INSPIREMD, INC.

FORM 8-K
(Current report filing)

Filed 10/25/13 for the Period Ending 10/22/13

Address	321 COLUMBUS AVENUE
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Telephone	(857) 453-6553
CIK	0001433607
Symbol	NSPR
SIC Code	3841 - Surgical and Medical Instruments and Apparatus
Industry	Medical Equipment & Supplies
Sector	Healthcare
Fiscal Year	12/31

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): **October 22, 2013**

InspireMD, Inc.
(Exact name of registrant as specified in its charter)

Delaware	
(State or other jurisdiction of incorporation)	
001-35731	**26-2123838**
(Commission file number)	(IRS employer identification number)
800 Bolyston Street, Suite 16041, Boston, MA	**02199**
(Address of principal executive offices)	(Zip code)

(857) 453-6553
(Registrant's telephone number, including area code)

Not Applicable
(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:

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

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

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

☐ 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.

Rights Agreement

On October 22, 2013, the Board of Directors (the " ***Board*** ") of InspireMD, Inc. (the " ***Company*** ") adopted the Rights Agreement, dated as of October 22, 2013 (the " ***Rights Agreement*** ") between the Company and Action Stock Transfer Corporation, as Rights Agent, which is incorporated by reference herein by reference to Exhibit 1 of the Company's Form 8-A Registration Statement filed with the Securities and Exchange Commission on October 25, 2013. For a description of the material terms of the Rights Agreement and the rights to be issued pursuant thereto, please refer to "Item 3.03 - Material Modifications to Rights of Security Holders" of this Current Report on Form 8-K, which is incorporated herein by reference.

Security and Loan Agreement

On October 23, 2013, the Company, InspireMD Ltd., the Company's wholly-owned subsidiary (" ***Subsidiary*** "), and Hercules Technology Growth Capital, Inc. (" ***Hercules*** ") entered into a Loan and Security Agreement (the " ***Loan and Security Agreement*** "), pursuant to which Hercules made a term loan to the Company and Subsidiary in the aggregate amount of $10 million (the " ***Loan*** "). The interest on the Loan is determined on a daily basis at a variable rate equal to the greater of either (i) 10.5%, or (ii) the sum of (A) 10.5%, plus (B) the prime rate minus 5.5%. Payments under the Loan and Security Agreement are interest only for 9 months, followed by 30 monthly payments of principal and interest through the scheduled maturity date on February 1, 2017. The Company and Subsidiary's obligations under the Security and Loan Agreement are secured by a grant of a security interest in all of the Company and Subsidiary's assets (other than their intellectual property) to Hercules, as more fully described below. In addition, in connection with the Loan and Security Agreement, the Company issued Hercules a warrant to purchase 168,351 shares of the Company's common stock, par value $0.0001 per share (the " ***Common Stock*** ") at a per share exercise price of $2.97.

In the event any payment due under the Loan and Security Agreement is not paid as scheduled, there will be a 3% penalty on the past due amount. In addition, upon the occurrence and during the continuation of an event of default, as described below, all amounts due under the Loan and Security Agreement, including principal, interest, compounded interest and professional fees, will be subject to the applicable interest rate and an additional 5% penalty. Any prepayments of the Loan will be subject to a penalty of (i) 2%, if the prepayment occurs within 12 months of the Loan being requested by the Company and Subsidiary (the " ***Advance Date*** "), (ii) 1%, if the prepayment occurs between 12 and 24 months after the Advance Date, and (iii) 0.5%, if the prepayment occurs more than 24 months after the Advance Date. The Company and Subsidiary will also pay Hercules an aggregate end of term charge of $500,000 when the Loan is paid in full or matures.

The Loan and Security Agreement is subject to a number of events of default, including:

- failure to make a timely payment due under the Loan and Security Agreement;
- breach of covenants under the Loan and Security Agreement, of which default shall occur immediately for certain covenants and after twenty days notice of such breaches for all other covenants;
- occurrence of a Material Adverse Effect (as such term is defined in the Loan and Security Agreement);
- occurrence of a default under any documents related to the Loan and Security Agreement or any indebtedness of the Company or Subsidiary in excess of $250,000;
- initiation of a bankruptcy or insolvency proceeding of the Company or Subsidiary; or
- finding of a judgment against the Company or Subsidiary of at least $1 million.

