of (a) shares of Common Stock or options to employees, officers, consultants or directors of the Company pursuant to the Company's stock option plan in an amount not to exceed 15,000,000 shares of Common Stock in the aggregate (subject to appropriate adjustments for any stock dividend, stock split, stock combination, reclassification or similar transaction after the closing date of the 2011 SPA), (b) securities upon the exercise or exchange of or conversion of any of the shares of Common Stock, the warrants to purchase Common Stock or the shares of Common Stock issuable upon exercise of such warrants issued pursuant to the 2011 SPA, (c) securities exercisable or exchangeable for or convertible into shares of Common Stock issued and outstanding on the date of the 2011 SPA and listed on Schedule 3.1(g) to the 2011 SPA (available as Exhibit 10.5 to the Company's Amendment No. 1 to Form S-1, as filed with the Commission on August 26, 2011), provided that such securities have not been amended since the date of the 2011 SPA to increase the number of such securities or to decrease the exercise price, exchange price or conversion price of such securities, (d) securities issued (other than for cash) in connection with a synergistic merger, acquisition, or consolidation of all or substantially all of the assets, securities or business division of another entity, (e) options to purchase up to an aggregate of 486,966 shares of Common Stock at an exercise price of $1.23 (subject to appropriate adjustments for any stock dividend, stock split, stock combination, reclassification or similar transaction after the Closing Date) to David Ivry, Robert Fischell and Fellice Pelled (and the shares of Common Stock issuable upon exercise), which options shall be fully vested and shall expire on December 31, 2014, and (f) up to 5,800,000 shares of Common Stock or options to purchase up to 5,800,000 shares of Common Stock, or a combination thereof, for issuance as compensation to current and future members of the Company's board of directors.

3. Pursuant to Section 4.15 of the 2011 SPA, in the event the Company issues any shares of Common Stock with respect to a settlement or award related to any litigation set forth on Schedule 3.1(j) to the 2011 SPA (each, a " ***Contingency Issuance*** "), the Company shall immediately thereafter issue to each such purchaser such number of new shares of Common Stock (the " ***Contingency Shares*** "), for no additional consideration, as would cause the sum of (a) shares of Common Stock acquired pursuant to the 2011 SPA by such purchaser (the " ***Acquired Shares*** ") and (b) the Contingency Shares to represent the same percentage of the Company's outstanding Common Stock as the Acquired Shares represented immediately prior to such Contingency Issuance (assuming such purchaser has not disposed of any Acquired Shares since the closing of the transaction contemplated by the 2011 SPA).

V. Shares of Capital Stock Issued Not in Compliance with Securities Laws

InspireMD Ltd. may have violated section 15 of the Israeli Security Law of 1968. Section 15 to the Israeli Security Law of 1968 requires the filing of a prospectus with the Israel Security Authority and the delivery thereof to purchasers in connection with an offer or sale of securities to more than 35 parties during any 12 month period. InspireMD Ltd. allegedly issued securities to more than 35 investors during certain 12-month periods, ending in October 2008. However, InspireMD Ltd. has applied for a no-action determination from the Israel Security Authority and is awaiting a response.

SCHEDULE 3.1(h)

SEC REPORTS

1. Current Report on Form 8-K, filed with the Commission on March 13, 2012, was filed one day late.

SCHEDULE 3.1(j)

LITIGATION

1. Eric Ben Mayor

Court of Agency: Regional Labor Court in Tel Aviv

Date Instituted: November 2, 2010

Principal Parties: Eric Ben Mayor vs. InspireMD Ltd., InspireMD GmbH, Ofir Paz and Dr. Asher Holzer

Description: A former senior employee of InspireMD Ltd. has claimed that he was improperly terminated and that InspireMD Ltd. owes him money for due salary and pension fund payments, vacation pay, sick days, severance pay, additional prior notice payment, commission for revenues and other types of funds received by InspireMD Ltd.

Relief Sought: 1,476,027 NIS plus compensation for holding back wages and options to purchase 2,029,000 shares of Common Stock at an exercise price of $0.001.

2. Pires & Tarsis

Court of Agency: Magistrate Court in Tel Aviv

Date Instituted: February 10, 2011

Principal Parties: Pires & Tarsis Sociedade De Advogados vs. InspireMD Ltd.

Description: Pires & Tarsis has claimed that InspireMD Ltd. breached a Finder's Fee Agreement between the parties through improper termination and failing to pay a finder's fee allegedly owed to Pires & Tarsis. InspireMD Ltd. has claimed that it properly terminated the agreement on account of a breach by Pires & Tarsis and that Pires & Tarsis is not entitled to any payments because Pires & Tarsis never provided the services that were contracted for in the Finder's Fee Agreement. In addition, InspireMD Ltd. has counterclaimed, seeking the return of a 108,000 NIS payment to Pires & Tarsis by InspireMD Ltd. for the first shipment of InspireMD Ltd.'s stents to the distributor that Pires & Tarsis allegedly introduced to InspireMD Ltd.

Relief Sought: 1,200,000 NIS

3. Bary Oren

Court of Agency: Regional Labor Court in Tel Aviv

Date Instituted: August 8, 2011

Principal Parties: Bary Oren v. InspireMD Ltd.

Description: A former senior employee of InspireMD Ltd. has claimed that he was improperly terminated and that InspireMD Ltd. owes him 403,200 NIS in compensation and options to purchase 486,966 shares of Common Stock.

Relief Sought: 403,200 NIS in compensation and options to purchase 486,966 shares of Common Stock.

4. M.A. Bromfeld – Business Promotion Ltd.

Court of Agency: Magistrate Court in Tel Aviv

Date Instituted: November 13, 2011

Principal Parties: M.A. Bromfeld – Business Promotion Ltd. vs. InspireMD Ltd., InspireMD GmbH, Ofir Paz and Dr. Asher Holzer

Description: A former finder of InspireMD Ltd. has claimed that it is entitled to convert certain of its options to purchase shares of InspireMD Ltd. into options to purchase 110,785 shares of Common Stock at an exercise price of $0.45 per share and 39,087 shares of Common Stock at an exercise price of $1.23.

Relief Sought: Options to purchase 110,785 shares of Common Stock at an exercise price of $0.45 per share and 39,087 shares of Common Stock at an exercise price of $1.23.

5. Christina Makov and Amir Makov

Court of Agency: Economic Department of the Tel Aviv District Court

Date Instituted : December 27, 2011

Principal Parties: Christina Makov and Amir Makov vs. InspireMD Ltd.

Description: Ms. Makov has claimed that she is owed options to purchase 584,357 shares of Common Stock due to her under an employment agreement she entered into with InspireMD Ltd. InspireMD Ltd. has claimed that Ms. Makov is not owed an options because she never performed any of her obligations under the employment agreement and did not earn her options.

Relief Sought: Options to purchase 584,357 shares of Common Stock.

6. Moshit Yaffe

Court of Agency: None.

Date Instituted: Litigation threatened.

Description: Ms. Yaffe has claimed that she was entitled to options to purchase shares of InspireMD Ltd. in connection with InspireMD Ltd.'s loan Agreement with Mizrachi Tefachot Bank Ltd. InspireMD Ltd. has responded that she is not entitled to any options and, even if she were, such options would have expired. The Company has not received any communication about this threatened litigation since August 8, 2011.

7. Ashi Schlein

Court of Agency: None.

Date Instituted: Litigation threatened.

Description: Mr. Schlein has claimed that he is entitled to shares of Common Stock upon the exercise of an option that was assigned to him by Yuli Ofer. InspireMD Ltd. has responded that such option has expired and that Mr. Schlein is not entitled to any additional shares of Common Stock. The Company has not received any further communications about this matter since October 3, 2011.

8. Africa Israel Properties Ltd., Eilot Investments (Ramat Vered) 1994 Ltd. and Sharda Ltd.

Court of Agency: None.

Date Instituted: Litigation threatened.

Description: The parties listed above are the landlords for the offices and laboratory in Rechovot that InspireMD Ltd. leased beginning on January 1, 2012. The lease was terminated by InspireMD Ltd. on February 26, 2012. The parties are disputing whether the termination was permitted under the lease agreement. The Company last received communication about this matter on March 14, 2012.

9. MicroBank LLC & James D. Burchetta

Court of Agency: None.

Date Instituted : Litigation threatened.

Description: MicroBank LLC and James D. Burchetta claim that InspireMD Ltd. owes them a finder's fee in connection with the March 2011 private placement to having introduced InspireMD Ltd. to Palladium Capital Advisors.

Relief Sought: $1,000,000 and equity interests worth 9% of the Company's March 2011 private placement.

SCHEDULE 3.1(k)

LABOR RELATIONS

See Schedule 3.1(j).

SCHEDULE 3.1(p)

INSURANCE

The Company has directors and officers insurance coverage in the amount equal to $20,000,000.

SCHEDULE 3.1(s)

CERTAIN FEES

1. As consideration for serving as the Company's "lead left" placement agent, the Company has agreed to (i) pay Oppenheimer & Co. ("***Opco***") 70% of the 7% of the gross proceeds from the sale of the Debentures and the Warrants pursuant to this Agreement (other than those proceeds from the sale of the Debentures and the Warrants to HUG Funding LLC ("***HUG***")), and (ii) issue Opco warrants to purchase 70% of the 3% of the number of shares of Common Stock underlying the Debentures purchased by the Purchasers pursuant to this Agreement (other than those Debentures purchased by HUG). In addition, the Company has agreed to (a) pay Opco a cash fee equal to 3.5% of the aggregate amount of Debentures purchased by HUG pursuant to this Agreement, and (b) issue Opco warrants to purchase 1.5% of the number of shares of Common Stock underlying the Debentures purchased by HUG pursuant to this Agreement.

2. As consideration for serving as the Company's "lead right" placement agent, the Company has agreed to (i) pay JMP Securities LLC ("***JMP***") 30% of the 7% of the gross proceeds from the sale of the Debentures and the Warrants pursuant to this Agreement (other than those proceeds from the sale of the Debentures and the Warrants to HUG) , and (ii) issue JMP warrants to purchase 30% of the 3% of the number of shares of Common Stock underlying the Debentures purchased by the Purchasers pursuant to this Agreement (other than those Debentures purchased by HUG). In addition, the Company has agreed to (a) pay JMP a cash fee equal to 1.05% of the aggregate amount of Debentures purchased by HUG pursuant to this Agreement, and (b) issue JMP warrants to purchase 0.45% of the number of shares of Common Stock underlying the Debentures purchased by HUG pursuant to this Agreement.

3. As consideration for serving as the Company's financial advisor, the Company has agreed to (i) pay Palladium Capital Advisors, LLC ("***Palladium***") a cash fee equal to 3.5% of the aggregate amount of Debentures purchased by HUG pursuant to this Agreement, payable in cash by wire transfer at the Closing, and (ii) issue Palladium warrants to purchase 3.5% of the number of shares of Common Stock underlying the Debentures purchased by HUG pursuant to this Agreement, which warrants shall be identical to the Warrants issued to Purchasers.

SCHEDULE 3.1(w)

TRADING MARKET NOTICE

On March 31, 2011, the Company (then known as Saguaro Resources, Inc.) received an OTCBB Delinquency Notification due to the Company's failure to be current in its reporting obligations. As such, an "E" was appended to the Company's stock symbol on April 1, 2011. The Company was deemed to be in compliance with its reporting obligations on April 8, 2011 and the "E" was removed from the Company's stock symbol on April 11, 2011.

SCHEDULE 3.1(aa)

SOLVENCY

The Company and its Subsidiaries have incurred the following Indebtedness:

1. An obligation to pay $1.7 million for the completion of the MGuard for Acute ST Elevation Reperfusion Trial (MASTER Trial).

2. An obligation to pay between $10 million and $12 million for the U.S. Food and Drug Administration trial, assuming the current protocol. In the event that the protocol for the trial is changed and the trial will compare MGuard against both non-drug-eluting stents and drug-eluting stents, the sample size for the trial would be required to be increased, which could result in an increase in cost of the trial of up to $5 million. This increase is based upon the Company's best estimates and not based upon information from the U.S. Food and Drug Administration.

SCHEDULE 3.1(ee)

ACCOUNTANTS

The Company's accounting firm is Kesselman & Kesselman, Certified Public Accountants, a member of PricewaterhouseCoopers International Limited.

SCHEDULE 3.1(gg)

NO DISAGREEMENTS WITH ACCOUNTANTS AND LAWYERS

InspireMD Ltd. is currently disputing 188,000 NIS, including VAT, in legal fees to Goldfarb, Levy, Eran, Meiri, Tzafrir & Co., previous legal advisors of InspireMD Ltd. The dispute regarding such fees has been pending since June 2010. The Company has not received any communications with respect to such dispute in the past twelve months.

SCHEDULE 3.1(kk)

STOCK OPTION PLANS

See Schedule 3.1(g).

NEITHER THIS SECURITY NOR THE SECURITIES INTO WHICH THIS SECURITY IS CONVERTIBLE HAS BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), 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 FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. THIS SECURITY AND THE SECURITIES ISSUABLE UPON CONVERSION OF THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT WITH A REGISTERED BROKER-DEALER OR OTHER LOAN WITH A FINANCIAL INSTITUTION THAT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT OR OTHER LOAN SECURED BY SUCH SECURITIES.

Original Issue Date: $

8% ORIGINAL ISSUE DISCOUNT SENIOR SECURED CONVERTIBLE DEBENTURE
DUE _____

THIS 8% ORIGINAL ISSUE DISCOUNT SENIOR SECURED CONVERTIBLE DEBENTURE is one of a series of duly authorized and validly issued 8% Original Issue Discount Senior Secured Convertible Debentures of InspireMD, Inc., a Delaware corporation, (the " Company "), having its principal place of business at 3 Menorat Hamaor Street, Tel Aviv, Israel 67448, designated as its 8% Original Issue Discount Senior Secured Convertible Debentures due _____ (this debenture, the " Debenture " and, collectively with the other debentures of such series, the " Debentures ").

FOR VALUE RECEIVED, the Company promises to pay to _____ or its registered assigns (the " Holder "), or shall have paid pursuant to the terms hereunder, the principal sum of $____ on _____ (the " Maturity Date ") or such earlier date as this Debenture is required or permitted to be repaid as provided hereunder, and to pay interest to the Holder on the aggregate unconverted and then outstanding principal amount of this Debenture in accordance with the provisions hereof. This Debenture is subject to the following additional provisions:

Section 1 . Definitions . For the purposes hereof, in addition to the terms defined elsewhere in this Debenture, (a) capitalized terms not otherwise defined herein shall have the meanings set forth in the Purchase Agreement (as defined below) and (b) the following terms shall have the following meanings:

" Alternate Consideration " shall have the meaning set forth in Section 5(d).

" Bankruptcy Event " means any of the following events: (a) the Company or any Significant Subsidiary (as such term is defined in Rule 1-02(w) of Regulation S-X) thereof commences a case or other proceeding under any bankruptcy, reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction relating to the Company or any Significant Subsidiary thereof, (b) there is commenced against the Company or any Significant Subsidiary thereof any such case or proceeding that is not dismissed within 20 days after commencement, (c) the Company or any Significant Subsidiary thereof is adjudicated insolvent or bankrupt or any order of relief or other order approving any such case or proceeding is entered, (d) the Company or any Significant Subsidiary thereof seeks or suffers any appointment of any administrator, receiver, custodian or the like for it or any substantial part of its property that is not discharged or stayed within 20 calendar days after such appointment, (e) the Company or any Significant Subsidiary thereof makes a general assignment for the benefit of creditors, (f) the Company or any Significant Subsidiary thereof calls a meeting of its creditors or makes application to a court to call a meeting of its creditors with a view to arranging a composition, adjustment or restructuring of its debts, (g) the Company or any Significant Subsidiary becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due or (h) the Company or any Significant Subsidiary thereof, by any act or failure to act, expressly indicates its consent to, approval of or acquiescence in any of the foregoing or takes any corporate or other action for the purpose of effecting any of the foregoing.

" Beneficial Ownership Limitation " shall have the meaning set forth in Section 4(e).

" Business Day " means any day except any Saturday, any Sunday, any day which is a federal legal holiday in the United States or any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close.

" Buy-In " shall have the meaning set forth in Section 4(d)(v).

" Change of Control Transaction " means the occurrence after the date hereof of any of (a) an acquisition after the date hereof by an individual or legal entity or "group" (as described in Rule 13d-5(b)(1) promulgated under the Exchange Act) of effective control (whether through legal or beneficial ownership of capital stock of the Company, by contract or otherwise) of in excess of 50% of the voting securities of the Company (other than by means of conversion or exercise of the Debentures and the Securities issued together with the Debentures), (b) the Company merges into or consolidates with any other Person, or any Person merges into or consolidates with the Company and, after giving effect to such transaction, the stockholders of the Company immediately prior to such transaction own less than 50% of the aggregate voting power of the Company or the successor entity of such transaction, (c) the Company sells or transfers all or substantially all of its assets to another Person and the stockholders of the Company immediately prior to such transaction own less than 50% of the aggregate voting power of the acquiring entity immediately after the transaction, (d) a replacement at one time or within a three year period of more than one-half of the members of the Board of Directors which is not approved by a majority of those individuals who are members of the Board of Directors on the Original Issue Date (or by those individuals who are serving as members of the Board of Directors at the time of such election or nomination (" Successor Directors ") whose nomination to the Board of Directors was approved by a majority of the members of the Board of Directors who are members on the date hereof or (e) the execution by the Company of an agreement to which the Company is a party or by which it is bound, providing for any of the events set forth in clauses (a) through (d) above.

" Closing Bid Price " means, for any security as of any date, the closing bid price of the Common Stock as quoted on the principal Trading Market (as reported by Bloomberg, L.P. through its "Price Table with Average Daily Volume" function).

" Company Optional Redemption " shall have the meaning set forth in Section 6(b).

" Company Optional Redemption Date " shall have the meaning set forth in Section 6(b).

" Company Optional Redemption Notice " shall have the meaning set forth in Section 6(b).

" Company Optional Redemption Notice Date " shall have the meaning set forth in Section 6(b).

" Conversion Adjustment Amount " means an amount equal to the principal amount being converted multiplied by a fraction, the numerator of which is (a) the sum of (i) one (1) plus (ii) the number of days elapsed from the Original Issue Date multiplied by (b) .02222222 and the denominator of which is 100.

" Conversion Date " shall have the meaning set forth in Section 4(a).

" Conversion Price " shall have the meaning set forth in Section 4(c).

" Conversion Schedule " means the Conversion Schedule in the form of Schedule 1 attached hereto.

" Conversion Shares " means, collectively, the shares of Common Stock issuable upon conversion of this Debenture in accordance with the terms hereof.

" Debenture Register " shall have the meaning set forth in Section 2(b).

" Equity Conditions " means, during the period in question, (i) the Company shall have duly honored all conversions and redemptions scheduled to occur or occurring by virtue of one or more Notices of Conversion of the Holder that are properly submitted, if any, (ii) the Company shall have paid all liquidated damages and other amounts owing to the Holder in respect of this Debenture, (iii) (a) there is an effective Registration Statement pursuant to which the Holder is permitted to utilize the prospectus thereunder to resell all of the shares of Common Stock issuable pursuant to the Transaction Documents (and the Company believes, in good faith, that such effectiveness will continue uninterrupted for the foreseeable future) or (b) all of the Conversion Shares may be resold pursuant to Rule 144 without volume or manner-of-sale restrictions and the Company is in compliance with the current public information requirements under Rule 144, (iv) the Common Stock is trading on a Trading Market and all of the shares issuable hereunder are listed or quoted for trading on such Trading Market (and the Company believes, in good faith, that trading of the Common Stock on a Trading Market will continue uninterrupted for the foreseeable future, (v) there is a sufficient number of authorized but unissued and otherwise unreserved shares of Common Stock for the issuance of all of the shares issuable hereunder, (vi) there is no existing Event of Default or no existing event which, with the passage of time or the giving of notice, would constitute an Event of Default, (vii) there has been no public announcement made by the Company of a pending or proposed Fundamental Transaction or Change of Control Transaction that has not been consummated, (viii) the Holder is not in possession of any information provided by the Company that constitutes, or may constitute, material non-public information and (ix) to the extent that the Holder voluntarily converted a portion of the principal amount hereunder the Company complied in all respects with its obligations under Section 4 below.

" Event of Default " shall have the meaning set forth in Section 8(a).

" Fundamental Transaction " shall have the meaning set forth in Section 5(d).

" Holder Optional Redemption " shall have the meaning set forth in Section 6(a).

" Holder Optional Redemption Date " shall have the meaning set forth in Section 6(a).

" Holder Optional Redemption Notice " shall have the meaning set forth in Section 6(a).

" Holder Optional Redemption Notice Date " shall have the meaning set forth in Section 6(a).

" Interest Payment Date " shall have the meaning set forth in Section 2(a).

" Mandatory Default Amount " means the sum of (a) 112% of the outstanding principal amount of this Debenture, (b) 100% of the accrued and unpaid interest hereon and (c) 100% of the interest on the outstanding principal amount of this Debenture which would have been payable under Section 2(a) between the date of the relevant Event of Default and the Maturity Date, plus all other amounts, costs, expenses and liquidated damages due in respect of this Debenture.

" New York Courts " shall have the meaning set forth in Section 9(d).

" Notice of Conversion " shall have the meaning set forth in Section 4(a).

" Optional Redemption " shall have the meaning set forth in Section 6(b).

" Optional Redemption Amount " means the sum of (a) 112% of the then outstanding principal amount of the Debenture and 100% of accrued and unpaid interest on the outstanding principal amount of this Debenture, plus (b) all liquidated damages and other amounts due hereunder in respect of the Debenture.

" Optional Redemption Date " shall have the meaning set forth in Section 6(b).

" Original Issue Date " means the date of the first issuance of the first Debenture, regardless of any transfers of any Debenture and regardless of the number of instruments which may be issued to evidence all such Debentures.

" Permitted Indebtedness " means (a) the indebtedness evidenced by the Debentures, (b) indebtedness incurred in connection with any inventory financing transaction and any refinancing or modification of the terms thereof; provided, that such financing is secured only by inventory, (c) any indebtedness permitted pursuant to the definition of Permitted Lien (other than clause (c) below), and (d) any indebtedness that has been expressly subordinated in right of payment to the indebtedness under the Debentures, provided that the terms of such subordination have been approved by Majority Holders.

" Permitted Lien " means the individual and collective reference to the following: (a) Liens for taxes, assessments and other governmental charges or levies not yet due or Liens for taxes, assessments and other governmental charges or levies being contested in good faith and by appropriate proceedings for which adequate reserves (in the good faith judgment of the management of the Company) have been established in accordance with GAAP, (b) Liens imposed by law which were incurred in the ordinary course of the Company's business, such as carriers', warehousemen's and mechanics' Liens, statutory landlords' Liens, and other similar Liens arising in the ordinary course of the Company's business, and which (x) do not individually or in the aggregate materially detract from the value of such property or assets or materially impair the use thereof in the operation of the business of the Company and its consolidated Subsidiaries or (y) are being contested in good faith by appropriate proceedings, which proceedings have the effect of preventing for the foreseeable future the forfeiture or sale of the property or asset subject to such Lien, (c) Liens incurred by banks and other financial institutions on deposit and securities accounts and other accounts with such banks or financial institutions not to exceed $100,000 at any time, (d) purchase money security interest in equipment (including capital leases), (e) Liens securing judgments for the payment of money not constituting an Event of Default, and (f) Liens incurred in connection with indebtedness referred to in clause (a) or (b) of Permitted Indebtedness.

" Purchase Agreement " means the Securities Purchase Agreement, dated as of April __, 2012 among the Company and the original Holders, as amended, modified or supplemented from time to time in accordance with its terms.

" Registration Rights Agreement " means the Registration Rights Agreement, dated as of April __, 2012 among the Company and the original Holders, as amended, modified or supplemented from time to time in accordance with its terms.

" Registration Statement " means a registration statement meeting the requirements set forth in the Registration Rights Agreement and covering the resale of the Underlying Shares by each Holder as provided for in the Registration Rights Agreement.

" Securities Act " means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

" Share Delivery Date " shall have the meaning set forth in Section 4(d)(ii).

" Successor Entity " shall have the meaning set forth in Section 5(d).

" Trading Day " means a day on which the principal Trading Market is open for trading.

" Trading Market " means any of the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE AMEX, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange or the OTC Bulletin Board or the OTCQB over-the-counter bulletin board service maintained by OTC Markets Group Inc. (or any successors to any of the foregoing).

Section 2 . Interest and Prepayment .

a) Payment of Interest in Cash . The Company shall pay interest to the Holder on the aggregate unconverted and then outstanding principal amount of this Debenture at the rate of 8% per annum, payable quarterly in arrears on January 1, April 1, July 1 and October 1, beginning July 1, 2012, on each Conversion Date (as to that principal amount then being converted) and on the Maturity Date (each such date, an " Interest Payment Date ") (if any Interest Payment Date is not a Business Day, then the applicable payment shall be due on the next succeeding Business Day), in cash.

b) Interest Calculations . Interest shall be calculated on the basis of a 365-day year, and shall accrue daily commencing on the Original Issue Date until payment in full of the outstanding principal, together with all accrued and unpaid interest, liquidated damages and other amounts which may become due hereunder, has been made. Interest shall cease to accrue with respect to any principal amount converted, provided that, the Company actually delivers the Conversion Shares within the time period required by Section 4(d)(ii) herein. Interest hereunder will be paid to the Person in whose name this Debenture is registered in the records of the Company regarding registration and transfers of this Debenture (the " Debenture Register ").

c) Late Fee . All overdue accrued and unpaid interest to be paid hereunder shall entail a late fee at an interest rate equal to the lesser of 24% per annum or the maximum rate permitted by applicable law (the "Default Rate") which shall accrue daily from the fifth Trading Day following the date such interest is due hereunder through and including the date of actual payment in full.

d) Prepayment . Except as otherwise set forth in this Debenture, the Company may not prepay any portion of the principal amount of this Debenture without the prior written consent of the Holder.

Section 3. Registration of Transfers and Exchanges .

a) Different Denominations . This Debenture is exchangeable for an equal aggregate principal amount of Debentures of different authorized denominations, as requested by the Holder surrendering the same. No service charge will be payable for such registration of transfer or exchange.

b) Investment Representations . This Debenture has been issued subject to certain investment representations of the original Holder set forth in the Purchase Agreement and may be transferred or exchanged only in compliance with the Purchase Agreement and applicable federal and state securities laws and regulations.

c) Reliance on Debenture Register . Prior to due presentment for transfer to the Company of this Debenture, the Company and any agent of the Company may treat the Person in whose name this Debenture is duly registered on the Debenture Register as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Debenture is overdue, and neither the Company nor any such agent shall be affected by notice to the contrary.

Section 4. Conversion .

a) Voluntary Conversion . This Debenture shall be convertible, in whole or in part, into shares of Common Stock at the option of the Holder, at any time and from time to time (subject to the conversion limitations set forth in Section 4(e)); provided that a partial conversion of the principal shall be made in increments of $100,000. The Holder shall effect conversions by delivering to the Company a Notice of Conversion, the form of which is attached hereto as Annex A (each, a " Notice of Conversion "), specifying therein the principal amount of this Debenture to be converted and, if the Holder determines in its sole discretion to convert such accrued and unpaid interest (or a portion thereof), the amount of accrued and unpaid interest thereon to be converted and the date on which such conversion shall be effected; provided that a Holder may only convert the portion of the accrued interest that corresponds to the principal being converted (such date, the " Conversion Date "). If no Conversion Date is specified in a Notice of Conversion, the Conversion Date shall be the date that such Notice of Conversion is deemed delivered hereunder. To effect conversions hereunder, the Holder shall not be required to physically surrender this Debenture to the Company unless the entire principal amount of this Debenture, plus all accrued and unpaid interest thereon, has been so converted or otherwise been repaid to the Holder. Conversions hereunder shall have the effect of lowering the outstanding principal amount of this Debenture in an amount equal to the principal amount converted in such conversion. The Holder and the Company shall maintain records showing the principal amount(s) converted and the date of such conversion(s). The Company may deliver an objection to any Notice of Conversion within two (2) Business Days of delivery of such Notice of Conversion. In the event of any dispute or discrepancy, the records of the Holder shall be controlling and determinative in the absence of manifest error. **The Holder, and any assignee by acceptance of this Debenture, acknowledge and agree that, by reason of the provisions of this paragraph, following conversion of a portion of this Debenture, the unpaid and unconverted principal amount of this Debenture may be less than the amount stated on the face hereof.**

b) Forced Conversion . Notwithstanding anything herein to the contrary, if for each of any 20 consecutive Trading Days (such period the " Threshold Period "), (i) the Closing Bid Price equals or exceeds 165% of the Conversion Price (which shall reflect adjustment for reverse and forward stock splits, stock dividends, stock combinations and other similar transactions of the Common Stock that occur after the Original Issue Date) and (ii) the minimum daily trading volume in the Common Stock on the principal Trading Market is $1,100,000, the Company may, within 1 Trading Day after the end of any such Threshold Period, deliver a written notice to the Holder (a " Forced Conversion Notice " and the date such notice is delivered to the Holder, the " Forced Conversion Notice Date ") to cause the Holder to convert all or part of the then outstanding principal amount of this Debenture plus, if so specified in the Forced Conversion Notice, accrued but unpaid interest, liquidated damages and other amounts owing to the Holder under this Debenture, it being agreed that the "Conversion Date" for purposes of Section 4 shall be deemed to occur on the third Trading Day following the Forced Conversion Notice Date (such third Trading Day, the " Forced Conversion Date "). The Company may not deliver a Forced Conversion Notice, and any Forced Conversion Notice delivered by the Company shall not be effective, unless all of the Equity Conditions are met on each Trading Day occurring during the applicable Threshold Period through and including the later of the Forced Conversion Date and the Trading Day after the date such Conversion Shares pursuant to such conversion are delivered to the Holder.

c) Conversion Price . The Conversion Price in effect on any Conversion Date shall be equal to $1.75 and shall be subject to adjustment as provided in Section 5 (the " Conversion Price ").

d) Mechanics of Conversion .

i. Conversion Shares Issuable Upon Conversion of Debenture . The number of Conversion Shares issuable upon a conversion hereunder shall be determined by the quotient obtained by dividing (x) the sum of (a) the outstanding principal amount of this Debenture to be converted, (b) at the option of the Holder, a portion or all of any accrued and unpaid interest on this Debenture to be converted and (c) the Conversion Adjustment Amount by (y) the Conversion Price.

ii. Delivery of Certificate Upon Conversion . Not later than three (3) Trading Days after each Conversion Date (the " Share Delivery Date "), the Company shall deliver, or cause to be delivered, to the Holder (A) a certificate or certificates representing the Conversion Shares which, on a Legend Removal Qualification Event shall be free of restrictive legends and trading restrictions (other than those which may then be required by the Purchase Agreement) representing the number of Conversion Shares being acquired upon the conversion of this Debenture and (B) if the Holder elects not to convert the accrued and unpaid interest on this Debenture (or a portion thereof) to be converted, a bank check in the amount of such accrued and unpaid interest. If (i) there is an effective registration statement permitting the issuance of Conversion Shares to or resale of the Conversion Shares by the Holder or (ii) following the six month anniversary of the Closing Date, the Conversion Shares are eligible for sale under Rule 144 without volume or manner-of-sale restrictions and as of such date the Company is in compliance with the current public information required under Rule 144 as to such Conversion Shares, the Company shall deliver any certificate or certificates required to be delivered by the Company under this Section 4(d) by causing such certificates to be transmitted by the Transfer Agent to the Holder by crediting the account of the Holder's prime broker with The Depository Trust Company through its Deposit or Withdrawal at Custodian (" DWAC ") system if the Company is then a participant in such system or another established clearing corporation performing similar functions.

iii. Failure to Deliver Certificates . If, in the case of any Notice of Conversion, such certificate or certificates are not credited to the account of the Holder's broker with The Depository Trust Company through its DWAC system or another established clearing corporation performing similar functions, if the Company is then a participant in any such system, or delivered to or as directed by the applicable Holder by the Share Delivery Date, the Holder shall be entitled to elect by written notice to the Company at any time on or before such crediting or its receipt of such certificate or certificates, to rescind such Conversion, in which event the Company shall promptly return to the Holder any original Debenture delivered to the Company and the Holder shall promptly return to the Company the Common Stock certificates (or any shares of Common Stock received electronically) issued to such Holder pursuant to the rescinded Conversion Notice.

iv. Obligation Absolute; Partial Liquidated Damages . The Company's obligations to issue and deliver the Conversion Shares upon conversion of this Debenture in accordance with the terms hereof are absolute and unconditional, irrespective of any action or inaction by the Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder or any other Person of any obligation to the Company (other than Holder's obligations hereunder with respect to the conversion, including the delivery of a Notice of Conversion) or any violation or alleged violation of law by the Holder or any other Person, and irrespective of any other circumstance which might otherwise limit such obligation of the Company to the Holder in connection with the issuance of such Conversion Shares; provided , however , that such delivery shall not operate as a waiver by the Company of any such action the Company may have against the Holder. In the event the Holder of this Debenture shall elect to convert any or all of the outstanding principal amount hereof, the Company may not refuse conversion based on any claim by the Company or any Affiliate thereof that the Holder or anyone associated or affiliated with the Holder has been engaged in any violation of law, agreement or for any other reason, unless an injunction from a court, on notice to Holder, restraining and or enjoining conversion of all or part of this Debenture shall have been sought and obtained, and the Company posts a surety bond for the benefit of the Holder in the amount of 150% of the outstanding principal amount of this Debenture, which is subject to the injunction, which bond shall remain in effect until the completion of arbitration/litigation of the underlying dispute and the proceeds of which shall be payable to the Holder to the extent it obtains judgment. In the absence of such injunction, the Company shall issue Conversion Shares or, if applicable, cash, upon a properly noticed conversion. If the Company fails when required hereunder for any reason to deliver to the Holder such certificate or certificates pursuant to Section 4(d)(ii) by the third Trading Day following the Share Delivery Date, the Company shall pay to the Holder, in cash, as liquidated damages and not as a penalty, for each $1,000 of principal amount being converted, $5 per Trading Day (increasing to $10 per Trading Day on the fifth (5 th) Trading Day after such liquidated damages begin to accrue) for each Trading Day commencing on the third Trading Day after such Share Delivery Date until such certificates are delivered or Holder rescinds such conversion. Nothing herein shall limit the Holder's right to pursue actual damages (provided such damages may be reduced by the payments previously made hereunder) or declare an Event of Default pursuant to Section 8 hereof for the Company's failure to deliver Conversion Shares within the period specified herein and the Holder shall have the right to pursue all remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief. The exercise of any such rights shall not prohibit the Holder from seeking to enforce damages pursuant to any other Section hereof or under applicable law.

v. Compensation for Buy-In on Failure to Timely Deliver Certificates Upon Conversion . In addition to any other rights available to the Holder, if the Company fails for any reason to deliver to the Holder such certificate or certificates by the Share Delivery Date pursuant to Section 4(d)(ii), and if after such Share Delivery Date the Holder is required by its brokerage firm to purchase (in an open market transaction or otherwise), or the Holder's brokerage firm otherwise purchases, shares of Common Stock to deliver in satisfaction of a sale by the Holder of the Conversion Shares which the Holder was entitled to receive upon the conversion relating to such Share Delivery Date (a " Buy-In "), then the Company shall (A) pay in cash to the Holder (in addition to any other remedies available to or elected by the Holder) the amount, if any, by which (x) the Holder's total purchase price (including any brokerage commissions) for the Common Stock so purchased exceeds (y) the product of (1) the aggregate number of shares of Common Stock that the Holder was entitled to receive from the conversion at issue multiplied by (2) the actual sale price at which the sell order giving rise to such purchase obligation was executed (including any brokerage commissions) and (B) at the option of the Holder, either reissue (if surrendered) this Debenture in a principal amount equal to the principal amount of the attempted conversion (in which case such conversion shall be deemed rescinded) or deliver to the Holder the number of shares of Common Stock that would have been issued if the Company had timely complied with its delivery requirements under Section 4(d)(ii). For example, if the Holder purchases Common Stock having a total purchase price of $11,000 to cover a Buy-In with respect to an attempted conversion of this Debenture with respect to which the actual sale price of the Conversion Shares (including any brokerage commissions) giving rise to such purchase obligation was a total of $10,000 under clause (A) of the immediately preceding sentence, the Company shall be required to pay the Holder $1,000. The Holder shall provide the Company written notice indicating the amounts payable to the Holder in respect of the Buy-In and, upon request of the Company, evidence of the amount of such loss. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver certificates representing shares of Common Stock upon conversion of this Debenture as required pursuant to the terms hereof.

vi. Reservation of Shares Issuable Upon Conversion . The Company covenants that it will at all times reserve and keep available out of its authorized and unissued shares of Common Stock for the sole purpose of issuance upon conversion of this Debenture and payment of interest on this Debenture, each as herein provided, free from preemptive rights or any other actual contingent purchase rights of Persons other than the Holder (and the other holders of the Debentures), not less than such aggregate number of shares of the Common Stock as shall (subject to the terms and conditions set forth in the Purchase Agreement) be issuable (taking into account the adjustments and restrictions of Section 5) upon the conversion of the then outstanding principal amount of this Debenture and payment of interest hereunder. The Company covenants that all shares of Common Stock that shall be so issuable shall, upon issue, be duly authorized, validly issued, fully paid and nonassessable and, if the Registration Statement is then effective under the Securities Act, shall be registered for public resale in accordance with such Registration Statement (subject to such Holder's compliance with its obligations under the Registration Rights Agreement).

vii. Fractional Shares . No fractional shares or scrip representing fractional shares shall be issued upon the conversion of this Debenture. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such conversion, the Company shall at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Conversion Price or round up to the next whole share.

viii. Transfer Taxes . The issuance of certificates for shares of the Common Stock on conversion of this Debenture shall be made without charge to the Holder hereof for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such certificates, provided that, the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such certificate upon conversion in a name other than that of the Holder of this Debenture so converted and the Company shall not be required to issue or deliver such certificates unless or until the Person or Persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

e) Holder's Conversion Limitations . The Company shall not effect any conversion of this Debenture, and a Holder shall not have the right to convert any portion of this Debenture, to the extent that after giving effect to the conversion set forth on the applicable Notice of Conversion, the Holder (together with the Holder's Affiliates, and any Persons acting as a group together with the Holder or any of the Holder's Affiliates) would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by the Holder and its Affiliates shall include the number of shares of Common Stock issuable upon conversion of this Debenture with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which are issuable upon (i) conversion of the remaining, unconverted principal amount of this Debenture beneficially owned by the Holder or any of its Affiliates and (ii) exercise or conversion of the unexercised or unconverted portion of any other securities of the Company (including, without limitation, any other Debenture or the Warrants) beneficially owned by the Holder or any of its Affiliates. Except as set forth in the preceding sentence, for purposes of this Section 4(e), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. To the extent that the limitation contained in this Section 4(e) applies, the determination of whether this Debenture is convertible (in relation to other securities owned by the Holder together with any Affiliates) and of which principal amount of this Debenture is convertible shall be in the sole discretion of the Holder, and the submission of a Notice of Conversion shall be deemed to be the Holder's determination of whether this Debenture may be converted (in relation to other securities owned by the Holder together with any Affiliates) and which principal amount of this Debenture is convertible, in each case subject to the Beneficial Ownership Limitation. To ensure compliance with this restriction, the Holder will be deemed to represent to the Company each time it delivers a Notice of Conversion that such Notice of Conversion has not violated the restrictions set forth in this paragraph and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 4(e), in determining the number of outstanding shares of Common Stock, the Holder may rely on the number of outstanding shares of Common Stock as stated in the most recent of the following: (i) the Company's most recent periodic or annual report filed with the Commission, as the case may be, (ii) a more recent public announcement by the Company, or (iii) a more recent written notice by the Company or the Company's transfer agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request of a Holder, the Company shall within two Trading Days confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Debenture, by the Holder or its Affiliates since the date as of which such number of outstanding shares of Common Stock was reported. The "Beneficial Ownership Limitation" shall be 4.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon conversion of this Debenture held by the Holder. The Holder, upon not less than 61 days' prior notice to the Company, may increase or decrease (provided that, in no case may the Holder decrease the Beneficial Ownership Limitation below 4.99%) the Beneficial Ownership Limitation provisions of this Section 4(e), provided that the Beneficial Ownership Limitation in no event exceeds 9.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon conversion of this Debenture held by the Holder and the Beneficial Ownership Limitation provisions of this Section 4(e) shall continue to apply. Any such increase or decrease will not be effective until the 61 st day after such notice is delivered to the Company. The Beneficial Ownership Limitation provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 4(e) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation contained herein or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of this Debenture.