Pursuant to the Loan and Security Agreement, the Company and Subsidiary are subject to certain covenants, such as being prohibited from the following actions and activities, among others:

- incurring additional indebtedness, except for certain permitted indebtedness;
- incurring any additional liens, except for certain permitted liens;
- paying dividends or distributions on any equity securities, repurchasing or redeeming any equity securities and entering into with, or repaying on behalf of, any employee, officer or director an agreement for indebtedness in excess of $100,000;
- transferring a material amount of assets, except for certain permitted transfers;
- making investments in other parties or entities, except for certain permitted investments; and
- entering into change of control transactions.

Pursuant to the Loan and Security Agreement, Hercules also has the right to offer the Company and Subsidiary advice on significant matters but neither the Company nor Subsidiary is obligated to implement any advice given by Hercules.

Hercules has the right to invest up to $1 million in any future financing of the Company or Subsidiary that is in the aggregate amount of at least $10 million.

Warrant Agreement

On October 23, 2013, in connection with the Loan and Security Agreement, the Company issued Hercules a warrant to purchase 168,351 shares of Common Stock at a per share exercise price of $2.97 (the " ***Warrant*** "). The Warrant is immediately exercisable and has a five year term. The Warrant may also be exercised on a cashless basis. 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.

Upon the occurrence of a transaction involving a change of control of the Company in which the consideration is either all cash or securities that are either registered for sale on an exchange or quotation system or otherwise unrestricted, the Warrant, to the extent not previously exercised, may be exchanged, at the holder's request, for the considereation the holder would have received as if it had exercised the Warrant immediately prior to the change of control. For all other changes of control of the Company, the Warrant will be assumed by the successor or surviving entity with similar rights to the Warrant as if it had been exercised immediately prior to the change of control. The Warrant contains piggyback registration rights for the shares of Common Stock underlying the Warrant.

Security Documents

On October 23, 2013, Subsidiary issued to Hercules a Fixed Charge Debenture and a Floating Charge Debenture (collectively, the " ***Israeli Security Agreements*** ") in order to create a security interest in the all assets and property of Subsidiary securing the Company and Subsidiary's obligations under the Loan and Security Agreement. In addition, on October 23, 2013, the Company entered into a Deposit Account Control Agreement with Hercules and Bank Leumi USA (the " ***Deposit Account Control Agreement*** ") in order to perfect Hercules' security interest in the Company's bank account. Pursuant to the Loan and Security Agreement, the Israeli 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 and Subsidiary, other than the intellectual property of the Company and Subsidiary. In addition, the Company is obligated to enter into an account control agreement for its account with Bank of America Merrill Lynch within 60 days of October 23, 2013.

The foregoing summaries of the Loan and Security Agreement, the Warrant, the Israeli Security Agreements and the Deposit Account Control Agreement 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.

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

The information contained in "Item 1.01 – Entry Into a Material Definitive Agreement" is incorporated herein by reference.

Item 3.02. Unregistered Sales of Equity Securities.

The information contained in "Item 1.01 – Entry Into a Material Definitive Agreement" is incorporated herein by reference. The Warrant offered and sold without registration under the Securities Act of 1933, as amended was (the " ***Act*** "), or state securities laws, in reliance on the exemptions provided by Section 4(2) of the Act and Regulation D promulgated thereunder and in reliance on similar exemptions under applicable state laws. Hercules was an accredited investor (as defined by Rule 501 under the Act) at the time of the transaction.

Item 3.03. Material Modifications to Rights of Security Holders.

On October 22, 2013, the Board declared a dividend distribution to the Company's stockholders of record at the close of business on November 15, 2013, of one preferred stock purchase right (a " ***Right*** ") for each outstanding share of Common Stock that will entitle the registered holder to purchase from the Company one one-thousandth (1/1,000) of a share of Series A Preferred Stock, par value $0.0001 per share (the " ***Preferred Stock*** "), at a purchase price of $21.00 per one one-thousandth (1/1,000) of a share, subject to adjustment. The description and terms of the Rights are set forth in the Rights Agreement.