Section 5 . Certain Adjustments .

a) Stock Dividends and Stock Splits . If the Company, at any time while this Debenture is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions payable in shares of Common Stock on shares of Common Stock or any Common Stock Equivalents (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Company upon conversion of, or payment of interest on, the Debentures), (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines (including by way of a reverse stock split) outstanding shares of Common Stock into a smaller number of shares or (iv) issues, in the event of a reclassification of shares of the Common Stock, any shares of capital stock of the Company, then the Conversion Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding any treasury shares of the Company) outstanding immediately before such event, and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event. Any adjustment made pursuant to this Section shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

b) Subsequent Rights Offerings . If the Company, at any time while this Debenture is outstanding, shall issue rights, options or warrants to all holders of Common Stock (and not to the Holder) entitling them to subscribe for or purchase shares of Common Stock (the " Purchase Rights "), then, upon any conversion of this Debenture, the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights that the Holder could have acquired if the Holder had held the number of Conversion Shares issued upon such conversion of this Debenture immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights (provided, however, to the extent that the Holder's right to participate in any such Purchase Right would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Purchase Right to such extent (or beneficial ownership of such shares of Common Stock as a result of such Purchase Right to such extent) and such Purchase Right to such extent shall be held in abeyance for the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).

c) Pro Rata Distributions . If the Company, at any time while this Debenture is outstanding, shall distribute to all holders of Common Stock (and not to the Holder) evidences of its indebtedness or assets (including cash and cash dividends) or rights or warrants to subscribe for or purchase any security other than the Common Stock (a " Distribution "), then, upon any conversion of this Debenture, the Holder shall be entitled to participate in such Distribution to the same extent that the Holder would have participated therein if the Holder had held the number of Conversion Shares issued upon such conversion of this Debenture immediately before the date on which a record is taken for such Distribution, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the participation in such Distribution.

d) Fundamental Transaction . If, at any time while this Debenture is outstanding, (i) the Company, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Company with or into another Person, (ii) the Company, directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Stock are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of 50% or more of the outstanding Common Stock, (iv) the Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property, (v) the Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person whereby such other Person acquires more than 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination) (each a " Fundamental Transaction "), then, upon any subsequent conversion of this Debenture, the Holder shall have the right to receive, for each Conversion Share that would have been issuable upon such conversion immediately prior to the occurrence of such Fundamental Transaction (without regard to any limitation in Section 4(e) on the conversion of this Debenture), the number of shares of Common Stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration (the " Alternate Consideration ") receivable as a result of such Fundamental Transaction by a holder of the

number of shares of Common Stock for which this Debenture is convertible immediately prior to such Fundamental Transaction (without regard to any limitation in Section 4(e) on the conversion of this Debenture). For purposes of any such conversion, the determination of the Conversion Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one (1) share of Common Stock in such Fundamental Transaction, and the Company shall apportion the Conversion Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any conversion of this Debenture following such Fundamental Transaction. The Company shall cause any successor entity in a Fundamental Transaction in which the Company is not the survivor (the " Successor Entity ") to assume in writing all of the obligations of the Company under this Debenture and the other Transaction Documents (as defined in the Purchase Agreement) in accordance with the provisions of this Section 5(d) pursuant to written agreements in form and substance reasonably satisfactory to the Holder and approved by the Holder (without unreasonable delay) prior to such Fundamental Transaction and shall, at the option of the holder of this Debenture, deliver to the Holder in exchange for this Debenture a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Debenture which is convertible for a corresponding number of shares of capital stock of such Successor Entity (or its parent entity) equivalent to the shares of Common Stock acquirable and receivable upon conversion of this Debenture (without regard to any limitations on the conversion of this Debenture) prior to such Fundamental Transaction, and with a conversion price which applies the conversion price hereunder to such shares of capital stock (but taking into account the relative value of the shares of Common Stock pursuant to such Fundamental Transaction and the value of such shares of capital stock, such number of shares of capital stock and such conversion price being for the purpose of protecting the economic value of this Debenture immediately prior to the consummation of such Fundamental Transaction), and which is reasonably satisfactory in form and substance to the Holder. Upon the occurrence of any such Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Debenture and the other Transaction Documents referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Debenture and the other Transaction Documents with the same effect as if such Successor Entity had been named as the Company herein.

e) Calculations . All calculations under this Section 5 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 5, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding any treasury shares of the Company) issued and outstanding.

f) Notice to the Holder .

i. Adjustment to Conversion Price . Whenever the Conversion Price is adjusted pursuant to any provision of this Section 5, the Company shall within 10 calendar days of such adjustment deliver to each Holder a notice setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

ii. Notice to Allow Conversion by Holder . If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Common Stock, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, or (C) the Company shall authorize the granting to all holders of the Common Stock of rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall cause to be filed at each office or agency maintained for the purpose of conversion of this Debenture, and shall cause to be delivered to the Holder at its last address as it shall appear upon the Debenture Register, at least twenty (20) calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange, provided that the failure to deliver such notice or any defect therein or in the delivery thereof shall not affect the validity of the corporate action required to be specified in such notice. To the extent that any notice provided hereunder constitutes, or contains, material, non-public information regarding the Company or any of the Subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K. The Holder shall remain entitled to convert this Debenture during the 20-day period commencing on the date of such notice through the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

Section 6. Redemption.

a) Optional Redemption at Election of Holder. At any time or from time to time the Holder may deliver written notice to the Company (a "Holder Optional Redemption Notice" and the date such notice is deemed delivered hereunder, the "Holder Optional Redemption Notice Date") of its irrevocable election to require the Company to prepay some or all of the then outstanding principal amount of this Debenture for cash in an amount equal to the Optional Redemption Amount (or in the event of a partial redemption that prorated amount) on the later of (x) the date which is 18 months after the Original Issue Date and (y) the 10th Trading Day following the Holder Optional Redemption Notice Date (such date, the "Holder Optional Redemption Date", and such redemption, the "Holder Optional Redemption"). The Company covenants and agrees that it will honor all Notices of Conversion tendered from the time of delivery of the Holder Optional Redemption Notice through the date all amounts owing thereon are due and paid in full.

b) Optional Redemption at Election of Company. Subject to the provisions of this Section 6(b), at any time after the date which is 6 months after the Original Issue Date, the Company may deliver a notice to the Holder (a "Company Optional Redemption Notice" and the date such notice is deemed delivered hereunder, the "Company Optional Redemption Notice Date") of its irrevocable election to prepay some or all of the then outstanding principal amount of this Debenture for cash in an amount equal to the Optional Redemption Amount (or in the event of a partial redemption that prorated amount) on the 10th Trading Day following the Company Optional Redemption Notice Date (such date, the "Company Optional Redemption Date" and together with the Holder Optional Redemption Date, each an "Optional Redemption Date"), and such redemption, the "Company Optional Redemption" and together with the Holder Option Redemption, each an "Optional Redemption").

c) Redemption Procedure. The payment of cash pursuant to an Optional Redemption shall be payable on the applicable Optional Redemption Date. If any portion of the payment pursuant to an Optional Redemption shall not be paid by the Company by the Optional Redemption Date, interest shall accrue on the aggregate amount payable by the Company at the Default Rate until such amount is paid in full.

Section 7. Negative Covenants. As long as any portion of this Debenture remains outstanding, unless the holders of at least 60% in principal amount of the then outstanding Debentures (the "Majority Holders") shall have otherwise given prior written consent, the Company shall not, and shall not permit any of the Subsidiaries to, directly or indirectly:

a) other than for the Permitted Indebtedness, enter into, create, incur, assume, guarantee or suffer to exist any indebtedness for borrowed money of any kind, including, but not limited to, a guarantee, on or with respect to any of its property or assets now owned or hereafter acquired or any interest therein or any income or profits therefrom;

b) other than for Permitted Liens, enter into, create, incur, assume or suffer to exist any Liens of any kind, on or with respect to any of its property or assets now owned or hereafter acquired or any interest therein or any income or profits therefrom;

c) amend its charter documents, including, without limitation, its certificate of incorporation and bylaws, in any manner that materially and adversely affects any rights of the Holder;

d) repay, repurchase or offer to repay, repurchase or otherwise acquire more than a de minimis number of shares of its Common Stock or Common Stock Equivalents other than as to the Conversion Shares or Warrant Shares as permitted or required under the Transaction Documents;

e) repay, repurchase or offer to repay, repurchase or otherwise acquire any Indebtedness, other than (x) scheduled payments on Permitted Indebtedness and (y) the Debentures on a pro-rata basis ;

f) pay cash dividends or distributions on any equity securities of the Company;

g) enter into any transaction with any Affiliate of the Company which would be required to be disclosed in any public filing with the Commission, unless such transaction is made on an arm's-length basis and expressly approved by a majority of the disinterested directors of the Company (even if less than a quorum otherwise required for board approval); or

h) enter into any agreement with respect to any of the foregoing.

Section 8 . Events of Default .

a) " Event of Default " means, wherever used herein, any of the following events (whatever the reason for such event and whether such event shall be voluntary or involuntary or effected by operation of law or pursuant to any judgment, decree or order of any court, or any order, rule or regulation of any administrative or governmental body):

i. any default in the payment of (A) the principal amount of any Debenture or (B) interest, liquidated damages and other amounts owing to a Holder on any Debenture, as and when the same shall become due and payable (whether on an Interest Payment Date, a Conversion Date or the Maturity Date or by acceleration or otherwise), and solely with respect to payment of interest such failure continues for three (3) Trading Days after an Interest Payment Date;

ii. the Company shall fail to observe or perform any other covenant or agreement contained in a Transaction Document (other than (x) a breach by the Company of its obligations to deliver shares of Common Stock to the Holder upon conversion or a breach by the Company of its obligations to deliver shares of Common Stock to the holder of a Warrant upon exercise thereof which breaches are addressed in clause (viii) below or (y) any failure by the Company to observe or perform any covenant or agreement contained in the Registration Rights Agreement, except as set forth in clause (xiii) below) which failure, unless a cure period is specifically provided with respect to such failure to observe or perform, is not cured, if possible to cure, within the earlier to occur of (A) 4 Trading Days after notice of such failure sent by the Holder or by any other Holder to the Company and (B) 7 Trading Days after the Company has become or should have become aware of such failure;

iii. any representation or warranty made in this Debenture or any other Transaction Documents, any written statement pursuant hereto or thereto or any other report, financial statement or certificate made or delivered to the Holder or any other Holder shall be untrue or incorrect in any material respect as of the date when made or deemed made;

iv. a Bankruptcy Event shall occur;

v. the Company or any Subsidiary shall default on any of its obligations under any mortgage, credit agreement or other facility, indenture agreement, factoring agreement or other instrument under which there may be issued, or by which there may be secured or evidenced, any indebtedness for borrowed money or money due under any long term leasing or factoring arrangement that (a) involves an obligation greater than $375,000, whether such indebtedness now exists or shall hereafter be created, and (b) results in such indebtedness becoming or being declared due and payable prior to the date on which it would otherwise become due and payable;

vi. the Common Stock shall not be eligible for listing or quotation for trading on a Trading Market and shall not become eligible to resume listing or quotation for trading thereon within five (5) Trading Days thereafter;

vii. the Company shall be a party to any Change of Control Transaction or a Fundamental Transaction or shall agree to sell or dispose of all or in excess of 50% of its assets in one transaction or a series of related transactions (whether or not such sale would constitute a Change of Control Transaction);

viii. the Company shall fail for any reason to deliver certificates to a Holder prior to the third Trading Day after the Share Delivery Date pursuant to Section 4(d) or fail to deliver certificates to a holder of Warrants prior to the third Trading Day after the Warrant Share Delivery Date (as defined in the Warrants) or the Company shall provide at any time notice to the Holder, including by way of public announcement, of the Company's intention to not honor requests for conversions of any Debentures in accordance with the terms hereof or exercise of the Warrants in accordance with the terms thereof;

ix. Sol J. Barer, Ph.D. shall cease to serve as Chairman of the Board of Directors; provided , however , that it shall not be an Event of Default if (A) Dr. Barer ceases to serve as Chairman of the Board of Directors due to (1) Dr. Barer's resignation as a director due to a material adverse change to the condition of Dr. Barer or any member of Dr. Barer's immediate family or (2) a vote or written consent of stockholders of the Company, in which the requisite majority for approval of such removal by the stockholders of the Company does not include any stockholders who serve on the Board of Directors or who are Affiliates of any individuals who serve on the Board of Directors, (B) two designees of Genesis are appointed to serve on the Board of Directors within five (5) Trading Days following Dr. Barer's departure pursuant to Section 4.20 of the Purchase Agreement and (C) immediately following Dr. Barer's departure as Chairman of the Board of Directors and the appointment of the Genesis Designees, (i) a majority of the members of the Board of Directors of the Company qualify as independent directors under Section 5605(a)(2) of the rules of the Nasdaq Stock Market (the " Independence Rules ") and remain so qualified until the Debentures are either repaid or converted in full and (ii) the chairman of the Board of Directors of the Company qualifies as an independent director under the Independence Rules and remains so qualified until the Debentures are either repaid or converted in full;

x. any monetary judgment, writ or similar final process shall be entered against the Company, any subsidiary or any of their respective property or other assets for more than $375,000, and such judgment, writ or similar final process shall remain unvacated, unbonded or unstayed for a period of 45 calendar days;

xi. the Company fails to meet the current public information requirements under Rule 144 in respect of the Underlying Shares for more than 5 consecutive Trading Days;

xii. the Company shall have failed to complete the initial enrollment of the Company's MASTER trial (as defined in the Company's SEC Documents) by January 1, 2013, subject to any required patient follow-up; or

xiii. the Company shall fail to pay when due any liquidated damages under the Registration Rights Agreement as and when the same shall become due and payable and such failure continues for 30 calendar days.

b) Remedies Upon Event of Default . If any Event of Default has occurred and is continuing, the outstanding principal amount of this Debenture, plus accrued but unpaid interest, liquidated damages and other amounts owing in respect thereof through the date of acceleration, shall become, at the Majority Holders' election, immediately due and payable in cash at the Mandatory Default Amount. Commencing 5 calendar days after the occurrence of any Event of Default that results in the eventual acceleration of this Debenture, interest on the Mandatory Default Amount shall accrue at the Default Rate. Upon the payment in full of the Mandatory Default Amount, the Holder shall promptly surrender this Debenture to or as directed by the Company. In connection with such acceleration described herein, the Holder need not provide, and the Company hereby waives, any presentment, demand, protest or other notice of any kind, and the Holder may immediately and without expiration of any grace period enforce any and all of its rights and remedies hereunder and all other remedies available to it under applicable law. Such acceleration may be rescinded and annulled by the Holder at any time prior to payment hereunder and the Holder shall have all rights as a holder of the Debenture until such time, if any, as the Holder receives full payment pursuant to this Section 8(b). No such rescission or annulment shall affect any subsequent Event of Default or impair any right consequent thereon.

Section 9 . Miscellaneous .

a) Notices . Any and all notices or other communications or deliveries to be provided by the Holder hereunder, including, without limitation, any Notice of Conversion, shall be in writing and delivered personally, by facsimile or email, or sent by an internationally recognized overnight courier service, addressed to the Company, set forth in the Purchase Agreement, or such other facsimile number, email address or address as the Company may specify for such purposes by notice to the Holder delivered in accordance with this Section 9(a). Any and all notices or other communications or deliveries to be provided by the Company hereunder shall be in writing and delivered, by facsimile or email, or sent by an internationally recognized overnight courier service addressed to each Holder at the facsimile number, email address or address of the Holder appearing on the books of the Company, or if no such facsimile number, email address or address appears on the books of the Company, at the principal place of business of such Holder, as set forth in the Purchase Agreement. Any notice or other communication or deliveries hereunder shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile or email at the facsimile number or email address set forth on the signature pages attached hereto prior to 5:30 p.m. (New York City time) on any date, (ii) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile or email at the facsimile number or email address set forth on the signature pages attached hereto on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (iii) the second Trading Day following the date of mailing, if sent by U.S. recognized overnight courier service or (iv) upon actual receipt by the party to whom such notice is required to be given.

b) Absolute Obligation . Except as expressly provided herein, no provision of this Debenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, liquidated damages and accrued interest, as applicable, on this Debenture at the time, place, and rate, and in the coin or currency, herein prescribed. This Debenture is a direct debt obligation of the Company. This Debenture ranks pari passu with all other Debentures now or hereafter issued under the terms set forth herein.

c) Lost or Mutilated Debenture . If this Debenture shall be mutilated, lost, stolen or destroyed, the Company shall execute and deliver, in exchange and substitution for and upon cancellation of a mutilated Debenture, or in lieu of or in substitution for a lost, stolen or destroyed Debenture, a new Debenture for the principal amount of this Debenture so mutilated, lost, stolen or destroyed, but only upon receipt of evidence of such loss, theft or destruction of such Debenture, and of the ownership hereof and a lost Debenture affidavit, reasonably satisfactory to the Company.

d) Governing Law . All questions concerning the construction, validity, enforcement and interpretation of this Debenture shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflict of laws thereof. Each party agrees that all legal proceedings concerning the interpretation, enforcement and defense of the transactions contemplated by any of the Transaction Documents (whether brought against a party hereto or its respective Affiliates, directors, officers, shareholders, employees or agents) shall be commenced in the state and federal courts sitting in the City of New York, County of New York (the " New York Courts "). Each party hereto hereby irrevocably submits to the exclusive jurisdiction of the New York Courts for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such New York Courts, or such New York Courts are improper or inconvenient venue for such proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Debenture and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by applicable law. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS DEBENTURE OR THE TRANSACTIONS CONTEMPLATED HEREBY. IF ANY PARTY SHALL COMMENCE AN ACTION OR PROCEEDING TO ENFORCE ANY PROVISIONS OF THIS DEBENTURE, THEN THE PREVAILING PARTY IN SUCH ACTION OR PROCEEDING SHALL BE REIMBURSED BY THE OTHER PARTY FOR ITS ATTORNEYS FEES AND OTHER COSTS AND EXPENSES INCURRED IN THE INVESTIGATION, PREPARATION AND PROSECUTION OF SUCH ACTION OR PROCEEDING.

e) Waiver . Any waiver by the Company or the Holder of a breach of any provision of this Debenture shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Debenture. The failure of the Company or the Holder to insist upon strict adherence to any term of this Debenture on one or more occasions shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Debenture on any other occasion. Any waiver by the Company or the Holder must be in writing.

f) Severability . If any provision of this Debenture is invalid, illegal or unenforceable, the balance of this Debenture shall remain in effect, and if any provision is inapplicable to any Person or circumstance, it shall nevertheless remain applicable to all other Persons and circumstances. If it shall be found that any interest or other amount deemed interest due hereunder violates the applicable law governing usury, the applicable rate of interest due hereunder shall automatically be lowered to equal the maximum rate of interest permitted under applicable law. The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law which would prohibit or forgive the Company from paying all or any portion of the principal of or interest on this Debenture as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Debenture, and the Company (to the extent it may lawfully do so) hereby expressly waives all benefits or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Holder, but will suffer and permit the execution of every such as though no such law has been enacted.

g) Next Business Day . Whenever any payment or other obligation hereunder shall be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.

h) Headings . The headings contained herein are for convenience only, do not constitute a part of this Debenture and shall not be deemed to limit or affect any of the provisions hereof.

i) Secured Obligation . The obligations of the Company under this Debenture are secured by all assets of the Company and each Subsidiary pursuant to the Security Agreement and the Israeli Security Agreement, each dated as of April __, 2012 among the Company, the relevant Subsidiaries of the Company and the Secured Parties (as defined therein).

j) Amendments . This Debenture and each of the other Debentures issued under the Purchase Agreement may be amended upon the written consent of the Company and the Majority Holders.

****

(Signature Pages Follow)

IN WITNESS WHEREOF, the Company has caused this Debenture to be duly executed by a duly authorized officer as of the date first above indicated.

INSPIREMD, INC.

By: _____
Name:
Title:
Facsimile No. for delivery of Notices: 972-3-691-7692
Email address for delivery of Notices:
craigs@inspiremd.com

[Signature Page – Debenture]

ANNEX A

NOTICE OF CONVERSION

The undersigned hereby elects to convert principal under the 8% Original Issue Discount Senior Secured Convertible Debenture due _____ of InspireMD, Inc., a Delaware corporation (the " Company "), into shares of common stock (the " Common Stock "), of the Company according to the conditions hereof, as of the date written below. If shares of Common Stock are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates and opinions as reasonably requested by the Company in accordance therewith. No fee will be charged to the holder for any conversion, except for such transfer taxes, if any.

By the delivery of this Notice of Conversion the undersigned represents and warrants to the Company that its ownership of the Common Stock does not exceed the amounts specified under Section 4 of this Debenture, as determined in accordance with Section 13(d) of the Exchange Act.

The undersigned agrees to comply with the prospectus delivery requirements under the applicable securities laws in connection with any transfer of the aforesaid shares of Common Stock.

Conversion calculations:

Date to Effect Conversion:

Principal Amount of Debenture to be Converted:

Accrued and Unpaid Interest Amount of Debenture to be Converted

Conversion Adjustment Amount to be Converted

Number of shares of Common Stock to be issued:

Signature:

Name:

Address for Delivery of Common Stock Certificates:

Or

DWAC Instructions:

Broker No:_____
Account No:_____

Schedule 1

CONVERSION SCHEDULE

The 8% Original Issue Discount Senior Secured Convertible Debentures due on _____ in the aggregate principal amount of $_____ are issued by InspireMD, Inc., a Delaware corporation. This Conversion Schedule reflects conversions made under Section 4 of the above referenced Debenture.

Dated:

Date of Conversion (or for first entry, Original Issue Date)	Amount of Conversion	Aggregate Principal Amount Remaining Subsequent to Conversion (or original Principal Amount)	Company Attest

NEITHER THIS SECURITY NOR THE SECURITIES INTO WHICH THIS SECURITY IS EXERCISABLE HAS BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), 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 FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. THIS SECURITY AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT WITH A REGISTERED BROKER-DEALER OR OTHER LOAN WITH A FINANCIAL INSTITUTION THAT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT OR OTHER LOAN SECURED BY SUCH SECURITIES.

COMMON STOCK PURCHASE WARRANT

INSPIREMD, INC.

Warrant Shares: _____ Initial Exercise Date: April 5, 2012

THIS COMMON STOCK PURCHASE WARRANT (the " Warrant ") certifies that, for value received, _____ or its assigns (the " Holder ") is entitled, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, at any time on or after the date hereof (the " Initial Exercise Date ") and on or prior to the close of business on the five year anniversary of the Initial Exercise Date (the " Termination Date ") but not thereafter, to subscribe for and purchase from InspireMD, Inc., a Delaware corporation (the " Company "), up to _____ shares (as subject to adjustment hereunder, the " Warrant Shares ") of Common Stock. The purchase price of one share of Common Stock under this Warrant shall be equal to the Exercise Price, as defined in Section 2(b).

Section 1 . Definitions . Capitalized terms used and not otherwise defined herein shall have the meanings set forth in that certain Securities Purchase Agreement (the " Purchase Agreement "), dated April 5, 2012, among the Company and the purchasers signatory thereto.

Section 2 . Exercise .

a) Exercise of Warrant . Exercise of the purchase rights represented by this Warrant may be made, in whole or in part, at any time or times on or after the Initial Exercise Date and on or before the Termination Date by delivery to the Company (or such other office or agency of the Company as it may designate by notice in writing to the registered Holder at the address of the Holder appearing on the books of the Company) of a duly executed facsimile or pdf copy of the Notice of Exercise form annexed hereto. Within seven (7) Trading Days following the date of exercise as aforesaid, the Holder shall deliver the aggregate Exercise Price for the shares specified in the applicable Notice of Exercise by wire transfer or cashier's check drawn on a United States bank unless the cashless exercise procedure specified in Section 2(c) below is specified in the applicable Notice of Exercise. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company until the Holder has purchased all of the Warrant Shares available hereunder and the Warrant has been exercised in full, in which case, the Holder shall surrender this Warrant to the Company for cancellation within seven (7) Trading Days of the date the final Notice of Exercise is delivered to the Company. Partial exercises of this Warrant resulting in purchases of a portion of the total number of Warrant Shares available hereunder shall have the effect of lowering the outstanding number of Warrant Shares purchasable hereunder in an amount equal to the applicable number of Warrant Shares purchased. The Holder and the Company shall maintain records showing the number of Warrant Shares purchased and the date of such purchases. The Company shall deliver any objection to any Notice of Exercise Form within one (1) Business Day of receipt of such notice. **The Holder and any assignee, by acceptance of this Warrant, acknowledge and agree that, by reason of the provisions of this paragraph, following the purchase of a portion of the Warrant Shares hereunder, the number of Warrant Shares available for purchase hereunder at any given time may be less than the amount stated on the face hereof.**

b) Exercise Price . The exercise price per share of the Common Stock under this Warrant shall be **$** 1.80, subject to adjustment hereunder (the " Exercise Price ").

c) Cashless Exercise . If at any time after 60 days following the date of issuance of this Warrant there is no effective Registration Statement registering, or no current prospectus available for, the resale of the Warrant Shares by the Holder, then this Warrant may also be exercised, in whole or in part, at such time by means of a "cashless exercise" in which the Holder shall be entitled to receive a certificate for the number of Warrant Shares equal to the quotient obtained by dividing [((A)-(B)) (X)] by (A), where:

(A) = the last sale price on the principal Trading Market on the Trading Day immediately preceding the date on which Holder elects to exercise this Warrant by means of a "cashless exercise," as set forth in the applicable Notice of Exercise;

(B) = the Exercise Price of this Warrant, then in effect for the applicable Warrant Shares at the time of such exercise; and

(X) = the total number of Warrant Shares with respect to which this Warrant is then being exercised.

Notwithstanding anything herein to the contrary, if the last sale price of the Common Stock on the principal Trading Market on the Trading Day immediately preceding the Termination Date is greater than Exercise Price, at the Company's election, this Warrant shall either be (i) automatically exercised via cashless exercise as of the Termination Date or (ii) exercised via a cash exercise in accordance with the terms of Section 2(a). The Company shall notify the Holder of its determination in writing prior to 9:30 a.m. (New York City time) on the Termination Date and within three (3) Trading Days after the Termination Date, the Company shall, as applicable, deliver the shares in accordance with Section 2(d)(i); provided, however, that prior to 5:00 p.m. (New York City time) on the Termination Date, the Holder may notify the Company in writing that it has elected for this Warrant to expire, in which case, this Warrant shall expire unexercised.

d) Mechanics of Exercise .

i. Delivery of Certificates Upon Exercise . Certificates for shares purchased hereunder shall be transmitted by the Transfer Agent to the Holder by crediting the account of the Holder's prime broker with The Depository Trust Company through its Deposit or Withdrawal at Custodian (" DWAC ") system if the Company is then a participant in such system and either (A) there is an effective registration statement permitting the issuance of the Warrant Shares to or resale of the Warrant Shares by the Holder or (B) following the six-month anniversary of the Closing Date, if such Warrant Shares are eligible for sale under Rule 144 without volume or manner-of-sale restrictions and as of such date the Company is in compliance with the current public information required under Rule 144 as to such Warrant Shares, and otherwise by physical delivery to the address specified by the Holder in the Notice of Exercise by the date that is three (3) Trading Days after the latest of (A) the delivery to the Company of the Notice of Exercise, (B) surrender of this Warrant (if required), and (C) payment of the aggregate Exercise Price as set forth above (including by cashless exercise, if permitted) (such date, the " Warrant Share Delivery Date "). The Warrant Shares shall be deemed to have been issued, and Holder or any other person so designated to be named therein shall be deemed to have become a holder of record of such shares for all purposes, as of the date the Warrant has been exercised, with payment to the Company of the Exercise Price (or by cashless exercise, if permitted) and all taxes required to be paid by the Holder, if any, pursuant to Section 2(d)(vi) prior to the issuance of such shares, having been paid. If the Company fails for any reason to deliver to the Holder certificates evidencing the Warrant Shares subject to a Notice of Exercise prior to the third Trading Day following the Warrant Share Delivery Date, the Company shall pay to the Holder, in cash, as liquidated damages and not as a penalty, for each $1,000 of Warrant Shares subject to such exercise (based on the VWAP of the Common Stock on the date of the applicable Notice of Exercise), $5 per Trading Day (increasing to $10 per Trading Day five (5) Trading Days after such damages have begun to accrue) commencing on the third Trading Day after such Warrant Share Delivery Date until such certificates are delivered or Holder rescinds such exercise.

ii. Delivery of New Warrants Upon Exercise . If this Warrant shall have been exercised in part, the Company shall, at the request of a Holder and upon surrender of this Warrant certificate, at the time of delivery of the certificate or certificates representing Warrant Shares, deliver to the Holder a new Warrant evidencing the rights of the Holder to purchase the unpurchased Warrant Shares called for by this Warrant, which new Warrant shall in all other respects be identical with this Warrant.

iii. Rescission Rights . If the Company fails to cause the Transfer Agent to credit the account of the Holder's prime broker with The Depository Trust Company through its DWAC system if the Company is then a participant in such system or to transmit to the Holder a certificate or the certificates representing the Warrant Shares pursuant to Section 2(d)(i) by the Warrant Share Delivery Date, then the Holder will have the right to rescind such exercise.

iv. Compensation for Buy-In on Failure to Timely Deliver Certificates Upon Exercise . In addition to any other rights available to the Holder, if the Company fails to cause the Transfer Agent to credit the account of the Holder's prime broker with The Depository Trust Company through its DWAC system if the Company is then a participant in such system or to transmit to the Holder a certificate or the certificates representing the Warrant Shares pursuant to an exercise on or before the Warrant Share Delivery Date, and if after such date the Holder is required by its broker to purchase (in an open market transaction or otherwise) or the Holder's brokerage firm otherwise purchases, shares of Common Stock to deliver in satisfaction of a sale by the Holder of the Warrant Shares which the Holder anticipated receiving upon such exercise (a " Buy-In "), then the Company shall (A) pay in cash to the Holder the amount, if any, by which (x) the Holder's total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased exceeds (y) the amount obtained by multiplying (1) the number of Warrant Shares that the Company was required to deliver to the Holder in connection with the exercise at issue times (2) the price at which the sell order giving rise to such purchase obligation was executed, and (B) at the option of the Holder, either reinstate the portion of the Warrant and equivalent number of Warrant Shares for which such exercise was not honored (in which case such exercise shall be deemed rescinded) or deliver to the Holder the number of shares of Common Stock that would have been issued had the Company timely complied with its exercise and delivery obligations hereunder. For example, if the Holder purchases Common Stock having a total purchase price of $11,000 to cover a Buy-In with respect to an attempted exercise of shares of Common Stock with an aggregate sale price giving rise to such purchase obligation of $10,000, under clause (A) of the immediately preceding sentence the Company shall be required to pay the Holder $1,000. The Holder shall provide the Company written notice indicating the amounts payable to the Holder in respect of the Buy-In and, upon request of the Company, evidence of the amount of such loss. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver certificates representing shares of Common Stock upon exercise of the Warrant as required pursuant to the terms hereof.

v. No Fractional Shares or Scrip . No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such exercise, the Company shall, at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Exercise Price or round up to the next whole share.

vi. Charges, Taxes and Expenses . Issuance of certificates for Warrant Shares shall be made without charge to the Holder for any issue or transfer tax or other incidental expense in respect of the issuance of such certificate, all of which taxes and expenses shall be paid by the Company, and such certificates shall be issued in the name of the Holder or in such name or names as may be directed by the Holder; provided , however , that in the event certificates for Warrant Shares are to be issued in a name other than the name of the Holder, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly executed by the Holder and the Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto.

vii. Closing of Books . The Company will not close its stockholder books or records in any manner which prevents the timely exercise of this Warrant, pursuant to the terms hereof.

e) Holder's Exercise Limitations . The Company shall not effect any exercise of this Warrant, and a Holder shall not have the right to exercise any portion of this Warrant, pursuant to Section 2 or otherwise, to the extent that after giving effect to such issuance after exercise as set forth on the applicable Notice of Exercise, the Holder (together with the Holder's Affiliates, and any other Persons acting as a group together with the Holder or any of the Holder's Affiliates), would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by the Holder and its Affiliates shall include the number of shares of Common Stock issuable upon exercise of this Warrant with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which would be issuable upon (i) exercise of the remaining, nonexercised portion of this Warrant beneficially owned by the Holder or any of its Affiliates and (ii) exercise or conversion of the unexercised or nonconverted portion of any other securities of the Company (including, without limitation, any other Common Stock Equivalents) subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by the Holder or any of its Affiliates. Except as set forth in the preceding sentence, for purposes of this Section 2(e), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder, it being acknowledged by the Holder that the Company is not representing to the Holder that such calculation is in compliance with Section 13(d) of the Exchange Act and the Holder is solely responsible for any schedules required to be filed in accordance therewith. To the extent that the limitation contained in this Section 2(e) applies, the determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates) and of which portion of this Warrant is exercisable shall be in the sole discretion of the Holder, and the submission of a Notice of Exercise shall be deemed to be the Holder's determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates) and of which portion of this Warrant is exercisable, in each case subject to the Beneficial Ownership Limitation, and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 2(e), in determining the number of outstanding shares of Common Stock, a Holder may rely on the number of outstanding shares of Common Stock as reflected in (A) the Company's most recent periodic or annual report filed with the Commission, as the case may be, (B) a more recent public announcement by the Company or (C) a more recent written notice by the Company or the Transfer Agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request of a Holder, the Company shall within two Trading Days confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by the Holder or its Affiliates since the date as of which such number of outstanding shares of Common Stock was reported. The " Beneficial Ownership Limitation " shall be 4.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon exercise of this Warrant. The Holder, upon not less than 61 days' prior notice to the Company, may increase or decrease the Beneficial Ownership Limitation provisions of this Section 2(e), provided that the Beneficial Ownership Limitation in no event exceeds 9.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon exercise of this Warrant held by the Holder and the provisions of this Section 2(e) shall continue to apply. Any such increase or decrease will not be effective until the 61 st day after such notice is delivered to the Company. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 2(e) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of this Warrant.

Section 3 . Certain Adjustments .

a) Stock Dividends and Splits . If the Company, at any time while this Warrant is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions on shares of its Common Stock or any other equity or equity equivalent securities payable in shares of Common Stock (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Company upon exercise of this Warrant), (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares or (iv) issues by reclassification of shares of the Common Stock any shares of capital stock of the Company, then in each case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event, and the number of shares issuable upon exercise of this Warrant shall be proportionately adjusted such that the aggregate Exercise Price of this Warrant shall remain unchanged. Any adjustment made pursuant to this Section 3(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

b) Subsequent Equity Issuances . If the Company or any Subsidiary thereof, as applicable, at any time while this Warrant is outstanding, shall, except pursuant to an Exempt Issuance, sell or grant any option to purchase, or sell or grant any right to amend, or otherwise dispose of or issue any Common Stock Equivalents, or otherwise consent to any agreement or instrument (or any amendment, supplement or modification thereto), which Common Stock Equivalent, agreement or instrument (or amendment thereto) provides, in comparison with this Warrant (with the exclusion of the Exercise Price and warrant coverage), additional and/or superior rights, individually or in the aggregate, including, but not limited to, preferences in liquidation or a Fundamental Transaction, rights of adjustment or other anti-dilution rights, registration rights, preemptive rights, rights to participate in any directed share program, forced redemption or exercise, notice or information rights, affirmative or restrictive covenants, or rights to exercise or purchase any Common Stock Equivalent with any such additional and/or superior rights, then the Company or Subsidiary shall provide the Holder with a copy of the document governing such Common Stock Equivalent, or such agreement or instrument (or amendment thereto) and, such additional and/or superior rights shall automatically be deemed to be incorporated into this Warrant.

c) Subsequent Rights Offerings . If the Company, at any time while the Warrant is outstanding, shall issue rights, options or warrants to all holders of Common Stock (and not to the Holder) entitling them to subscribe for or purchase shares of Common Stock (the " Purchase Rights "), then, upon any exercise of this Warrant, the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights that the Holder could have acquired if the Holder had held the number of Warrant Shares issued upon such exercise of this Warrant immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights (provided, however, to the extent that the Holder's right to participate in any such Purchase Right would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Purchase Right to such extent (or beneficial ownership of such shares of Common Stock as a result of such Purchase Right to such extent) and such Purchase Right to such extent shall be held in abeyance for the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).

d) Pro Rata Distributions . If the Company, at any time while this Warrant is outstanding, shall distribute to all holders of Common Stock (and not to the Holder) evidences of its indebtedness or assets (including cash and cash dividends) or rights or warrants to subscribe for or purchase any security other than the Common Stock (a " Distribution "), then, upon any exercise of this Warrant, the Holder shall be entitled to participate in such Distribution to the same extent that the Holder would have participated therein if the Holder had held the number of Warrant Shares issued upon such exercise of this Warrant immediately before the date on which a record is taken for such Distribution, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the participation in such Distribution.

e) Fundamental Transaction . If, at any time while this Warrant is outstanding, (i) the Company, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Company with or into another Person, (ii) the Company, directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Stock are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of 50% or more of the outstanding Common Stock, (iv) the Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property, (v) the Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person or group of Persons whereby such other Person or group acquires more than 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination) (each a " Fundamental Transaction "), then, upon any subsequent exercise of this Warrant, the Holder shall have the right to receive, for each Warrant Share that would have been issuable upon such exercise immediately prior to the occurrence of such Fundamental Transaction, at the option of the Holder (without regard to any limitation in Section 2(e) on the exercise of this Warrant), the number of shares of Common Stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration (the " Alternate Consideration ") receivable as a result of such Fundamental Transaction by a holder of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such Fundamental Transaction (without regard to any limitation in Section 2(e) on the exercise of this Warrant). For purposes of any such exercise, the determination of the Exercise Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Company shall apportion the Exercise Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any exercise of this Warrant following such Fundamental Transaction. Notwithstanding anything to the contrary, in the event of a Fundamental Transaction that is (1) an all cash transaction, (2) a "Rule 13e-3 transaction" as defined in Rule 13e-3 under the Exchange Act, or (3) a Fundamental Transaction involving a person or entity not traded on a national securities exchange, the Company or any Successor Entity (as defined below) shall, at the Holder's option, exercisable at any time concurrently with, or within 30 days after, the consummation of the Fundamental Transaction, purchase this Warrant from the Holder by paying to the Holder an amount of cash equal to the Black Scholes Value of the remaining unexercised portion of this Warrant on the date of the consummation of such Fundamental Transaction. " Black Scholes Value " means the value of this Warrant based on the Black and Scholes Option Pricing Model obtained from the "OV" function on Bloomberg, L.P. (" Bloomberg ") determined as of the day of consummation of the applicable Fundamental Transaction for pricing purposes and reflecting (A) a risk-free interest rate corresponding to the U.S. Treasury rate for a period equal to the time between the date of the public announcement of the applicable Fundamental Transaction and the Termination Date, (B) an expected volatility equal to the greater of 100% and the 100 day volatility obtained from the HVT function on Bloomberg as of the Trading Day immediately following the public announcement of the applicable Fundamental Transaction, (C) the underlying price per share used in such calculation shall be the sum of the price per share being offered in cash, if any, plus the value of any non-cash consideration, if any, being offered in such Fundamental Transaction and (D) a remaining option time equal to the time between the date of the public announcement of the applicable Fundamental Transaction and the Termination Date. The Company shall cause any successor entity in a Fundamental Transaction in which the Company is not the survivor (the " Successor Entity ") to assume in writing all of the obligations of the Company under this Warrant and the other Transaction Documents in accordance with the provisions of this Section 3(e) pursuant to written agreements in form and substance reasonably satisfactory to the Holder and approved by the Holder (without unreasonable delay) prior to such Fundamental Transaction and shall, at the option of the Holder, deliver to the Holder in exchange for this Warrant a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant which is exercisable for a corresponding number of shares of capital stock of such Successor Entity (or its parent entity) equivalent to the shares of Common Stock acquirable and receivable upon exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) prior to such Fundamental Transaction, and with an exercise price which applies the exercise price hereunder to such shares of capital stock (but taking into account the relative value of the shares of Common Stock pursuant to such Fundamental Transaction and the value of such shares of capital stock, such number of shares of capital stock and such exercise price being for the purpose of protecting the economic value of this Warrant immediately prior to the consummation of such Fundamental Transaction), and which is reasonably satisfactory in form and substance to the Holder. Upon the occurrence of any such Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Warrant and the other Transaction Documents referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Warrant and the other Transaction Documents with the same effect as if such Successor Entity had been named as the Company herein.

f) Calculations . All calculations under this Section 3 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 3, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding treasury shares, if any) issued and outstanding.

g) Notice to Holder .

i. Adjustment to Exercise Price . Whenever the Exercise Price is adjusted pursuant to any provision of this Section 3, the Company shall promptly mail to the Holder a notice setting forth the Exercise Price after such adjustment and any resulting adjustment to the number of Warrant Shares and setting forth a brief statement of the facts requiring such adjustment.

ii. Notice to Allow Exercise by Holder . If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Common Stock, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the Company shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property, or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall cause to be mailed to the Holder at its last address as it shall appear upon the Warrant Register of the Company, at least 20 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice. To the extent that any notice provided hereunder constitutes, or contains, material, non-public information regarding the Company or any of the Subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K. The Holder shall remain entitled to exercise this Warrant during the 20-day period commencing on the date of such notice to the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

Section 4 . Transfer of Warrant .

a) Transferability . Subject to compliance with any applicable securities laws and the conditions set forth in Section 4 (d) hereof and to the provisions of Section 4.1 of the Purchase Agreement, this Warrant and all rights hereunder (including, without limitation, any registration rights) are transferable, in whole or in part, upon surrender of this Warrant at the principal office of the Company or its designated agent, together with a written assignment of this Warrant substantially in the form attached hereto duly executed by the Holder or its agent or attorney and funds sufficient to pay any transfer taxes payable upon the making of such transfer. Upon such surrender and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees, as applicable, and in the denomination or denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and this Warrant shall promptly be cancelled. The Warrant, if properly assigned in accordance herewith, may be exercised by a new holder for the purchase of Warrant Shares without having a new Warrant issued.

b) New Warrants . This Warrant may be divided or combined with other Warrants upon presentation hereof at the aforesaid office of the Company, together with a written notice specifying the names and denominations in which new Warrants are to be issued, signed by the Holder or its agent or attorney. Subject to compliance with Section 4(a), as to any transfer which may be involved in such division or combination, the Company shall execute and deliver a new Warrant or Warrants in exchange for the Warrant or Warrants to be divided or combined in accordance with such notice. All Warrants issued on transfers or exchanges shall be dated the Initial Exercise Date and shall be identical with this Warrant except as to the number of Warrant Shares issuable pursuant thereto.

c) Warrant Register . The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the " Warrant Register "), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

d) Representation by the Holder . The Holder, by the acceptance hereof, represents and warrants that it is acquiring this Warrant and, upon any exercise hereof, will acquire the Warrant Shares issuable upon such exercise, for its own account and not with a view to or for distributing or reselling such Warrant Shares or any part thereof in violation of the Securities Act or any applicable state securities law, except pursuant to sales registered or exempted under the Securities Act.

Section 5 . Miscellaneous .

a) No Rights as Stockholder Until Exercise . This Warrant does not entitle the Holder to any voting rights, dividends or other rights as a stockholder of the Company prior to the exercise hereof as set forth in Section 2.

b) Loss, Theft, Destruction or Mutilation of Warrant . The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it (which, in the case of the Warrant, shall not include the posting of any bond), and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in lieu of such Warrant or stock certificate.

c) Saturdays, Sundays, Holidays, etc . If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then, such action may be taken or such right may be exercised on the next succeeding Business Day.

d) Authorized Shares .

The Company covenants that, during the period the Warrant is outstanding, it will reserve from its authorized and unissued Common Stock a sufficient number of shares to provide for the issuance of the Warrant Shares upon the exercise of any purchase rights under this Warrant. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for the Warrant Shares upon the exercise of the purchase rights under this Warrant. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of the Trading Market upon which the Common Stock may be listed. The Company covenants that all Warrant Shares which may be issued upon the exercise of the purchase rights represented by this Warrant will, upon exercise of the purchase rights represented by this Warrant and payment for such Warrant Shares in accordance herewith, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges created by the Company in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue).

Except and to the extent as waived or consented to by the Holder, the Company shall not by any action, including, without limitation, amending its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of Holder as set forth in this Warrant against impairment. Without limiting the generality of the foregoing, the Company will (i) not increase the par value of any Warrant Shares above the amount payable therefor upon such exercise immediately prior to such increase in par value, (ii) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares upon the exercise of this Warrant and (iii) use commercially reasonable efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof, as may be, necessary to enable the Company to perform its obligations under this Warrant.

Before taking any action which would result in an adjustment in the number of Warrant Shares for which this Warrant is exercisable or in the Exercise Price, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be necessary from any public regulatory body or bodies having jurisdiction thereof.

e) Jurisdiction . All questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be determined in accordance with the provisions of the Purchase Agreement.

f) Restrictions . The Holder acknowledges that the Warrant Shares acquired upon the exercise of this Warrant, if not registered and the Holder does not utilize cashless exercise, will have restrictions upon resale imposed by state and federal securities laws.

g) Nonwaiver and Expenses . No course of dealing or any delay or failure to exercise any right hereunder on the part of Holder shall operate as a waiver of such right or otherwise prejudice the Holder's rights, powers or remedies, notwithstanding the fact that all rights hereunder terminate on the Termination Date. If the Company willfully and knowingly fails to comply with any provision of this Warrant, which results in any material damages to the Holder, the Company shall pay to the Holder such amounts as shall be sufficient to cover any costs and expenses including, but not limited to, reasonable attorneys' fees, including those of appellate proceedings, incurred by the Holder in collecting any amounts due pursuant hereto or in otherwise enforcing any of its rights, powers or remedies hereunder.

h) Notices . Any notice, request or other document required or permitted to be given or delivered to the Holder by the Company shall be delivered in accordance with the notice provisions of the Purchase Agreement.

i) Limitation of Liability . No provision hereof, in the absence of any affirmative action by the Holder to exercise this Warrant to purchase Warrant Shares, and no enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder for the purchase price of any Common Stock or as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

j) Remedies . The Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Warrant. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Warrant and hereby agrees to waive and not to assert the defense in any action for specific performance that a remedy at law would be adequate.

k) Successors and Assigns . Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors and permitted assigns of the Company and the successors and permitted assigns of Holder. The provisions of this Warrant are intended to be for the benefit of any Holder from time to time of this Warrant and shall be enforceable by the Holder or holder of Warrant Shares.

l) Amendment . This Warrant may be modified or amended or the provisions hereof waived with the written consent of the Company and the Holder.

m) Severability . Wherever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Warrant.

n) Headings . The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

****

(Signature Page Follows)

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized as of the date first above indicated.

INSPIREMD, INC.

By:_____
Name:
Title:

[Signature Page – Warrant]

NOTICE OF EXERCISE

TO: INSPIREMD, INC.

(1) The undersigned hereby elects to purchase _____ Warrant Shares of the Company pursuant to the terms of the attached Warrant (only if exercised in full), and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

(2) Payment shall take the form of (check applicable box):

o in lawful money of the United States; or

o [if permitted] the cancellation of such number of Warrant Shares as is necessary, in accordance with the formula set forth in subsection 2(c), to exercise this Warrant with respect to the maximum number of Warrant Shares purchasable pursuant to the cashless exercise procedure set forth in subsection 2(c).

(3) Please issue a certificate or certificates representing said Warrant Shares in the name of the undersigned or in such other name as is specified below:

_____

The Warrant Shares shall be delivered to the following DWAC Account Number or by physical delivery of a certificate to:

_____

_____

_____

(4) Accredited Investor . The undersigned is an "accredited investor" as defined in Regulation D promulgated under the Securities Act of 1933, as amended.

[SIGNATURE OF HOLDER]

Name of Investing Entity: _____
Signature of Authorized Signatory of Investing Entity : _____
Name of Authorized Signatory: _____
Title of Authorized Signatory: _____
Date: _____

ASSIGNMENT FORM

(To assign the foregoing warrant, execute
this form and supply required information.
Do not use this form to exercise the warrant.)

FOR VALUE RECEIVED, [____] all of or [_____] shares of the foregoing Warrant and all rights evidenced thereby are hereby assigned to

_____ whose address is

_____.

_____

Dated: _____, _____

Holder's Signature: _____

Holder's Address: _____

_____

Signature Guaranteed: _____

NOTE: The signature to this Assignment Form must correspond with the name as it appears on the face of the Warrant, without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank or trust company. Officers of corporations and those acting in a fiduciary or other representative capacity should file proper evidence of authority to assign the foregoing Warrant.

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this " Agreement ") is made and entered into as of April 5, 2012, between InspireMD, Inc., a Delaware corporation (the " Company ") and each of the several purchasers signatory hereto (each such purchaser, a " Purchaser " and, collectively, the " Purchasers ").

This Agreement is made pursuant to the Securities Purchase Agreement, dated as of the date hereof, between the Company and each Purchaser (the " Purchase Agreement ").

The Company and each Purchaser hereby agrees as follows:

1. Definitions

Capitalized terms used and not otherwise defined herein that are defined in the Purchase Agreement shall have the meanings given such terms in the Purchase Agreement. As used in this Agreement, the following terms shall have the following meanings:

" Advice " shall have the meaning set forth in Section 6(d).

" Effectiveness Date " means, with respect to the Initial Registration Statement required to be filed hereunder, the 90th calendar day following the date hereof (or, in the event of a "full review" by the Commission, the 120th calendar day following the date hereof) and with respect to any additional Registration Statements which may be required pursuant to Section 2(c) or Section 3(c), the 90th calendar day following the date on which an additional Registration Statement is required to be filed hereunder (or, in the event of a "full review" by the Commission, the 120th calendar day following the date such additional Registration Statement is required to be filed hereunder); provided , however , that in the event the Company is notified by the Commission that one or more of the above Registration Statements will not be reviewed or is no longer subject to further review and comments, the Effectiveness Date as to such Registration Statement shall be the fifth Trading Day following the date on which the Company is so notified if such date precedes the dates otherwise required above (unless the Company is required to update its financial statements prior to requesting acceleration of such Registration Statement, which will require the Company to file an amendment to such Registration Statement, in which case the Company shall file any necessary amendment to such Registration Statement and request effectiveness thereof as soon as reasonably practicable and in no event later than the dates set forth above); provided , further , if such Effectiveness Date falls on a day that is not a Trading Day, then the Effectiveness Date shall be the next succeeding Trading Day.

" Effectiveness Period " shall have the meaning set forth in Section 2(a).

" Event " shall have the meaning set forth in Section 2(d).

" Event Date " shall have the meaning set forth in Section 2(d).

" Filing Date " means, with respect to the Initial Registration Statement required hereunder, the 45th calendar day following the date hereof and, with respect to any additional Registration Statements which may be required pursuant to Section 2(c) or Section 3 (c), the earliest practical date on which the Company is permitted by SEC Guidance to file such additional Registration Statement related to the Registrable Securities.

" Holder " or " Holders " means the holder or holders, as the case may be, from time to time of Registrable Securities.

" Indemnified Party " shall have the meaning set forth in Section 5(c).

" Indemnifying Party " shall have the meaning set forth in Section 5(c).

" Initial Registration Statement " means the initial Registration Statement filed pursuant to this Agreement.

" Initial Shares " means a number of Registrable Securities equal to the lesser of (i) the total number of Registrable Securities and (ii) one-third of the number of issued and outstanding shares of Common Stock that are held by non-affiliates of the Company on the day immediately prior to the filing date of the Initial Registration Statement.

" Losses " shall have the meaning set forth in Section 5(a).

" Plan of Distribution " shall have the meaning set forth in Section 2(a).

" Prospectus " means the prospectus included in a Registration Statement (including, without limitation, a prospectus that includes any information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A promulgated by the Commission pursuant to the Securities Act), as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Registrable Securities covered by a Registration Statement, and all other amendments and supplements to the Prospectus, including post-effective amendments, and all material incorporated by reference or deemed to be incorporated by reference in such Prospectus.

" Registrable Securities " means, as of any date of determination, (a) all of the shares of Common Stock then issuable upon conversion in full of the Debentures (assuming on such date the Debentures are converted in full without regard to any conversion limitations therein), (b) all Warrant Shares then issuable upon exercise of the Warrants (assuming on such date the Warrants are exercised in full without regard to any exercise limitations therein), (c) any additional shares of Common Stock issuable in connection with any anti-dilution provisions in the Debentures or the Warrants (in each case, without giving effect to any limitations on conversion set forth in the Debentures or limitations on exercise set forth in the Warrants) and (d) any securities issued or then issuable upon any stock split, dividend or other distribution, recapitalization or similar event with respect to the foregoing; provided , however , that any such Registrable Securities shall cease to be Registrable Securities (and the Company shall not be required to maintain the effectiveness of any, or file another, Registration Statement hereunder with respect thereto) for so long as (a) a Registration Statement with respect to the sale of such Registrable Securities is declared effective by the Commission under the Securities Act and such Registrable Securities have been disposed of by the Holder in accordance with such effective Registration Statement, (b) such Registrable Securities have been previously sold in accordance with Rule 144, or (c) such securities become eligible for resale without volume or manner-of-sale restrictions and, as of such date, the Company is in compliance with the current public information required under Rule 144 as to such Registrable Securities (assuming that such securities and any securities issuable upon exercise, conversion or exchange of which, or as a dividend upon which, such securities were issued or are issuable, were at no time held by any Affiliate of the Company, and all Warrants are exercised by "cashless exercise" as provided in Section 2(c) of each of the Warrants), as reasonably determined by the Company, upon the advice of counsel to the Company.

" Registration Statement " means any registration statement required to be filed hereunder pursuant to Section 2(a) and any additional registration statements contemplated by Section 2(c) or Section 3(c), including (in each case) the Prospectus, amendments and supplements to any such registration statement or Prospectus, including pre- and post-effective amendments, all exhibits thereto, and all material incorporated by reference or deemed to be incorporated by reference in any such registration statement.

" Rule 415 " means Rule 415 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

" Rule 424 " means Rule 424 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

" Selling Stockholder Questionnaire " shall have the meaning set forth in Section 3(a).

" SEC Guidance " means (i) any publicly-available written or oral guidance, comments, requirements or requests of the Commission staff and (ii) the Securities Act.

2. Shelf Registration

(a) On or prior to each Filing Date, the Company shall prepare and file with the Commission a Registration Statement covering the resale of all of the Registrable Securities that are not then registered on an effective Registration Statement for an offering to be made on a continuous basis pursuant to Rule 415. Each Registration Statement filed hereunder shall be on Form S-3 (except if the Company is not then eligible to register for resale the Registrable Securities on Form S-3, in which case such registration shall be on another appropriate form in accordance herewith) and shall contain (unless otherwise directed by at least 60% in interest of the Holders) substantially the " Plan of Distribution " attached hereto as Annex A . Subject to the terms of this Agreement, the Company shall use its commercially reasonable efforts to cause a Registration Statement filed under this Agreement (including, without limitation, under Section 3(c)) to be declared effective under the Securities Act as promptly as possible after the filing thereof, but in any event no later than the applicable Effectiveness Date, and shall use its best efforts to keep such Registration Statement continuously effective under the Securities Act until all Registrable Securities covered by such Registration Statement (i) have been sold, thereunder or pursuant to Rule 144, or (ii) may be sold without volume or manner-of-sale restrictions pursuant to Rule 144 and, as of such date, the Company is in compliance with the current public information required under Rule 144 as to such Registrable Securities (the " Effectiveness Period "). The Company shall telephonically request effectiveness of a Registration Statement as of 5:00 p.m. Eastern Time on a Trading Day.The Company shall immediately notify the Holders via facsimile or by e-mail of the effectiveness of a Registration Statement on the same Trading Day that the Company telephonically confirms effectiveness with the Commission, which shall be the date requested for effectiveness of such Registration Statement. The Company shall, by 9:30 a.m. Eastern Time on the Trading Day after the effective date of such Registration Statement, file a final Prospectus with the Commission as required by Rule 424. Failure to so notify the Holder within one (1) Trading Day of such notification of effectiveness or failure to file a final Prospectus as foresaid shall be deemed an Event under Section 2(d) .

(b) Notwithstanding the registration obligations set forth in Section 2(a), if the Commission informs the Company that all of the Registrable Securities cannot, as a result of the application of Rule 415, be registered for resale as a secondary offering on a single registration statement, the Company agrees to promptly inform each of the Holders thereof and use its commercially reasonable efforts to file amendments to the Initial Registration Statement as required by the Commission, covering the maximum number of Registrable Securities permitted to be registered by the Commission, on Form S-3 or such other form available to register for resale the Registrable Securities as a secondary offering, subject to the provisions of Section 2(e); provided , however , that prior to filing such amendment, the Company shall be obligated to use diligent efforts to advocate with the Commission for the registration of all of the Registrable Securities in accordance with the SEC Guidance, including without limitation, Compliance and Disclosure Interpretation 612.09.

(c) Notwithstanding any other provision of this Agreement and subject to the payment of liquidated damages pursuant to Section 2(d), if the Commission or any SEC Guidance sets forth a limitation on the number of Registrable Securities permitted to be registered on a particular Registration Statement as a secondary offering (and notwithstanding that the Company used diligent efforts to advocate with the Commission for the registration of all or a greater portion of Registrable Securities), unless otherwise directed in writing by a Holder as to its Registrable Securities, the number of Registrable Securities to be registered on such Registration Statement will be reduced as follows:

(i) First, the Company shall reduce or eliminate any securities to be included by any Person other than a Holder;

(ii) Second, the Company shall reduce Registrable Securities represented by Warrant Shares (applied, in the case that some Warrant Shares may be registered, to the Holders on a pro rata basis based on the total number of unregistered Warrant Shares held by such Holders); and

(iii) Third, the Company shall reduce Registrable Securities represented by Conversion Shares (applied, in the case that some Conversion Shares may be registered, to the Holders on a pro rata basis based on the total number of unregistered Conversion Shares held by such Holders).

In the event of a cutback hereunder, the Company shall give the Holder at least five (5) Trading Days prior written notice along with the calculations as to such Holder's allotment. In the event the Company amends the Initial Registration Statement in accordance with the foregoing, the Company will use its commercially reasonable efforts to file with the Commission, as promptly as allowed by Commission or SEC Guidance provided to the Company or to registrants of securities in general, one or more registration statements on Form S-3 or such other form available to register for resale those Registrable Securities that were not registered for resale on the Initial Registration Statement, as amended

(d) If: (i) the Initial Registration Statement is not filed on or prior to its Filing Date, or (ii) a Registration Statement registering for resale all of the Registrable Securities is not declared effective by the Commission by the Effectiveness Date of the Initial Registration Statement, or (iii) after the effective date of a Registration Statement, such Registration Statement ceases for any reason to remain continuously effective as to all Registrable Securities included in such Registration Statement, or the Holders are otherwise not permitted to utilize the Prospectus therein to resell such Registrable Securities, for more than thirty (30) consecutive calendar days or more than an aggregate of sixty (60) calendar days (which need not be consecutive calendar days) during any 12-month period (any such failure or breach being referred to as an " Event ", and for purposes of clauses (i) and (ii), the date on which such Event occurs, and for purpose of clause (iii) the date on which such thirty (30) or sixty (60) calendar day period, as applicable, is exceeded being referred to as " Event Date "), then, in addition to any other rights the Holders may have hereunder or under applicable law, on each such Event Date and on each monthly anniversary of each such Event Date (if the applicable Event shall not have been cured by such date) until the applicable Event is cured, the Company shall pay to each Holder an amount in cash, as partial liquidated damages and not as a penalty, equal to 1.0% of the aggregate purchase price paid by such Holder pursuant to the Purchase Agreement. The parties agree that the maximum aggregate liquidated damages payable to a Holder under this Agreement shall be 6% of the aggregate Subscription Amount paid by such Holder pursuant to the Purchase Agreement. If the Company fails to pay any partial liquidated damages pursuant to this Section in full within seven days after the date payable, the Company will pay interest thereon at a rate of 18% per annum (or such lesser maximum amount that is permitted to be paid by applicable law) to the Holder, accruing daily from the date such partial liquidated damages are due until such amounts, plus all such interest thereon, are paid in full. The partial liquidated damages pursuant to the terms hereof shall apply on a daily pro rata basis for any portion of a month prior to the cure of an Event.

3. Registration Procedures .

In connection with the Company's registration obligations hereunder, the Company shall:

(a) Not less than five (5) Trading Days prior to the filing of each Registration Statement and not less than one (1) Trading Day prior to the filing of any related Prospectus or any amendment or supplement thereto (including any document that would be incorporated or deemed to be incorporated therein by reference), the Company shall (i) furnish to each Holder copies of all such documents proposed to be filed, which documents (other than those incorporated or deemed to be incorporated by reference) will be subject to the review of such Holders, and (ii) cause its officers and directors, counsel and independent registered public accountants to respond to such inquiries as shall be necessary, in the reasonable opinion of respective counsel to each Holder, to conduct a reasonable investigation within the meaning of the Securities Act. Notwithstanding the above, the Company shall not be obligated to provide the Holders advance copies of any universal shelf registration statement registering securities in addition to those required hereunder, or any Prospectus prepared thereto. The Company shall not file a Registration Statement or any such Prospectus or any amendments or supplements thereto to which the Holders of a majority of the Registrable Securities shall reasonably object in good faith, provided that, the Company is notified of such objection in writing no later than five (5) Trading Days after the Holders have been so furnished copies of a Registration Statement or one (1) Trading Day after the Holders have been so furnished copies of any related Prospectus or amendments or supplements thereto. Each Holder agrees to furnish to the Company a completed questionnaire in the form attached to this Agreement as Annex B (a " Selling Stockholder Questionnaire ") on a date that is not less than two (2) Trading Days prior to the Filing Date or by the end of the fourth (4th) Trading Day following the date on which such Holder receives draft materials in accordance with this Section.

(b) (i) Prepare and file with the Commission such amendments, including post-effective amendments, to a Registration Statement and the Prospectus used in connection therewith as may be necessary to keep a Registration Statement continuously effective as to the applicable Registrable Securities for the Effectiveness Period and prepare and file with the Commission such additional Registration Statements in order to register for resale under the Securities Act all of the Registrable Securities, (ii) cause the related Prospectus to be amended or supplemented by any required Prospectus supplement (subject to the terms of this Agreement), and, as so supplemented or amended, to be filed pursuant to Rule 424, (iii) respond as promptly as reasonably possible to any comments received from the Commission with respect to a Registration Statement or any amendment thereto and provide as promptly as reasonably possible to the Holders true and complete copies of all correspondence from and to the Commission relating to a Registration Statement (provided that, the Company shall excise any information contained therein which would constitute material non-public information regarding the Company or any of its Subsidiaries), and (iv) comply in all material respects with the applicable provisions of the Securities Act and the Exchange Act with respect to the disposition of all Registrable Securities covered by a Registration Statement during the applicable period in accordance (subject to the terms of this Agreement) with the intended methods of disposition by the Holders thereof set forth in such Registration Statement as so amended or in such Prospectus as so supplemented.

(c) If during the Effectiveness Period, the number of Registrable Securities at any time exceeds 100% of the number of shares of Common Stock then registered in a Registration Statement, then the Company shall file as soon as reasonably practicable, but in any case prior to the applicable Filing Date, an additional Registration Statement covering the resale by the Holders of not less than the number of such Registrable Securities.

(d) Notify the Holders of Registrable Securities to be sold (which notice shall, pursuant to clauses (iii) through (vi) hereof, be accompanied by an instruction to suspend the use of the Prospectus until the requisite changes have been made) as promptly as reasonably possible (and, in the case of (i)(A) below, not less than one (1) Trading Day prior to such filing) and (if requested by any such Person) confirm such notice in writing no later than one (1) Trading Day following the day (i)(A) when a Prospectus or any Prospectus supplement or post-effective amendment to a Registration Statement is proposed to be filed, (B) when the Commission notifies the Company whether there will be a "review" of such Registration Statement and whenever the Commission comments in writing on such Registration Statement, and (C) with respect to a Registration Statement or any post-effective amendment, when the same has become effective, (ii) of any request by the Commission or any other federal or state governmental authority for amendments or supplements to a Registration Statement or Prospectus or for additional information, (iii) of the issuance by the Commission or any other federal or state governmental authority of any stop order suspending the effectiveness of a Registration Statement covering any or all of the Registrable Securities or the initiation of any Proceedings for that purpose, (iv) of the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction, or the initiation or threatening of any Proceeding for such purpose, (v) of the occurrence of any event or passage of time that makes the financial statements included in a Registration Statement ineligible for inclusion therein or any statement made in a Registration Statement or Prospectus or any document incorporated or deemed to be incorporated therein by reference untrue in any material respect or that requires any revisions to a Registration Statement, Prospectus or other documents so that, in the case of a Registration Statement or the Prospectus, as the case may be, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and (vi) of the occurrence or existence of any pending corporate development with respect to the Company that the Company believes may be material and that, in the determination of the Company, makes it not in the best interest of the Company to allow continued availability of a Registration Statement or Prospectus, provided , however , in no event shall any such notice contain any information which would constitute material, non-public information regarding the Company or any of its Subsidiaries.

(e) Use its commercially reasonable efforts to avoid the issuance of, or, if issued, obtain the withdrawal of (i) any order stopping or suspending the effectiveness of a Registration Statement, or (ii) any suspension of the qualification (or exemption from qualification) of any of the Registrable Securities for sale in any jurisdiction, at the earliest practicable moment.

(f) Furnish to each Holder, without charge, at least one conformed copy of each such Registration Statement and each amendment thereto, including financial statements and schedules, all documents incorporated or deemed to be incorporated therein by reference to the extent requested by such Person, and all exhibits to the extent requested by such Person (including those previously furnished or incorporated by reference) promptly after the filing of such documents with the Commission; provided, that any such item which is available on the EDGAR system (or successor thereto) need not be furnished in physical form.

(g) Subject to the terms of this Agreement, the Company hereby consents to the use of such Prospectus and each amendment or supplement thereto by each of the selling Holders in connection with the offering and sale of the Registrable Securities covered by such Prospectus and any amendment or supplement thereto, except after the giving of any notice pursuant to Section 3(d).

(h) The Company shall cooperate with any broker-dealer through which a Holder proposes to resell its Registrable Securities in effecting a filing with the FINRA Corporate Financing Department pursuant to FINRA Rule 5110, as requested by any such Holder, and the Company shall pay the filing fee required by such filing within two (2) Business Days of request therefor.

(i) Prior to any resale of Registrable Securities by a Holder, use its commercially reasonable efforts to register or qualify or cooperate with the selling Holders in connection with the registration or qualification (or exemption from the Registration or qualification) of such Registrable Securities for the resale by the Holder under the securities or Blue Sky laws of such jurisdictions within the United States as any Holder reasonably requests in writing, to keep each registration or qualification (or exemption therefrom) effective during the Effectiveness Period and to do any and all other acts or things reasonably necessary to enable the disposition in such jurisdictions of the Registrable Securities covered by each Registration Statement; provided, that, the Company shall not be required to qualify generally to do business in any jurisdiction where it is not then so qualified, subject the Company to any material tax in any such jurisdiction where it is not then so subject or file a general consent to service of process in any such jurisdiction.

(j) If requested by a Holder, cooperate with such Holder to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be delivered to a transferee pursuant to a Registration Statement, which certificates shall be free, to the extent permitted by the Purchase Agreement, of all restrictive legends, and to enable such Registrable Securities to be in such denominations and registered in such names as any such Holder may request.

(k) Upon the occurrence of any event contemplated by Section 3(d), as promptly as reasonably possible under the circumstances taking into account the Company's good faith assessment of any adverse consequences to the Company and its stockholders of the premature disclosure of such event, prepare a supplement or amendment, including a post-effective amendment, to a Registration Statement or a supplement to the related Prospectus or any document incorporated or deemed to be incorporated therein by reference, and file any other required document so that, as thereafter delivered, neither a Registration Statement nor such Prospectus will contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. If the Company notifies the Holders in accordance with clauses (iii) through (vi) of Section 3(d) above to suspend the use of any Prospectus until the requisite changes to such Prospectus have been made, then the Holders shall suspend use of such Prospectus. The Company will use its commercially reasonable efforts to ensure that the use of the Prospectus may be resumed as promptly as is practicable. The Company shall be entitled to exercise its right under this Section 3(k) to suspend the availability of a Registration Statement and Prospectus, subject to the payment of partial liquidated damages otherwise required pursuant to Section 2(d), for a period not to exceed 60 calendar days (which need not be consecutive days) in any 12-month period.

(l) Comply with all applicable rules and regulations of the Commission.

(m) The Company may require each selling Holder to furnish to the Company a certified statement as to the number of shares of Common Stock beneficially owned by such Holder and, if required by the Commission, the natural persons thereof that have voting and dispositive control over the shares. During any periods that the Company is unable to meet its obligations hereunder with respect to the registration of the Registrable Securities solely because any Holder fails to furnish such information within three Trading Days of the Company's request, any liquidated damages that are accruing at such time as to such Holder only shall be tolled and any Event that may otherwise occur solely because of such delay shall be suspended as to such Holder only, until such information is delivered to the Company.

4. Registration Expenses . All fees and expenses incident to the performance of or compliance with, this Agreement by the Company shall be borne by the Company whether or not any Registrable Securities are sold pursuant to a Registration Statement. The fees and expenses referred to in the foregoing sentence shall include, without limitation, (i) all registration and filing fees (including, without limitation, fees and expenses of the Company's counsel and independent registered public accountants) (A) with respect to filings made with the Commission, (B) with respect to filings required to be made with any Trading Market on which the Common Stock is then listed for trading, (C) in compliance with applicable state securities or Blue Sky laws reasonably agreed to by the Company in writing (including, without limitation, fees and disbursements of counsel for the Company in connection with Blue Sky qualifications or exemptions of the Registrable Securities) and (D) if not previously paid by the Company in connection with an Issuer Filing, with respect to any filing that may be required to be made by any broker through which a Holder intends to make sales of Registrable Securities with FINRA pursuant to FINRA Rule 5110, so long as the broker is receiving no more than a customary brokerage commission in connection with such sale, (ii) printing expenses (including, without limitation, expenses of printing certificates for Registrable Securities), (iii) messenger, telephone and delivery expenses, (iv) fees and disbursements of counsel for the Company, (v) Securities Act liability insurance, if the Company so desires such insurance, and (vi) fees and expenses of all other Persons retained by the Company in connection with the consummation of the transactions contemplated by this Agreement. In addition, the Company shall be responsible for all of its internal expenses incurred in connection with the consummation of the transactions contemplated by this Agreement (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit and the fees and expenses incurred in connection with the listing of the Registrable Securities on any securities exchange as required hereunder. In no event shall the Company be responsible for any broker or similar commissions of any Holder or, except to the extent provided for in the Transaction Documents, any legal fees or other costs of the Holders.

5. Indemnification .

(a) Indemnification by the Company . The Company shall, notwithstanding any termination of this Agreement, indemnify and hold harmless each Holder, the officers, directors, members, partners, agents, brokers (including brokers who offer and sell Registrable Securities as principal as a result of a pledge or any failure to perform under a margin call of Common Stock), investment advisors and employees (and any other Persons with a functionally equivalent role of a Person holding such titles, notwithstanding a lack of such title or any other title) of each of them, each Person who controls any such Holder (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) and the officers, directors, members, stockholders, partners, agents and employees (and any other Persons with a functionally equivalent role of a Person holding such titles, notwithstanding a lack of such title or any other title) of each such controlling Person, to the fullest extent permitted by applicable law, from and against any and all losses, claims, damages, liabilities, costs (including, without limitation, reasonable attorneys' fees) and expenses (collectively, " Losses "), as incurred, arising out of or relating to (1) any untrue or alleged untrue statement of a material fact contained in a Registration Statement, any Prospectus or any form of prospectus or in any amendment or supplement thereto or in any preliminary prospectus, or arising out of or relating to any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein (in the case of any Prospectus or supplement thereto, in light of the circumstances under which they were made) not misleading or (2) any violation or alleged violation by the Company of the Securities Act, the Exchange Act or any state securities law, or any rule or regulation thereunder, in connection with the performance of its obligations under this Agreement, except to the extent, but only to the extent, that (i) such untrue statements or omissions are based solely upon information regarding such Holder furnished in writing to the Company by such Holder expressly for use therein, or to the extent that such information relates to such Holder or such Holder's proposed method of distribution of Registrable Securities and was reviewed and expressly approved in writing by such Holder expressly for use in a Registration Statement, such Prospectus or in any amendment or supplement thereto (it being understood that the Holder has approved Annex A hereto for this purpose) or (ii) in the case of an occurrence of an event of the type specified in Section 3(d)(iii)-(vi), the use by such Holder of an outdated, defective or otherwise unavailable Prospectus after the Company has notified such Holder in writing that the Prospectus is outdated, defective or otherwise unavailable for use by such Holder and prior to the receipt by such Holder of the Advice contemplated in Section 6(d), but only if and to the extent that following the receipt of the Advice the misstatement or omission giving rise to such Loss would have been corrected. The Company shall notify the Holders promptly of the institution, threat or assertion of any Proceeding arising from or in connection with the transactions contemplated by this Agreement of which the Company is aware. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such indemnified person and shall survive the transfer of any Registrable Securities by any of the Holders in accordance with Section 6(h).

(b) Indemnification by Holders . Each Holder shall, severally and not jointly, indemnify and hold harmless the Company, its directors, officers, agents and employees, each Person who controls the Company (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, agents or employees of such controlling Persons, to the fullest extent permitted by applicable law, from and against all Losses, as incurred, to the extent arising out of or based solely upon: (x) such Holder's failure to comply with any applicable prospectus delivery requirements of the Securities Act through no fault of the Company or (y) any untrue or alleged untrue statement of a material fact contained in any Registration Statement, any Prospectus, or in any amendment or supplement thereto or in any preliminary prospectus, or arising out of or relating to any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein (in the case of any Prospectus or supplement thereto, in light of the circumstances under which they were made) not misleading (i) to the extent, but only to the extent, that such untrue statement or omission is contained in any information so furnished in writing by such Holder to the Company expressly for inclusion in such Registration Statement or such Prospectus or (ii) to the extent, but only to the extent, that such information relates to such Holder's proposed method of distribution of Registrable Securities and was reviewed and expressly approved in writing by such Holder expressly for use in a Registration Statement (it being understood that the Holder has approved Annex A hereto for this purpose), such Prospectus or in any amendment or supplement thereto or (iii) in the case of an occurrence of an event of the type specified in Section 3(d)(iii)-(vi), to the extent, but only to the extent, related to the use by such Holder of an outdated, defective or otherwise unavailable Prospectus after the Company has notified such Holder in writing that the Prospectus is outdated, defective or otherwise unavailable for use by such Holder and prior to the receipt by such Holder of the Advice contemplated in Section 6(d), but only if and to the extent that following the receipt of the Advice the misstatement or omission giving rise to such Loss would have been corrected. In no event shall the liability of any selling Holder under this Section 5(b) be greater in amount than the dollar amount of the net proceeds received by such Holder upon the sale of the Registrable Securities giving rise to such indemnification obligation.

(c) Conduct of Indemnification Proceedings . If any Proceeding shall be brought or asserted against any Person entitled to indemnity hereunder (an " Indemnified Party "), such Indemnified Party shall promptly notify the Person from whom indemnity is sought (the " Indemnifying Party ") in writing, and the Indemnifying Party shall have the right to assume the defense thereof, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of all fees and expenses incurred in connection with defense thereof; provided, that, the failure of any Indemnified Party to give such notice shall not relieve the Indemnifying Party of its obligations or liabilities pursuant to this Agreement, except (and only) to the extent that it shall be finally determined by a court of competent jurisdiction (which determination is not subject to appeal or further review) that such failure shall have materially and adversely prejudiced the Indemnifying Party.

An Indemnified Party shall have the right to employ separate counsel in any such Proceeding and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party or Parties unless: (1) the Indemnifying Party has agreed in writing to pay such fees and expenses, (2) the Indemnifying Party shall have failed promptly to assume the defense of such Proceeding and to employ counsel reasonably satisfactory to such Indemnified Party in any such Proceeding, or (3) the named parties to any such Proceeding (including any impleaded parties) include both such Indemnified Party and the Indemnifying Party, and counsel to the Indemnified Party shall reasonably believe that a material conflict of interest is likely to exist if the same counsel were to represent such Indemnified Party and the Indemnifying Party (in which case, if such Indemnified Party notifies the Indemnifying Party in writing that it elects to employ separate counsel at the expense of the Indemnifying Party, the Indemnifying Party shall not have the right to assume the defense thereof and the reasonable fees and expenses of no more than one separate counsel shall be at the expense of the Indemnifying Party). The Indemnifying Party shall not be liable for any settlement of any such Proceeding effected without its written consent, which consent shall not be unreasonably withheld or delayed. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, effect any settlement of any pending Proceeding in respect of which any Indemnified Party is a party, unless such settlement includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such Proceeding.

Subject to the terms of this Agreement, all reasonable fees and expenses of the Indemnified Party (including reasonable fees and expenses to the extent incurred in connection with investigating or preparing to defend such Proceeding in a manner not inconsistent with this Section) shall be paid to the Indemnified Party, as incurred, within ten Trading Days of written notice thereof to the Indemnifying Party; provided, that, the Indemnified Party shall promptly reimburse the Indemnifying Party for that portion of such fees and expenses applicable to such actions for which such Indemnified Party is finally determined by a court of competent jurisdiction (which determination is not subject to appeal or further review) not to be entitled to indemnification hereunder.

(d) Contribution . If the indemnification under Section 5(a) or 5(b) is unavailable to an Indemnified Party or insufficient to hold an Indemnified Party harmless for any Losses, then each Indemnifying Party shall contribute to the amount paid or payable by such Indemnified Party, in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and Indemnified Party in connection with the actions, statements or omissions that resulted in such Losses as well as any other relevant equitable considerations. The relative fault of such Indemnifying Party and Indemnified Party shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission of a material fact, has been taken or made by, or relates to information supplied by, such Indemnifying Party or Indemnified Party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action, statement or omission. The amount paid or payable by a party as a result of any Losses shall be deemed to include, subject to the limitations set forth in this Agreement, any reasonable attorneys' or other fees or expenses incurred by such party in connection with any Proceeding to the extent such party would have been indemnified for such fees or expenses if the indemnification provided for in this Section was available to such party in accordance with its terms.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 5(d) were determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to in the immediately preceding paragraph. Notwithstanding the provisions of this Section 5(d), no Holder shall be required to contribute pursuant to this Section 5(d), in the aggregate, any amount in excess of the amount by which the net proceeds actually received by such Holder from the sale of the Registrable Securities subject to the Proceeding exceeds the amount of any damages that such Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission.

The indemnity and contribution agreements contained in this Section are in addition to any liability that the Indemnifying Parties may have to the Indemnified Parties.

6. Miscellaneous .

(a) Remedies . In the event of a breach by the Company or by a Holder of any of their respective obligations under this Agreement, each Holder or the Company, as the case may be, in addition to being entitled to exercise all rights granted by law and under this Agreement, including recovery of damages, shall be entitled to specific performance of its rights under this Agreement. Each of the Company and each Holder agrees that monetary damages would not provide adequate compensation for any losses incurred by reason of a breach by it of any of the provisions of this Agreement and hereby further agrees that, in the event of any action for specific performance in respect of such breach, it shall not assert or shall waive the defense that a remedy at law would be adequate.

(b) No Piggyback on Registrations . Except as set forth on Schedule 6(b) attached hereto, neither the Company nor any of its security holders (other than the Holders in such capacity pursuant hereto) may include securities of the Company in any Registration Statements other than the Registrable Securities.

(c) Compliance . Each Holder covenants and agrees that it will comply with the prospectus delivery requirements of the Securities Act as applicable to it (unless an exemption therefrom is available) in connection with sales of Registrable Securities pursuant to a Registration Statement.

(d) Discontinued Disposition . By its acquisition of Registrable Securities, each Holder agrees that, upon receipt of a notice from the Company of the occurrence of any event of the kind described in Section 3(d)(iii) through (vi), such Holder will forthwith discontinue disposition of such Registrable Securities under a Registration Statement until it is advised in writing (the " Advice ") by the Company that the use of the applicable Prospectus (as it may have been supplemented or amended) may be resumed. The Company will use its commercially reasonable efforts to ensure that the use of the Prospectus may be resumed as promptly as is practicable. The Company agrees and acknowledges that any periods during which the Holder is required to discontinue the disposition of the Registrable Securities hereunder shall be subject to the provisions of Section 2(d).

(e) Piggy-Back Registrations . If, at any time during the Effectiveness Period, there is not an effective Registration Statement covering all of the Registrable Securities and the Company shall determine to prepare and file with the Commission a registration statement relating to an offering for its account or the account of others under the Securities Act of any of the Company's equity securities, other than (a) on Form S-4 or Form S-8 (each as promulgated under the Securities Act) or their then equivalents relating to equity securities to be issued solely in connection with any acquisition of any entity or business or equity securities issuable in connection with the stock option or other employee benefit plans or (b) a pre or post effective amendment to a previously filed registration statement, the Company shall deliver to each Holder a written notice of such determination and if, within 15 calendar days after the date of delivery of such notice, the Holder (or any permitted successor or assign) shall so request in writing, the Company shall include in such registration statement all or any part of the Registrable Securities that such Holder requests to be registered. In the case of an underwritten offering by the Company of securities, each Holder shall, with respect to the Registrable Securities that such Holder then desires to sell, enter into an underwriting agreement with the same underwriters engaged by the Company with respect to securities being offered by the Company, and the Company shall cause such underwriters to include in any such underwriting all of the Registrable Securities that a Holder then desires to sell; provided , however , that such underwriting agreement shall be in substantially the same form as the underwriting agreement that the Company enters into in connection with the primary offering it is making; provided , further , that no Holder participating in such underwriting shall be required to make any representations or warranties except as they relate to such Holder's ownership of the Registrable Securities and authority to enter into the underwriting agreement (including as to the execution, delivery and enforceability thereof) and to such Holder's intended method of distribution, or to agree to indemnify the Company or the underwriters thereunder on terms other than substantially as set forth in Section 5 above; and (B) in the event that, in connection with any underwritten offering, the managing underwriter(s) thereof shall impose a limitation on the number of Registrable Securities that may be included in a registration statement because, in such underwriter(s)' judgment, marketing or other factors dictate such limitation is necessary to facilitate public distribution, then the Company shall be obligated to include in such registration statement only such limited portion of the Registrable Securities with respect to which a Holder has requested inclusion hereunder as the underwriter shall permit; provided , however , that (1) the Company shall not exclude any Registrable Securities unless the Company has first excluded all outstanding securities, the holders of which are not contractually entitled to inclusion of such securities in such registration statement or are not contractually entitled to pro rata inclusion with the Registrable Securities and (2) after giving effect to the immediately preceding proviso, any such exclusion of Registrable Securities shall be made pro rata among the Holders seeking to include Registrable Securities and, as applicable, the holders of other securities having the contractual right to inclusion of their securities in such registration statement pari passu with the securities held by the Holders, in proportion to the number of Registrable Securities or other securities, as applicable, sought to be included by each such Holder or other holder

(f) Amendments and Waivers . The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless the same shall be in writing and signed by the Company and the Holders of 60% or more of the then outstanding Registrable Securities (for purposes of clarification, this includes any Registrable Securities issuable upon exercise or conversion of any Security). If a Registration Statement does not register all of the Registrable Securities pursuant to a waiver or amendment done in compliance with the previous sentence, then the number of Registrable Securities to be registered for each Holder shall be reduced pro rata among all Holders and each Holder shall have the right to designate which of its Registrable Securities shall be omitted from such Registration Statement. Notwithstanding the foregoing, a waiver or consent to depart from the provisions hereof with respect to a matter that relates exclusively to the rights of a Holder or some Holders and that does not directly or indirectly affect the rights of other Holders may be given only by such Holder or Holders of all of the Registrable Securities to which such waiver or consent relates; provided , however , that the provisions of this sentence may not be amended, modified, or supplemented except in accordance with the provisions of the first sentence of this Section 6(f). No consideration shall be offered or paid to any Person to amend or consent to a waiver or modification of any provision of this Agreement unless the same consideration also is offered to all of the parties to this Agreement.

(g) Notices . Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be delivered as set forth in the Purchase Agreement.

(h) Successors and Assigns . This Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of each of the parties and shall inure to the benefit of each Holder. The Company may not assign (except by merger) its rights or obligations hereunder without the prior written consent of all of the Holders of the then outstanding Registrable Securities. Each Holder may assign their respective rights hereunder in the manner and to the Persons as permitted under Section 5.7 of the Purchase Agreement.