Separation and Distribution of Rights; Exercisablility . Initially, the Rights will be attached to all certificates representing shares of Common Stock then outstanding, and no separate Rights certificates will be distributed. The Rights will separate from the Common Stock upon the earlier of:

- ten (10) business days following a public announcement that a person or group of affiliated or associated persons has acquired, or obtained the right to acquire, beneficial ownership of 15% or more of the shares of Common Stock then outstanding (subject to certain exceptions discussed below and as set forth in the Rights Agreement) (such person is referred to as an " ***Acquiring Person*** "); or

- ten (10) business days (or some later date as determined by the Board) following the commencement of a tender or exchange offer that would result in a person or group beneficially owning 15% or more of the shares of Common Stock then outstanding (subject to exceptions as set forth in the Rights Agreement).

The date the Rights separate from the Common Stock is referred to as the " ***Distribution Date*** ."

Until the Distribution Date, (i) the Rights will be evidenced by and transferred with, and only with, the Common Stock certificates, (ii) new Common Stock certificates issued after November 15, 2013 will contain a notation incorporating the Rights Agreement by reference, and (iii) the surrender for transfer of any certificates for Common Stock outstanding will also constitute the transfer of the Rights associated with the Common Stock represented by those certificates. Pursuant to the Rights Agreement, the Company reserves the right to require prior to the occurrence of a Triggering Event (as defined below) that, upon any exercise of Rights, a number of Rights be exercised so that only whole shares of Preferred Stock will be issued.

The Rights are not exercisable until the Distribution Date and will expire at the close of business on October 22, 2014, unless earlier redeemed by the Company as described below.

As soon as practicable after the Distribution Date, Rights certificates will be mailed to the holders of record of Common Stock as of the close of business on the Distribution Date and, after that, the separate Rights certificates will represent the Rights. Except in connection with shares of Common Stock issued or sold pursuant to the exercise of stock options under any employee plan or arrangement, or upon the exercise, conversion or exchange of securities issued by the Company in the future, or as otherwise determined by the Board, only shares of Common Stock issued prior to the Distribution Date will be issued with Rights.

Flip-in Events . If any person becomes an Acquiring Person (a " ***Flip-in Event*** "), each holder of a Right (other than the Acquiring Person and any associate or affiliate thereof) will have the right to receive, upon exercise, Common Stock (or, in some circumstances, cash, property or other securities of the Company) having a value equal to two times the purchase price of the Right. All Rights that are, or (under some circumstances specified in the Rights Agreement) were, beneficially owned by any Acquiring Person will be null and void.

For example, at a purchase price of $21.00 per Right, each Right not owned by an Acquiring Person (or by certain related parties or transferees) following a Flip-In Event would entitle its holder to purchase $42.00 worth of Common Stock (or other consideration) for $21.00.

Flip-over events . If any of the following occur, then at any time following a public announcement that a person has become an Acquiring Person, each holder of a Right (except Rights which previously have been voided as described above) will have the right to receive, upon exercise, common stock of an acquiring company having a value equal to two times the purchase price of the Right:

- the Company enters into a merger in which the Company is not the surviving corporation;
- the Company is the surviving corporation in a merger pursuant to which all or part of the outstanding shares of Common Stock are changed into or exchanged for stock or other securities of any other person or cash or any other property; or
- more than 50% of the combined assets, cash flow or earning power of the Company and its subsidiaries is sold or transferred (in each case other than certain consolidations with, mergers with and into, or sales of assets, cash flow or earning power by or to subsidiaries of the Company, as specified in the Rights Agreement).

Flip-in Events and Flip-over Events are referred to collectively as " ***Triggering Events*** ."

Anti-dilution Adjustments; Fractional Shares . The applicable purchase price payable, the number of shares of Preferred Stock or other securities or property issuable upon the exercise of the Rights, and the number of applicable Rights outstanding are subject to adjustment from time to time to prevent dilution:

- in the event of a stock dividend on, or a subdivision, combination or reclassification of, Preferred Stock;
- if the holders of Preferred Stock are granted rights, options or warrants to subscribe for the applicable Preferred Stock or securities convertible into the applicable Preferred Stock at less than the current market price of the applicable Preferred Stock; or

- upon the distribution to holders of Preferred Stock of evidences of indebtedness, cash (excluding regular quarterly cash dividends), assets (other than dividends payable in Preferred Stock) or subscription rights or warrants (other than those referred to in the bullet point immediately above).