(i) No Inconsistent Agreements . Neither the Company nor any of its Subsidiaries has entered, as of the date hereof, nor shall the Company or any of its Subsidiaries, on or after the date of this Agreement, enter into any agreement with respect to its securities, that would have the effect of impairing the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof. Neither the Company nor any of its Subsidiaries has previously entered into any agreement granting any registration rights with respect to any of its securities to any Person that have not been satisfied in full.

(j) Execution and Counterparts . This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party, it being understood that both parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

(k) Governing Law . All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be determined in accordance with the provisions of the Purchase Agreement.

(l) Cumulative Remedies . The remedies provided herein are cumulative and not exclusive of any other remedies provided by law.

(m) Severability . If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

(n) Headings . The headings in this Agreement are for convenience only, do not constitute a part of the Agreement and shall not be deemed to limit or affect any of the provisions hereof.

(o) Independent Nature of Holders' Obligations and Rights . The obligations of each Holder hereunder are several and not joint with the obligations of any other Holder hereunder, and no Holder shall be responsible in any way for the performance of the obligations of any other Holder hereunder. Nothing contained herein or in any other agreement or document delivered at any closing, and no action taken by any Holder pursuant hereto or thereto, shall be deemed to constitute the Holders as a partnership, an association, a joint venture or any other kind of group or entity, or create a presumption that the Holders are in any way acting in concert or as a group or entity with respect to such obligations or the transactions contemplated by this Agreement or any other matters, and the Company acknowledges that the Holders are not acting in concert or as a group, and the Company shall not asset any such claim, with respect to such obligations or transactions. Each Holder shall be entitled to protect and enforce its rights, including without limitation the rights arising out of this Agreement, and it shall not be necessary for any other Holder to be joined as an additional party in any proceeding for such purpose. The use of a single agreement with respect to the obligations of the Company contained was solely in the control of the Company, not the action or decision of any Holder, and was done solely for the convenience of the Company and not because it was required or requested to do so by any Holder. It is expressly understood and agreed that each provision contained in this Agreement is between the Company and a Holder, solely, and not between the Company and the Holders collectively and not between and among Holders.

****

IN WITNESS WHEREOF, the parties have executed this Registration Rights Agreement as of the date first written above.

INSPIREMD, INC.

By: /s/ Ofir Paz
Name: Ofir Paz
Title: Chief Executive Officer

[SIGNATURE PAGE OF HOLDERS FOLLOWS]

[Company Signature Page – Registration Rights Agreement]

[SIGNATURE PAGE OF HOLDERS TO INSPIREMD, INC. RRA]

Name of Holder: Genesis Opportunity Fund LP

Signature of Authorized Signatory of Holder : /s/ Daniel Saks

Name of Authorized Signatory: Daniel Saks

Title of Authorized Signatory: Managing Member

[SIGNATURE PAGES CONTINUE]

[Investor Signature Page – Registration Rights Agreement]

[SIGNATURE PAGE OF HOLDERS TO INSPIREMD, INC. RRA]

Name of Holder: Genesis Asset Opportunity Fund LP

Signature of Authorized Signatory of Holder : /s/ Daniel Saks

Name of Authorized Signatory: Daniel Saks

Title of Authorized Signatory: Managing Member

[SIGNATURE PAGES CONTINUE]

[Investor Signature Page – Registration Rights Agreement]

[SIGNATURE PAGE OF HOLDERS TO INSPIREMD, INC. RRA]

Name of Holder: HUG Funding LLC

Signature of Authorized Signatory of Holder : /s/ Daniel Saks

Name of Authorized Signatory: Daniel Saks

Title of Authorized Signatory: Managing Member

[SIGNATURE PAGES CONTINUE]

[Investor Signature Page – Registration Rights Agreement]

[SIGNATURE PAGE OF HOLDERS TO INSPIREMD, INC. RRA]

Name of Holder: Ayer Capital Partners Master Fund, L.P.

Signature of Authorized Signatory of Holder : /s/ Jay Venkatesan

Name of Authorized Signatory: Jay Venkatesan

Title of Authorized Signatory: Managing Member

[SIGNATURE PAGES CONTINUE]

[Investor Signature Page – Registration Rights Agreement]

[SIGNATURE PAGE OF HOLDERS TO INSPIREMD, INC. RRA]

Name of Holder: Ayer Capital Partners Kestrel Fund, LP

Signature of Authorized Signatory of Holder : /s/ Jay Venkatesan

Name of Authorized Signatory: Jay Venkatesan

Title of Authorized Signatory: Managing Member

[SIGNATURE PAGES CONTINUE]

[Investor Signature Page – Registration Rights Agreement]

[SIGNATURE PAGE OF HOLDERS TO INSPIREMD, INC. RRA]

Name of Holder: Epworth – Ayer Capital

Signature of Authorized Signatory of Holder : /s/ Jay Venkatesan

Name of Authorized Signatory: Jay Venkatesan

Title of Authorized Signatory: Managing Member

[Investor Signature Page – Registration Rights Agreement]

Schedule 6(b)

The Company intends to include up to 7,723,583 shares of Common Stock in the Registration Statement, which represent shares of Common Stock issuable upon exercise of warrants issued by the Company to certain accredited investors, pursuant to its securities purchase agreement with such accredited investors, dated March 31, 2011.

Annex A

Plan of Distribution

Each Selling Stockholder (the " Selling Stockholders ") of the securities and any of their pledgees, assignees and successors-in-interest may, from time to time, sell any or all of their securities covered hereby on the [principal Trading Market] or any other stock exchange, market or trading facility on which the securities are traded or in private transactions. These sales may be at fixed or negotiated prices. A Selling Stockholder may use any one or more of the following methods when selling securities:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the securities as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- settlement of short sales entered into after the effective date of the registration statement of which this prospectus is a part;
- in transactions through broker-dealers that agree with the Selling Stockholders to sell a specified number of such securities at a stipulated price per security;
- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;
- a combination of any such methods of sale; or
- any other method permitted pursuant to applicable law.

The Selling Stockholders may also sell securities under Rule 144 under the Securities Act of 1933, as amended (the " Securities Act "), if available, rather than under this prospectus.

Broker-dealers engaged by the Selling Stockholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the Selling Stockholders (or, if any broker-dealer acts as agent for the purchaser of securities, from the purchaser) in amounts to be negotiated, but, except as set forth in a supplement to this Prospectus, in the case of an agency transaction not in excess of a customary brokerage commission in compliance with FINRA Rule 2440; and in the case of a principal transaction a markup or markdown in compliance with FINRA IM-2440.

In connection with the sale of the securities or interests therein, the Selling Stockholders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the securities in the course of hedging the positions they assume. The Selling Stockholders may also sell securities short and deliver these securities to close out their short positions, or loan or pledge the securities to broker-dealers that in turn may sell these securities. The Selling Stockholders may also enter into option or other transactions with broker-dealers or other financial institutions or create one or more derivative securities which require the delivery to such broker-dealer or other financial institution of securities offered by this prospectus, which securities such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The Selling Stockholders and any broker-dealers or agents that are involved in selling the securities may be deemed to be "underwriters" within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the securities purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. Each Selling Stockholder has informed the Company that it does not have any written or oral agreement or understanding, directly or indirectly, with any person to distribute the securities. In no event shall any broker-dealer receive fees, commissions and markups which, in the aggregate, would exceed eight percent (8%).

The Company is required to pay certain fees and expenses incurred by the Company incident to the registration of the securities. The Company has agreed to indemnify the Selling Stockholders against certain losses, claims, damages and liabilities, including liabilities under the Securities Act.

Because Selling Stockholders may be deemed to be "underwriters" within the meaning of the Securities Act, they will be subject to the prospectus delivery requirements of the Securities Act including Rule 172 thereunder. In addition, any securities covered by this prospectus which qualify for sale pursuant to Rule 144 under the Securities Act may be sold under Rule 144 rather than under this prospectus. The Selling Stockholders have advised us that there is no underwriter or coordinating broker acting in connection with the proposed sale of the resale securities by the Selling Stockholders.

We agreed to keep this prospectus effective until the earlier of (i) the date on which the securities may be resold by the Selling Stockholders without registration and without regard to any volume or manner-of-sale limitations by reason of Rule 144 under the Securities Act or any other rule of similar effect or (ii) all of the securities have been sold pursuant to this prospectus or Rule 144 under the Securities Act or any other rule of similar effect. The resale securities will be sold only through registered or licensed brokers or dealers if required under applicable state securities laws. In addition, in certain states, the resale securities covered hereby may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

Under applicable rules and regulations under the Exchange Act, any person engaged in the distribution of the resale securities may not simultaneously engage in market making activities with respect to the common stock for the applicable restricted period, as defined in Regulation M, prior to the commencement of the distribution. In addition, the Selling Stockholders will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, including Regulation M, which may limit the timing of purchases and sales of securities of the common stock by the Selling Stockholders or any other person. We will make copies of this prospectus available to the Selling Stockholders and have informed them of the need to deliver a copy of this prospectus to each purchaser at or prior to the time of the sale (including by compliance with Rule 172 under the Securities Act).

Annex B

INSPIREMD, INC

Selling Stockholder Notice and Questionnaire

The undersigned beneficial owner of common stock (the " Registrable Securities ") of InspireMD, Inc., a Delaware corporation (the " Company "), understands that the Company has filed or intends to file with the Securities and Exchange Commission (the " Commission ") a registration statement (the " Registration Statement ") for the registration and resale under Rule 415 of the Securities Act of 1933, as amended (the " Securities Act "), of the Registrable Securities, in accordance with the terms of the Registration Rights Agreement (the " Registration Rights Agreement ") to which this document is annexed. A copy of the Registration Rights Agreement is available from the Company upon request at the address set forth below. All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Registration Rights Agreement.

Certain legal consequences arise from being named as a selling stockholder in the Registration Statement and the related prospectus. Accordingly, holders and beneficial owners of Registrable Securities are advised to consult their own securities law counsel regarding the consequences of being named or not being named as a selling stockholder in the Registration Statement and the related prospectus.

NOTICE

The undersigned beneficial owner (the " Selling Stockholder ") of Registrable Securities hereby elects to include the Registrable Securities owned by it in the Registration Statement.

The undersigned hereby provides the following information to the Company and represents and warrants that such information is accurate:

QUESTIONNAIRE

1. Name.

(a) Full Legal Name of Selling Stockholder

(b) Full Legal Name of Registered Holder (if not the same as (a) above) through which Registrable Securities are held:

(c) Full Legal Name of Natural Control Person (which means a natural person who directly or indirectly alone or with others has power to vote or dispose of the securities covered by this Questionnaire):

2. Address for Notices to Selling Stockholder:

Telephone:
Fax:
Contact Person:

3. Broker-Dealer Status:

(a) Are you a broker-dealer?

Yes ☐ No ☐

(b) If "yes" to Section 3(a), did you receive your Registrable Securities as compensation for investment banking services to the Company?

Yes ☐ No ☐

Note: If "no" to Section 3(b), the Commission's staff has indicated that you should be identified as an underwriter in the Registration Statement.

(c) Are you an affiliate of a broker-dealer?

Yes □ No □

(d) If you are an affiliate of a broker-dealer, do you certify that you purchased the Registrable Securities in the ordinary course of business, and at the time of the purchase of the Registrable Securities to be resold, you had no agreements or understandings, directly or indirectly, with any person to distribute the Registrable Securities?

Yes □ No □

Note: If "no" to Section 3(d), the Commission's staff has indicated that you should be identified as an underwriter in the Registration Statement.

4. Beneficial Ownership of Securities of the Company Owned by the Selling Stockholder.

Except as set forth below in this Item 4, the undersigned is not the beneficial or registered owner of any securities of the Company other than the securities issuable pursuant to the Purchase Agreement.

(a) Type and Amount of other securities beneficially owned by the Selling Stockholder:

_____

_____

5. Relationships with the Company:

Except as set forth below, neither the undersigned nor any of its affiliates, officers, directors or principal equity holders (owners of 5% of more of the equity securities of the undersigned) has held any position or office or has had any other material relationship with the Company (or its predecessors or affiliates) during the past three years.

State any exceptions here:

The undersigned agrees to promptly notify the Company of any inaccuracies or changes in the information provided herein that may occur subsequent to the date hereof at any time while the Registration Statement remains effective.

By signing below, the undersigned consents to the disclosure of the information contained herein in its answers to Items 1 through 5 and the inclusion of such information in the Registration Statement and the related prospectus and any amendments or supplements thereto . The undersigned understands that such information will be relied upon by the Company in connection with the preparation or amendment of the Registration Statement and the related prospectus.

IN WITNESS WHEREOF the undersigned, by authority duly given, has caused this Notice and Questionnaire to be executed and delivered either in person or by its duly authorized agent.

Date: Beneficial Owner: _____

By: _____
Name:
Title:

PLEASE FAX A COPY OF THE COMPLETED AND EXECUTED NOTICE AND QUESTIONNAIRE, AND RETURN THE ORIGINAL BY OVERNIGHT MAIL, TO:

SECURITY AGREEMENT

This SECURITY AGREEMENT, dated as of April 5, 2012 (this " Agreement "), is among InspireMD, Inc., a Delaware corporation (the " Company "), all of the Subsidiaries of the Company (such subsidiaries , the " Guarantors " and together with the Company , the " Debtors ") and the Agent (as defined in Section 18 below), for the benefit of the holders of the Company's 8% Original Issue Discount Senior Secured Convertible Debentures due two years following their issuance, in the original aggregate principal amount of $11,702,127 (collectively, as amended and in effect from time to time, the " Debentures "), their endorsees, transferees and assigns (collectively, the " Secured Parties ").

W I T N E S S E T H:

WHEREAS, pursuant to the Purchase Agreement (as defined in the Debentures), the Secured Parties have severally agreed to extend the loans to the Company evidenced by the Debentures;

WHEREAS, pursuant to a certain Subsidiary Guarantee, dated as of the date hereof (as amended and in effect from time to time, the " Guarantee "), the Guarantors have jointly and severally agreed to guarantee and act as surety for payment of such Debentures; and

WHEREAS, in order to induce the Secured Parties to extend the loans evidenced by the Debentures, each Debtor has agreed to execute and deliver to the Agent this Agreement and grant Agent, for the benefit of the Secured Parties, a security interest in certain property of such Debtor to secure the prompt payment, performance and discharge in full of all of the Company's obligations under the Debentures and the Guarantors' obligations under the Guarantee.

NOW, THEREFORE, in consideration of the agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. **Certain Definitions** . As used in this Agreement, the following terms shall have the meanings set forth in this Section 1. Terms used but not otherwise defined in this Agreement that are defined in Article 9 of the UCC (such as "account", "chattel paper", "commercial tort claim", "deposit account", "document", "equipment", "fixtures", "general intangibles", "goods", "instruments", "inventory", "investment property", "letter-of-credit rights", "proceeds" and "supporting obligations") shall have the respective meanings given such terms in Article 9 of the UCC.

(a) " Collateral " means the collateral in which the Agent, for the benefit of the Secured Parties, are granted a security interest by this Agreement and which shall include the following personal property of the Debtors, whether presently owned or existing or hereafter acquired or coming into existence, wherever situated, and all additions and accessions thereto and all substitutions and replacements thereof, and all proceeds, products and accounts thereof, including, without limitation, all proceeds from the sale or transfer of the Collateral and of insurance covering the same and of any tort claims in connection therewith , and all dividends, interest, cash, notes, securities, equity interest or other property at any time and from time to time acquired, receivable or otherwise distributed in respect of, or in exchange for, any or all of the Pledged Securities (as defined below) :

(i) All goods, including, without limitation, (A) all machinery, equipment, computers, appliances, furniture, special and general tools, fixtures, test and quality control devices and other equipment of every kind and nature and wherever situated, together with all documents of title and documents representing the same, all additions and accessions thereto, replacements therefor, all parts therefor, and all substitutes for any of the foregoing and all other items used and useful in connection with any Debtor's businesses and all improvements thereto; and (B) all inventory;

(ii) All contract rights and other general intangibles, including, without limitation, all partnership interests, membership interests, stock or other securities, rights under any of the Organizational Documents, agreements related to the Pledged Securities, licenses, distribution and other agreements, computer software (whether "off-the-shelf", licensed from any third party or developed by any Debtor), computer software development rights, leases, franchises, customer lists, quality control procedures, grants and rights, goodwill, trademarks, service marks, trade styles, trade names, patents, patent applications, copyrights, and income tax refunds;

(iii) All accounts, together with all instruments, all documents of title representing any of the foregoing, all rights in any merchandising, goods, equipment, motor vehicles and trucks which any of the same may represent, and all right, title, security and guaranties with respect to each account, including any right of stoppage in transit;

(iv) All documents, letter-of-credit rights, instruments and chattel paper;

(v) All commercial tort claims;

(vi) All deposit accounts and all cash (whether or not deposited in such deposit accounts);

(vii) All investment property;

(viii) All supporting obligations;

(ix) All files, records, books of account, business papers, and computer programs;

(x) all Intellectual Property; and

(xi) the products and proceeds of all of the foregoing Collateral set forth in clauses (i)-(x) above.

Without limiting the generality of the foregoing, the " Collateral " shall include all investment property and general intangibles respecting ownership and/or other equity interests in each Guarantor, including, without limitation, the shares of capital stock and the other equity interests listed in the Borrowing Certificate (defined below and as the same may be modified from time to time pursuant to the terms hereof), and any other shares of capital stock and/or other equity interests of any other direct or indirect subsidiary of any Debtor obtained in the future, and, in each case, all certificates representing such shares and/or equity interests and, in each case, all rights, options, warrants, stock, other securities and/or equity interests that may hereafter be received, receivable or distributed in respect of, or exchanged for, any of the foregoing and all rights arising under or in connection with the Pledged Securities, including, but not limited to, all dividends, interest and cash.

Notwithstanding the foregoing, nothing herein shall be deemed to constitute an assignment of any asset which, in the event of an assignment, becomes void by operation of applicable law or the assignment of which is otherwise prohibited by applicable law (in each case to the extent that such applicable law is not overridden by Sections 9-406, 9-407 and/or 9-408 of the UCC or other similar applicable law); provided , however , that to the extent permitted by applicable law, this Agreement shall create a valid security interest in such asset and, to the extent permitted by applicable law, this Agreement shall create a valid security interest in the proceeds of such asset.

(b) " Intellectual Property " means the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including, without limitation, (i) all copyright rights throughout the universe (whether now or hereafter arising) in any and all media (whether now or hereafter developed), in and to all original works of authorship fixed in any tangible medium of expression, acquired or used by the Debtor, whether registered or unregistered and whether published or unpublished, all applications, registrations and recordings thereof (including, without limitation, applications, registrations and recordings in the United States Copyright Office or in any similar office or agency of the United States, any other union of countries, country or any political subdivision thereof), (ii) domestic and foreign letters patent, design patents, utility patents, industrial designs, inventions, trade secrets, ideas, concepts, methods, techniques, processes, proprietary information, technology, know-how, formulae, rights of publicity and other general intangibles of like nature, now existing or hereafter acquired, all applications, registrations and recordings thereof (including, without limitation, applications, registrations and recordings in the United States Patent and Trademark Office, or in any similar office or agency of the United States or union of countries, any other country or any political subdivision thereof), and all reissues, divisions, continuations, continuations in part and extensions or renewals thereof, (iii) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade dress, service marks, logos, domain names and other source or business identifiers, and all goodwill associated therewith, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, (including, without limitation, applications, registrations and recordings in the United States Patent and Trademark Office, or in any similar office or agency of the United States or union of countries, any other country or any political subdivision thereof), and all reissues, divisions, continuations, continuations in part and extensions or renewals thereof, and all common law rights related thereto, together with all goodwill of the business symbolized by such marks and all customer lists, formulae and other records of the Debtor relating to the distribution of products and services in connection with which any of such marks are used (iv) all trade secrets arising under the laws of the United States, any other union of countries, country or any political subdivision thereof, (v) all rights to obtain any reissues, renewals or extensions of the foregoing, (vi) all licenses for any of the foregoing, and (vii) all causes of action for infringement of the foregoing.

(c) " Israeli Security Agreement " means the Fixed Floating Charge Debentu re made by Inspire M.D Ltd in favor of the Secured Parties, dated as of the date hereof and as amended and in effect from time to time.

(d) " Necessary Endorsement " means undated stock powers endorsed in blank or other proper instruments of assignment duly executed and such other instruments or documents as the Agent (as that term is defined below) may reasonably request.

(e) " Obligations " means: (i) principal of, and interest on the Debentures and the loans extended pursuant thereto; (ii) any and all other fees, indemnities, costs, obligations and liabilities (primary, secondary, direct, contingent, sole, joint or several, due or to become due, or that are now or may be hereafter contracted or acquired, or owing) of the Debtors from time to time under or in connection with this Agreement, the Debentures, the Israeli Security Agreement, the Guarantee and any other instruments, agreements or other documents executed and/or delivered in connection herewith or therewith; and (iii) all amounts (including but not limited to post-petition interest) in respect of the foregoing that would be payable but for the fact that the obligations to pay such amounts are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving any Debtor, in each case whether now or hereafter existing, voluntary or involuntary, direct or indirect, absolute or contingent, liquidated or unliquidated, whether or not jointly owed with others, and whether or not from time to time decreased or extinguished and later increased, created or incurred.

(f) " Organizational Documents " means with respect to any Debtor, the documents by which such Debtor was organized (such as a certificate of incorporation, certificate of limited partnership or articles of association, and including, without limitation, any certificates of designation for preferred stock or other forms of preferred equity) and which relate to the internal governance of such Debtor (such as bylaws, a partnership agreement or an operating, limited liability or members agreement).

(g) " Pledged Interests " shall have the meaning ascribed to such term in Section 4(i).

(h) " Pledged Securities " shall have the meaning ascribed to such term in Section 4(h).

(i) " Required Parties " means, at any time of determination, 60% in interest (based on then-outstanding principal amounts of Debentures at the time of such determination) of the Secured Parties.

(j) " UCC " means the Uniform Commercial Code of the State of New York and or any other applicable law of any state or states which has jurisdiction with respect to all, or any portion of, the Collateral or this Agreement, from time to time. It is the intent of the parties that defined terms in the UCC should be construed in their broadest sense so that the term "Collateral" will be construed in its broadest sense. Accordingly if there are, from time to time, changes to defined terms in the UCC that broaden the definitions, they are incorporated herein and if existing definitions in the UCC are broader than the amended definitions, the existing ones shall be controlling.

2. **Grant of Security Interest in Collateral** . As an inducement for the Secured Parties to extend the loans as evidenced by the Debentures and to secure the complete and timely payment, performance and discharge in full, as the case may be, of all of the Obligations, each Debtor hereby unconditionally and irrevocably grants to the Agent, for the benefit of the Secured Parties, a security interest in and to, a lien upon and a right of set-off against all of their respective right, title and interest of whatsoever kind and nature in and to, the Collateral (a " Security Interest " and, collectively, the " Security Interests ").

3. **Delivery of Certain Collateral** . Contemporaneously or prior to the execution of this Agreement, each Debtor shall deliver or cause to be delivered to the Agent (a) any and all certificates and other instruments representing or evidencing the Pledged Securities, and (b) any and all certificates and other instruments or documents representing any of the other Collateral, in each case, together with all Necessary Endorsements. The Debtors are, contemporaneously with the execution hereof, delivering to Agent, or have previously delivered to Agent, a true and correct copy of each Organizational Document governing any of the Pledged Securities.

4. **Representations, Warranties, Covenants and Agreements of the Debtors** . Except as set forth in the borrowing certificate delivered to the Secured Parties concurrently herewith (the "Borrowing Certificate"), which Borrowing Certificate shall be deemed a part hereof, each Debtor represents and warrants to, and covenants and agrees with, the Secured Parties as follows:

(a) Each Debtor has the requisite corporate, partnership, limited liability company or other power and authority to enter into this Agreement and otherwise to carry out its obligations hereunder. The execution, delivery and performance by each Debtor of this Agreement and the filings contemplated therein have been duly authorized by all necessary action on the part of such Debtor and no further action is required by such Debtor. This Agreement has been duly executed by each Debtor. This Agreement constitutes the legal, valid and binding obligation of each Debtor, enforceable against each Debtor in accordance with its terms except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization and similar laws of general application relating to or affecting the rights and remedies of creditors and by general principles of equity.

(b) The Debtors have no place of business or offices where their respective books of account and records are kept (other than temporarily at the offices of its attorneys or accountants) or places where Collateral is stored or located, except as set forth in the Borrowing Certificate. Except as specifically set forth in the Borrowing Certificate, each Debtor is the record owner of the real property where such Collateral is located, and there exist no mortgages or other liens on any such real property except for Permitted Liens (as defined in the Debentures). Except as disclosed in the Borrowing Certificate, none of such Collateral is in the possession of any consignee, bailee, warehouseman, agent or processor.

(c) Except for Permitted Liens (as defined in the Debentures) and except as set forth in the Borrowing Certificate, the Debtors are the sole owner of the Collateral (except for non-exclusive licenses granted by any Debtor in the ordinary course of business), free and clear of any liens, security interests, encumbrances, rights or claims, and are fully authorized to grant the Security Interests. Except as set forth in the Borrowing Certificate, there is not on file in any governmental or regulatory authority, agency or recording office an effective financing statement, security agreement, fixed or floating pledge, license or transfer or any notice of any of the foregoing (other than those that will be filed in favor of the Agent, for the benefit of the Secured Parties, pursuant to this Agreement) covering or affecting any of the Collateral. Except as set forth in the Borrowing Certificate and except pursuant to this Agreement, as long as this Agreement shall be in effect, the Debtors shall not execute and shall not knowingly permit to be on file in any such office or agency any other financing statement or other document or instrument (except to the extent filed or recorded in favor of the Agent, for the benefit of the Secured Parties, pursuant to the terms of this Agreement or the Israeli Security Agreement or with respect to a Permitted Lien).

(d) Other than as set forth in the Borrowing Certificate, no written claim has been received that any Collateral or any Debtor's use of any Collateral violates the rights of any third party. There has been no adverse decision to any Debtor's claim of ownership rights in or exclusive rights to use the Collateral in any jurisdiction or to any Debtor's right to keep and maintain such Collateral in full force and effect, and there is no proceeding involving said rights pending or, to the best knowledge of any Debtor, threatened in writing before any court, judicial body, administrative or regulatory agency, arbitrator or other governmental authority.

(e) Each Debtor shall at all times maintain its books of account and records relating to the Collateral at its principal place of business and its Collateral at the locations set forth in the Borrowing Certificate and may not relocate such books of account and records or tangible Collateral (other than in the ordinary course of business) unless it delivers to the Secured Parties at least 30 days prior to such relocation (i) written notice of such relocation and the new location thereof (which, in the case of the Company, must be within the United States) and (ii) evidence that appropriate financing statements under the UCC and other necessary documents have been filed and recorded and other steps have been taken to perfect the Security Interests to create in favor of the Agent, for the benefit of the Secured Parties, a valid, perfected and continuing perfected first priority lien (or valid, perfected and continuing perfected first priority floating pledge or fixed pledge, as the case may be, pursuant to the Israeli Security Agreement) in the Collateral.

(f) This Agreement creates in favor of the Agent, for the benefit of the Secured Parties, a valid security interest in the Collateral, subject only to Permitted Liens (as defined in the Debentures), that secures the payment and performance of the Obligations. Upon making the filings described in the immediately following paragraph, all security interests created hereunder in any Collateral which may be perfected by filing Uniform Commercial Code financing statements shall have been duly perfected. Except for the filing of the Uniform Commercial Code financing statements referred to in the immediately following paragraph, the recordation of the Intellectual Property Security Agreement (as defined in Section 4(p) hereof) with respect to copyrights and copyright applications in the United States Copyright Office, the execution and delivery of deposit account control agreements satisfying the requirements of Section 9-104(a)(2) of the UCC with respect to each deposit account of the Debtors, and the delivery of the certificates and other instruments provided in Section 3, no action is necessary to create, perfect or protect the security interests created hereunder. Except for the filing of said financing statements and the consent previously obtained by Agent, for the benefit of the Secured Parties, the recordation of said Intellectual Property Security Agreement, the execution and delivery of said deposit account control agreements, and the execution and delivery of the Israeli Security Agreement and the making of filings required or contemplated thereunder, no consent of any third parties and no authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for (i) the execution, delivery and performance of this Agreement, (ii) the creation of the Security Interests created hereunder in the Collateral or (iii) the enforcement of the rights of the Agent

(g) Each Debtor hereby authorizes the Agent to file one or more financing statements under the UCC, with respect to the Security Interests, with the proper filing and recording agencies in any jurisdiction deemed proper by it. Each Debtor agrees that each such financing statement may (a) indicate the Collateral (i) as all assets of such Debtor or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the UCC, or (ii) as being of an equal or lesser scope or with greater detail, and (b) provide any other information required by part 5 of Article 9 of the UCC for the sufficiency or filing office acceptance of any financing statement or amendment.

(h) The capital stock and other equity interests listed in the Borrowing Certificate (the " Pledged Securities ") represent all of the capital stock and other equity interests of the Guarantors, and represent all capital stock and other equity interests owned, directly or indirectly, by the Company. All of the Pledged Securities are validly issued, fully paid and nonassessable, and the Company is the legal and beneficial owner of the Pledged Securities, free and clear of any lien, security interest or other encumbrance except for the security interests created by this Agreement and other Permitted Liens (as defined in the Debentures).

(i) Except as set forth in the Borrowing Certificate, the ownership and other equity interests in partnerships and limited liability companies (if any) included in the Collateral (the " Pledged Interests ") by their express terms do not provide that they are securities governed by Article 8 of the UCC and are not held in a securities account or by any financial intermediary.

(j) Except for Permitted Liens (as defined in the Debentures), each Debtor shall at all times maintain the liens and Security Interests provided for hereunder as valid and perfected first priority liens and security interests in the Collateral in favor of the Agent, for the benefit of the Secured Parties, until this Agreement, the Israeli Security Agreement and the Security Interest hereunder and thereunder shall be terminated pursuant to Section 14 hereof. Each Debtor hereby agrees to defend the Security Interests provided for hereunder against the claims of any and all persons and entities. Each Debtor shall safeguard and protect all Collateral for the account of the Agent, for the benefit of the Secured Parties. Without limiting the generality of the foregoing, each Debtor shall pay all reasonable fees, taxes and other amounts necessary to maintain the Collateral and the Security Interests hereunder, and each Debtor shall obtain and furnish to the Agent from time to time, upon demand, such releases and/or subordinations of claims and liens which may be reasonably required to maintain the priority of the Security Interests hereunder.

(k) Except with respect to Permitted Liens, no Debtor will transfer, pledge, hypothecate, encumber, license, sell or otherwise dispose of any of the Collateral (except for non-exclusive licenses granted by a Debtor in its ordinary course of business and sales of inventory and disposal of obsolete or worn out equipment by a Debtor in its ordinary course of business) without the prior written consent of the Required Parties.

(l) Each Debtor shall keep and preserve its equipment, inventory and other tangible Collateral in good condition (except to the extent such equipment becomes worn out or obsolete), repair and order and shall not operate or locate any such Collateral (or cause to be operated or located) in any area excluded from insurance coverage.

(m) Each Debtor shall maintain with financially sound and reputable insurers, insurance with respect to the Collateral, including Collateral hereafter acquired, against loss or damage of the kinds and in the amounts customarily insured against by entities of established reputation having similar properties similarly situated and in such amounts as are customarily carried under similar circumstances by other such entities and otherwise as is prudent for entities engaged in similar businesses but in any event sufficient to cover the full replacement cost thereof. Beginning no later than 30 days after the date hereof, each Debtor shall use best efforts to cause each insurance policy issued in connection herewith to provide, and the insurer issuing such policy to certify to the Agent, that (a) the Agent , for the benefit of the Secured Parties, will be named as lender loss payee and additional insured under each such insurance policy; (b) if such insurance be proposed to be cancelled or materially changed for any reason whatsoever, such insurer will promptly notify the Agent and such cancellation or change shall not be effective as to the Agent for at least thirty (30) days after receipt by the Agent of such notice, unless the effect of such change is to extend or increase coverage under the policy; and (c) the Agent will have the right (but no obligation) at its election to remedy any default in the payment of premiums within thirty (30) days of notice from the insurer of such default. If no Event of Default (as defined in the Debentures) has occurred and is continuing and if the proceeds arising out of any claim or series of related claims do not exceed $100,000, loss payments in each instance will be applied by the applicable Debtor to the repair and/or replacement of property with respect to which the loss was incurred to the extent reasonably feasible, and any loss payments or the balance thereof remaining, to the extent not so applied, shall be payable to the applicable Debtor; provided , however , that payments received by any Debtor after an Event of Default occurs and is continuing or in excess of $100,000 for any occurrence or series of related occurrences shall be paid to the Agent on behalf of the Secured Parties and, if received by such Debtor, shall be held in trust for the Secured Parties and immediately paid over to the Agent unless otherwise directed in writing by the Agent. Copies of such policies or the related certificates, in each case, naming the Agent as lender loss payee and additional insured shall be delivered to the Agent at least annually and at the time any new policy of insurance is issued.

(n) Each Debtor shall, within ten (10) days of obtaining knowledge thereof, advise the Secured Parties promptly, in sufficient detail, of any material adverse change in the Collateral, and of the occurrence of any event which would have a material adverse effect on the value of the Collateral or on the Agent's security interest (for the benefit of the Secured Parties) therein.

(o) Each Debtor shall promptly execute and deliver to the Agent such further deeds, mortgages, assignments, security agreements, financing statements or other instruments, documents, certificates and assurances and take such further action as the Agent may from time to time request and may in its sole discretion deem necessary to perfect, protect or enforce and exercise rights and remedies with respect to the Agent's security interest (for the benefit of the Secured Parties) in the Collateral, including, without limitation, if applicable, the execution and delivery of a separate security agreement with respect to each Debtor's Intellectual Property (" Intellectual Property Security Agreement ") in which the Agent, for the benefit of the Secured Parties, has been granted a security interest hereunder, substantially in a form reasonably acceptable to the Agent, which Intellectual Property Security Agreement, other than as stated therein, shall be subject to all of the terms and conditions hereof.

(p) Each Debtor shall take all steps reasonably necessary to diligently pursue and seek to preserve, enforce and collect any rights, claims, causes of action and accounts receivable in respect of the Collateral.

(q) Each Debtor shall promptly notify the Secured Parties in sufficient detail upon becoming aware of any attachment, garnishment, execution or other legal process levied against any Collateral and of any other information received by such Debtor that may materially affect the value of the Collateral, the Security Interest or the rights and remedies of the Agent and the Secured Parties hereunder.

(r) All information heretofore, herein or hereafter supplied to the Secured Parties by or on behalf of any Debtor with respect to the Collateral is accurate and complete in all material respects as of the date furnished

(s) Each Debtor shall at all times preserve and keep in full force and effect its valid existence and good standing and any rights and franchises material to its business, except to the extent a failure to preserve would not reasonably be expected to have a material adverse effect on such Debtor.

(t) No Debtor will change its name, type of organization, jurisdiction of organization, organizational identification number (if it has one), unless it provides at least 30 days prior written notice to the Secured Parties of such change and, at the time of such written notification, such Debtor provides any financing statements or fixture filings necessary to perfect and continue the perfection of the Security Interests granted and evidenced by this Agreement.

(u) Except in the ordinary course of business, no Debtor may consign any of its inventory or sell any of its inventory on bill and hold, sale or return, sale on approval, or other conditional terms of sale without the consent of the Agent which shall not be unreasonably withheld.

(v) No Debtor may relocate its chief executive office to a new location without providing 30 days prior written notification thereof to the Agent and the Secured Parties.

(w) (i) The actual name of each Debtor is the name set forth in the Borrowing Certificate; (ii) no Debtor has any trade names except as set forth in the Borrowing Certificate; (iii) no Debtor has used any name other than that stated in the preamble hereto or as set forth in the Borrowing Certificate for the preceding five years; and (iv) no entity has merged into any Debtor or been acquired by any Debtor within the past five years except as set forth in the Borrowing Certificate.

(x) At any time and from time to time that any Collateral consists of instruments, certificated securities or other items that require or permit possession by the secured party to perfect the security interest created hereby, the applicable Debtor shall deliver such Collateral to the Agent.

(y) Each Debtor, in its capacity as issuer, hereby agrees to comply with any and all orders and instructions of Agent regarding the Pledged Interests consistent with the terms of this Agreement without the further consent of any Debtor as contemplated by Section 8-106 (or any successor section) of the UCC. Further, each Debtor agrees that it shall not enter into a similar agreement (or one that would confer "control" within the meaning of Article 8 of the UCC) with any other person or entity.

(z) Each Debtor shall cause all tangible chattel paper constituting Collateral to be delivered to the Agent, or, if such delivery is not possible, then to cause such tangible chattel paper to contain a legend noting that it is subject to the security interest created by this Agreement. To the extent that any Collateral consists of electronic chattel paper, the applicable Debtor shall cause the underlying chattel paper to be "marked" within the meaning of Section 9-105 of the UCC (or successor section thereto).

(aa) Within 30 days after issuance of any Debenture, including, without limitation, the Debentures issued on the date hereof, the Company and each Debtor shall cause each bank and other financial institution with an account referred to in the Borrowing Certificate to execute and deliver to the Agent a control agreement, in form and substance reasonably satisfactory to the Agent, duly executed by the Company or such Guarantor and such bank or financial institution, or enter into other arrangements in form and substance reasonably satisfactory to the Agent, for the benefit of the Secured Parties, pursuant to which such institution shall irrevocably agree, inter alia, that (i) it will comply at any time with the instructions originated by the Agent to such bank or financial institution directing the disposition of cash, commodity contracts, securities, investment property and other items from time to time credited to such account, without further consent of the Debtor, which instructions the Agent will not give to such bank or other financial institution in the absence of a continuing Event of Default, and (ii) all cash, commodity contracts, securities, investment property and other items of the Company or such Guarantor deposited with such institution shall be subject to a perfected, first priority security interest in favor of the Agent, for the benefit of the Secured Parties. Without the prior written consent of the Agent, no Debtor shall make or maintain any deposit account, commodity account or securities account except for the accounts set forth the Borrowing Certificate.

(bb) To the extent that any Collateral consists of letter-of-credit rights, the applicable Debtor shall cause the issuer of each underlying letter of credit to consent to an assignment of the proceeds thereof to the Agent, for the benefit of the Secured Parties.

(cc) To the extent that any Collateral is in the possession of any third party, the applicable Debtor shall join with the Agent in notifying such third party of the Agent's security interest (for the benefit of the Secured Parties) in such Collateral and shall use its reasonable best efforts to obtain an acknowledgement and agreement from such third party with respect to the Collateral, in form and substance reasonably satisfactory to the Agent.

(dd) If any Debtor shall at any time hold or acquire a commercial tort claim, such Debtor shall promptly notify the Secured Parties in a writing signed by such Debtor of the particulars thereof and grant to the Agent, for the benefit of the Secured Parties, in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance satisfactory to the Agent.

(ee) Each Debtor shall promptly provide written notice to the Secured Parties of any and all accounts which arise out of contracts with any governmental authority and, to the extent necessary to perfect or continue the perfected status of the Security Interests in such accounts and proceeds thereof, shall execute and deliver to the Agent an assignment of claims for such accounts and cooperate with the Agent in taking any other steps required, in its judgment, under the Federal Assignment of Claims Act or any similar federal, state or local statute or rule to perfect or continue the perfected status of the Security Interests in such accounts and proceeds thereof.

(ff) Each Debtor shall cause each subsidiary of such Debtor within 15 days of its formation or acquisition by such Debtor to become a party hereto (an " Additional Debtor "), by executing and delivering an Additional Debtor Joinder in substantially the form of Annex A attached hereto and comply with the provisions hereof applicable to the Debtors. Concurrent therewith, the Additional Debtor shall deliver replacement schedules for, or supplements to all other Schedules to (or referred to in) this Agreement, as applicable, which replacement schedules shall supersede, or supplements shall modify, the Schedules then in effect. The Additional Debtor shall also deliver authorizing resolutions, good standing certificates, incumbency certificates, organizational documents, and other information and documentation as the Agent may reasonably request. Upon delivery of the foregoing to the Agent, the Additional Debtor shall be and become a party to this Agreement with the same rights and obligations as the Debtors, for all purposes hereof as fully and to the same extent as if it were an original signatory hereto and shall be deemed to have made the representations, warranties and covenants set forth herein as of the date of execution and delivery of such Additional Debtor Joinder, and all references herein to the "Debtors" shall be deemed to include each Additional Debtor.

(gg) Each Debtor shall vote the Pledged Securities to comply with the covenants and agreements set forth herein and in the Debentures.

(hh) Each Debtor shall register the pledge of the applicable Pledged Securities on the books of such Debtor. Each Debtor shall notify each issuer of Pledged Securities to register the pledge of the applicable Pledged Securities in the name of the Agent, for the benefit of the Secured Parties, on the books of such issuer. Further, except with respect to certificated securities delivered to the Agent, the applicable Debtor shall upon request of the Agent deliver to Agent an acknowledgement of pledge (which, where appropriate, shall comply with the requirements of the relevant UCC or with the requirements of Israeli and other foreign laws with respect to perfection by registration) signed by the issuer of the applicable Pledged Securities, which acknowledgement shall confirm that: (a) it has registered the pledge on its books and records; and (b) at any time directed by Agent during the continuation of an Event of Default, such issuer will transfer the record ownership of such Pledged Securities into the name of any designee of Agent, will take such steps as may be necessary to effect the transfer, and will comply with all other instructions of Agent regarding such Pledged Securities without the further consent of the applicable Debtor.

(ii) In the event that, upon an occurrence and during the continuance of an Event of Default, Agent shall sell all or any of the Pledged Securities to another party or parties (herein called the " Transferee ") or shall purchase or retain all or any of the Pledged Securities, each Debtor shall, to the extent applicable: (i) deliver to Agent or the Transferee, as the case may be, the articles association, certificate of incorporation, bylaws, minute books, stock certificate books, corporate seals, deeds, leases, indentures, agreements, evidences of indebtedness, books of account, financial records and all other Organizational Documents and records of the Debtors and their direct and indirect subsidiaries; (ii) use its best efforts to obtain resignations of the persons then serving as officers and directors of the Debtors and their direct and indirect subsidiaries, if so requested; and (iii) use its best efforts to obtain any approvals that are required by any governmental or regulatory body in order to permit the sale of the Pledged Securities to the Transferee or the purchase or retention of the Pledged Securities by Agent and allow the Transferee or Agent to continue the business of the Debtors and their direct and indirect subsidiaries.

(jj) Without limiting the generality of the other obligations of the Debtors hereunder, each Debtor shall promptly (i) cause to be registered at the United States Copyright Office all of its material copyrights, (ii) cause the security interest contemplated hereby with respect to all Intellectual Property registered at the United States Copyright Office or United States Patent and Trademark Office to be duly recorded at the applicable office, and (iii) give the Agent notice whenever it acquires (whether absolutely or by license) or creates any additional material Intellectual Property.

(kk) The Borrowing Certificate lists all of the patents, patent applications, trademarks, trademark applications, registered copyrights, and domain names owned by any of the Debtors as of the date hereof. The Borrowing Certificate lists all material licenses in favor of any Debtor for the use of any patents, trademarks, copyrights and domain names as of the date hereof (each, a " License "). All material patents and trademarks of the Debtors have been duly recorded at the United States Patent and Trademark Office and all material copyrights of the Debtors have been duly recorded at the United States Copyright Office. Upon the occurrence and during the continuance of any breach or default under any License by any party thereto other than the relevant Debtor, the Debtor will, promptly after obtaining knowledge thereof, give the Agent written notice of the nature and duration thereof, specifying what action, if any, it has taken and proposes to take with respect thereto and thereafter will take reasonable steps to protect and preserve its rights and remedies in respect of such breach or default, or will obtain or acquire an appropriate substitute license. Each Debtor will, at its expense, promptly deliver to the Agent a copy of each notice or other communication received by it by which any other party to any License purports to exercise any of its rights or affect any of its obligations thereunder, together with a copy of any reply by the Debtor thereto. Each Debtor will exercise promptly and diligently each and every right which it may have under each material license (other than any right of termination) and will duly perform and observe in all respects all of its obligations under each License and will take all action reasonably necessary to maintain such Licenses in full force and effect. No Debtor will, without the prior written consent of the Agent, cancel, terminate, amend or otherwise modify in any respect, or waive any provision of, any License which cancellation, termination, amendment, modification or waiver would materially adversely affect the value of the License.

(ll) Except as set forth in the Borrowing Certificate, none of the account debtors or other persons or entities obligated on any of the Collateral is a governmental authority covered by the Federal Assignment of Claims Act or any similar federal, state or local statute or rule in respect of such Collateral.

(mm) Each Debtor (either itself or through licensees) will, and will cause each licensee thereof to, take all action necessary to maintain all of the Intellectual Property in full force and effect, including, without limitation, using the proper statutory notices and markings and using the trademarks on each applicable trademark class of goods in order to so maintain the trademarks in full force free, from any claim of abandonment for non-use, and each Debtor will not (nor permit any licensee thereof to) do any act or knowingly omit to do any act whereby any Intellectual Property may become invalidated; provided , however , that so long as no Event of Default has occurred and is continuing, each Debtor shall not have an obligation to use or to maintain any Intellectual Property (A) that relates solely to any product or work, that has been, or is in the process of being, discontinued, abandoned or terminated, (B) that is being replaced with Intellectual Property substantially similar to the Intellectual Property that may be abandoned or otherwise become invalid, so long as the failure to use or maintain such Intellectual Property does not materially adversely affect the validity of such replacement Intellectual Property and so long as such replacement Intellectual Property is subject to the Security Interest created by this Agreement or (C) that is substantially the same as other Intellectual Property that is in full force, so long the failure to use or maintain such Intellectual Property does not materially adversely affect the validity of such replacement Intellectual Property and so long as such other Intellectual Property is subject to the Security Interest created by this Agreement. Each Debtor will cause to be taken all necessary steps in any proceeding before the United States Patent and Trademark Office and the United States Copyright Office or any similar office or agency in any other union of countries, country or political subdivision thereof to maintain each registration of the Intellectual Property (other than the Intellectual Property described in the proviso to the immediately preceding sentence), including, without limitation, filing of renewals, affidavits of use, affidavits of incontestability and opposition, interference and cancellation proceedings and payment of maintenance fees, filing fees, taxes or other governmental fees. If any Intellectual Property (other than Intellectual Property described in the proviso to the first sentence of subsection (A) of this clause (mm)) is infringed, misappropriated, diluted or otherwise violated in any material respect by a third party, each Debtor shall (x) upon learning of such infringement, misappropriation, dilution or other violation, promptly notify the Agent and (y) to the extent the Debtor shall deem appropriate under the circumstances, promptly sue for infringement, misappropriation, dilution or other violation, seek injunctive relief where appropriate and recover any and all damages for such infringement, misappropriation, dilution or other violation, or take such other actions as the Debtor shall deem appropriate under the circumstances to protect such Intellectual Property. Each Debtor shall furnish to the Agent from time to time upon its request statements and schedules further identifying and describing the Intellectual Property and Licenses and such other reports in connection with the Intellectual Property and Licenses as the Agent may reasonably request, all in reasonable detail and promptly upon request of the Agent, following receipt by the Agent of any such statements, schedules or reports, the Debtor shall modify this Agreement by amending the Borrowing Certificate, as the case may be, to include any Intellectual Property and License, as the case may be, which becomes part of the Collateral under this Agreement and shall execute and authenticate such documents and do such acts as shall be necessary or, in the judgment of the Agent, desirable to subject such Intellectual Property and Licenses to the Security Interest created by this Agreement. Notwithstanding anything herein to the contrary, upon the occurrence and during the continuance of an Event of Default, no Debtor may abandon or otherwise permit any Intellectual Property to become invalid without the prior written consent of the Agent, and if any Intellectual Property is infringed, misappropriated, diluted or otherwise violated in any material respect by a third party, each Debtor will take such action as the Agent shall deem appropriate under the circumstances to protect such Intellectual Property.

(nn) Each Debtor shall, during normal business hours permit the Agent and any Secured Party, or any agent or representatives thereof or such professionals or other persons as the Agent or such Secured Party may designate, not more than twice a year in the absence of an Event of Default and at the expense of Agent or such Secured Party, (i) to examine and make copies of and abstracts from the Debtor's records and books of account, (ii) to visit and inspect its properties, (iii) to verify materials, leases, notes, accounts, inventory and other assets of the Debtor from time to time, (iii) to conduct audits, physical counts, appraisals and/or valuations, examinations at the locations of the Debtor. The Debtor shall also permit the Agent and any Secured Party, or any agent or representatives thereof or such professionals or other persons as the Agent or such Secured Party may designate to discuss the Debtor's affairs, finances and accounts with any of its directors, officers, managerial employees, independent accountants or any of its other representatives.

5. **Effect of Pledge on Certain Rights** . If any of the Collateral subject to this Agreement consists of nonvoting equity or ownership interests (regardless of class, designation, preference or rights) that may be converted into voting equity or ownership interests upon the occurrence of certain events (including, without limitation, upon the transfer of all or any of the other stock or assets of the issuer), it is agreed that the pledge of such equity or ownership interests pursuant to this Agreement or the enforcement of any of Agent’s rights hereunder shall not be deemed to be the type of event which would trigger such conversion rights notwithstanding any provisions in the Organizational Documents or agreements to which any Debtor is subject or to which any Debtor is party.

6. **Defaults** . The following events shall be " Events of Default ":

(a) The occurrence and continuance of an Event of Default (as defined in the Debentures) under the Debentures; or

(b) If any material provision of this Agreement shall at any time for any reason be declared to be null and void, or the validity or enforceability thereof shall be contested by any Debtor, or a proceeding shall be commenced by any Debtor.

7. **Duty To Hold In Trust** .

(a) Upon the occurrence and during the continuance of any Event of Default, each Debtor shall, upon receipt of any revenue, income , dividend, interest or other sums subject to the Security Interests, whether payable pursuant to the Debentures or otherwise, or of any check, draft, note, trade acceptance or other instrument evidencing an obligation to pay any such sum, hold the same in trust for the Secured Parties and shall forthwith endorse and transfer any such sums or instruments, or both, to the Secured Parties, pro-rata in proportion to their respective then-currently outstanding principal amount of Debentures for application to the satisfaction of the Obligations (and if any Debenture is not outstanding, pro-rata in proportion to the initial purchases of the remaining Debentures).

(b) If any Debtor shall become entitled to receive or shall receive any securities or other property (including, without limitation, shares of Pledged Securities or instruments representing Pledged Securities acquired after the date hereof, or any options, warrants, rights or other similar property or certificates representing a dividend, or any distribution in connection with any recapitalization, reclassification or increase or reduction of capital, or issued in connection with any reorganization of such Debtor or any of its direct or indirect subsidiaries) in respect of the Pledged Securities (whether as an addition to, in substitution of, or in exchange for, such Pledged Securities or otherwise), such Debtor agrees to (i) accept the same as the agent of the Secured Parties; (ii) hold the same in trust on behalf of and for the benefit of the Secured Parties; and (iii) to deliver any and all certificates or instruments evidencing the same to Agent on or before the close of business on the fifth business day following the receipt thereof by such Debtor, in the exact form received together with the Necessary Endorsements, to be held by Agent subject to the terms of this Agreement as Collateral.

8. **Rights and Remedies Upon Default** .

(a) Upon the occurrence and during the continuance of an Event of Default, the Agent shall have the right to exercise all of the remedies conferred hereunder and under the Debentures, and the Agent, for the benefit of the Secured Parties, shall have all the rights and remedies of a secured party under the UCC. Without limitation, the Agent, for the benefit of the Secured Parties, shall have the following rights and powers:

(i) The Agent shall have the right to take possession of the Collateral and, for that purpose, enter, with the aid and assistance of any person, any premises where the Collateral, or any part thereof, is or may be placed and remove the same, and each Debtor shall assemble the Collateral and make it available to the Agent at places which the Agent shall reasonably select, whether at such Debtor's premises or elsewhere, and make available to the Agent, without rent, all of such Debtor's respective premises and facilities for the purpose of the Agent taking possession of, removing or putting the Collateral in saleable or disposable form.

(ii) Upon notice to the Debtors by Agent, all rights of each Debtor to exercise the voting and other consensual rights which it would otherwise be entitled to exercise and all rights of each Debtor to receive the dividends and interest which it would otherwise be authorized to receive and retain, shall cease. Upon such notice, Agent shall have the right to receive, for the benefit of the Secured Parties, any interest, cash dividends or other payments on the Collateral and, at the option of Agent, to exercise in such Agent's discretion all voting rights pertaining thereto. Without limiting the generality of the foregoing, Agent shall have the right (but not the obligation) to exercise all rights with respect to the Collateral as if it were the sole and absolute owner thereof, including, without limitation, to vote and/or to exchange, at its sole discretion, any or all of the Collateral in connection with a merger, reorganization, consolidation, recapitalization or other readjustment concerning or involving the Collateral or any Debtor or any of its direct or indirect subsidiaries.

(iii) The Agent shall have the right to operate the business of each Debtor using the Collateral and shall have the right to assign, sell, lease or otherwise dispose of and deliver all or any part of the Collateral, at public or private sale or otherwise, either with or without special conditions or stipulations, for cash or on credit or for future delivery, in such parcel or parcels and at such time or times and at such place or places, and upon such terms and conditions as the Agent may deem commercially reasonable, all without (except as shall be required by applicable statute and cannot be waived) advertisement or demand upon or notice to any Debtor or right of redemption of a Debtor, which are hereby expressly waived. Upon each such sale, lease, assignment or other transfer of Collateral, the Agent, for the benefit of the Secured Parties, may, unless prohibited by applicable law which cannot be waived, purchase all or any part of the Collateral being sold, free from and discharged of all trusts, claims, right of redemption and equities of any Debtor, which are hereby waived and released.

(iv) The Agent shall have the right (but not the obligation) to notify any account debtors and any obligors under instruments or accounts to make payments directly to the Agent, on behalf of the Secured Parties, and to enforce the Debtors' rights against such account debtors and obligors.

(v) The Agent, for the benefit of the Secured Parties, may (but is not obligated to) direct any financial intermediary or any other person or entity holding any investment property to transfer the same to the Agent, on behalf of the Secured Parties, or its designee.

(vi) The Agent may (but is not obligated to) transfer any or all Intellectual Property registered in the name of any Debtor at the United States Patent and Trademark Office and/or Copyright Office into the name of the Agent, for the benefit of the Secured Parties, or any designee or any purchaser of any Collateral.

(b) The Agent shall comply with any applicable law in connection with a disposition of Collateral and such compliance will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral. The Agent may sell the Collateral without giving any warranties and may specifically disclaim such warranties. If the Agent sells any of the Collateral on credit, the Debtors will only be credited with payments actually made by the purchaser. In addition, to the extent permitted under applicable law, each Debtor waives any and all rights that it may have to a judicial hearing in advance of the enforcement of any of the Agent's rights and remedies hereunder, including, without limitation, its right following an Event of Default to take immediate possession of the Collateral and to exercise its rights and remedies with respect thereto.

(c) For the purpose of enabling the Agent to further exercise rights and remedies under this Section 8 or elsewhere provided by agreement or applicable law, each Debtor hereby grants to the Agent, for the benefit of the Agent and the Secured Parties, an irrevocable, nonexclusive license (exercisable without payment of royalty or other compensation to such Debtor) to use, license or sublicense upon the occurrence and during the continuance of an Event of Default, any Intellectual Property now owned or hereafter acquired by such Debtor, and wherever the same may be located, and including in such license access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof.

9. **Applications of Proceeds** . The proceeds of any such sale, lease or other disposition of the Collateral hereunder or from payments made on account of any insurance policy insuring any portion of the Collateral shall be applied first, to the expenses of retaking, holding, storing, processing and preparing for sale, selling, and the like (including, without limitation, any taxes, fees and other costs incurred in connection therewith) of the Collateral, to the reasonable attorneys' fees and expenses incurred by the Agent in enforcing its and the Secured Parties' rights hereunder and in connection with collecting, storing and disposing of the Collateral, and then to satisfaction of the Obligations pro rata among the Secured Parties (based on then-outstanding principal amounts of Debentures at the time of any such determination), and to the payment of any other amounts required by applicable law, after which the Secured Parties shall pay to the applicable Debtor any surplus proceeds. To the extent permitted by applicable law, each Debtor waives all claims, damages and demands against the Secured Parties arising out of the repossession, removal, retention or sale of the Collateral, unless due solely to the gross negligence or willful misconduct of the Secured Parties as determined by a final judgment (not subject to further appeal) of a court of competent jurisdiction.

10. **Securities Law Provision** . Each Debtor recognizes that Agent may be limited in its ability to effect a sale to the public of all or part of the Pledged Securities by reason of certain prohibitions in the Securities Act of 1933, as amended, or other federal or state securities laws (collectively, the " Securities Laws "), and may be compelled to resort to one or more sales to a restricted group of purchasers who may be required to agree to acquire the Pledged Securities for their own account, for investment and not with a view to the distribution or resale thereof. Each Debtor agrees that sales so made may be at prices and on terms less favorable than if the Pledged Securities were sold to the public, and that Agent has no obligation to delay the sale of any Pledged Securities for the period of time necessary to register the Pledged Securities for sale to the public under the Securities Laws. Each Debtor shall cooperate with Agent in its attempt to satisfy any requirements under the Securities Laws (including, without limitation, registration thereunder if requested by Agent) applicable to the sale of the Pledged Securities by Agent.

11. **Costs and Expenses** . Each Debtor agrees to pay all reasonable out-of-pocket fees, costs and expenses incurred in connection with any filing required hereunder, including without limitation, any financing statements pursuant to the UCC, continuation statements, partial releases and/or termination statements related thereto or any expenses of any searches reasonably required by the Agent. The Debtors shall also pay all other claims and charges which in the reasonable opinion of the Agent is reasonably likely to prejudice, imperil or otherwise affect the Collateral or the Security Interests therein. Subject to the terms of the Purchase Agreement (as such term is defined in the Debentures), the Debtors will also, upon demand, pay to the Agent the amount of any and all reasonable expenses, including the reasonable fees and expenses of its counsel and of any experts and agents, which the Agent, for the benefit of the Secured Parties, may incur in connection with the creation, perfection, protection, satisfaction, foreclosure, collection or enforcement of the Security Interest and the preparation, administration, continuance, amendment or enforcement of this Agreement and pay to the Agent the amount of any and all reasonable expenses, including the reasonable fees and expenses of its counsel and of any experts and agents, which the Agent, for the benefit of the Secured Parties, and the Secured Parties may incur in connection with (i) the enforcement of this Agreement, (ii) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Collateral, or (iii) the exercise or enforcement of any of the rights of the Secured Parties under the Debentures. Until so paid, any fees payable hereunder shall be added to the principal amount of the Debentures.

12. **Responsibility for Collateral** . The Debtors assume all liabilities and responsibility in connection with all Collateral, and the Obligations shall in no way be affected or diminished by reason of the loss, destruction, damage or theft of any of the Collateral or its unavailability for any reason. Without limiting the generality of the foregoing, (a) neither the Agent nor any Secured Party (i) has any duty (either before or after an Event of Default) to collect any amounts in respect of the Collateral or to preserve any rights relating to the Collateral, or (ii) has any obligation to clean-up or otherwise prepare the Collateral for sale, and (b) each Debtor shall remain obligated and liable under each contract or agreement included in the Collateral to be observed or performed by such Debtor thereunder. Neither the Agent nor any Secured Party shall have any obligation or liability under any such contract or agreement by reason of or arising out of this Agreement or the receipt by the Agent or any Secured Party of any payment relating to any of the Collateral, nor shall the Agent or any Secured Party be obligated in any manner to perform any of the obligations of any Debtor under or pursuant to any such contract or agreement, to make inquiry as to the nature or sufficiency of any payment received by the Agent or any Secured Party in respect of the Collateral or as to the sufficiency of any performance by any party under any such contract or agreement, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to the Agent or to which the Agent or any Secured Party may be entitled at any time or times.

13. **Security Interests Absolute** . All rights of the Secured Parties and all obligations of the Debtors hereunder, shall be absolute and unconditional, irrespective of: (a) any lack of validity or enforceability of this Agreement, the Debentures or any agreement entered into in connection with the foregoing, or any portion hereof or thereof; (b) any change in the time, manner or place of payment or performance of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from the Debentures or any other agreement entered into in connection with the foregoing; (c) any exchange, release or nonperfection of any of the Collateral, or any release or amendment or waiver of or consent to departure from any other collateral for, or any guarantee, or any other security, for all or any of the Obligations; (d) any action by the Secured Parties to obtain, adjust, settle and cancel in its sole discretion any insurance claims or matters made or arising in connection with the Collateral; or (e) any other circumstance which might otherwise constitute any legal or equitable defense available to a Debtor, or a discharge of all or any part of the Security Interests granted hereby. Until the Obligations shall have been paid and performed in full, the rights of the Secured Parties shall continue to the fullest extent permitted by law even if the Obligations are barred for any reason, including, without limitation, the running of the statute of limitations or bankruptcy. Each Debtor expressly waives presentment, protest, notice of protest, demand, notice of nonpayment and demand for performance. In the event that at any time any transfer of any Collateral or any payment received by the Secured Parties hereunder shall be deemed by final order of a court of competent jurisdiction to have been a voidable preference or fraudulent conveyance under the bankruptcy or insolvency laws of the United States, or shall be deemed to be otherwise due to any party other than the Secured Parties, then, in any such event, each Debtor's obligations hereunder shall survive cancellation of this Agreement, and shall not be discharged or satisfied by any prior payment thereof and/or cancellation of this Agreement, but shall remain a valid and binding obligation enforceable in accordance with the terms and provisions hereof. Each Debtor waives all right to require the Secured Parties to proceed against any other person or entity or to apply any Collateral which the Secured Parties may hold at any time, or to marshal assets, or to pursue any other remedy. Each Debtor waives any defense arising by reason of the application of the statute of limitations to any obligation secured hereby.

14. **Term of Agreement** . This Agreement and the Security Interests shall terminate with respect to each Debtor on the date on which all payments under such Debtor's Debentures have been paid in full other than contingent obligations against which no claim has been asserted and all other Obligations (other than contingent obligations against which no claim has been asserted) have been paid or discharged; provided, however, that all indemnities of the Debtors contained in this Agreement (including, without limitation, Annex B hereto) shall survive and remain operative and in full force and effect regardless of the termination of this Agreement.

15. **Power of Attorney; Further Assurances** .

(a) Each Debtor authorizes the Agent, and does hereby make, constitute and appoint the Agent and its officers, agents, successors or assigns with full power of substitution, as such Debtor's true and lawful attorney-in-fact, with power, in the name of the Agent or such Debtor, to, after the occurrence and during the continuance of an Event of Default, (i) endorse any note, checks, drafts, money orders or other instruments of payment (including payments payable under or in respect of any policy of insurance) in respect of the Collateral that may come into possession of the Agent; (ii) sign and endorse any financing statement pursuant to the UCC or any invoice, freight or express bill, bill of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications and notices in connection with accounts, and other documents relating to the Collateral; (iii) pay or discharge taxes, liens, security interests or other encumbrances at any time levied or placed on or threatened against the Collateral; (iv) demand, collect, receipt for, compromise, settle and sue for monies due in respect of the Collateral; (v) transfer any Intellectual Property or provide licenses respecting any Intellectual Property; and (vi) generally, at the option of the Agent, and at the expense of the Debtors, at any time, or from time to time, execute and deliver any and all documents and instruments and to do all acts and things which the Agent deems necessary to protect, preserve and realize upon the Collateral and the Security Interests granted therein in order to effect the intent of this Agreement and the Debentures all as fully and effectually as the Debtors might or could do; and each Debtor hereby ratifies all that said attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney is coupled with an interest and shall be irrevocable for the term of this Agreement and thereafter as long as any of the Obligations shall be outstanding. The designation set forth herein shall be deemed to amend and supersede any inconsistent provision in the Organizational Documents or other documents or agreements to which any Debtor is subject or to which any Debtor is a party. Without limiting the generality of the foregoing, after the occurrence and during the continuance of an Event of Default, the Agent, for the benefit of each Secured Party, is specifically authorized to execute and file any applications for or instruments of transfer and assignment of any patents, trademarks, copyrights or other Intellectual Property with the United States Patent and Trademark Office and the United States Copyright Office.

16. **Notices** . All notices, requests, demands and other communications hereunder shall be subject to the notice provision of the Purchase Agreement (as such term is defined in the Debentures).

17. **Other Security** . To the extent that the Obligations are now or hereafter secured by property other than the Collateral or by the guarantee, endorsement or property of any other person, firm, corporation or other entity, then the Agent shall have the right, in its sole discretion, to pursue, relinquish, subordinate, modify or take any other action with respect thereto, without in any way modifying or affecting any of the Agent's or Secured Parties' rights and remedies hereunder.

18. **Appointment of Agent** . The Secured Parties hereby appoint HUG Funding LLC to act as their agent (" HUG " or " Agent ") for purposes of exercising any and all rights and remedies of the Secured Parties hereunder. Such appointment shall continue until revoked in writing by the Required Parties, at which time the Required Parties shall appoint a new Agent, provided that HUG may not be removed as Agent unless HUG shall then hold less than $1,000,000 in principal amount of Debentures ; provided , further , that such removal may occur only if each of the other Secured Parties shall then hold not less than an aggregate of $1,000,000 in principal amount of Debentures. The Agent shall have the rights, responsibilities and immunities set forth in Annex B hereto.

19. **Miscellaneous** .

(a) No course of dealing between the Debtors and the Agent or the Secured Parties, nor any failure to exercise, nor any delay in exercising, on the part of the Agent or the Secured Parties, any right, power or privilege hereunder or under the Debentures shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

(b) All of the rights and remedies of the Agent or the Secured Parties with respect to the Collateral, whether established hereby or by the Debentures or by any other agreements, instruments or documents or by law shall be cumulative and may be exercised singly or concurrently.

(c) This Agreement, together with the exhibits and schedules hereto, contain the entire understanding of the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, oral or written, with respect to such matters, which the parties acknowledge have been merged into this Agreement and the exhibits and schedules hereto. No provision of this Agreement may be waived, modified, supplemented or amended except in a written instrument signed, in the case of an amendment, by the Debtors, the Agent and the Secured Parties holding 60% or more of the principal amount of Debentures then outstanding, or, in the case of a waiver, by the party against whom enforcement of any such waived provision is sought. In the event of any contradiction between this Security Agreement and the Israeli Security Agreement, the provisions of this Security Agreement will prevail.

(d) If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

(e) No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right.

(f) This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns. The Company and the Guarantors may not assign this Agreement or any rights or obligations hereunder without the prior written consent of each Secured Party (other than by merger). Any Secured Party may assign any or all of its rights under this Agreement to any Person (as defined in the Purchase Agreement) to whom such Secured Party assigns or transfers any Obligations in accordance with the Debenture, provided such transferee agrees in writing to be bound, with respect to the transferred Obligations, by the provisions of this Agreement that apply to the "Secured Parties."

(g) Each party shall take such further action and execute and deliver such further documents as may be necessary or appropriate in order to carry out the provisions and purposes of this Agreement.

(h) Except to the extent mandatorily governed by the jurisdiction or situs where the Collateral is located, all questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Except to the extent mandatorily governed by the jurisdiction or situs where the Collateral is located, each Debtor agrees that all proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement and the Debentures (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of New York, County of New York. Except to the extent mandatorily governed by the jurisdiction or situs where the Collateral is located, each Debtor hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the City of New York, Borough of Manhattan for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such proceeding is improper. Each party hereto hereby irrevocably waives personal service of process and consents to process being served in any such proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. Each party hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

(i) This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and, all of which taken together shall constitute one and the same Agreement. In the event that any signature is delivered by facsimile or other electronic transmission, such signature shall create a valid binding obligation of the party executing (or on whose behalf such signature is executed) the same with the same force and effect as if such facsimile or other electronic signature were the original thereof.

(j) All Debtors shall jointly and severally be liable for the Obligations of each Debtor to the Secured Parties hereunder.

(k) Each Debtor shall indemnify, reimburse and hold harmless the Agent and the Secured Parties and their respective partners, members, shareholders, officers, directors, employees and agents (and any other persons with other titles that have similar functions) (collectively, " Indemnitees ") from and against any and all losses, claims, liabilities, damages, penalties, suits, costs and expenses, of any kind or nature, (including fees relating to the cost of investigating and defending any of the foregoing) imposed on, incurred by or asserted against such Indemnitee in any way related to or arising from or alleged to arise from this Agreement or the Collateral, except any such losses, claims, liabilities, damages, penalties, suits, costs and expenses which result from the breach of contract in bad faith, gross negligence or willful misconduct of the Indemnitee as determined by a final, nonappealable decision of a court of competent jurisdiction. This indemnification provision is in addition to, and not in limitation of, any other indemnification provision in the Debentures, the Purchase Agreement (as such term is defined in the Debentures) or any other agreement, instrument or other document executed or delivered in connection herewith or therewith.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed on the day and year first above written.

INSPIREMD, INC.

By: /s/ Ofir Paz
Name: Ofir Paz
Title: Chief Executive Officer

INSPIRE M.D LTD

By: /s/ Ofir Paz
Name: Ofir Paz
Title: Chief Executive Officer

INSPIREMD GMBH

By: /s/ Ofir Paz
Name: Ofir Paz
Title: Chief Executive Officer

[SIGNATURE PAGE OF HOLDERS FOLLOWS]

[SIGNATURE PAGE OF HOLDERS TO INSPIREMD, INC.]

Name of Holder: Genesis Opportunity Fund LP

Signature of Authorized Signatory of Holder : /s/ Daniel Saks

Name of Authorized Signatory: Daniel Saks

Title of Authorized Signatory: Managing Member

[SIGNATURE PAGES CONTINUE]

[Investor Signature Page – Security Agreement]

[SIGNATURE PAGE OF HOLDERS TO INSPIREMD, INC.]

Name of Holder: Genesis Asset Opportunity Fund LP

Signature of Authorized Signatory of Holder : /s/ Daniel Saks

Name of Authorized Signatory: Daniel Saks

Title of Authorized Signatory: Managing Member

[SIGNATURE PAGES CONTINUE]

[Investor Signature Page – Security Agreement]

[SIGNATURE PAGE OF HOLDERS TO INSPIREMD, INC.]

Name of Holder: HUG Funding LLC

Signature of Authorized Signatory of Holder : /s/ Daniel Saks

Name of Authorized Signatory: Daniel Saks

Title of Authorized Signatory: Managing Member

[SIGNATURE PAGES CONTINUE]

[Investor Signature Page – Security Agreement]

[SIGNATURE PAGE OF HOLDERS TO INSPIREMD, INC.]

Name of Holder: Ayer Capital Partners Master Fund, L.P.

Signature of Authorized Signatory of Holder : /s/ Jay Venkatesan

Name of Authorized Signatory: Jay Venkatesan

Title of Authorized Signatory: Managing Member

[SIGNATURE PAGES CONTINUE]

[Investor Signature Page – Security Agreement]

[SIGNATURE PAGE OF HOLDERS TO INSPIREMD, INC.]

Name of Holder: Ayer Capital Partners Kestrel Fund, LP

Signature of Authorized Signatory of Holder : /s/ Jay Venkatesan

Name of Authorized Signatory: Jay Venkatesan

Title of Authorized Signatory: Managing Member

[SIGNATURE PAGES CONTINUE]

[Investor Signature Page – Security Agreement]

[SIGNATURE PAGE OF HOLDERS TO INSPIREMD, INC.]

Name of Holder: Epworth – Ayer Capital

Signature of Authorized Signatory of Holder : /s/ Jay Venkatesan

Name of Authorized Signatory: Jay Venkatesan

Title of Authorized Signatory: Managing Member

[Investor Signature Page – Security Agreement]

BORROWING CERTIFICATE

TO: THE PURCHASERS UNDER THE SECURITIES PURCHASE AGREEMENT AMONG THE COMPANY AND THE PURCHASERS PARTY THERETO

The undersigned, the chief executive officer of INSPIREMD, INC. (the " **Company** "), hereby represents and warrants to you on behalf of the Company as follows:

1. **NAMES OF THE COMPANY**

a. The name of the Company as it appears in its current Articles or Certificate of Incorporation is: INSPIREMD, INC.

b. The federal employer identification number of the Company is: 26-2123838.

c. The Company is formed under the laws of the state of Delaware.

d. The organizational identification number issued to the Company under its jurisdiction of formation is: 4511950.

e. The Company transacts business in the following states (and/or countries) (list jurisdictions other than jurisdiction of formation): None.

f. The Company is duly qualified to transact business as a foreign entity in the following states (and/or country) (list jurisdictions other than jurisdiction of formation): None.

g. The following is a list of all other names (including fictitious names, d/b/a's, trade names or similar names) currently used by the Company or used within the past five years:

Name	Period of Use	Note whether prior legal name, fictitious name, d/b/a trade name, etc.
Saguaro Resources, Inc.	February 29, 2008 to March 28, 2011	Prior Legal Name

h. The following are the legal names and jurisdictions of formation of all entities which have been merged into the Company during the past five years:

Legal Name of Merged Entity	Entity Jurisdiction of Formation	Year of Merger
InspireMD Ltd.	Israel	2011 (Share Exchange Transaction)

i. The following are the legal names and addresses (including jurisdictions of formation) of all entities from whom the Company has acquired any personal property in a transaction not in the ordinary course of business during the past five years, together with the date of such acquisition and the type of personal property acquired (e.g., equipment, inventory, etc.):

Legal Name	Jurisdiction of Formation / Address	Date of Acquisition	Type of Property
None			

2. **PARENT/SUBSIDIARIES OF THE COMPANY**

a. The legal name of each subsidiary and parent of the Company is as follows. (A "parent" is an entity directly owning more than 50% of the outstanding capital stock of the Company. A "subsidiary" is an entity, 50% or more of the outstanding capital stock of which is directly owned by the Company.)

Name	Subsidiary/Parent	Fed. Employer ID No.
InspireMD Ltd.	Sub x Parent o	None (Israeli entity)
Inspire MD GmbH	Sub x Parent o	None (German entity)

b. The following is a list of the respective jurisdictions and dates of formation of the parent and each subsidiary of the Company:

Name	Jurisdiction	Date of Formation
InspireMD Ltd.	Israel	2005
Inspire MD GmbH	Germany	November 30, 2007

c. The following is a list of all other names (including fictitious names, d/b/a's, trade names or similar names) currently used by each subsidiary of the Company or used during the past five years:

Name	Subsidiary
None	

d. The following are the names of all entities which have been merged into a subsidiary of the Company during the past five years:

Name	Subsidiary
None	

e. The following are the names and addresses of all entities from whom each subsidiary of the Company has acquired any personal property in a transaction not in the ordinary course of business during the past five years, together with the date of such acquisition and the type of personal property acquired (e.g., equipment, inventory, etc.):

Name	Address	Date of Acquisition	Type of Property	Subsidiary
None				

3. **LOCATIONS OF COMPANY AND ITS SUBSIDIARIES**

a. The Company and each of its subsidiaries maintain books or records at the following addresses:

Complete street and mailing address, including county	Name of Company/Subsidiary
3 Menorat Hamaor St., Tel Aviv, Israel 67448	InspireMD, Inc.
3 Menorat Hamaor St., Tel Aviv, Israel 67448	InspireMD Ltd.
Boschstraße 16, 21423 Winsen,Germany	Inspire MD GmbH

b. The Company and its subsidiaries own, lease, or occupy real property located at the following addresses and maintain equipment, inventory, or other property at such address:

Complete street and mailing address, including county	Name of Company/Subsidiary	Equipment/Inventory/other Collateral
3 Menorat Hamaor St., Tel Aviv, Israel 67448	InspireMD Ltd.	Equipment/Inventory/other Collateral
4 Menorat Hamaor St., Tel Aviv, Israel 67448	InspireMD Ltd.	Equipment/Inventory/other Collateral
Boschstraße 16, 21423 Winsen, Germany	Inspire MD GmbH	Equipment and inventory
Boschstraße 16, 21423 Winsen, Germany	QualiMed Innovative Medizinprodukte GmbH	Inventory

c. The following are the names and addresses of all warehousemen, bailees, or other third parties who have possession of any of the Company's inventory, equipment, or other property or that of its subsidiaries:

Name and complete mailing address of third party	Description of assets held with third party including estimated FMV	Name of Company/Subsidiary
None		

4. **SPECIAL TYPES OF COLLATERAL**

a. The Company and its subsidiaries own (or have any ownership interest in) the following kinds of assets.

Copyrights or copyright applications registered with the U.S. Copyright Office	Yes o No x
Software registered with the U.S. Copyright Office	Yes o No x
Software not registered with the U.S. Copyright Office	Yes o No x
Patents and patent applications	Yes x No o
Trademarks or trademark applications (including any service marks, collective marks and certification marks)	Yes x No o
Licenses to use trademarks, patents and copyrights of others	Yes x No o
Material licenses, permits (including environmental), authorizations, or certifications issued by federal, state, or local governments issued to the Company and/or its subsidiaries or with respect to their assets, properties, or businesses	Yes x No o
Stocks, bonds or other securities held by the Company or its subsidiaries in other entities (Company or sub is the stock owner)	Yes o No x
Promissory notes, or other instruments or evidence of indebtedness issued in favor of the Company or any of its subsidiaries (Company or sub is the lender)	Yes o No x
Leases of equipment, security agreements naming the Company or its subsidiaries as secured party or other chattel paper (Company or sub is the lessor/secured party)	Yes o No x
Aircraft	Yes o No x
Vessels, Boats or Ships	Yes o No x
Railroad Rolling Stock	Yes o No x
Motor Vehicles	Yes x No o

If the answer is "yes" to any of the above questions, attach a Schedule 4(a) listing each asset owned by the Company and/or its subsidiaries (separately identified and scheduled for each entity) and identifying which party owns the asset, the relevant jurisdiction (such as IP registered in non-U.S. jurisdictions or the jurisdiction under which a motor vehicle is registered), each registration, application, or other identification number, and all other relevant information. In the cases of licenses, include the relevant parties and the specific property being licensed, and, if any licenses are material to the Company's and/or any of its subsidiaries' business, provide copies of such licenses.

b. The following are all banks, brokerages, or financial institutions at which the Company and its subsidiaries maintain deposit or securities accounts:

Institution Name and Address	Account Number	Average Balance in Account	Name of Account Owner
Bank Leumi USA 564 Fifth Avenue, New York, NY 10036			InspireMD, Inc.
Bank Leumi 25 Habarzel Street, Tel Aviv			InspireMD Ltd.
Bank Mizrahi 123 Hashmonaim, Tel Aviv			InspireMD Ltd.
Deutche Bank Hamburg-Harburg Harburger Rathausstraße 44 21073 Hamburg			Inspire MD GmbH
Deutche Bank Hamburg-Harburg Harburger Rathausstraße 44 21073 Hamburg			InspireMD Ltd.

c. Does or is it contemplated that the Company will regularly receive letters of credit from customers or other third parties to secure payments of sums owed to the Company? The following is a list of letters of credit naming the Company as "beneficiary" thereunder:

LC Number	Name of LC Issuer	LC Applicant
None		

5. **DEBT/ENCUMBRANCES**

a. The Company and its subsidiaries have the following outstanding debt for money borrowed (whether or not convertible) (please attach copies of all instruments evidencing the debt):

Name and Address of Lender	Original Principal Amount/Principal Outstanding	Maturity Date	Secured/Unsecured (if secured, complete 6(b))
None			

b. The Company's and its subsidiaries' properties are subject to the following liens or encumbrances:

Name of Holder of Lien/Encumbrance	Description of Property Encumbered	Name of Company/Subsidiary
None		

6. **REGULATION**

With respect to material regulatory matters, the Company and its subsidiaries are subject to regulation by the following federal, state or local government entity or any department, agency, or instrumentality thereof:

[Intentionally omitted.]

7. **LITIGATION**

a. The following is a complete list of pending and threatened litigation or claims involving amounts claimed against the Company in an indefinite amount or in excess of $50,000 in each case:

None.

b. The following are the only claims which the Company has against others (other than claims on accounts receivable), which the Company is asserting or intends to assert, and in which the potential recovery exceeds $50,000:

None.

8. **TAXES**

The following taxes are currently outstanding and unpaid:

Assessing Authority	Amount and Description
None	

9. **INSURANCE BROKER**

The following broker handles the Company's property and liability insurance:

Broker	Contact	Telephone	Fax	Email
Reshef	Yuri Kizhner	972-3-927-0672	972-3-922-1692	yuri@reshef-bit.co.il

10. **OFFICERS OF THE COMPANY AND ITS SUBSIDIARIES**

The following are the names and titles of the officers of the Company and its subsidiaries.

Office/Title	Name of Officer	Name of Company/Subsidiary
Chief Executive Officer	Ofir Paz	InspireMD, Inc./InspireMD Ltd.
Chief Financial Officer	Craig Shore	InspireMD, Inc./InspireMD Ltd.
President	Asher Holzer	InspireMD, Inc./InspireMD Ltd.
Senior Vice President of Research and Development and Chief Technical Officer	Eli Bar	InspireMD Ltd.
Vice President of Sales	Sara Paz	InspireMD Ltd.

11. **IRS FORM W9**

The Company's completed and executed IRS Form W9 is attached hereto as Exhibit A.

12. **LEGAL COUNSEL**

The following attorney(s) will represent the Company in connection with the loan documents:

Name of Attorney	Name of law firm / address	Telephone	Fax	Email
Rick Werner	Haynes and Boone, LLP	(212) 659-8947	(212) 884-8234	rick.werner@haynesboone.com

Date: April 5, 2012

INSPIREMD, INC.

By: /s/ Ofir Paz
Its: Chief Executive Officer
Email:
Phone:
Fax:

Continuation Page—Additional Information

Shares of capital stock or equity interests in subsidiary

1. 6,307,590 shares of InspireMD Ltd. stock held by InspireMD, Inc.

2. One share of Inspire MD GmbH stock held by InspireMD Ltd.

Exhibit A

IRS Form W9

See attached

Schedule 4(a)

Assets

1. The attached table shows all of the patents, trademarks and patent applications for InspireMD Ltd.

2. InspireMD Ltd. owns a 2006 Chevrolet Uplander – License No. 14-810-13

3. InspireMD Ltd. owns www.inspire-md.com and www.inspiremd.com .

4. Pursuant to a License Agreement with Svelte Medical Systems, Inc., dated March 19, 2010, InspireMD Ltd. has a non-exclusive, worldwide license to the Svelte helical stent and the Licensed Patents and Licensed Processes (as such terms are defined in the License Agreement).