The number of outstanding Rights is also subject to adjustment in the event of a stock dividend on, or a subdivision or combination of Common Stock. With some exceptions, no adjustment in the purchase price relating to a Right will be required until cumulative adjustments amount to at least one percent (1%) of the purchase price relating to the Right.

No fractional shares of Preferred Stock are required to be issued (other than fractions which are integral multiples of one one-thousandth (1/1,000) of a share of Preferred Stock) and, in lieu of the issuance of fractional shares, the Company may make an adjustment in cash based on the market price of the Preferred Stock on the trading date immediately prior to the date of exercise.

Exchange of the Rights . At any time after a person becomes an Acquiring Person and prior to the acquisition by a person or group of 50% or more of the shares of Common Stock then outstanding, the Board may, without payment of the purchase price by the holder, exchange the Rights, in whole or in part, at a ratio of one Right (other than the Rights owned by the Acquiring Person or group, which will become void) for one share of Common Stock, subject to adjustment.

Redemption of the Rights . At any time until a person has become an Acquiring Person, the Company may redeem all, but not less than all, of the Rights at a price of $0.001 per Right (payable in cash, shares of Common Stock or other consideration deemed appropriate by the Board and subject to adjustment). Immediately upon the action of the Board ordering redemption of the Rights, the Rights will terminate and the only right of the holders of these Rights will be to receive the $0.001 redemption price.

No Rights as Stockholder . Until a Right is exercised, the holder will have no rights as a stockholder of the Company, including, without limitation, the right to vote or to receive dividends.

Amendment of the Rights Agreement . Any of the provisions of the Rights Agreement may be amended by the Board at any time before a person becomes an Acquiring Person. At any time after a person becomes an Acquiring Person, the provisions of the Rights Agreement may be amended by the Board only if the amendment does not adversely affect the interest of holders of Rights (excluding the interest of any Acquiring Person) or cause the Rights to become redeemable again.

Certain Anti-takeover Effects. The Rights approved by the Board are designed to protect and maximize the value of the outstanding equity interests in the Company in the event of an unsolicited attempt by an acquirer to take over the Company, in a manner or on terms not approved by the Board. Takeover attempts frequently include coercive tactics to deprive the Board and its stockholders of a full opportunity to evaluate an offer in light of the long term prospects of the Company. The Rights have been declared by the Board in order to deter such tactics.

The Rights are not intended to prevent all takeovers of the Company and will not do so. Since, subject to the restrictions described above, the Company may redeem the Rights prior to the Distribution Date, the Rights should not interfere with any merger or business combination approved by the Board.

The Rights may have the effect of rendering more difficult or discouraging an acquisition of the Company deemed undesirable by the Board. The Rights may cause substantial dilution to a person or group that attempts to acquire the Company on terms or in a manner not approved by the Board, except pursuant to an offer conditioned upon the negation, purchase or redemption of the Rights.

A copy of the Rights Agreement has been filed with the Securities and Exchange Commission as an Exhibit to a Registration Statement on Form 8-A. A copy of the Rights Agreement is available free of charge from the Rights Agent. This summary description of the Rights does not purport to be complete and is qualified in its entirety by reference to the Rights Agreement, which is incorporated herein by reference.

Item 5.03. Amendment to Articles of Incorporation or Bylaws; Change in Fiscal Year.

In connection with the adoption of the Rights Agreement referenced in "Item 1.01 – Entry Into a Material Definitive Agreement" and "Item 3.03 - Material Modifications to Rights of Security Holders" above, the Board of Directors approved a Certificate of Designation, Preferences and Rights of Series A Preferred Stock (the " ***Certificate of Designation*** ") classifying and designating the Series A Preferred Stock. The Certificate of Designation was filed with the Secretary of State of the State of Delaware, and became effective October 25, 2013. The Certificate of Designation is attached as Exhibit 3.1 to this Current Report on Form 8-K and is incorporated herein by reference. The information set forth in "Item 3.03 - Material Modifications to Rights of Security Holders" is incorporated herein by reference.

Item 8.01 Other Events.