5. The table below shows all of the countries in which InspireMD Ltd. has received governmental approval to sell and distribute either its MGuard or MGuard Prime products:

Countries	MGuard™ Approval	MGuard Prime™ Approval		Countries	MGuard™ Approval	MGuard Prime™ Approval
Argentina	Y	N		Israel	Y	Y
Austria	Y	Y		Italy	Y	Y
Brazil	Y	N		Latvia	Y	Y
Chile	Y	N		Lithuania	Y	Y
Colombia	Y	N		Mexico	Y	N
Costa Rica	Y	N		Pakistan	Y	N
Cyprus	Y	Y		Poland	Y	Y
Czech Rep	Y	Y		Portugal	Y	Y
UK	Y	Y		Russia	Y	N
Estonia	Y	Y		Slovakia	Y	Y
France	Y	Y		Slovenia	Y	Y
Germany	Y	Y		South Africa	Y	N
Greece	Y	Y		Spain	Y	Y
Holland (Netherlands)	Y	Y		Sri Lanka	Y	N
Hungary	Y	Y		Ukraine	Y	N
India	Y	N				

Patents

Title	Patent/Patent Application Number (Publication Number)	Issue/Filing Date
STENT WITH SHEATH AND METAL WIRE RETAINER (PCT)	PCT/IB2011/055758	12/18/2011
OPTIMIZED STENT JACKET (USA)	12/791,008	06/01/2010
OPTIMIZED STENT JACKET (EUROPE)	07827415.6	11/21/2007
OPTIMIZED STENT JACKET (ISRAEL)	198,665	11/21/2007
OPTIMIZED STENT JACKET (CANADA)	2670724	11/21/2007
OPTIMIZED STENT JACKET (CHINA)	200780043259.2	11/21/2007
OPTIMIZED STENT JACKET (INDIA)	4088DELNP2009	11/21/2007
BIFURCATED STENT ASSEMBLIES (USA)	11/797,168	05/01/2007
BIFURCATED STENT ASSEMBLIES (ISRAEL)	198188	10/18/2007
BIFURCATED STENT ASSEMBLIES (USA)	12/445,968	04/17/2009
BIFURCATED STENT ASSEMBLIES (CANADA)	2666706	10/18/2007
BIFURCATED STENT ASSEMBLIES (EUROPE)	07827227.5	10/18/2007
BIFURCATED STENT ASSEMBLIES (CHINA)	200780046676.2	10/18/2007
BIFURCATED STENT ASSEMBLIES (INDIA)	3113DELNP2009	10/18/2007
IN VIVO FILTER ASSEMBLY (USA)	8,043,323 / 11/582,354	10/25/2011 / 10/18/2006
IN VIVO FILTER ASSEMBLY (USA)	13/237,977	09/21/2011
STENT APPARATUSES FOR TREATMENT VIA BODY LUMENS AND METHODS OF USE (USA)	11/920,972	11/23/2007
STENT APPARATUSES FOR TREATMENT VIA BODY LUMENS AND METHODS OF USE (EUROPE)	06745069.2	05/24/2006
STENT APPARATUSES FOR TREATMENT VIA BODY LUMENS AND METHODS OF USE (CANADA)	2,609,687	05/24/2006
STENT APPARATUSES FOR TREATMENT VIA BODY LUMENS AND METHODS OF USE (SOUTH AFRICA)	2007/10751 / 2007/10751	05/24/2006 / 10/27/2010
STENT APPARATUSES FOR TREATMENT VIA BODY LUMENS AND METHODS OF USE (ISRAEL)	187516	05/24/2006
FILTER ASSEMBLIES (USA)	12/445,972	04/17/2009
FILTER ASSEMBLIES (EUROPE)	07827228.3	10/18/2007
FILTER ASSEMBLIES (ISRAEL)	198189	10/18/2007
FILTER ASSEMBLIES (CANADA)	2666712	10/18/2007
FILTER ASSEMBLIES (CHINA)	200780046659.9	10/18/2007
FILTER ASSEMBLIES (INDIA)	3114DELNP2009	10/18/2007
KNITTED STENT JACKETS (USA)	12/445,980	04/17/2009
KNITTED STENT JACKETS (ISRAEL)	198190	10/18/2007
KNITTED STENT JACKETS (EUROPE)	07827229.1	10/18/2007
KNITTED STENT JACKETS (CANADA)	2666728	10/18/2007
KNITTED STENT JACKETS (CHINA)	200780046697.4	10/18/2007
KNITTED STENT JACKETS (INDIA)	3171DELNP2009	10/18/2007

Trademarks

Description	Registration/ Application Number	Registration/ Application Date
INSPIREMD (wordmark) (EUROPE)	008642118	10/27/2009
MGUARD (wordmark) (EUROPE)	008642175	10/27/2009

BORROWING CERTIFICATE

TO: THE PURCHASERS UNDER THE SECURITIES PURCHASE AGREEMENT AMONG THE COMPANY AND THE PURCHASERS PARTY THERETO

The undersigned, the chief executive officer of INSPIREMD LTD. (the " **Company** "), hereby represents and warrants to you on behalf of the Company as follows:

1. NAMES OF THE COMPANY

a. The name of the Company as it appears in its current Articles or Certificate of Incorporation is: INSPIREMD LTD.

b. The Company is formed under the laws of the state of Israel.

c. The organizational identification number issued to the Company under its jurisdiction of formation is: 513679431.

d. The Company transacts business in the following countries (list jurisdictions other than jurisdiction of formation):

Austria
Cyprus
Czech Rep
UK
Estonia
France
Germany
Greece
Holland (Netherlands)
Hungary
India
Israel
Italy
Latvia
Lithuania
Poland
Russia
Serbia
Singapore
Slovakia
Slovenia
South Africa
Spain

e. The Company is duly qualified to transact business as a foreign entity in the following countries (list jurisdictions other than jurisdiction of formation): See above.

f. The following is a list of all other names (including fictitious names, d/b/a's, trade names or similar names) currently used by the Company or used within the past five years:

Name	Period of Use	Note whether prior legal name, fictitious name, d/b/a trade name, etc.
None.		

g. The following are the legal names and jurisdictions of formation of all entities which have been merged into the Company during the past five years:

Legal Name of Merged Entity	Entity Jurisdiction of Formation	Year of Merger
None.		

h. The following are the legal names and addresses (including jurisdictions of formation) of all entities from whom the Company has acquired any personal property in a transaction not in the ordinary course of business during the past five years, together with the date of such acquisition and the type of personal property acquired (e.g., equipment, inventory, etc.):

Legal Name	Jurisdiction of Formation / Address	Date of Acquisition	Type of Property
None			

2. PARENT/SUBSIDIARIES OF THE COMPANY

a. The legal name of each subsidiary and parent of the Company is as follows. (A "parent" is an entity directly owning more than 50% of the outstanding capital stock of the Company. A "subsidiary" is an entity, 50% or more of the outstanding capital stock of which is directly owned by the Company.)

Name	Subsidiary/Parent	Fed. Employer ID No.
InspireMD, Inc.	Sub o Parent x	26-2123838
Inspire MD GmbH	Sub x Parent o	None (German entity)

b. The following is a list of the respective jurisdictions and dates of formation of the parent and each subsidiary of the Company:

Name	Jurisdiction	Date of Formation
InspireMD, Inc.	Delaware	February 29, 2008
Inspire MD GmbH	Germany	November 30, 2007

c. The following is a list of all other names (including fictitious names, d/b/a's, trade names or similar names) currently used by each subsidiary of the Company or used during the past five years:

Name	Subsidiary
None	

d. The following are the names of all entities which have been merged into a subsidiary of the Company during the five years:

Name	Subsidiary
None	

e. The following are the names and addresses of all entities from whom each subsidiary of the Company has acquired any personal property in a transaction not in the ordinary course of business during the past five years, together with the date of such acquisition and the type of personal property acquired (e.g., equipment, inventory, etc.):

Name	Address	Date of Acquisition	Type of Property	Subsidiary
None				

3. LOCATIONS OF COMPANY AND ITS SUBSIDIARIES

a. The Company and each of its subsidiaries maintain books or records at the following addresses:

Complete street and mailing address, including county	Name of Company/Subsidiary
3 Menorat Hamaor St., Tel Aviv, Israel 67448	InspireMD Ltd.
Boschstraße 16, 21423 Winsen,Germany	Inspire MD GmbH

b. The Company and its subsidiaries own, lease, or occupy real property located at the following addresses and maintain equipment, inventory, or other property at such address:

Complete street and mailing address, including county	Name of Company/Subsidiary	Equipment/Inventory/other Collateral
3 Menorat Hamaor St., Tel Aviv, Israel 67448	InspireMD Ltd.	Equipment/Inventory/other Collateral
4 Menorat Hamaor St., Tel Aviv, Israel 67448	InspireMD Ltd.	Equipment/Inventory/other Collateral
Boschstraße 16, 21423 Winsen, Germany	Inspire MD GmbH	Equipment and inventory
Boschstraße 16, 21423 Winsen, Germany	QualiMed Innovative Medizinprodukte GmbH	Inventory

c. The following are the names and addresses of all warehousemen, bailees, or other third parties who have possession of any of the Company's inventory, equipment, or other property or that of its subsidiaries:

Name and complete mailing address of third party	Description of assets held with third party including estimated FMV	Name of Company/Subsidiary
Osypka Earl-H.-Wood-Strasse 1 Rheinfelden 79618, Germany	From time to time the Company has MGuard and MGuard Prime inventory at this location for sterilization purposes	InspireMD Ltd. and Inspire MD GmbH

4. SPECIAL TYPES OF COLLATERAL

a. The Company and its subsidiaries own (or have any ownership interest in) the following kinds of assets.

Copyrights or copyright applications registered with the U.S. Copyright Office	Yes o No x
Software registered with the U.S. Copyright Office	Yes o No x
Software not registered with the U.S. Copyright Office	Yes o No x
Patents and patent applications	Yes x No o
Trademarks or trademark applications (including any service marks, collective marks and certification marks)	Yes x No o
Licenses to use trademarks, patents and copyrights of others	Yes x No o
Material licenses, permits (including environmental), authorizations, or certifications issued by federal, state, or local governments issued to the Company and/or its subsidiaries or with respect to their assets, properties, or businesses	Yes x No o
Stocks, bonds or other securities held by the Company or its subsidiaries in other entities (Company or sub is the stock owner)	Yes o No x
Promissory notes, or other instruments or evidence of indebtedness issued in favor of the Company or any of its subsidiaries (Company or sub is the lender)	Yes o No x
Leases of equipment, security agreements naming the Company or its subsidiaries as secured party or other chattel paper (Company or sub is the lessor/secured party)	Yes o No x
Aircraft	Yes o No x
Vessels, Boats or Ships	Yes o No x
Railroad Rolling Stock	Yes o No x
Motor Vehicles	Yes x No o

If the answer is "yes" to any of the above questions, attach a Schedule 5(a) listing each asset owned by the Company and/or its subsidiaries (separately identified and scheduled for each entity) and identifying which party owns the asset, the relevant jurisdiction (such as IP registered in non-U.S. jurisdictions or the jurisdiction under which a motor vehicle is registered), each registration, application, or other identification number, and all other relevant information. In the cases of licenses, include the relevant parties and the specific property being licensed, and, if any licenses are material to the Company's and/or any of its subsidiaries' business, provide copies of such licenses.

b. The following are all banks, brokerages, or financial institutions at which the Company and its subsidiaries maintain deposit or securities accounts:

Institution Name and Address	Account Number	Average Balance in Account	Name of Account Owner
Bank Leumi 25 Habarzel Street, Tel Aviv			InspireMD Ltd.
Bank Mizrahi 123 Hashmonaim, Tel Aviv			InspireMD Ltd.
Deutche Bank Hamburg-Harburg Harburger Rathausstraße 44 21073 Hamburg			Inspire MD GmbH
Deutche Bank Hamburg-Harburg Harburger Rathausstraße 44 21073 Hamburg			InspireMD Ltd.

c. Does or is it contemplated that the Company will regularly receive letters of credit from customers or other third parties to secure payments of sums owed to the Company? The following is a list of letters of credit naming the Company as "beneficiary" thereunder:

LC Number	Name of LC Issuer	LC Applicant
None		

5. DEBT/ENCUMBRANCES

a. The Company and its subsidiaries have the following outstanding debt for money borrowed (whether or not convertible) (please attach copies of all instruments evidencing the debt):

Name and Address of Lender	Original Principal Amount/Principal Outstanding	Maturity Date	Secured/Unsecured (if secured, complete 6(b))
None			

b. The Company's and its subsidiaries' properties are subject to the following liens or encumbrances:

Name of Holder of Lien/Encumbrance	Description of Property Encumbered	Name of Company/Subsidiary
None		

6. REGULATION

With respect to material regulatory matters, the Company and its subsidiaries are subject to regulation by the following federal, state or local government entity or any department, agency, or instrumentality thereof:

[Intentionally omitted.]

7. LITIGATION

a. The following is a complete list of pending and threatened litigation or claims involving amounts claimed against the Company in an indefinite amount or in excess of $50,000 in each case:

1. Eric Ben Mayor

Court of Agency: Regional Labor Court in Tel Aviv

Date Instituted: November 2, 2010

Principal Parties: Eric Ben Mayor vs. InspireMD Ltd., InspireMD GmbH, Ofir Paz and Dr. Asher Holzer

Description: A former senior employee of InspireMD Ltd. has claimed that he was improperly terminated and that InspireMD Ltd. owes him money for due salary and pension fund payments, vacation pay, sick days, severance pay, additional prior notice payment, commission for revenues and other types of funds received by InspireMD Ltd.

Relief Sought: 1,476,027 NIS plus compensation for holding back wages and options to purchase 2,029,000 shares of Common Stock at an exercise price of $0.001.

2. Pires & Tarsis

Court of Agency: Magistrate Court in Tel Aviv

Date Instituted: February 10, 2011

Principal Parties: Pires & Tarsis Sociedade De Advogados vs. InspireMD Ltd.

Description: Pires & Tarsis has claimed that InspireMD Ltd. breached a Finder's Fee Agreement between the parties through improper termination and failing to pay a finder's fee allegedly owed to Pires & Tarsis. InspireMD Ltd. has claimed that it properly terminated the agreement on account of a breach by Pires & Tarsis and that Pires & Tarsis is not entitled to any payments because Pires & Tarsis never provided the services that were contracted for in the Finder's Fee Agreement. In addition, InspireMD Ltd. has counterclaimed, seeking the return of a 108,000 NIS payment to Pires & Tarsis by InspireMD Ltd. for the first shipment of InspireMD Ltd.'s stents to the distributor that Pires & Tarsis allegedly introduced to InspireMD Ltd.

Relief Sought: 1,200,000 NIS

3. Bary Oren

Court of Agency: Regional Labor Court in Tel Aviv

Date Instituted: August 8, 2011

Principal Parties: Bary Oren v. InspireMD Ltd.

Description: A former senior employee of InspireMD Ltd. has claimed that he was improperly terminated and that InspireMD Ltd. owes him 403,200 NIS in compensation and options to purchase 486,966 shares of Common Stock.

Relief Sought: 403,200 NIS in compensation and options to purchase 486,966 shares of Common Stock.

4. M.A. Bromfeld – Business Promotion Ltd.

Court of Agency: Magistrate Court in Tel Aviv

Date Instituted: November 13, 2011

Principal Parties: M.A. Bromfeld – Business Promotion Ltd. vs. InspireMD Ltd., InspireMD GmbH, Ofir Paz and Dr. Asher Holzer

Description: A former finder of InspireMD Ltd. has claimed that it is entitled to convert certain of its options to purchase shares of InspireMD Ltd. into options to purchase 110,785 shares of Common Stock at an exercise price of $0.45 per share and 39,087 shares of Common Stock at an exercise price of $1.23.

Relief Sought: Options to purchase 110,785 shares of Common Stock at an exercise price of $0.45 per share and 39,087 shares of Common Stock at an exercise price of $1.23.

5. Christina Makov and Amir Makov

Court of Agency: Economic Department of the Tel Aviv District Court

Date Instituted : December 27, 2011

Principal Parties: Christina Makov and Amir Makov vs. InspireMD Ltd.

Description: Ms. Makov has claimed that she is owed options to purchase 584,357 shares of Common Stock due to her under an employment agreement she entered into with InspireMD Ltd. InspireMD Ltd. has claimed that Ms. Makov is not owed an options because she never performed any of her obligations under the employment agreement and did not earn her options.

Relief Sought: Options to purchase 584,357 shares of Common Stock.

6. Moshit Yaffe

Court of Agency: None.

Date Instituted: Litigation threatened.

Description: Ms. Yaffe has claimed that she was entitled to options to purchase shares of InspireMD Ltd. in connection with InspireMD Ltd.'s loan Agreement with Mizrachi Tefachot Bank Ltd. InspireMD Ltd. has responded that she is not entitled to any options and, even if she were, such options would have expired. The Company has not received any communication about this threatened litigation since August 8, 2011.

7. Ashi Schlein

Court of Agency: None.

Date Instituted: Litigation threatened.

Description: Mr. Schlein has claimed that he is entitled to shares of Common Stock upon the exercise of an option that was assigned to him by Yuli Ofer. InspireMD Ltd. has responded that such option has expired and that Mr. Schlein is not entitled to any additional shares of Common Stock. The Company has not received any further communications about this matter since October 3, 2011.

8. Africa Israel Properties Ltd., Eilot Investments (Ramat Vered) 1994 Ltd. and Sharda Ltd.

Court of Agency: None.

Date Instituted: Litigation threatened.

Description: The parties listed above are the landlords for the offices and laboratory in Rechovot that InspireMD Ltd. leased beginning on January 1, 2012. The lease was terminated by InspireMD Ltd. on February 26, 2012. The parties are disputing whether the termination was permitted under the lease agreement. The Company last received communication about this matter on March 14, 2012.

9. MicroBank LLC & James D. Burchetta

Court of Agency: None.

Date Instituted : Litigation threatened.

Description: MicroBank LLC and James D. Burchetta claim that InspireMD Ltd. owes them a finder's fee in connection with the March 2011 private placement to having introduced InspireMD Ltd. to Palladium Capital Advisors.

Relief Sought: $1,000,000 and equity interests worth 9% of the Company's March 2011 private placement.

b. The following are the only claims which the Company has against others (other than claims on accounts receivable), which the Company is asserting or intends to assert, and in which the potential recovery exceeds $50,000:

None.

8. TAXES

The following taxes are currently outstanding and unpaid:

Assessing Authority	Amount and Description
None.	

9. INSURANCE BROKER

The following broker handles the Company's property and liability insurance:

Broker	Contact	Telephone	Fax	Email
Howden Insurance Brokers Ltd.	Nezi Dvash	972-3-6270700	972-3-7602618	NeziD@howden.co.il

10. OFFICERS OF THE COMPANY AND ITS SUBSIDIARIES

The following are the names and titles of the officers of the Company and its subsidiaries.

Office/Title	Name of Officer	Name of Company/Subsidiary
Chief Executive Officer	Ofir Paz	InspireMD, Inc./InspireMD Ltd.
Chief Financial Officer	Craig Shore	InspireMD, Inc./InspireMD Ltd.
President	Asher Holzer	InspireMD, Inc./InspireMD Ltd.
Senior Vice President of Research and Development and Chief Technical Officer	Eli Bar	InspireMD Ltd.
Vice President of Sales	Sara Paz	InspireMD Ltd.

11. IRS FORM W9

The Company's completed and executed IRS Form W9 is attached hereto as Exhibit A.

None.

12. LEGAL COUNSEL

The following attorney(s) will represent the Company in connection with the loan documents:

Name of Attorney	Name of law firm / address	Telephone	Fax	Email
Amit Leibovich	Kafri Leibovich, Law Office	972-3-752-2211	972-3-752-2201	amit@lklaw.co.il
Rick Werner	Haynes and Boone, LLP	(212) 659-8947	(212) 884-8234	rick.werner@haynesboone.com

Date: April 5, 2012

INSPIREMD LTD.

By: /s/ Ofir Paz
Its: Chief Executive Officer
Email:
Phone:
Fax:

Continuation Page—Additional Information

Shares of capital stock or equity interests in subsidiary

1. One shares of Inspire MD GmbH stock held by InspireMD Ltd.

Schedule 4(a)

Assets

1. The attached table shows all of the patents, trademarks and patent applications for InspireMD Ltd.

2. InspireMD Ltd. owns a 2006 Chevrolet Uplander – License No. 14-810-13

3. InspireMD Ltd. owns www.inspire-md.com and www.inspiremd.com .

4. Pursuant to a License Agreement with Svelte Medical Systems, Inc., dated March 19, 2010, InspireMD Ltd. has a non-exclusive, worldwide license to the Svelte helical stent and the Licensed Patents and Licensed Processes (as such terms are defined in the License Agreement).

5. The table below shows all of the countries in which InspireMD Ltd. has received governmental approval to sell and distribute either its MGuard or MGuard Prime products:

Countries	MGuard™ Approval	MGuard Prime™ Approval		Countries	MGuard™ Approval	MGuard Prime™ Approval
Argentina	Y	N		Israel	Y	Y
Austria	Y	Y		Italy	Y	Y
Brazil	Y	N		Latvia	Y	Y
Chile	Y	N		Lithuania	Y	Y
Colombia	Y	N		Mexico	Y	N
Costa Rica	Y	N		Pakistan	Y	N
Cyprus	Y	Y		Poland	Y	Y
Czech Rep	Y	Y		Portugal	Y	Y
UK	Y	Y		Russia	Y	N
Estonia	Y	Y		Slovakia	Y	Y
France	Y	Y		Slovenia	Y	Y
Germany	Y	Y		South Africa	Y	N
Greece	Y	Y		Spain	Y	Y
Holland (Netherlands)	Y	Y		Sri Lanka	Y	N
Hungary	Y	Y		Ukraine	Y	N
India	Y	N				

BORROWING CERTIFICATE

TO: THE PURCHASERS UNDER THE SECURITIES PURCHASE AGREEMENT AMONG THE COMPANY AND THE PURCHASERS PARTY THERETO

The undersigned, the member of Inspire MD GmbH (the " **Company** "), hereby represents and warrants to you on behalf of the Company as follows:

1. NAMES OF THE COMPANY

a. The name of the Company as it appears in its current Articles or Certificate of Incorporation is: Inspire MD GmbH

b. The Company is formed under the laws of the state of Germany.

c. The organizational identification number issued to the Company under its jurisdiction of formation is: HRB 201094.

d. The Company transacts business in the following countries (list jurisdictions other than jurisdiction of formation):

Argentina
Brazil
Chile
Colombia
Costa Rica
Germany
Malaysia
Mexico
Pakistan
Poland
Portugal
Sri Lanka

e. The Company is duly qualified to transact business as a foreign entity in the following countries (list jurisdictions other than jurisdiction of formation): See above.

f. The following is a list of all other names (including fictitious names, d/b/a's, trade names or similar names) currently used by the Company or used within the past five years:

Name	Period of Use	Note whether prior legal name, fictitious name, d/b/a trade name, etc.
None		

g. The following are the legal names and jurisdictions of formation of all entities which have been merged into the Company during the past five years:

Legal Name of Merged Entity	Entity Jurisdiction of Formation	Year of Merger
None		

h. The following are the legal names and addresses (including jurisdictions of formation) of all entities from whom the Company has acquired any personal property in a transaction not in the ordinary course of business during the past five years, together with the date of such acquisition and the type of personal property acquired (e.g., equipment, inventory, etc.):

Legal Name	Jurisdiction of Formation / Address	Date of Acquisition	Type of Property
None			

2. PARENT/SUBSIDIARIES OF THE COMPANY

a. The legal name of each subsidiary and parent of the Company is as follows. (A "parent" is an entity directly owning more than 50% of the outstanding capital stock of the Company. A "subsidiary" is an entity, 50% or more of the outstanding capital stock of which is directly owned by the Company.)

Name	Subsidiary/Parent	Fed. Employer ID No.
InspireMD Ltd.	Sub o Parent x	None (Israel entity)

b. The following is a list of the respective jurisdictions and dates of formation of the parent and each subsidiary of the Company:

Name	Jurisdiction	Date of Formation
InspireMD Ltd.	Israel	2005

c. The following is a list of all other names (including fictitious names, d/b/a's, trade names or similar names) currently used by each subsidiary of the Company or used during the past five years:

Name	Subsidiary
None	

d. The following are the names of all entities which have been merged into a subsidiary of the Company during the five years:

Name	Subsidiary
None	

e. The following are the names and addresses of all entities from whom each subsidiary of the Company has acquired any personal property in a transaction not in the ordinary course of business during the past five years, together with the date of such acquisition and the type of personal property acquired (e.g., equipment, inventory, etc.):

Name	Address	Date of Acquisition	Type of Property	Subsidiary
None				

3. LOCATIONS OF COMPANY AND ITS SUBSIDIARIES

a. The Company and each of its subsidiaries maintain books or records at the following addresses:

Complete street and mailing address, including county	Name of Company/Subsidiary
3 Menorat Hamaor St., Tel Aviv, Israel 67448	InspireMD Ltd.
Boschstraße 16, 21423 Winsen, Germany	Inspire MD GmbH

b. The Company and its subsidiaries own, lease, or occupy real property located at the following addresses and maintain equipment, inventory, or other property at such address:

Complete street and mailing address, including county	Name of Company/Subsidiary	Equipment/Inventory/other Collateral
Boschstraße 16, 21423 Winsen, Germany	Inspire MD GmbH	Inventory and Equipment
Boschstraße 16, 21423 Winsen, Germany	QualiMed Innovative Medizinprodukte GmbH	Inventory

c. The following are the names and addresses of all warehousemen, bailees, or other third parties who have possession of any of the Company's inventory, equipment, or other property or that of its subsidiaries:

Name and complete mailing address of third party	Description of assets held with third party including estimated FMV	Name of Company/Subsidiary
Osypka Earl-H.-Wood-Strasse 1 Rheinfelden 79618, Germany	From time to time the Company has MGuard and MGuard Prime inventory at this location for sterilization purposes	Inspire MD GmbH

4. SPECIAL TYPES OF COLLATERAL

a. The Company and its subsidiaries own (or have any ownership interest in) the following kinds of assets.

Copyrights or copyright applications registered with the U.S. Copyright Office	Yes o No x
Software registered with the U.S. Copyright Office	Yes o No x
Software not registered with the U.S. Copyright Office	Yes o No x
Patents and patent applications	Yes o No x
Trademarks or trademark applications (including any service marks, collective marks and certification marks)	Yes o No x
Licenses to use trademarks, patents and copyrights of others	Yes o No x
Material licenses, permits (including environmental), authorizations, or certifications issued by federal, state, or local governments issued to the Company and/or its subsidiaries or with respect to their assets, properties, or businesses	Yes o No x
Stocks, bonds or other securities held by the Company or its subsidiaries in other entities (Company or sub is the stock owner)	Yes o No x
Promissory notes, or other instruments or evidence of indebtedness issued in favor of the Company or any of its subsidiaries (Company or sub is the lender)	Yes o No x
Leases of equipment, security agreements naming the Company or its subsidiaries as secured party or other chattel paper (Company or sub is the lessor/secured party)	Yes o No x
Aircraft	Yes o No x
Vessels, Boats or Ships	Yes o No x
Railroad Rolling Stock	Yes o No x
Motor Vehicles	Yes o No x

If the answer is “yes” to any of the above questions, attach a Schedule 5(a) listing each asset owned by the Company and/or its subsidiaries (separately identified and scheduled for each entity) and identifying which party owns the asset, the relevant jurisdiction (such as IP registered in non-U.S. jurisdictions or the jurisdiction under which a motor vehicle is registered), each registration, application, or other identification number, and all other relevant information. In the cases of licenses, include the relevant parties and the specific property being licensed, and, if any licenses are material to the Company’s and/or any of its subsidiaries’ business, provide copies of such licenses.

b. The following are all banks, brokerages, or financial institutions at which the Company and its subsidiaries maintain deposit or securities accounts:

Institution Name and Address	Account Number	Average Balance in Account	Name of Account Owner
Deutche Bank Hamburg-Harburg Harburger Rathausstraße 44 21073 Hamburg			Inspire MD GmbH

c. Does or is it contemplated that the Company will regularly receive letters of credit from customers or other third parties to secure payments of sums owed to the Company? The following is a list of letters of credit naming the Company as "beneficiary" thereunder:

LC Number	Name of LC Issuer	LC Applicant
None		

5. DEBT/ENCUMBRANCES

a. The Company and its subsidiaries have the following outstanding debt for money borrowed (whether or not convertible) (please attach copies of all instruments evidencing the debt):

Name and Address of Lender	Original Principal Amount/Principal Outstanding	Maturity Date	Secured/Unsecured (if secured, complete 6(b))
None			

b. The Company's and its subsidiaries' properties are subject to the following liens or encumbrances:

Name of Holder of Lien/Encumbrance	Description of Property Encumbered	Name of Company/Subsidiary
None		

6. REGULATION

With respect to material regulatory matters, the Company and its subsidiaries are subject to regulation by the following federal, state or local government entity or any department, agency, or instrumentality thereof:

[Intentionally omitted].

7. LITIGATION

a. The following is a complete list of pending and threatened litigation or claims involving amounts claimed against the Company in an indefinite amount or in excess of $50,000 in each case:

None.

b. The following are the only claims which the Company has against others (other than claims on accounts receivable), which the Company is asserting or intends to assert, and in which the potential recovery exceeds $50,000:

None.

8. TAXES

The following taxes are currently outstanding and unpaid:

Assessing Authority	Amount and Description
None	

9. INSURANCE BROKER

The following broker handles the Company's property and liability insurance:

Broker	Contact	Telephone	Fax	Email
None.				

10. OFFICERS OF THE COMPANY AND ITS SUBSIDIARIES

The following are the names and titles of the officers of the Company and its subsidiaries.

Office/Title	Name of Officer	Name of Company/Subsidiary
Director	Ofir Paz	Inspire MD GmbH
Director	Asher Holzer	Inspire MD GmbH

11. IRS FORM W9

The Company's completed and executed IRS Form W9 is attached hereto as Exhibit A.

None.

12. LEGAL COUNSEL

The following attorney(s) will represent the Company in connection with the loan documents:

Name of Attorney	Name of law firm / address	Telephone	Fax	Email
Amit Leibovich	Kafri Leibovich, Law Office	972-3-752-2211	972-3-752-2201	amit@lklaw.co.il

Date: April 5, 2012

INSPIRE MD GmbH

By:_ /s/ Ofir Paz _____
Its: _ Member___ _____
Email:
Phone:
Fax:

Schedule 4(a)

Assets

None.

ANNEX A
to
SECURITY
AGREEMENT

FORM OF ADDITIONAL DEBTOR JOINDER

Security Agreement dated as of [_____] ___, 2012 made by
InspireMD, Inc.
and its subsidiaries party thereto from time to time, as Debtors
to and in favor of
the Agent, for the benefit of the Secured Parties identified therein (the " Security Agreement ")

Reference is made to the Security Agreement as defined above; capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in, or by reference in, the Security Agreement.

The undersigned hereby agrees that upon delivery of this Additional Debtor Joinder to the Agent and the Secured Parties referred to above, the undersigned shall (a) be an Additional Debtor under the Security Agreement, (b) have all the rights and obligations of the Debtors under the Security Agreement as fully and to the same extent as if the undersigned was an original signatory thereto and (c) be deemed to have made the representations and warranties set forth therein as of the date of execution and delivery of this Additional Debtor Joinder. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, THE UNDERSIGNED SPECIFICALLY GRANTS TO THE AGENT, FOR THE BENEFIT OF THE SECURED PARTIES, A SECURITY INTEREST IN THE COLLATERAL AS MORE FULLY SET FORTH IN THE SECURITY AGREEMENT AND ACKNOWLEDGES AND AGREES TO THE WAIVER OF JURY TRIAL PROVISIONS SET FORTH THEREIN.

Attached hereto is a Borrowing Certificate with respect to the Additional Debtor.

An executed copy of this Joinder shall be delivered to the Agent and the Secured Parties, and the Agent and the Secured Parties may rely on the matters set forth herein on or after the date hereof. This Joinder shall not be modified, amended or terminated without the prior written consent of the Agent and the Secured Parties.

IN WITNESS WHEREOF, the undersigned has caused this Joinder to be executed in the name and on behalf of the undersigned.

[Name of Additional Debtor]

By:

Name:
Title:

Address:

Dated:

ANNEX B
to
SECURITY
AGREEMENT

THE AGENT

1. **Appointment** . The Secured Parties (all capitalized terms used herein and not otherwise defined shall have the respective meanings provided in the Security Agreement to which this Annex B is attached (the " Agreement ")), by their acceptance of the benefits of the Agreement, hereby designate HUG Funding LLC (" Agent ") as the Agent to act as specified herein and in the Agreement. Each Secured Party shall be deemed irrevocably to authorize the Agent to take such action on its behalf under the provisions of the Agreement and any other Transaction Document (as such term is defined in the Purchase Agreement) and to exercise such powers and to perform such duties hereunder and thereunder as are specifically delegated to or required of the Agent by the terms hereof and thereof and such other powers as are reasonably incidental thereto. The Agent may perform any of its duties hereunder by or through its agents or employees.

2. **Nature of Duties** . The Agent shall have no duties or responsibilities except those expressly set forth in the Agreement. Neither the Agent nor any of its partners, members, shareholders, officers, directors, employees or agents shall be liable for any action taken or omitted by it as such under the Agreement or hereunder or in connection herewith or therewith, be responsible for the consequence of any oversight or error of judgment or answerable for any loss, unless caused solely by its or their gross negligence or willful misconduct as determined by a final judgment (not subject to further appeal) of a court of competent jurisdiction. The duties of the Agent shall be mechanical and administrative in nature; the Agent shall not have by reason of the Agreement or any other Transaction Document a fiduciary relationship in respect of any Debtor or any Secured Party; and nothing in the Agreement or any other Transaction Document, expressed or implied, is intended to or shall be so construed as to impose upon the Agent any obligations in respect of the Agreement or any other Transaction Document except as expressly set forth herein and therein.

3. **Lack of Reliance on the Agent** . Independently and without reliance upon the Agent, each Secured Party, to the extent it deems appropriate, has made and shall continue to make (i) its own independent investigation of the financial condition and affairs of the Company and its subsidiaries in connection with such Secured Party's investment in the Debtors, the creation and continuance of the Obligations, the transactions contemplated by the Transaction Documents, and the taking or not taking of any action in connection therewith, and (ii) its own appraisal of the creditworthiness of the Company and its subsidiaries, and of the value of the Collateral from time to time, and the Agent shall have no duty or responsibility, either initially or on a continuing basis, to provide any Secured Party with any credit, market or other information with respect thereto, whether coming into its possession before any Obligations are incurred or at any time or times thereafter. The Agent shall not be responsible to the Debtors or any Secured Party for any recitals, statements, information, representations or warranties herein or in any document, certificate or other writing delivered in connection herewith, or for the execution, effectiveness, genuineness, validity, enforceability, perfection, collectibility, priority or sufficiency of the Agreement or any other Transaction Document, or for the financial condition of the Debtors or the value of any of the Collateral, or be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions of the Agreement or any other Transaction Document, or the financial condition of the Debtors, or the value of any of the Collateral, or the existence or possible existence of any default or Event of Default under the Agreement, the Debentures or any of the other Transaction Documents.

4. **Certain Rights of the Agent** . The Agent shall have the right to take any action with respect to the Collateral, on behalf of all of the Secured Parties; provided that the Agent shall not (x) release its interest in any material portion of the Collateral, unless (A) such Collateral is sold or otherwise disposed of or to be sold or otherwise disposed of as part of or in connection with any sale or other disposition permitted hereunder or under any other Transaction Document, or (B) if approved, authorized or ratified in writing by the Required Parties, or (y) subordinate its interests hereunder unless approved, authorized or ratified in writing by the Required Parties. In addition to the foregoing, to the extent practical, the Agent shall request instructions from the Secured Parties with respect to any other material act or action (including failure to act) in connection with the Agreement or any other Transaction Document, and shall be entitled to act or refrain from acting in accordance with the instructions of the Required Parties; if such instructions are not provided despite the Agent's request therefor, the Agent shall be entitled to refrain from such act or taking such action, and if such action is taken, shall be entitled to appropriate indemnification from the Secured Parties in respect of actions to be taken by the Agent; and the Agent shall not incur liability to any person or entity by reason of so refraining. Without limiting the foregoing, (a) no Secured Party shall have any right of action whatsoever against the Agent as a result of the Agent acting or refraining from acting hereunder in accordance with the terms of the Agreement or any other Transaction Document, and the Debtors shall have no right to question or challenge the authority of, or the instructions given to, the Agent pursuant to the foregoing and (b) the Agent shall not be required to take any action which the Agent believes (i) could reasonably be expected to expose it to personal liability or (ii) is contrary to this Agreement, the Transaction Documents or applicable law.

5. **Reliance** . The Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, statement, certificate, email, telex, teletype or telecopier message, cablegram, radiogram, order or other document or telephone message signed, sent or made by the proper person or entity, and, with respect to all legal matters pertaining to the Agreement and the other Transaction Documents and its duties thereunder, upon advice of counsel selected by it and upon all other matters pertaining to this Agreement and the other Transaction Documents and its duties thereunder, upon advice of other experts selected by it. Anything to the contrary notwithstanding, the Agent shall have no obligation whatsoever to any Secured Party to assure that the Collateral exists or is owned by the Debtors or is cared for, protected or insured or that the liens granted pursuant to the Agreement have been properly or sufficiently or lawfully created, perfected, or enforced or are entitled to any particular priority.

6. **Indemnification** . To the extent that the Agent is not reimbursed and indemnified by the Debtors, the Secured Parties will jointly and severally reimburse and indemnify the Agent, in proportion to their initially purchased respective principal amounts of Debentures, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the Agent in performing its duties hereunder or under the Agreement or any other Transaction Document, or in any way relating to or arising out of the Agreement or any other Transaction Document except for those determined by a final judgment (not subject to further appeal) of a court of competent jurisdiction to have resulted solely from the Agent's own gross negligence or willful misconduct. Prior to taking any action hereunder as Agent, the Agent may require each Secured Party to deposit with it sufficient sums as it determines in good faith is necessary to protect the Agent for costs and expenses associated with taking such action.

7. **Resignation by the Agent .**

(a) The Agent may resign from the performance of all its functions and duties under the Agreement and the other Transaction Documents at any time by giving 30 days' prior written notice (as provided in the Agreement) to the Debtors and the Secured Parties. Such resignation shall take effect upon the appointment of a successor Agent pursuant to clauses (b) and (c) below.

(b) Upon any such notice of resignation, the Required Parties shall appoint a successor Agent hereunder.

(c) If a successor Agent shall not have been so appointed within said 30-day period, the Agent shall then appoint a successor Agent who shall serve as Agent until such time, if any, as the Secured Parties appoint a successor Agent as provided above. If a successor Agent has not been appointed within such 30-day period, the Agent may petition any court of competent jurisdiction or may interplead the Debtors and the Secured Parties in a proceeding for the appointment of a successor Agent, and all fees, including, but not limited to, extraordinary fees associated with the filing of interpleader and expenses associated therewith, shall be payable by the Debtors on demand.

(d) Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent and the retiring Agent shall be discharged from its duties and obligations under the Agreement. After any retiring Agent’s resignation or removal hereunder as Agent, the provisions of the Agreement including this Annex B shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent.

8. **Rights with respect to Collateral** . Each Secured Party agrees with all other Secured Parties and the Agent (i) that it shall not, and shall not attempt to, exercise any rights with respect the Collateral, whether pursuant to any other agreement or otherwise (other than pursuant to this Agreement), or take or institute any action against the Agent or any of the other Secured Parties in respect of the Collateral or its rights hereunder (other than any such action arising from the breach of this Agreement) and (ii) that such Secured Party has no other rights with respect to the Collateral other than as set forth in this Agreement and the other Transaction Documents.

INTELLECTUAL PROPERTY SECURITY AGREEMENT

THIS INTELLECTUAL PROPERTY SECURITY AGREEMENT is entered into as of April 5, 2012, among Inspire M.D Ltd, a company formed under the laws of the State of Israel (the " **Company** ") and the holders (together with their endorsees, transferees and assigns, the " **Secured Parties** ") of the 8% Original Issue Discount Senior Secured Convertible Debentures (collectively, the " **Debentures** ") issued by InspireMD, Inc., a Delaware corporation and the sole shareholder of the Company (" **Parent** ").

RECITALS

WHEREAS, pursuant to the Purchase Agreement (as defined in the Debentures), the Secured Parties have severally agreed to extend the loans to the Company evidenced by the Debentures;

WHEREAS, pursuant to a certain Subsidiary Guarantee, dated as of the date hereof (the " **Guarantee** "), the Company has agreed to guarantee and act as surety for payment of such Debentures; and

WHEREAS, in order to induce the Secured Parties to extend the loans evidenced by the Debentures, the Company has agreed to execute and deliver to the HUG Funding LLC (the " **Agent** ") this Agreement and to grant the Agent, for the benefit of the Secured Parties, a security interest in certain copyrights, trademarks and patents (as each term is described below) of the Company to secure the prompt payment, performance and discharge in full of all of the Parent's obligations under the Debentures and the Company's obligations under the Subsidiary Guarantee.

NOW, THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged, and intending to be legally bound, as collateral security for the prompt and complete payment when due of its obligations under the Subsidiary Guarantee, the Company hereby represents, warrants, covenants and agrees as follows:

AGREEMENT

1. Grant of Security

To secure its obligations under the Subsidiary Guarantee and subject to the terms set forth therein and in the Security Agreement, the Company grants to the Agent, for the benefit of the Secured Parties, a security interest in all of the Company's rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise (all of which shall collectively be called the " **Intellectual Property Collateral** "), including, without limitation, the following:

(i) all copyright rights throughout the universe (whether now or hereafter arising) in any and all media (whether now or hereafter developed), in and to all original works of authorship fixed in any tangible medium of expression, acquired or used by the Debtor, whether registered or unregistered and whether published or unpublished, all applications, registrations and recordings thereof (including, without limitation, applications, registrations and recordings in the United States Copyright Office or in any similar office or agency of the United States, any other union of countries, country or any political subdivision thereof), including without limitation those set forth on Exhibit A ;

(ii) domestic and foreign letters patent, design patents, utility patents, industrial designs, inventions, trade secrets, ideas, concepts, methods, techniques, processes, proprietary information, technology, know-how, formulae, rights of publicity and other general intangibles of like nature, now existing or hereafter acquired, all applications, registrations and recordings thereof (including, without limitation, applications, registrations and recordings in the United States Patent and Trademark Office, or in any similar office or agency of the United States or union of countries, any other country or any political subdivision thereof), and all reissues, divisions, continuations, continuations in part and extensions or renewals thereof, , including without limitation the patents and patent applications set forth on Exhibit B attached hereto;

(iii) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade dress, service marks, logos, domain names and other source or business identifiers, and all goodwill associated therewith, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, (including, without limitation, applications, registrations and recordings in the United States Patent and Trademark Office, or in any similar office or agency of the United States or union of countries, any other country or any political subdivision thereof), and all reissues, divisions, continuations, continuations in part and extensions or renewals thereof, and all common law rights related thereto, together with all goodwill of the business symbolized by such marks and all customer lists, formulae and other records of the Debtor relating to the distribution of products and services in connection with which any of such marks are used, including without limitation those set forth on Exhibit C attached hereto;

(iv) all trade secrets arising under the laws of the United States, any other union of countries, country or any political subdivision thereof;

(v) all rights to obtain any reissues, renewals or extensions of the foregoing;

(vi) all licenses for any of the foregoing; and

(vii) all causes of action for infringement of the foregoing.

This security interest is granted in conjunction with the security interest granted to the Agent, for the benefit of the Secured Parties, pursuant to that certain Security Agreement, dated as of even date herewith, by the Parent and the Company for the benefit of the Agent and the Secured Parties. The rights and remedies of the Agent with respect to the security interest granted hereby are in addition to those set forth in the Security Agreement and the Subsidiary Guarantee, and those which are now or hereafter available to the Agent and the Secured Parties as a matter of law or equity. Each right, power and remedy of the Agent or the Secured Parties provided for herein or in the Security Agreement or the Subsidiary Guarantee, or now or hereafter existing at law or in equity shall be cumulative and concurrent and shall be in addition to every right, power or remedy provided for herein and the exercise by the Agent of any one or more of the rights, powers or remedies provided for in this Intellectual Property Security Agreement, the Security Agreement or the Subsidiary Guarantee, or now or hereafter existing at law or in equity, shall not preclude the simultaneous or later exercise by any person, including the Agent, of any or all other rights, powers or remedies. In the event of any contradiction between this Intellectual Property Security Agreement and the Security Agreement, the provisions of the Security Agreement will prevail.

2. Miscellaneous

This Intellectual Property Security Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, is an original, and all taken together, constitute one Intellectual Property Security Agreement.

[Signature Page Follows.]

IN WITNESS WHEREOF, the parties have caused this Intellectual Property Security Agreement to be duly executed by its officers thereunto duly authorized as of the first date written above.

GRANTOR:

INSPIRE M.D LTD

By: /s/ Ofir Paz
Name: Ofir Paz
Title: Chief Executive Officer

Address of Grantor:

4 Menorat Hamaor St.
Tel Aviv, Israel
67448

Attn: Craig Shore

[Signature Page of Secured Parties Follows]

SECURED PARTIES :

HUG FUNDING LLC

By: /s/ Daniel Saks
Name: Daniel Saks
Title: Managing Member

GENESIS OPPORTUNITY FUND LP

By: /s/ Daniel Saks
Name: Daniel Saks
Title: Managing Member

GENESIS ASSET OPPORTUNITY FUND LP

By: /s/ Daniel Saks
Name: Daniel Saks
Title: Managing Member

AYER CAPITAL PARTNERS MASTER FUND, L.P.

By: /s/ Jay Venkatesan
Name: Jay Venkatesan
Title: Managing Member

AYER CAPITAL PARTNERS KESTREL FUND, LP

By: /s/ Jay Venkatesan
Name: Jay Venkatesan
Title: Managing Member

EPWORTH-AYER CAPITAL

By: /s/ Jay Venkatesan
Name: Jay Venkatesan
Title: Managing Member

[Secured Party Signature Page – Intellectual Property Security Agreement]

EXHIBIT A

Copyrights

None.

EXHIBIT B

Patents

Title	Patent/Patent Application Number (Publication Number)	Issue/Filing Date
STENT WITH SHEATH AND METAL WIRE RETAINER (PCT)	PCT/IB2011/055758	12/18/2011
OPTIMIZED STENT JACKET (USA)	12/791,008	06/01/2010
OPTIMIZED STENT JACKET (EUROPE)	07827415.6	11/21/2007
OPTIMIZED STENT JACKET (ISRAEL)	198,665	11/21/2007
OPTIMIZED STENT JACKET (CANADA)	2670724	11/21/2007
OPTIMIZED STENT JACKET (CHINA)	200780043259.2	11/21/2007
OPTIMIZED STENT JACKET (INDIA)	4088DELNP2009	11/21/2007
BIFURCATED STENT ASSEMBLIES (USA)	11/797,168	05/01/2007
BIFURCATED STENT ASSEMBLIES (ISRAEL)	198188	10/18/2007
BIFURCATED STENT ASSEMBLIES (USA)	12/445,968	04/17/2009
BIFURCATED STENT ASSEMBLIES (CANADA)	2666706	10/18/2007
BIFURCATED STENT ASSEMBLIES (EUROPE)	07827227.5	10/18/2007
BIFURCATED STENT ASSEMBLIES (CHINA)	200780046676.2	10/18/2007
BIFURCATED STENT ASSEMBLIES (INDIA)	3113DELNP2009	10/18/2007

IN VIVO FILTER ASSEMBLY (USA)	8,043,323 / 11/582,354	10/25/2011 / 10/18/2006
IN VIVO FILTER ASSEMBLY (USA)	13/237,977	09/21/2011
STENT APPARATUSES FOR TREATMENT VIA BODY LUMENS AND METHODS OF USE (USA)	11/920,972	11/23/2007
STENT APPARATUSES FOR TREATMENT VIA BODY LUMENS AND METHODS OF USE (EUROPE)	06745069.2	05/24/2006
STENT APPARATUSES FOR TREATMENT VIA BODY LUMENS AND METHODS OF USE (CANADA)	2,609,687	05/24/2006
STENT APPARATUSES FOR TREATMENT VIA BODY LUMENS AND METHODS OF USE (SOUTH AFRICA)	2007/10751 / 2007/10751	05/24/2006 / 10/27/2010
STENT APPARATUSES FOR TREATMENT VIA BODY LUMENS AND METHODS OF USE (ISRAEL)	187516	05/24/2006
FILTER ASSEMBLIES (USA)	12/445,972	04/17/2009
FILTER ASSEMBLIES (EUROPE)	07827228.3	10/18/2007
FILTER ASSEMBLIES (ISRAEL)	198189	10/18/2007
FILTER ASSEMBLIES (CANADA)	2666712	10/18/2007
FILTER ASSEMBLIES (CHINA)	200780046659.9	10/18/2007
FILTER ASSEMBLIES (INDIA)	3114DELNP2009	10/18/2007
KNITTED STENT JACKETS (USA)	12/445,980	04/17/2009
KNITTED STENT JACKETS (ISRAEL)	198190	10/18/2007
KNITTED STENT JACKETS (EUROPE)	07827229.1	10/18/2007

KNITTED STENT JACKETS (CANADA)	2666728	10/18/2007
KNITTED STENT JACKETS (CHINA)	200780046697.4	10/18/2007
KNITTED STENT JACKETS (INDIA)	3171DELNP2009	10/18/2007

EXHIBIT C

Trademarks

Description	Registration/ Application Number	Registration/ Application Date
INSPIREMD (wordmark) (EUROPE)	008642118	10/27/2009
MGUARD (wordmark) (EUROPE)	008642175	10/27/2009

DEPOSIT ACCOUNT CONTROL AGREEMENT

PARTIES

Creditors executing on attached signature pages	("Creditor")
InspireMD, Inc.	("Customer")
Bank Leumi USA	("Bank")
564 Fifth Avenue	("Banking Office")
New York, NY 10036	

BACKGROUND

Customer hereby grants Creditor a security interest in a deposit account maintained by Bank for Customer and in all funds heretofore or hereafter deposited into that account, including any interest earned thereon. The Parties are entering into this agreement to perfect Creditor's security interest in that account.

AGREEMENT

1. The Account

Bank represents and warrants to Creditor that Bank maintains deposit account no. _____ (the "Account") for Customer at the Banking Office and that, as of the date hereof, Bank does not know of any claim to or interest in the Account, except for claims and interests of the parties referred to in this agreement.

2. Control of Account by Creditor

a. Bank shall execute transactions in the Account at the direction of Customer unless and until Bank receives from Creditor a written Notice of Exclusive Control in substantially the form of Exhibit A hereto (a "Notice of Exclusive Control',); provided, that in the event that Bank at any time receives conflicting instructions from Customer and Creditor, Bank shall only execute the instructions originated by Creditor. Upon receipt of a Notice of Exclusive Control, Bank will immediately cease complying with instructions or other directions concerning the Account originated by Customer, shall neither accept nor comply with any instructions from Customer withdrawing or transferring any funds or other property from the Account nor deliver any property in the Account to Customer nor pay any free credit balance or other amount owing from Bank to Customer with respect to the Account without the specific prior written consent of Creditor.

b. Bank may rely on a Notice of Exclusive Control purportedly signed by Creditor and shall have no duty to investigate or make any determination as to the validity, genuineness or propriety thereof, or the facts giving rise thereto. This Agreement does not create or impose any obligation or duty upon Bank other than those expressly set forth herein.

3. Priority of Creditor's Security Interest; Rights Reserved by the Bank

a. Bank agrees that all of its present and future rights against the Account are subordinate to Creditor's security interest therein; provided , however , that Creditor agrees that nothing herein subordinates or waives, and that Bank expressly reserves, all of its present and future rights (whether described as rights of setoff, banker's lien, chargeback or otherwise, and whether available to Bank under the law or under any other agreement between Bank and Customer concerning the Account, or otherwise) with respect to: (i) items deposited to the Account and returned unpaid, whether for insufficient funds or for any other reason, and without regard to the timeliness of return of any such items; (ii) checks paid, or other payment orders executed in good faith against uncollected funds in the Account provided Bank does not have reasonable cause to doubt the collectibility of such uncollected funds; (iii) claims of breach of the transfer or presentment warranties arising under the applicable Uniform Commercial Code made against Bank in connection with items deposited to the Account; and (iv) Bank's usual and customary charges for services rendered in connection with the Account and customary fees and expenses for the routine maintenance and operation of the Collateral Agreement (which include an up-front fee of $5,000 and a $2,500 fee payable in advance each quarter.

b. Except as otherwise required by law, Bank will not agree with any third party that Bank will comply with Orders originated by such third party.

4. Statements; Notices of Adverse Claims

Bank may disclose to Creditor such information concerning the Account as Creditor may from time to time reasonably request; provided , however , that Bank shall have no obligation to disclose to Creditor any information which Bank does not ordinarily make available to its depositors. Bank will use reasonable efforts promptly to notify Creditor and Customer if any other person claims that it has a property interest in the Account.

5. Bank's Responsibility

a. Except for permitting a withdrawal in violation of section 2, above, Bank will not be liable to Creditor for complying with Orders from Customer that are received by Bank before Bank receives and has had a reasonable opportunity to act on a contrary Order from Creditor.

b. Bank will not be liable to Customer for complying with Orders originated by Creditor, even if Customer notifies Bank that Creditor is not legally entitled to issue Orders, unless Bank takes the action after it is served with an injunction, restraining order or other legal process enjoining it from doing so, issued by a court of competent jurisdiction, and has had a reasonable opportunity to act on the injunction, restraining order or other legal process.

c. This agreement does not create any obligation of Bank except for those expressly set forth in this agreement. In particular, Bank need not investigate whether Creditor is entitled under Creditor's agreements with Customer to give Orders. Bank may rely on notices and communications it believes are given by the appropriate party.

6. Indemnity

Creditor and Customer will indemnify Bank, its officers, directors, employees, and agents against claims, liabilities, and expenses arising out of this agreement (including reasonable attorneys' fees and disbursements), except to the extent the claims, liabilities, or expenses are caused by Bank's gross negligence or willful misconduct. Creditor's and Customer's liability under this section is joint and several.

7. Termination; Survival

a. Creditor may terminate this agreement by notice to the Banking Office and Customer. Bank may terminate this agreement on 30 day's notice to Creditor and Customer.

b. If Creditor notifies Bank that Creditor's security interest in the Account has terminated, this agreement will immediately terminate.

c. Sections 5, "Bank's Responsibility," and 6, "Indemnity," will survive termination of this agreement.

8. Governing Law

This agreement and the Account will be governed by the laws of the State of New York. Bank may not change the law governing the Account without Creditor's express written agreement, which consent shall not be unreasonably withheld.

9. Entire Agreement

This agreement is the entire agreement and supersedes any prior agreements and contemporaneous oral agreements of the parties concerning its subject matter.

10. Amendments

No amendment of, or waiver of a right under, this agreement will be binding unless it is in writing and signed by the party to be charged.

11. Severability

To the extent a provision of this agreement is unenforceable, this agreement will be construed as if the unenforceable provision were omitted.

12. Other Agreements

For so long as this agreement remains in effect, transactions involving the Account shall be subject, except to the extent inconsistent herewith, to the provisions of such deposit account agreements, disclosures, and fee schedules as are in effect from time to time for accounts like the Account.

13. Successors and Assigns

The provisions of this agreement shall be binding upon and inure to the benefit of Bank, Creditor and Customer and their respective successors and assigns.

14. Notices

A notice or other communication to a party under this agreement will be in writing and will be sent to the party's address set forth below or to such other address as the party may notify the other parties, and will be effective on receipt.

15. Counterparts

This agreement may be executed in counterparts, each of which shall be an original, and all of which shall constitute but one and the same instrument. The foregoing is hereby acknowledged and agreed to, effective as of the last of the dates set forth below.

InspireMD, Inc.
(Customer)

/s/ Ofir Paz
(Customer)

Address: 3 Menorat Hamaor
Tel Aviv, Israel 67448

Facsimile: _____

Telephone: 972-3-691-7691

Date: April 5, 2012

HUG Funding LLC
(Creditor)

By: /s/ Daniel Saks

Name: Daniel Saks

Title: Managing Member

Address: 61 Paine Avenue
New Rochelle, NY 10804

Facsimile: _____

Telephone: _____

Date: April 5, 2012

Bank Leumi USA
(Bank)

By: /s/ Ester Segev

Name: Ester Segev

Title: _____

Address: 564 Fifth Ave
(Banking office) New York, NY 10036

Facsimile: 212-646-1072
(Banking office)

Telephone: 212-646-1089
(Banking office)

Date: _____, 20 __

[SIGNATURE PAGES OF ADDITIONAL CREDITORS FOLLOWS]

[SIGNATURE PAGE OF ADDITIONAL CREDITORS]

Name of Holder: Genesis Opportunity Fund LP

Signature of Authorized Signatory of Holder : /s/ Daniel Saks

Name of Authorized Signatory: Daniel Saks

Title of Authorized Signatory: Managing Member

[SIGNATURE PAGES CONTINUE]

[Investor Signature Page – Security Agreement]

[SIGNATURE PAGE OF ADDITIONAL CREDITORS]

Name of Holder: Genesis Asset Opportunity Fund LP

Signature of Authorized Signatory of Holder : /s/ Daniel Saks

Name of Authorized Signatory: Daniel Saks

Title of Authorized Signatory: Managing Member

[SIGNATURE PAGES CONTINUE]

[Investor Signature Page – Security Agreement]

[SIGNATURE PAGE OF ADDITIONAL CREDITORS]

Name of Holder: Ayer Capital Partners Master Fund, L.P.

Signature of Authorized Signatory of Holder : /s/ Jay Venkatesan

Name of Authorized Signatory: Jay Venkatesan

Title of Authorized Signatory: Managing Member

[SIGNATURE PAGES CONTINUE]

[Investor Signature Page – Security Agreement]

[SIGNATURE PAGE OF ADDITIONAL CREDITORS]

Name of Holder: Ayer Capital Partners Kestrel Fund, LP

Signature of Authorized Signatory of Holder : /s/ Jay Venkatesan

Name of Authorized Signatory: Jay Venkatesan

Title of Authorized Signatory: Managing Member

[SIGNATURE PAGES CONTINUE]

[Investor Signature Page – Security Agreement]

[SIGNATURE PAGE OF ADDITIONAL CREDITORS]

Name of Holder: Epworth – Ayer Capital

Signature of Authorized Signatory of Holder : /s/ Jay Venkatesan

Name of Authorized Signatory: Jay Venkatesan

Title of Authorized Signatory: Managing Member

[Investor Signature Page – Security Agreement]

Exhibit A

Notice of Exclusive Control

Dear:

Reference is made to the Deposit Account Control Agreement dated as of _____, 20__ (the "Control Agreement") by and among you, the undersigned, and _____ ("Customer"). Terms defined in the Control Agreement and used without other definition herein shall have the respective meanings herein assigned to such terms in the Control Agreement.

Pursuant to Section 2 of the Control Agreement, you are hereby directed, from and after the date hereof, to execute only instructions originated by Creditor, and not to accept for execution any further entitlement orders originated by Customer.

Very truly yours,

_____

By: _____

Title:_____

SUBSIDIARY GUARANTEE

SUBSIDIARY GUARANTEE, dated as of April 5, 2012 (this " Guarantee "), made by each of the signatories hereto (together with any other entity that may become a party hereto as provided herein, the " Guarantors "), in favor of the purchasers signatory (together with their permitted assigns, the " Purchasers ") to that certain Securities Purchase Agreement, dated as of the date hereof, between InspireMD, Inc., a Delaware corporation (the " Company ") and the Purchasers (the " Purchase Agreement ").

W I T N E S S E T H:

WHEREAS, pursuant to the Purchase Agreement, the Company has agreed to sell and issue to the Purchasers, and the Purchasers have agreed to purchase from the Company the Debentures, subject to the terms and conditions set forth therein; and

WHEREAS, each Guarantor will directly benefit from the extension of credit to the Company represented by the issuance of the Debentures; and

NOW, THEREFORE, in consideration of the premises and to induce the Purchasers to enter into the Purchase Agreement and to carry out the transactions contemplated thereby, each Guarantor hereby agrees with the Purchasers as follows:

1. Definitions . Unless otherwise defined herein, terms defined in the Purchase Agreement and used herein shall have the meanings given to them in the Purchase Agreement. The words "hereof," "herein," "hereto" and "hereunder" and words of similar import when used in this Guarantee shall refer to this Guarantee as a whole and not to any particular provision of this Guarantee, and Section and Schedule references are to this Guarantee unless otherwise specified. The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms. The following terms shall have the following meanings:

" Guarantee " means this Subsidiary Guarantee, as the same may be amended, supplemented or otherwise modified from time to time.

" Material Adverse Effect " means any event or series of events that, could reasonably be expected to (a) adversely affect the legality, validity or enforceability of any of the Transaction Documents in any material respect, (b) have a material adverse effect on the results of operations, assets, or financial condition of any Guarantor or (z) adversely impair in any material respect any Guarantor's ability to perform in all material respects on a timely basis its obligations under this Guaranty and any other Transaction Document to which it is a party.

" Obligations " means: (i) principal of, and interest on the Debentures and the loans extended pursuant thereto; (ii) any and all other fees, indemnities, costs, obligations and liabilities (primary, secondary, direct, contingent, sole, joint or several, due or to become due, or that are now or may be hereafter contracted or acquired, or owing) of the Company or any Guarantor from time to time under or in connection with this Guarantee, the Debentures, the other Transaction Documents and any other instruments, agreements or other documents executed and/or delivered in connection herewith or therewith; and (iii) all amounts (including but not limited to post-petition interest) in respect of the foregoing that would be payable but for the fact that the obligations to pay such amounts are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving the Company or any Guarantor, in each case whether now or hereafter existing, voluntary or involuntary, direct or indirect, absolute or contingent, liquidated or unliquidated, whether or not jointly owed with others, and whether or not from time to time decreased or extinguished and later increased, created or incurred.

2. Guarantee .

(a) Guarantee .

(i) The Guarantors hereby, jointly and severally, unconditionally and irrevocably, guarantee to the Purchasers and their respective successors, indorsees, transferees and assigns, the prompt and complete payment when due (whether at the stated maturity, by acceleration or otherwise) of the Obligations.

(ii) Anything herein or in any other Transaction Document to the contrary notwithstanding, the maximum liability of each Guarantor hereunder and under the other Transaction Documents shall in no event exceed the amount which can be guaranteed by such Guarantor under applicable federal and state laws, including laws relating to the insolvency of debtors, fraudulent conveyance or transfer or laws affecting the rights of creditors generally (after giving effect to the right of contribution established in Section 2(b)).

(iii) Each Guarantor agrees that the Obligations may at any time and from time to time exceed the amount of the liability of such Guarantor hereunder without impairing the guarantee contained in this Section 2 or affecting the rights and remedies of the Purchasers hereunder.

(iv) The guarantee contained in this Section 2 shall remain in full force and effect until all the Obligations and the obligations of each Guarantor under the guarantee contained in this Section 2 shall have been satisfied by payment in full (other than contingent obligations against which no claim has been asserted).

(v) No payment made by the Company, any of the Guarantors, any other guarantor or any other Person or received or collected by the Purchasers from the Company, any of the Guarantors, any other guarantor or any other Person by virtue of any action or proceeding or any set-off or appropriation or application at any time or from time to time in reduction of or in payment of the Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of any Guarantor hereunder which shall, notwithstanding any such payment (other than any payment made by such Guarantor in respect of the Obligations or any payment received or collected from such Guarantor in respect of the Obligations), remain liable for the Obligations up to the maximum liability of such Guarantor hereunder until the Obligations are paid in full (other than contingent obligations against which no claim has been asserted).

(vi) Notwithstanding anything to the contrary in this Guarantee, with respect to any defaulted non-monetary Obligations the specific performance of which by the Guarantors is not reasonably possible (e.g. the issuance of the Company's Common Stock), the Guarantors shall only be liable for making the Purchasers whole on a monetary basis for the Company's failure to perform such Obligations in accordance with the Transaction Documents.

(b) Right of Contribution . Subject to Section 2(c), each Guarantor hereby agrees that to the extent that a Guarantor shall have paid more than its proportionate share of any payment made hereunder, such Guarantor shall be entitled to seek and receive contribution from and against any other Guarantor hereunder which has not paid its proportionate share of such payment. Each Guarantor's right of contribution shall be subject to the terms and conditions of Section 2(c). The provisions of this Section 2(b) shall in no respect limit the obligations and liabilities of any Guarantor to the Purchasers and each Guarantor shall remain liable to the Purchasers for the full amount guaranteed by such Guarantor hereunder.

(c) No Subrogation . Notwithstanding any payment made by any Guarantor hereunder or any set-off or application of funds of any Guarantor by the Purchasers, no Guarantor shall be entitled to be subrogated to any of the rights of the Purchasers against the Company or any other Guarantor or any collateral security or guarantee or right of offset held by the Purchasers for the payment of the Obligations, nor shall any Guarantor seek or be entitled to seek any contribution or reimbursement from the Company or any other Guarantor in respect of payments made by such Guarantor hereunder, until all amounts owing to the Purchasers by the Company on account of the Obligations are paid in full (other than contingent obligations against which no claim has been asserted). If any amount shall be paid to any Guarantor on account of such subrogation rights at any time when all of the Obligations shall not have been paid in full, such amount shall be held by such Guarantor in trust for the Purchasers, segregated from other funds of such Guarantor, and shall, forthwith upon receipt by such Guarantor, be turned over to the Purchasers in the exact form received by such Guarantor (duly indorsed by such Guarantor to the Purchasers, if required), to be applied against the Obligations, whether matured or unmatured, in such order as the Purchasers may determine.

(d) Amendments, Etc. With Respect to the Obligations . Each Guarantor shall remain obligated hereunder notwithstanding that, without any reservation of rights against any Guarantor and without notice to or further assent by any Guarantor, any demand for payment of any of the Obligations made by the Purchasers may be rescinded by the Purchasers and any of the Obligations continued, and the Obligations, or the liability of any other Person upon or for any part thereof, or any collateral security or guarantee therefor or right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered or released by the Purchasers, and the Purchase Agreement and the other Transaction Documents and any other documents executed and delivered in connection therewith may be amended, modified, supplemented or terminated, in whole or in part, as the Purchasers may deem advisable from time to time, and any collateral security, guarantee or right of offset at any time held by the Purchasers for the payment of the Obligations may be sold, exchanged, waived, surrendered or released. The Purchasers shall have no obligation to protect, secure, perfect or insure any Lien at any time held by them as security for the Obligations or for the guarantee contained in this Section 2 or any property subject thereto.

(e) Guarantee Absolute and Unconditional . Each Guarantor waives any and all notice of the creation, renewal, extension or accrual of any of the Obligations and notice of or proof of reliance by the Purchasers upon the guarantee contained in this Section 2 or acceptance of the guarantee contained in this Section 2; the Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended or waived, in reliance upon the guarantee contained in this Section 2; and all dealings between the Company and any of the Guarantors, on the one hand, and the Purchasers, on the other hand, likewise shall be conclusively presumed to have been had or consummated in reliance upon the guarantee contained in this Section 2. Each Guarantor waives to the extent permitted by law diligence, presentment, protest, demand for payment and notice of default or nonpayment to or upon the Company or any of the Guarantors with respect to the Obligations. Each Guarantor understands and agrees that the guarantee contained in this Section 2 shall be construed as a continuing, absolute and unconditional guarantee of payment and performance without regard to (a) the validity or enforceability of the Purchase Agreement or any other Transaction Document, any of the Obligations or any other collateral security therefor or guarantee or right of offset with respect thereto at any time or from time to time held by the Purchasers, (b) any defense, set-off or counterclaim (other than a defense of payment or performance or fraud by Purchasers) which may at any time be available to or be asserted by the Company or any other Person against the Purchasers, or (c) any other circumstance whatsoever (with or without notice to or knowledge of the Company or such Guarantor) which constitutes, or might be construed to constitute, an equitable or legal discharge of the Company for the Obligations, or of such Guarantor under the guarantee contained in this Section 2, in bankruptcy or in any other instance. When making any demand hereunder or otherwise pursuing its rights and remedies hereunder against any Guarantor, the Purchasers may, but shall be under no obligation to, make a similar demand on or otherwise pursue such rights and remedies as they may have against the Company, any other Guarantor or any other Person or against any collateral security or guarantee for the Obligations or any right of offset with respect thereto, and any failure by the Purchasers to make any such demand, to pursue such other rights or remedies or to collect any payments from the Company, any other Guarantor or any other Person or to realize upon any such collateral security or guarantee or to exercise any such right of offset, or any release of the Company, any other Guarantor or any other Person or any such collateral security, guarantee or right of offset, shall not relieve any Guarantor of any obligation or liability hereunder, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of the Purchasers against any Guarantor. For the purposes hereof, "demand" shall include the commencement and continuance of any legal proceedings.

(f) Reinstatement . The guarantee contained in this Section 2 shall continue to be effective, or be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the Obligations is rescinded or must otherwise be restored or returned by the Purchasers upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Company or any Guarantor, or upon or as a result of the appointment of a receiver, administrator, intervenor or conservator of, or trustee or similar officer for, the Company or any Guarantor or any substantial part of its property, or otherwise, all as though such payments had not been made.

(g) Payments . Each Guarantor hereby guarantees that payments hereunder will be paid to the Purchasers without set-off or counterclaim in U.S. dollars at the address set forth or referred to in the Signature Pages to the Purchase Agreement.

3. Representations and Warranties . Each Guarantor hereby makes the following representations and warranties to Purchasers as of the date hereof:

(a) Organization and Qualification . The Guarantor is a corporation, duly incorporated, validly existing and, to the extent the concept of good standing exists in such jurisdiction, in good standing under the laws of the applicable jurisdiction set forth on Schedule 1, with the requisite corporate power and authority to own and use its properties and assets and to carry on its business as currently conducted..

(b) Purchase Agreement . The representations and warranties of the Company set forth in the Purchase Agreement as they relate to such Guarantor, each of which is hereby incorporated herein by reference, are true and correct as of each time such representations are deemed to be made pursuant to such Purchase Agreement, and the Purchasers shall be entitled to rely on each of them as if they were fully set forth herein, provided that each reference in each such representation and warranty to the Company's knowledge shall, for the purposes of this Section 3, be deemed to be a reference to such Guarantor's knowledge.

(c) Foreign Law . Each Guarantor has consulted, or has had the opportunity to consult, with appropriate foreign legal counsel with respect to any of the above representations for which non-U.S. law is applicable. Such foreign counsel (if any) have advised each applicable Guarantor that such counsel knows of no reason why any of the above representations would not be true and accurate. Such foreign counsel (if any) were provided with copies of this Subsidiary Guarantee and the Transaction Documents prior to rendering their advice.

4. Covenants .

(a) Each Guarantor covenants and agrees with the Purchasers that, from and after the date of this Guarantee until the Obligations shall have been paid in full (other than contingent obligations against which no claim has been asserted), such Guarantor shall take, and/or shall refrain from taking, as the case may be, each commercially reasonable action that is necessary to be taken or not taken, as the case may be, so that no Event of Default (as defined in the Debentures) is caused by the failure to take such action or to refrain from taking such action by such Guarantor. Each Guarantor further covenants and agrees that until full and final payment of the Obligations, it will comply with each of the covenants (except to the extent applicable only to a public company) which are set forth in Section 4 of the Purchase Agreement as if the Guarantor were a party thereto.

(b) So long as any of the Obligations are outstanding, unless Purchasers holding at least 60% of the aggregate principal amount of the then outstanding Debentures shall otherwise consent in writing, each Guarantor will not directly or indirectly on or after the date of this Guarantee:

i. Other than for Permitted Indebtedness (as defined in the Debentures), enter into, create, incur, assume or suffer to exist any indebtedness for borrowed money of any kind, including but not limited to, a guarantee, on or with respect to any of its property or assets now owned or hereafter acquired or any interest therein or any income or profits therefrom;

ii. Other than for Permitted Liens (as defined in the Debentures, enter into, create, incur, assume or suffer to exist any liens or pledges of any kind, on or with respect to any of its property or assets now owned, whether tangible or intangible, or hereafter acquired or any interest therein or any income or profits therefrom;

iii. amend its articles of association, certificate of incorporation, bylaws or other charter documents in any manner that materially and adversely affects any rights of any Purchaser;

iv. issue or grant any securities evidencing an ownership interest in such Guarantor, or any securities convertible into or exercisable for any ownership interest in such Guarantor, other than to the Company or any of its wholly-owned Subsidiaries

v. prepay, repurchase or offer to prepay, repurchase or otherwise acquire more than a de minimis number of shares of its securities or debt obligations, other than payments on the Debenture or on the scheduled payments days for Permitted Indebtedness;

vi. enter into any transaction with any Affiliate of such Guarantor which would be required to be disclosed in any public filing of the Company with the Commission, unless such transaction is made on an arm's-length basis and expressly approved by a majority of the disinterested directors of the Company (even if less than a quorum otherwise required for board approval); or

vii. enter into any agreement with respect to any of the foregoing.

5. Taxes .

(a) All payments made by each Guarantor hereunder or under any other Transaction Document shall be made in accordance with the terms of the Purchase Agreement and shall be made without set-off, counterclaim, deduction or other defense. All such payments shall be made free and clear of and without deduction or withholding for any present or future income, excise, stamp, documentary, property or franchise taxes and other taxes, levies, fees, duties, withholdings or other charges of any nature whatsoever (" Taxes "), whether of any governmental agency or authority in Israel or any other material jurisdiction of the applicable Guarantor's business. For purposes herein, Taxes shall not include any taxes on the income of the Guarantors. If a Guarantor shall be required to deduct or to withhold any Taxes from or in respect of any amount payable hereunder or under any other Transaction Document,

(i) the amount so payable shall be increased to the extent necessary so that after making all required deductions and withholdings (including Taxes on amounts payable to the Purchasers pursuant to this sentence) the Purchasers receive an amount equal to the sum they would have received had no such deduction or withholding been made,

(ii) such Guarantor shall make such deduction or withholding,

(iii) such Guarantor shall pay the full amount deducted or withheld to the relevant taxation authority in accordance with applicable law, and

(iv) as promptly as possible thereafter, such Guarantor shall send the Purchasers an official receipt (or, if an official receipt is not available, such other documentation as shall be satisfactory to the Purchasers) showing payment. In addition, such Guarantor agrees to pay any present or future Taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery, performance, recordation or filing of, or otherwise with respect to, this Agreement or any other Transaction Document other than any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or any other Transaction Document (" Other Taxes ").

(b) Each Guarantor hereby indemnifies and agrees to hold the Purchasers harmless from and against Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 5) paid by the Purchasers and any liability (including penalties, interest and expenses for nonpayment, late payment or otherwise) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. This indemnification shall be paid within 30 days from the date on which the Purchsaer makes written demand therefor, which demand shall identify the nature and amount of Taxes or Other Taxes.

(c) If a Guarantor fails to perform any of its obligations under this Section 5, such Guarantor shall indemnify the Purchaser for any taxes, interest or penalties that may become payable as a result of any such failure.

6. Miscellaneous .

(a) Amendments in Writing . None of the terms or provisions of this Guarantee may be waived, amended, supplemented or otherwise modified except in writing by the Purchasers.

(b) Notices . All notices, requests and demands to or upon the Purchasers or any Guarantor hereunder shall be effected in the manner provided for in the Purchase Agreement, provided that any such notice, request or demand to or upon any Guarantor shall be addressed to such Guarantor at its notice address set forth on Schedule 6(b) .

(c) No Waiver By Course Of Conduct; Cumulative Remedies . The Purchasers shall not by any act (except by a written instrument pursuant to Section 6(a)), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any default under the Transaction Documents or Event of Default. No failure to exercise, nor any delay in exercising, on the part of the Purchasers, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Purchasers of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Purchasers would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

(d) Enforcement Expenses; Indemnification .

(i) Each Guarantor agrees to pay, or reimburse the Purchasers for, all its costs and expenses incurred in collecting against such Guarantor under the guarantee contained in Section 2 or otherwise enforcing or preserving any rights under this Guarantee and the other Transaction Documents to which such Guarantor is a party, including, without limitation, the reasonable fees and disbursements of counsel to the Purchasers.

(ii) Each Guarantor agrees to pay, and to save the Purchasers harmless from, any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Guarantee to the extent the Company would be required to do so pursuant to the Purchase Agreement.

(iii) The agreements in this Section shall survive repayment of the Obligations and all other amounts payable under the Purchase Agreement and the other Transaction Documents.

(e) Successor and Assigns . This Guarantee shall be binding upon the successors and assigns of each Guarantor and shall inure to the benefit of the Purchasers and their respective successors and assigns; provided that no Guarantor may assign, transfer or delegate any of its rights or obligations under this Guarantee without the prior written consent of the Purchasers.

(f) Set-Off . Each Guarantor hereby irrevocably authorizes the Purchasers at any time and from time to time while an Event of Default under any of the Transaction Documents shall have occurred and be continuing, without notice to such Guarantor or any other Guarantor, any such notice being expressly waived by each Guarantor, to set-off and appropriate and apply any and all deposits, credits, indebtedness or claims, in any currency that are , absolute, and matured, at any time held or owing by the Purchasers to or for the credit or the account of such Guarantor, or any part thereof in such amounts as the Purchasers may elect, against and on account of the obligations and liabilities of such Guarantor to the Purchasers hereunder and claims of every nature and description of the Purchasers against such Guarantor, in any currency, whether arising hereunder, under the Purchase Agreement, any other Transaction Document or otherwise, as the Purchasers may elect, whether or not the Purchasers have made any demand for payment and although such obligations, liabilities and claims may be contingent or unmatured. The Purchasers shall notify such Guarantor promptly of any such set-off and the application made by the Purchasers of the proceeds thereof, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Purchasers under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Purchasers may have.

(g) Counterparts . This Guarantee may be executed by one or more of the parties to this Guarantee on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

(h) Severability . Any provision of this Guarantee which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

(i) Section Headings . The Section headings used in this Guarantee are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

(j) Integration . This Guarantee and the other Transaction Documents represent the agreement of the Guarantors and the Purchasers with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the Purchasers relative to subject matter hereof and thereof not expressly set forth or referred to herein or in the other Transaction Documents.

(k) Governing Laws . All questions concerning the construction, validity, enforcement and interpretation of this Guarantee shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Each of the Company and the Guarantors agree that all proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Guarantee (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of New York, Borough of Manhattan. Each of the Company and the Guarantors hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the City of New York, Borough of Manhattan for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such proceeding is improper. Each party hereto hereby irrevocably waives personal service of process and consents to process being served in any such proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Guarantee and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. Each party hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Guarantee or the transactions contemplated hereby.

(l) Acknowledgements . Each Guarantor hereby acknowledges that:

(i) it has been advised by counsel in the negotiation, execution and delivery of this Guarantee and the other Transaction Documents to which it is a party;

(ii) the Purchasers have no fiduciary relationship with or duty to any Guarantor arising out of or in connection with this Guarantee or any of the other Transaction Documents, and the relationship between the Guarantors, on the one hand, and the Purchasers, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(iii) no joint venture is created hereby or by the other Transaction Documents or otherwise exists by virtue of the transactions contemplated hereby among the Guarantors and the Purchasers.

(m) Additional Guarantors . The Company shall cause each of its subsidiaries formed or acquired on or subsequent to the date hereof to become a Guarantor for all purposes of this Guarantee by executing and delivering an Assumption Agreement in the form of Annex 1 hereto within 15 days after such formation or acquisition.

(n) Release of Guarantors . Each Guarantor will be released from all liability hereunder concurrently with respect to each Purchaser, upon the repayment in full of all amounts owed to such Purchaser under the Transaction Documents.

(o) Seniority . The Obligations of each of the Guarantors hereunder rank senior in priority to any other Indebtedness (as defined in the Purchase Agreement) of such Guarantor, subject only to Permitted Liens and Permitted Indebtedness.

(p) WAIVER OF JURY TRIAL . **EACH GUARANTOR AND, BY ACCEPTANCE OF THE BENEFITS HEREOF, THE PURCHASERS, HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS GUARANTEE AND FOR ANY COUNTERCLAIM THEREIN.**

****

(Signature Pages Follow)

IN WITNESS WHEREOF, each of the undersigned has caused this Guarantee to be duly executed and delivered as of the date first above written.

INSPIRE M.D LTD

By: /s/ Ofir Paz
Name: Ofir Paz
Title: Chief Executive Officer

INSPIRE MD GMBH

By: /s/ Ofir Paz
Name: Ofir Paz
Title: Chief Executive Officer

[Signature Page – Subsidiary Guarantee]

SCHEDULE 1

GUARANTORS

The following are the names, notice addresses and jurisdiction of organization of each Guarantor.

	JURISDICTION OF INCORPORATION	COMPANY OWNED BY PERCENTAGE
	---	---
Inspire M.D Ltd 4 Menorat Hamaor Tel Aviv, Israel 67448	Israel	100% owned by InspireMD, Inc.
Inspire MD GmbH Boschstraße 16 21423 Winsen, Germany	Germany	100% owned by Inspire M.D, Ltd

Annex 1 to
SUBSIDIARY GUARANTEE

ASSUMPTION AGREEMENT, dated as of ____ __, _____ made by _____, a _____ corporation (the " Additional Guarantor "), in favor of the Purchasers pursuant to the Purchase Agreement referred to below. All capitalized terms not defined herein shall have the meaning ascribed to them in such Purchase Agreement.

W I T N E S S E T H :

WHEREAS, InspireMD, Inc., a Delaware corporation (the " Company ") and the Purchasers have entered into a Securities Purchase Agreement, dated as of March ___, 2012 (as amended, supplemented or otherwise modified from time to time, the " Purchase Agreement ");

WHEREAS, in connection with the Purchase Agreement, the Subsidiaries of the Company (other than the Additional Guarantor) have entered into the Subsidiary Guarantee, dated as of March____, 2012 (as amended, supplemented or otherwise modified from time to time, the " Guarantee ") in favor of the Purchasers;

WHEREAS, the Purchase Agreement requires the Additional Guarantor to become a party to the Guarantee; and

WHEREAS, the Additional Guarantor has agreed to execute and deliver this Assumption Agreement in order to become a party to the Guarantee;

NOW, THEREFORE, IT IS AGREED:

1. Guarantee . By executing and delivering this Assumption Agreement, the Additional Guarantor, as provided in Section 6(m) of the Guarantee, hereby becomes a party to the Guarantee as a Guarantor thereunder with the same force and effect as if originally named therein as a Guarantor and, without limiting the generality of the foregoing, hereby expressly assumes all obligations and liabilities of a Guarantor thereunder. The information set forth in Annex 1 hereto is hereby added to the information set forth in Schedule 1 to the Guarantee. The Additional Guarantor hereby represents and warrants that each of the representations and warranties contained in Section 3 of the Guarantee is true and correct on and as the date hereof as to such Additional Guarantor (after giving effect to this Assumption Agreement) as if made on and as of such date.

2. Governing Law . THIS ASSUMPTION AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the undersigned has caused this Assumption Agreement to be duly executed and delivered as of the date first above written.

[ADDITIONAL GUARANTOR]

By: _____
Name:
Title:

FIXED AND FLOATING CHARGE DEBENTURE

Made and executed this 4 day of April 2012

WHEREAS, the undersigned, InspireMD Ltd., a company organized and existing under the laws of the State of Israel and an over 98% owned subsidiary of Parent (as defined below), with its registered office at 4 Menorat Hamaor St., Tel Aviv Israel (the " **Pledgor** "), has executed a Subsidiary Guarantee (the " **Guarantee** ") and Security Agreement (the " **Security Agreement** ") in favor of several purchasers of 8% Original Issue Discount Senior Secured Convertible Debentures (the " **Parent Debentures** ") listed thereunder (each individually a " **Purchaser** " and collectively, the " **Purchasers** ") in connection with the loans provided pursuant to the Parent Debentures being issued by InspireMD, Inc. (the " **Parent** "), pursuant to, for such purpose and on such conditions as specified in the provisions of that certain Securities Purchase Agreement entered into among the Purchasers, the Pledgor and the Parent on April 4 th , 2012, as may be amended from time to time in accordance with its terms (the " **Purchase Agreement** ") and the terms of the Parent Debentures, the Security Agreement and the Guarantee; and

WHEREAS, pursuant to the Purchase Agreement, the Guarantee and the Security Agreement, Pledgor is required to secure the repayment of the various amounts of money which the Pledgor may owe and/or may be liable for to the Purchasers in accordance with the provisions of the Security Agreement and the Guarantee ; and

THEREFORE, it has been agreed that the Pledgor shall secure the repayment of the various amounts of money which the Pledgor may owe and/or may be liable for to the Purchasers pursuant to the Guarantee, all in accordance with the terms of the Security Agreement, the Guarantee and the terms hereinafter contained.