On October 23, 2013, the Company issued a press release that the representatives of the Company will ring the Opening Bell at the New York Stock Exchange on Thursday, October 24, 2013 at 9:30 a.m. ET. A copy of the press release is attached as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated by reference herein.

On October 24, 2013, the Company issued a press release announcing that the Company has adopted the Rights Agreement and entered into the Loan and Security Agreement. A copy of the press release is attached as Exhibit 99.2 to this Current Report on Form 8-K and is incorporated by reference herein.

In addition, on October 24, 2013, the Company issued a press release announcing that the Company filed a $75 million shelf registration statement on Form S-3 with the Securities and Exchange Commission, that included a prospectus to sell, of the $75 million of securities being registered, up to an aggregate of $40 million of Common Stock through an "at-the-market" offering. A copy of the press release is attached as Exhibit 99.3 to this Current Report on Form 8-K and is incorporated by reference herein.

Item 9.01. Financial Statements and Exhibits.

Exhibit Number	Description
3.1	Certificate of Designation, Preferences and Rights of Series A Preferred Stock.
4.1	Rights Agreement dated as of October 22, 2013 between InspireMD, Inc. and Action Stock Transfer Corporation, as Rights Agent, including exhibits thereto, filed as an exhibit to the Company's Registration Statement on Form 8-A filed on the same date as this Current Report on Form 8-K is being filed, which exhibit is incorporated herein by reference.
10.1	Loan and Security Agreement, dated October 23, 2013, by and among InspireMD, Inc., Inspire M.D Ltd and Hercules Technology Growth Capital, Inc.
10.2	Fixed Charge Debenture, dated October 23, 2013, by and among InspireMD, Inc., Inspire M.D Ltd and Hercules Technology Growth Capital, Inc.
10.3	Floating Charge Debenture, dated October 23, 2013, by and among InspireMD, Inc., Inspire M.D Ltd and Hercules Technology Growth Capital, Inc.
10.4	Warrant Agreement, dated October 23, 2013, by and between InspireMD, Inc. and Hercules Technology Growth Capital, Inc.
10.5	Deposit Account Control Agreement, dated April 5, 2012, among InspireMD, Inc., Hercules Technology Growth Capital, Inc. and Bank Leumi USA.
99.1	Press Release dated October 23, 2013.
99.2	Press Release dated October 24, 2013.
99.3	Press Release dated October 24, 2013.

* * * * *

SIGNATURE

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.

Date: October 25, 2013

By: /s/ Craig Shore
Name: Craig Shore
Title: Chief Financial Officer

CERTIFICATE OF DESIGNATION,
PREFERENCES AND RIGHTS OF
SERIES A PREFERRED STOCK OF
INSPIREMD, INC.

Pursuant to Section 151 of the General Corporation Law of the State of Delaware:

I, Craig Shore, Secretary of InspireMD, Inc. (the " ***Corporation*** "), a corporation organized and existing under the General Corporation Law of the State of Delaware (the " ***GCL*** "), in accordance with the provisions of Section 103 of the GCL, DO HEREBY CERTIFY:

That pursuant to the authority conferred upon the Board of Directors (the " ***Board*** ") by the Amended and Restated Certificate of Incorporation of the Corporation, as amended, the said Board on October 22, 2013, adopted the following resolutions creating a series of 200,000 shares of Preferred Stock, par value $0.0001 per share, designated as Series A Preferred Stock:

RESOLVED, that, pursuant to the authority vested in the Board in accordance with the provisions of its Amended and Restated Certificate of Incorporation, as amended, the Board does hereby create, authorize and provide for the issuance upon the exercise of the Corporation's Preferred Stock Purchase Rights, of a series of Preferred Stock of the Corporation, and does hereby fix and state that the designations, amounts, powers, preferences and relative and other special rights and the qualifications, limitations or restrictions thereof are as follows:

Series A Preferred Stock

Section 1. Designation and Amount . The shares of such series shall be designated as Series A Preferred Stock and the number of shares constituting such series shall be 200,000.

Section 2. Dividends and Distributions .