NATURE OF THE DEBENTURE

1. This Debenture has been made in favor of HUG Funding LLC as Agent (the " **Agent** ") and the Purchasers to secure the full and punctual payment of all the sums due and to become due to the Purchasers from the Pledgor in connection with the Guarantee, whether due from the Pledgor and/or Parent alone or jointly with others, whether the Pledgor and/or Parent may have incurred or will 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, and reasonable lawyers fees, insurance, stamp duty (if applicable) and any other payments arising from this Debenture and together with any nature of linkage differences due and becoming due from the Pledgor to the Purchasers in any manner whatsoever all in accordance with and subject to the terms of the Purchase Agreement, the Parent Debentures and the Security Agreement (all the foregoing sums being jointly and severally hereinafter referred to as the " **Secured Sums** "). In order to enable the removal of the pledge with respect to this Debenture from the Israeli Companies Registrar, the Agent and the Purchasers undertake to promptly consent to remove same in the event of discharge in full of the Secured Sums, or in the event that all of the Secured Sums have been converted into equity stock of the Parent pursuant to the terms of the Parent Debentures.

FIXED CHARGE

2. As collateral security for the full and punctual payment of all of the Secured Sums (whether at stated maturity, acceleration or otherwise), and without derogating from any other security, the Pledgor hereby absolutely and unconditionally charges and pledges to the Agent for the ratable benefit of the Purchasers and to each Purchaser and its respective successors, on a pari-passu basis among themselves, based on their pro-rata portion of the principal amount of their loan to the Parent, by way of a first ranking fixed charge (subject to the provisions of Section 6 below), and pledge, and/or by an assignment by way of pledge, as applicable:

(a) each outstanding account as specified in Appendix A (the " **Pledged Accounts** "), and

(b) all of the Pledgor's proprietary intellectual property, existing and owned by the Pledgor which shall include all the Pledgor's rights and interest in and to all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including, without limitation, (i) all copyright rights throughout the universe (whether now or hereafter arising) in any and all media (whether now or hereafter developed), in and to all original works of authorship fixed in any tangible medium of expression, acquired or used by the Debtor, whether registered or unregistered and whether published or unpublished, all applications, registrations and recordings thereof (including, without limitation, applications, registrations and recordings in the United States Copyright Office or in any similar office or agency of the United States, any other union of countries, country or any political subdivision thereof), (ii) domestic and foreign letters patent, design patents, utility patents, industrial designs, inventions, trade secrets, ideas, concepts, methods, techniques, processes, proprietary information, technology, know-how, formulae, rights of publicity and other general intangibles of like nature, now existing or hereafter acquired, all applications, registrations and recordings thereof (including, without limitation, applications, registrations and recordings in the United States Patent and Trademark Office, or in any similar office or agency of the United States or union of countries, any other country or any political subdivision thereof), and all reissues, divisions, continuations, continuations in part and extensions or renewals thereof (the " **Company Patents** ", such Company Patents are listed on **Appendix B** hereto), (iii) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade dress, service marks, logos, domain names and other source or business identifiers, and all goodwill associated therewith, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, (including, without limitation, applications, registrations and recordings in the United States Patent and Trademark Office, or in any similar office or agency of the United States or union of countries, any other country or any political subdivision thereof), and all reissues, divisions, continuations, continuations in part and extensions or renewals thereof, and all common law rights related thereto, together with all goodwill of the business symbolized by such marks and all customer lists, formulae and other records of the Debtor relating to the distribution of products and services in connection with which any of such marks are used, (iv) all trade secrets arising under the laws of the United States, any other union of countries, country or any political subdivision thereof, (v) all rights to obtain any reissues, renewals or extensions of the foregoing, (vi) all licenses for any of the foregoing, and (vii) all causes of action for infringement of the foregoing (collectively, the " **Intellectual Property** ";

(c) the uncalled and/or called but unpaid share capital of the Pledgor and its goodwill, as presently and in the future at any time existing;

(d) all securities, documents and instruments, Bills drawn or made by others which the Pledgor has delivered or may deliver to the Agent, on behalf of the Purchasers, from time to time whether for collection, safekeeping or otherwise (the " **Charged Documents** "), upon their delivery to the Agent; and

(e) all rights, claims and remedies of the Pledgor, including without limitation, any right to exemptions, relief, or reduction under and deriving from the Income Tax Ordinance [New Version], 5721 – 1961 and/or the Land Appreciation Tax Law, 5723 – 1963 and/or the Property Tax and Compensation Fund Law, 5721 – 1961 and/or any other applicable law (hereinafter, jointly and severally with the assets described in clauses (a), (b), (c) and (d), the **"Assets Subject to a Fixed Charge** ").

It is hereby agreed and acknowledged that the description of the Assets Subject to a Fixed Charge, including without limitations, the Company Patents, shall be amended and updated from time to time by the Pledgor, in accordance with the provisions hereof and the provisions of the Security Agreement. The Agent shall be exempt from taking any action whatsoever in connection with the Charged Documents and shall not be liable for any loss or damage (other than for damages caused by the wilful misconduct of the Agent or anyone on its behalf) which may be caused in connection therewith and the Pledgor undertakes to indemnify the Agent in any event that the Agent is sued for any such loss of damage by others.

FLOATING CHARGE

3. As collateral security for the full and punctual payment of all of the Secured Sums (whether at stated maturity, upon acceleration or otherwise), and without derogating from any other security given by the Parent or Pledgor or any other party to the Security Agreement or Guarantee, the Pledgor hereby absolutely and unconditionally charges in favour of the Purchasers and their successors by way of a first ranking floating charge (subject to the provisions of Section 6 below) all of the Pledgor's property, assets and rights now or at any time belonging to or acquired by the Pledgor and the profits and benefits derived therefrom, other than the (i) Assets Subject to a Fixed Charge; (ii) the assets which on the date hereof are already pledged by the Pledgor to other parties (the " **Excluded Assets** "), as set forth in the extract of information from the Companies Registrar attached hereto as **Appendix C** , but including without derogating from the generality of the aforementioned, the property, assets and rights set forth below (hereinafter together, the " **Assets Subject to a Floating Charge** "):

(i) All the assets, monies, property and rights of any kind whatsoever without exception, whether now or hereafter at any time in the future owned by or, to the extent permissible under applicable law, in the possession of the Pledgor in any manner or way whatsoever;

(ii) All the current assets, without exception, now or hereafter at any time in the future owned by or, to the extent permissible under applicable law, in the possession of the Pledgor in any manner or way whatsoever, the expression "current assets" meaning all the assets, monies, property and rights of any kind with the exception of land, buildings and fixtures;

(iii) All the fixed assets now or hereafter at any time in the future owned, belonging to, acquired by or, to the extent permissible under applicable law, in the possession of the Pledgor in any manner or way whatsoever, the expression "fixed assets" to include, *inter alia* , land, buildings, fixtures and fittings and fixed plant and machinery thereon;

(iv) All the stocks, shares, debentures, bonds, notes, instruments, Bills drawn or made by others, securities and other documents or instruments of any kinds owned by the Pledgor and/or which the Pledgor has any right in connection thereto now and at any time in the future, held by Agent, for the benefits of the Purchasers and/or by others and/or any rights in respect thereof;

(v) All rights in land and/or all contractual rights under agreements between the Pledgor and the Israel Lands Administration and/or the Israel Development Authority and/or the Jewish National Fund (Keren Kayemeth Le-Israel) and/or any other parties, now and hereafter existing at any time whatsoever.

The Assets Subject to a Fixed Charge, the Assets Subject to a Floating Charge and the Charged Documents shall be hereinafter called "the **Charged Property** ".

4. The pledges and charges created by operation of this Debenture shall apply to all and any rights to compensation or indemnity which may accrue to the Pledgor by reason of the loss of, damage or appropriation of the Charged Property.

DECLARATIONS OF THE PLEDGOR

5. The Pledgor hereby declares as follows:

(a) That the Charged Property is not charged, pledged or attached in favour of any other persons or parties, except as otherwise provided or permitted hereunder or under the Purchase Agreement, Parent Debentures, the Guarantee or the Security Agreement;

(b) That the Charged Property is, in its entirety, in the exclusive possession and ownership of the Pledgor, except as specifically permitted under the Purchase Agreement, Parent Debentures, the Guarantee or the Security Agreement;

(c) That no restriction or condition of law or any agreement exists or applies to the ability of the Pledgor to transfer or charge the Charged Property;

(d) That the Pledgor is capable of and entitled to charge the Charged Property; and

(e) That no assignment of rights or other disposition has occurred derogating from the value of the Charged Property.

COVENANTS OF THE PLEDGOR

6. The Pledgor hereby covenants as long as the charge [created by this Debenture is in force, except as specifically permitted under the Purchase Agreement, Parent Debentures, the Guarantee or the Security Agreement:

(a) To hold the Charged Property in accordance with the provisions of the Security Agreement;

(b) To observe and perform, in all material respects, all covenants and obligations of the Pledgor in connection with each of the Pledged Accounts, and any of the related agreements to which Pledgor is a party or by which it is bound;

(c) To observe and perform, in all material respects, all covenants and obligations of the Pledgor in connection with any of the related agreements to which Pledgor is a party or by which it is bound, including, but not limited to the Purchase Agreement, Parent Debentures, the Guarantee or the Security Agreement;

(d) To allow any representative of the Purchasers, to inspect and examine the condition of the Charged Property wherever the Charged Property may be situated, in accordance with the provisions of the Purchase Agreement, Parent Debentures, the Guarantee and the Security Agreement;

(e) Following the occurrence of any of the events enumerated in Section 12 hereof, upon the Purchasers first demand, to deliver to the Agent, on behalf of the Purchasers, or to any bailee on its behalf, the Charged Assets and/or the Charged Documents. In the event of the refusal of the Pledgor to comply with the provisions of this sub-clause, the Agent, on behalf of the Purchasers, may, without the consent of the Pledgor, remove the Charged Assets and/or the Charged Documents from the Pledgor's possession and hold the same or deliver the same to a bailee on behalf of the Agent at the expense of the Pledgor. Where the Charged Assets and/or Charged Documents have been so delivered to a bailee, the Agent and the Purchasers shall be exempt from any loss or damage which for any reason may be caused to any of the Charged Property, other than in connection with the wilful misconduct of the Agent, Purchasers or bailee;

(f) Not to sell, assign, dispose of, relinquish or waive, surrender or transfer any of the Charged Property and not to allow any person to do any of the foregoing acts, without the prior written consent of the Agent other than: (i) the grant by the Pledgor of licenses to its Intellectual Property in the ordinary course of its business consistent with past practice; (ii) the transfer of any assets, other than Intellectual Property, in the ordinary course of Pledgor's business and for full consideration; (iii) the use of funds as shall be exist from time to time at the Pledged Accounts by the Company for the furtherance of the Company's business; (iv) by making reasonable decisions as to the prosecution and maintenance of (but not the abandonment or relinquishment of rights to, including by way of failure to maintain) the Intellectual Property; or (v) as specifically permitted under the Purchase Agreement, Parent Debentures, the Guarantee or the Security Agreement;

(g) To notify the Agent forthwith of the levying of any attachment on the Charged Property, to forthwith notify the attachor of the charge hereunder and to take at the Pledgor's own expense immediately and without delay all such measures as are required for discharging such attachment;

(h) Not to charge or pledge in any manner or way the Charged Property by conferring any rights ranking pari-passu, or prior to the rights of the Purchasers hereunder and not to make any assignment of any right which the Pledgor may have in the Charged Property without receiving the prior written consent of the Agent other than as permitted under the Purchase Agreement and the Security Agreement;

(i) To pay when due all taxes and compulsory payments levied against the Charged Property and/or the income accruing thereon under any law and to furnish the Agent, on behalf of Purchaser, at its request, with all the receipts for such payments (except for taxes which Pledgor is contesting in good faith); and

(j) That no structural change is or will be effected in the Pledgor which is prohibited under the Purchase Agreement, Parent Debentures, the Guarantee or the Security Agreement and that no change of control in the Pledgor will occur.

7. The Pledgor undertakes to notify the Agent forthwith upon its becoming aware of any of the following:

(a) of any claim of right to any collateral security given to the Purchasers to which this Debenture is applicable and/or of any execution or injunction proceedings or other steps taken to attach, preserve or realise any such collateral security;

(b) of any of the events enumerated in Clause 12 hereof;

(c) of any material reduction in the value of collateral security granted (including any default under any agreement related to the Charged Property or the infringements of any Intellectual Property subject to a security interest granted or which may be granted by the Pledgor hereunder);

(d) of any application filed for the winding-up of the Pledgor's affairs or for the appointment of a receiver over the Pledgor's assets as well as any resolution regarding any structural change in the Pledgor or any intention to do so; or

(e) of any change of address.

INSURANCE

8. To the extent applicable, the Pledgor hereby undertakes to keep the Charged Property insured at all times as provided in the Purchase Agreement, Parent Debentures, the Guarantee and the Security Agreement.

INTEREST

9. The Agent, on behalf of the Purchasers, shall be entitled to calculate interest on the Secured Sums at such rate as has been or may be agreed upon from time to time between the Agent, on behalf of the Purchasers, and the Pledgor according to the terms of the Purchase Agreement, Parent Debentures, the Guarantee and the Security Agreement.

REPAYMENT DATES

10. The Pledgor hereby undertakes to pay the Purchasers, all and any of the Secured Sums promptly on the maturity dates prescribed or which may be prescribed therefor from time to time in the Parent Debentures.

11. Except as specifically permitted under the Parent Debentures, the Purchasers may decline to accept any prepayment of the Secured Sums or part thereof prior to the date of maturity thereof and the Pledgor shall not be entitled to redeem all or any of the Charged Property by discharging the Secured Sums and/or any part thereof prior to their prescribed maturity dates.

Neither the Pledgor 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 Pledges Law, 5727-1967, or any other statutory provisions in substitution therefore.

12. Without derogating from the generality of the provisions of this Debenture, the Purchasers shall be entitled to demand the immediate payment of the Secured Sums solely in accordance with the provisions of the Parent Debentures, Security Agreement and Guarantee, in which case the Pledgor undertakes to pay the Purchasers, all of the Secured Sums, and the Agent, on behalf of the Purchasers, shall be entitled to take any steps it sees fit, subject to applicable law, for the collection of the Secured Sums and in particular to crystallise the floating charge on the Assets Subject to a Floating Charge as provided in Clause 17(a) hereof and to realize, at the Pledgor's expense, the collateral by any means allowed by law if:

(a) The Pledgor is in breach of any of its obligations, undertakings, representations or warranties under this Debenture, the Parent Debentures, Security Agreement and/or the Guarantee, and as to any breach that can be cured, the Pledgor has failed to cure the default within five (5) business days after the occurrence thereof (the foregoing shall not derogate from any right, under any law, granted to the Agent, on behalf of the Purchaser, and/or for each Purchaser, in respect of any other breach); and/or;

(b) There occurs and continues to subsist an event which gives the Purchasers the right to demand immediate repayment or an event constituting an "event of default", under any document signed between the Parent and the Purchasers, including, *inter alia* , under the Parent Debentures and Guarantee.

RIGHTS OF THE AGENT (ON BEHALF OF THE PURCHASERS)

13. The Agent, on behalf of the Purchasers, shall have the right of possession, lien, set-off and charge over any amounts, assets and or rights including securities, coins, gold, bank notes, documents in respect of goods, insurance policies, Bills, assignments of rights, deposits and collaterals, in the possession of or under the control of the Agent at any time for or on behalf of the Pledgor, including such as have been delivered for collection, as security, for safe-keeping or otherwise. The Agent, on behalf of the Purchasers, shall be entitled to retain the said assets until payment in full of the Secured Sums or to realise them by selling them and applying the value thereof in whole or in part in payment of the Secured Sums.

14. Without derogating from the other provisions contained in this Debenture, any waiver, extension, concession, acquiescence or forbearance (collectively, " **waiver** ") on the Agent's part as to the non-performance, partial performance or incorrect performance of any of the Pledgor's obligations pursuant to this Debenture, such waiver shall not be treated as a waiver on the part of the Agent and/or the Purchasers of any rights but as a limited consent given in respect of the specific instance.

15. In any of the events enumerated in Clause 12 hereof:

(a) The Agent, on behalf of the Purchasers, shall be entitled to notify the Pledgor of the crystallisation immediately or on a date specified by the Agent of the floating charge over the Charged Property or any part thereof and to adopt all the measures it deems fit in order to recover the Secured Sums and realize all of its rights hereunder, including the realisation of the Charged Property, in whole or in part, and to apply the proceeds thereof to the Secured Sums without the Agent, on behalf of the Purchasers, first being required to realize any other guarantees or collateral securities, if such be held by the Agent, on behalf of the Purchasers.

(b) Should the Agent, on behalf of the Purchasers, decide to realise securities, Bills or other instruments in accordance with Section 4(2) of the Pledge Law 5727-1967, then three (3) business days' advance notice regarding the steps that the Agent, on behalf of the Purchasers, intends to take shall be deemed to be reasonable advance notice for the purpose of Section 19(b) of the Pledges Law, 5727-1967 or any other statutory provisions in substitution therefor.

(c) As long as the Secured Sums are not paid in full in accordance with the terms of the Parent Debentures, the Agent, on behalf of the Purchasers, may realize the Charged Assets in any lawful manner, inter alia, by applying to the qualified court or execution office (Hotzaa Lapoal) for the appointment of a receiver or receiver and manager on behalf of the Purchasers, subject to the provisions of the Security Agreement and the Guarantee to the extent applicable. Such receiver or receiver and manager shall be empowered, *inter alia*

(1) To call in all or any part of the Charged Property.

(2) To carry on or to participate in the management of the business of the Pledgor, as they see fit.

(3) To sell or agree to the sale of the Charged Property, in whole or in part, to dispose of same or agree to dispose of same in such other manner on such terms as they deem fit.

(4) To make such other arrangements regarding the Charged Property or any part thereof as they deem fit.

(d) All income to be received by the receiver or the receiver and manager from the Charged Property as well as any proceeds to be received by the Agent, for the account of the Purchasers, and/or by the receiver or receiver and manager from the sale of the Charged Property or any part thereof shall be applied to pay the Secured Sums in such order as Agent shall determine in its discretion.

16. Should the payment date of the Secured Sums or any part thereof not yet have fallen due at the time of the sale of the Charged Property, or the Secured Sums be due to the Purchasers contingently only, then the Agent, on behalf of the Purchasers, shall be entitled to recover out of the proceeds of the sale an amount sufficient to cover the Secured Sums and the amount so recovered shall be charged to the Agent, on behalf of the Purchasers, as security for, and be held by the Agent, on behalf of the Purchasers, until the discharge in full of, the Secured Sums, provided that subject to the provisions of applicable law, any sum in excess of the Secured Sums shall be promptly delivered to the Pledgor.

NATURE OF THE COLLATERAL SECURITY

17. The collateral securities which have been or may be given to the Agent, on behalf of the Purchasers, under this Debenture shall be continuing and revolving securities and shall remain in force until all Secured Sums have been fully discharged and the Agent, on behalf of the Purchasers, has certified in writing that this Debenture is null.

18. All collateral securities and guarantees which have been or may be given to the Agent, on behalf of the Purchasers, for payment of the Secured Sums shall be independent of one another.

19. The nature and effect of the collateral securities to which this Debenture is applicable shall not be affected nor shall the validity of any of the security and obligations of the Pledgor hereunder be impaired or affected by any compromise, concession, granting of time or other like release consented to by the Agent, on behalf of the Purchasers, with respect to the Pledgor or by any variation in the Pledgor's and/or the Subsidiary's obligations towards the Purchasers in connection with the Secured Sums or by any release or waiver by the Agent, on behalf of the Purchasers, of any other collateral security or guarantees.

20. The Agent, on behalf of the Purchasers, may deposit all or any of the collateral given or which may be given pursuant to this Debenture with a bailee of its own choosing, at its discretion and at the Pledgor's expense, and may substitute such bailee with another from time to time. The Agent, on behalf of the Purchasers, may register all or any of such collaterals with any competent authority in accordance with any law and/or in any public register.

RIGHT OF ASSIGNMENT

21. Each of the Purchasers may at any time at its own discretion and without the Pledgor's consent being required, assign this Debenture and its rights arising thereunder, including the collateral in whole or in part to any assignee of Purchaser's rights under the Purchase Agreement, Parent Debenture, the Security Agreement and/or the Guarantee, and any assignee may also reassign the said rights. Such assignment may be effected by endorsement on this Debenture or in any other way the applicable Purchaser or any subsequent assignor deems fit.

NOTICE OF OBJECTION

22. The Pledgor undertakes to notify the Agent in writing of any objection or contention it may have regarding any statement of account, extract thereof, certificate or notice received by it from the Agent including information received through any automatic terminal facility. Where no such objection or contention is received by the Agent, then the Pledgor will be deemed to have confirmed the correctness thereof.

EXPENSES

23. All the expenses in connection with this Debenture as detailed in the Purchase Agreement, Parent Debentures, the Guarantee and the Security Agreement and in any other documents signed between the Purchasers and the Pledgor in connection with the Parent Debentures, including the fee for preparing credit and security documents, the stamping and registration of document, and all and any expenses involved in the realisation of the collateral security and institution of proceedings for collection (including reasonable fees of the Agent’s lawyers), insurance, safe-keeping, maintenance and repair of the Charged Property – shall be paid by the Pledgor to the Purchasers on the first demand of the Agent, together with Interest at the Default Rate from the date demand was made until payment in full, and until payment in full, all the above expenses together with interest thereon shall be secured by this Debenture in accordance with the Parent Debentures, the Guarantee and the Security Agreement.

TAXES

24. Except as otherwise required by law, any and all payments by or on account of any obligation of the Pledgor hereunder and under the Purchase Agreement, the Parent Debentures, the Security Agreement and the Guarantee shall be made free and clear of, and without any deduction or withholding on account of, free and clear of and without deduction or withholding for any present or future income, excise, stamp, documentary, property or franchise taxes and other taxes, levies, fees, duties, withholdings or other charges of any nature whatsoever (" Taxes "), whether of any governmental agency or authority in Israel or otherwise. If Pledgor shall be required to deduct or to withhold any Taxes from or in respect of any amount payable hereunder or under the Purchase Agreement, the Parent Debentures, the Security Agreement and the Guarantee, the provisions of Section 5 of the Guarantee shall govern.

INTERPRETATION

25. Any of the representations, warranties and covenants made by Pledgor hereunder shall be in addition to, and shall not derogate in any manner from, any representations, warranties and covenants made by Pledgor under the Guarantee and/or by Parent under the Purchase Agreement and any other document related to the obligations under the Parent Debentures. In case of any conflict between this Debenture, on the one hand, and the Parent Debentures, the Guarantee and the Security Agreement, on the other hand, related to the Secured Sums and calculation thereof and/or any rights and remedies available to the Purchasers in connection therewith (specifically excluding the specific rights of the Purchasers in connection with the creation and realization of the security interest hereunder), the provisions of the Parent Debentures, the Guarantee and the Security Agreement shall prevail.

26. In this Debenture – (a) the singular includes the plural and vice versa; (b) the masculine gender includes the feminine gender and vice versa; (c) " **Bills** " means: promissory notes, bills of exchange, cheques, undertakings, guarantees, sureties, assignments, bills of lading, deposit notes and any other negotiable instruments (d) " **Interest at the Default Rate** " means interest at such default rate as is defined in the Parent Debentures; (e) the headings are only indicative and are not to be used in construing this Debenture; (f) the recitals hereto form an integral part hereof, and (g) this Debenture is the binding agreement between the parties hereto and this English language version of this Debenture shall govern and supersede any translation to Hebrew or any Hebrew language summary, which may be created solely for purposes of registration with the Israeli Registrar of Companies.

Unless otherwise defined herein, terms capitalized herein shall have the meanings ascribed to them in the Notes.

27. Any term of this Debenture may be amended and the observance of any term hereof may be waived (either prospectively or retroactively and either generally or in a particular instance) with the written consent of the Pledgor and the Agent.

NOTICES AND WARNINGS

28. (a) Each communication to be made under this Debenture shall be made in writing and, unless otherwise stated, may be made also by telex or facsimile transmission.

(b) Each communication or document to be made or delivered by each party to another pursuant to this Debenture shall (unless that other party has, by written notice, specified another address) be made or delivered to that party, addressed as follows:

(i) <u>if to Pledgor</u> :

InspireMD Ltd.
4 Menorat Hamaor St.
Tel Aviv, Israel
Attn: Mr. Ofir Paz, CEO
Fax: +972-3-6917692
Email ofirp@inspiremd.com

with a copy (which will not constitute notice) to:
[Kafri Leibovich, Law Offices
Attn.: Amit Leibovich, Adv
5 Jabotinsky St., Ramat Gan 52520

]

(ii) if to the Purchasers or the Agent, to the address set forth with respect to such Purchaser in the Purchase Agreement.

and shall be deemed to have been made or delivered (a) upon the earlier of actual receipt and five (5) business days after deposit in regular mail, first class, registered or certified mail return receipt requested, with proper postage prepaid; (b) upon transmission, when sent by electronic mail or facsimile transmission; (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid; or (d) when delivered, if hand-delivered by messenger.

GOVERNING LAW AND PLACE OF JURISDICTION

29. (a) This Debenture shall be construed in accordance with the laws of the State of Israel.

(b) The exclusive place of jurisdiction for the purpose of this Debenture is hereby established as the competent court of law in Israel situated in Tel Aviv-Jaffa.

APPOINTMENT AND REMOVAL OF AGENT

30. The appointment and removal of the Agent shall be governed by the provisions of the Security Agreement, provided, however, that in the event that there is no Agent for a period of 30 consecutive days, then the powers of the Agent hereunder shall be transferred to the holders of 60% of the principal amount outstanding under the Parent Debentures, until such time as an Agent is appointed

*****

IN WITNESS WHEREOF , this Debenture has been executed by the parties, on the day and year first above written

INSPIREMD LTD.

/s/ Ofir Paz
By: Ofir Paz
Title: Chief Executive Officer

HUG FUNDING LLC

/s/ Daniel Saks
By: Daniel Saks
Title: Managing Member

[PURCHASERS]

Appendix A
Pledged Accounts

Institution Name and Address	**Account Number**
Bank Leumi 25 Habarzel Street, Tel Aviv	
Bank Mizrahi 123 Hashmonaim, Tel Aviv	
Deutche Bank Hamburg-Harburg Harburger Rathausstraße 44 21073 Hamburg	

Appendix B
Company Patents

Title	Patent/Patent Application Number (Publication Number)	Issue/Filing Date
STENT WITH SHEATH AND METAL WIRE RETAINER (PCT)	PCT/IB2011/055758	12/18/2011
OPTIMIZED STENT JACKET (USA)	12/791,008	06/01/2010
OPTIMIZED STENT JACKET (EUROPE)	07827415.6	11/21/2007
OPTIMIZED STENT JACKET (ISRAEL)	198,665	11/21/2007
OPTIMIZED STENT JACKET (CANADA)	2670724	11/21/2007
OPTIMIZED STENT JACKET (CHINA)	200780043259.2	11/21/2007
OPTIMIZED STENT JACKET (INDIA)	4088DELNP2009	11/21/2007
BIFURCATED STENT ASSEMBLIES (USA)	11/797,168	05/01/2007
BIFURCATED STENT ASSEMBLIES (ISRAEL)	198188	10/18/2007
BIFURCATED STENT ASSEMBLIES (USA)	12/445,968	04/17/2009
BIFURCATED STENT ASSEMBLIES (CANADA)	2666706	10/18/2007
BIFURCATED STENT ASSEMBLIES (EUROPE)	07827227.5	10/18/2007
BIFURCATED STENT ASSEMBLIES (CHINA)	200780046676.2	10/18/2007
BIFURCATED STENT ASSEMBLIES (INDIA)	3113DELNP2009	10/18/2007

IN VIVO FILTER ASSEMBLY (USA)	8,043,323 / 11/582,354	10/25/2011 / 10/18/2006
IN VIVO FILTER ASSEMBLY (USA)	13/237,977	09/21/2011
STENT APPARATUSES FOR TREATMENT VIA BODY LUMENS AND METHODS OF USE (USA)	11/920,972	11/23/2007
STENT APPARATUSES FOR TREATMENT VIA BODY LUMENS AND METHODS OF USE (EUROPE)	06745069.2	05/24/2006
STENT APPARATUSES FOR TREATMENT VIA BODY LUMENS AND METHODS OF USE (CANADA)	2,609,687	05/24/2006
STENT APPARATUSES FOR TREATMENT VIA BODY LUMENS AND METHODS OF USE (SOUTH AFRICA)	2007/10751 / 2007/10751	05/24/2006 / 10/27/2010
STENT APPARATUSES FOR TREATMENT VIA BODY LUMENS AND METHODS OF USE (ISRAEL)	187516	05/24/2006
FILTER ASSEMBLIES (USA)	12/445,972	04/17/2009
FILTER ASSEMBLIES (EUROPE)	07827228.3	10/18/2007
FILTER ASSEMBLIES (ISRAEL)	198189	10/18/2007
FILTER ASSEMBLIES (CANADA)	2666712	10/18/2007
FILTER ASSEMBLIES (CHINA)	200780046659.9	10/18/2007
FILTER ASSEMBLIES (INDIA)	3114DELNP2009	10/18/2007
KNITTED STENT JACKETS (USA)	12/445,980	04/17/2009
KNITTED STENT JACKETS (ISRAEL)	198190	10/18/2007
KNITTED STENT JACKETS (EUROPE)	07827229.1	10/18/2007
KNITTED STENT JACKETS (CANADA)	2666728	10/18/2007

KNITTED STENT JACKETS (CHINA)	200780046697.4	10/18/2007
KNITTED STENT JACKETS (INDIA)	3171DELNP2009	10/18/2007

Appendix C

Companies Registrar Extract

April __, 2012

OPPENHEIMER & CO. INC.
JMP Securities LLC
c/o Oppenheimer & Co. Inc.
85 Broad Street
New York, New York 10004

Re: Private Placement of Securities

Ladies and Gentlemen:

The undersigned understands that Oppenheimer & Co. Inc. and JMP Securities LLC propose to act as placement agents (the " *Placement Agents* ") for InspireMD, Inc., a Delaware corporation (the " *Company* "), in connection with a proposed private placement (the " *Offering* ") of senior secured convertible debentures (the " *Debentures* ") and warrants to purchase the Company's common stock, par value $0.0001 per share (the " *Common Stock* ") (the " *Warrants* " and together with the Debentures, the " *Securities* "), of the Company.

In order to induce the Placement Agents to continue their efforts in connection with the Offering, the undersigned hereby agrees that for a period (the " *Lock-Up Period* ") of thirty (30) days following the date of effectiveness of the registration statement registering the resale of shares of Common Stock issuable upon conversion of the Debentures and shares of Common Stock issuable upon exercise of the Warrants to be filed by the Company with the Securities and Exchange Commission in connection with such Offering, the undersigned will not, without the prior written consent of Oppenheimer & Co. Inc., on behalf of the Placement Agents, directly or indirectly, (1) offer, sell, contract to sell, pledge, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of any shares of the Common Stock, or any securities convertible into or exercisable or exchangeable for the Common Stock (including, without limitation, shares of Common Stock or any such securities which may be deemed to be beneficially owned by the undersigned in accordance with the rules and regulations promulgated under the Securities Act of 1933, as the same may be amended or supplemented from time to time (such shares or securities, the " *Beneficially Owned Shares* ")); (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Beneficially Owned Shares, Common Stock, or any securities convertible into or exchangeable for the Common Stock, regardless of whether any such transaction described herein is to be settled by delivery of the Common Stock or such other securities, or by delivery of cash or otherwise; (3) make any demand for, or exercise any right with respect to, the registration of any of the Beneficially Owned Shares, Common Stock or any securities convertible into or exercisable of exchangeable for the Common Stock; or (4) publicly announce any intention to do any of the foregoing; *provided, however*, that the obligations under this letter agreement (the " *Lock-Up Agreement* ") shall not apply to any Securities acquired in connection with the Offering.

Notwithstanding the foregoing, the restrictions set forth in clause (1) and (2) above shall not apply to (a) transfers (i) as a bona fide gift or gifts, or by will or intestate succession, provided that the donee or donees or transferee or transferees thereof agree to be bound in writing by the restrictions set forth herein, (ii) to any trust for the direct or indirect benefit of the undersigned or the immediate family of the undersigned, provided that the trustee of the trust agrees to be bound in writing by the restrictions set forth herein, and provided further that any such transfer shall not involve a disposition for value, (iii) with the prior written consent of Oppenheimer & Co. Inc. on behalf of the Placement Agents or (iv) effected pursuant to any exchange of "underwater" options with the Company, (b) the acquisition or exercise of an option or warrant to purchase shares of Common Stock (or any securities convertible into or exercisable or exchangeable for Common Stock), including the sale of a portion of stock to be issued in connection with such exercise to finance a "cashless" exercise, provided that any such shares issued upon exercise of such option or warrant (or any securities convertible into or exercisable or exchangeable for Common Stock) shall continue to be subject to the applicable provisions of this Lock-Up Agreement, (c) the purchase or sale of the Company's securities pursuant to a plan, contract or instruction that satisfies all of the requirements of Rule 10b5-1(c)(1)(i)(B) under the Securities Exchange Act of 1934, as amended (the " *Exchange Act* "), that was in effect prior to the date hereof, or (d) the disposition of shares of Common Stock to satisfy any tax withholding obligations upon the vesting of shares of restricted Common Stock held by the undersigned. For purposes of this Lock-Up Agreement, "immediate family" shall mean any relationship by blood, marriage or adoption, not more remote than first cousin. None of the restrictions set forth in this Lock-Up Agreement shall apply to Common Stock acquired in open market transactions. In addition, the undersigned may at any time after the date hereof enter into a trading plan or modify an existing trading plan that satisfies all of the requirements of Rule 10b5-1(c)(1)(i)(B) under the Exchange Act if then permitted by the Company and applicable law; provided that the Common Stock or other securities subject to such trading plans may not be sold during the Lock-Up Period. Moreover, if the undersigned is a partnership, limited liability company, trust, corporation or similar entity, it may distribute the Common Stock or Beneficially Owned Shares to its partners, members or stockholders, or to affiliates under the control of the undersigned; provided, however, that in each such case, prior to any such transfer, each transferee shall execute a duplicate form of this Lock-Up Agreement or execute an agreement, reasonably satisfactory to Oppenheimer & Co. Inc. on behalf of the Placement Agents, pursuant to which each transferee shall agree to receive and hold such Common Stock or Beneficially Owned Shares subject to the provisions hereof, and there shall be no further transfer except in accordance with the provisions hereof.

The foregoing restrictions are expressly agreed to preclude the undersigned from engaging in any hedging or other transaction which is designed to or reasonably expected to lead to or result in a sale or disposition of the Beneficially Owned Shares or Common Stock even if such Beneficially Owned Shares or Common Stock would be disposed of by someone other than the undersigned. Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put option or put equivalent position or call option or call equivalent position) with respect to any of the Beneficially Owned Shares or Common Stock or with respect to any security that includes, relates to, or derives any significant part of its value from such Beneficially Owned Shares or Common Stock.

The undersigned hereby agrees and consents to the entry of stop transfer instructions with the Company's transfer agent against the transfer of securities of the Company held by the undersigned during the Lock-Up Period (as may have been extended pursuant hereto), except in compliance with this Lock-Up Agreement.

The undersigned understands that, if the Company notifies the Placement Agents in writing that it does not intend to proceed with the Offering, or if the Securities Purchase Agreement executed by Purchasers in connection with the Offering does not become effective, or if the Offering shall terminate or be terminated prior to payment for and delivery of the Securities to be sold thereunder, or if the Securities Purchase Agreement has not been executed within thirty (30) days of the date hereof, this Lock-Up Agreement shall be terminated and the undersigned shall be released from all obligations under this Lock-Up Agreement.

The undersigned hereby represents and warrants that the undersigned has full power and authority to enter into this Lock-Up Agreement. This Lock-Up Agreement is irrevocable and all authority herein conferred or agreed to be conferred shall survive the death or incapacity of the undersigned and any obligations of the undersigned shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned. The undersigned agrees that Purchasers of the Securities in the Offering shall be intended third-party beneficiaries of the undersigned's obligations under this Lock-Up Agreement.

This Lock-Up Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflict of laws principles thereof.

[Remainder of page intentionally left blank]

Very truly yours,

_____

Name of Security Holder (*Print exact name*)

_____

Signature

If not signing in an individual capacity:

_____

Name of Authorized Signatory (*Print*)

_____

Title of Authorized Signatory (*Print*)

FOR IMMEDIATE RELEASE

INSPIREMD ANNOUNCES CLOSING OF PRIVATE PLACEMENT FINANCING

Tel Aviv, Israel – April 5, 2012 – InspireMD, Inc. (OTC BB: NSPR) (the "Company" or "InspireMD"), a medical device company focusing on the development and commercialization of its proprietary stent platform technology for use in patients with Acute Myocardial Infarctions, today announced it has closed on a private placement of Senior Secured Convertible Debentures in the face amount of $11.7 million with two institutional investors. The Debentures are being issued with an Original Issue Discount, resulting in proceeds of $11.0 million before deducting commissions and expenses in connection with the offering.

The Debentures bear interest at the rate of 8% per annum, mature on April 5, 2014 and are convertible at any time into shares of common stock at an initial conversion price of $1.75 per share. The Company may force conversion of the Debentures if, amongst other things, the closing bid price on the stock equals or exceeds 165% of the conversion price for twenty consecutive trading days and certain other conditions are met. In addition, the investors may require the Debentures to be redeemed by the Company after 18 months for 112% of the then outstanding principal amount, plus all accrued interest, and the Company may prepay the Debentures after six months for 112% of the then outstanding principal amount, plus all accrued interest.

The Company is also issuing five year warrants to purchase common stock equal to 50% of the shares underlying the Debentures at an exercise price of $1.80 per share .

In connection with the Private Placement, the Company's executive officers and directors entered into lock-up agreements for a period of 30 days following the effectiveness of the resale registration statement to be filed post-closing.

InspireMD expects that the net proceeds from this financing will be used for conducting clinical trials, expanding its sales and marketing division and general working capital purposes.

Oppenheimer & Co. Inc. acted as lead placement agent for the financing and JMP Securities LLC acted as co-lead placement agent. Palladium Capital Advisors, LLC acted as a financial advisor to the Company.

The securities offered in this financing transaction have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or applicable state securities laws. Accordingly, the securities may not be offered or sold in the United States except pursuant to an effective registration statement or an applicable exemption from the registration requirements of the Securities Act and such applicable state securities laws. Pursuant to the terms of a registration rights agreement entered into with the purchasers, the Company has agreed to file a registration statement with the Securities and Exchange Commission registering the resale of the shares of common stock underlying the Debentures sold in the offering and issuable upon exercise of the warrants. Any offering of the Company's securities under the resale registration statement referred to above will be made only by means of a prospectus.

This release does not constitute an offer to sell or the solicitation of an offer to buy the securities, nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of such jurisdiction.

About InspireMD , Inc.

InspireMD is a medical device company focusing on the development and commercialization of its proprietary stent system technology, MGuard ™ . InspireMD intends to pursue applications of this technology in coronary, carotid and peripheral artery procedures. InspireMD's common stock is listed on the OTC BB under the ticker symbol "NSPR".

Forward-looking Statements:

This press release contains "forward-looking statements." Such statements may be preceded by the words "intends," "may," "will," "plans," "expects," "anticipates," "projects," "predicts," "estimates," "aims," "believes," "hopes," "potential" or similar words. Forward-looking statements are not guarantees of future performance, are based on certain assumptions and are subject to various known and unknown risks and uncertainties, many of which are beyond the Company's control, and cannot be predicted or quantified and consequently, actual results may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include, without limitation, risks and uncertainties associated with (i) market acceptance of our existing and new products, (ii) negative clinical trial results or lengthy product delays in key markets, (iii) an inability to secure regulatory approvals for the sale of our products, (iv) intense competition in the medical device industry from much larger, multi-national companies, (v) product liability claims, (vi) our limited manufacturing capabilities and reliance on subcontractors for assistance, (vii) insufficient or inadequate reimbursement by governmental and other third party payers for our products, (viii) our efforts to successfully obtain and maintain intellectual property protection covering our products, which may not be successful, (ix) legislative or regulatory reform of the healthcare system in both the U.S. and foreign jurisdictions, (x) our reliance on single suppliers for certain product components, (xi) the fact that we will need to raise additional capital to meet our business requirements in the future and that such capital raising may be costly, dilutive or difficult to obtain and (xii) the fact that we conduct business in multiple foreign jurisdictions, exposing us to foreign currency exchange rate fluctuations, logistical and communications challenges, burdens and costs of compliance with foreign laws and political and economic instability in each jurisdiction. More detailed information about the Company and the risk factors that may affect the realization of forward-looking statements is set forth in the Company's filings with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K filed with the SEC on March 13, 2012. Investors and security holders are urged to read these documents free of charge on the SEC's web site at www.sec.gov . The Company assumes no obligation to publicly update or revise its forward-looking statements as a result of new information, future events or otherwise.

Investor Contact:
Michael Rice
Office Phone: (646) 597-6979
Email: mrice@lifesciadvisors.com

Corporate Contact:
Jonina Ohayon
Marketing Director
Email: jonina@inspire-md.com
OTC BB: NSPR
www.inspire-md.com

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