(A) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock ranking prior and superior to the shares of Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock in preference to the holders of Common Stock, par value $0.0001 per share (the " ***Common Stock*** "), and of any other stock of the Corporation ranking junior to the Series A Preferred Stock with respect to dividends shall be entitled to receive, when, as and if declared by the Board out of funds legally available for that purpose, quarterly dividends payable in cash on the 1st day of March, June, September and December (each such date being referred to herein as a " ***Quarterly Dividend Payment Date*** "), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) $0.01 or (b) subject to the provision for adjustment hereinafter set forth, one thousand (1,000) times the aggregate per share amount of all cash dividends, and one thousand (1,000) times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock, since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event the Corporation shall at any time after November 15, 2013 (the " ***Rights Declaration Date*** ") (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (A) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $0.01 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than sixty (60) days prior to the date fixed for the payment thereof.

Section 3. Voting Rights . The holders of shares of Series A Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to one thousand (1,000) votes which each share of Common Stock is entitled to vote. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein or by law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation. Except as otherwise provided herein or by law, the holders of the shares of Series A Preferred Stock shall not be entitled to vote as a separate class on any matters submitted to a vote of the stockholders.

(C) Except as set forth herein, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions .

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to, the Series A Preferred Stock;

(ii) declare or pay dividends on, or make any other distributions on, any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Preferred Stock; or

(iv) purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board) to all holders of such shares upon such terms as the Board, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares . Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board, subject to the conditions and restrictions on issuance set forth herein.

Section 6. Liquidation, Dissolution or Winding Up . Upon any liquidation (voluntary or otherwise), dissolution or winding up of the Corporation, no distribution shall be made (1) to the holders of Common Stock or of shares of any other stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received an amount equal to the greater of (i) $1,000 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment and (ii) an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the aggregate amount to be distributed per share to holders of shares of Common Stock (the " ***Series A Liquidation Preference*** ") or (2) to the holders of shares of stock ranking on a parity upon liquidation, dissolution or winding up with the Series A Preferred Stock, except distributions made ratably on the Series A Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the aggregate amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the proviso in clause (1) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc . In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock, securities, cash or any other property, then in any such case the shares of Series A Preferred Stock shall at the same time be similarly exchanged for or changed into an amount per share (subject to the provision for adjustment hereinafter set forth) equal to one thousand (1,000) times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (ii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. Redemption . The outstanding shares of Series A Preferred Stock may be redeemed at the option of the Board as a whole, but not in part, at any time, or from to time to time, at a cash price per share equal to one hundred five percent (105%) of (i) the product of the Adjustment Number (as such term is hereinafter defined) times the Average Market Value (as such term is hereinafter defined) of the Common Stock, plus (ii) all dividends which on the redemption date have accrued on the shares to be redeemed and have not been paid, or declared and a sum sufficient for the payment thereof set apart, without interest. The "Adjustment Number" is one thousand (1,000) (as appropriately adjusted as set forth in the last sentence of Section 6 to reflect such events as stock splits, stock dividends and recapitalizations with respect to the Common Stock) . The "Average Market Value" is the average of the closing sale prices of the Common Stock during the thirty (30) day period immediately preceding the date before the redemption date on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934, as amended, on which such stock is listed, or, if such stock is not listed on any such exchange, the average of the closing sale prices with respect to a share of Common Stock during such thirty (30) day period reported in the over-the-counter-market, as reported thereby or any other system then in use, or if no such quotations are available, the fair market value of the Common Stock as determined by the Board in good faith.

Section 9. Ranking . The Series A Preferred Stock shall rank (a) senior to all Common Stock and (b) junior to all other series of preferred stock with respect to the payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise.

Section 10. Amendment . The Amended and Restated Certificate of Incorporation of the Corporation, as amended, shall not be further amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of a majority or more of the outstanding shares of Series A Preferred Stock, voting separately as a class.

Section 11. Fractional Shares . At the Corporation's sole discretion, Series A Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Preferred Stock.

[Signature Page follows]

IN WITNESS WHEREOF, I have executed and subscribed this Certificate of Designation and do affirm the foregoing as true as of October 25, 2013.

INSPIREMD, INC.

By: /s/ Craig Shore
Name: Craig Shore
Title: Secretary

Signature Page of
Certificate of Designation

LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT is made and dated as of October 23, 2013 and is entered into by and among (a) **INSPIREMD, INC.** , a Delaware corporation ("US Borrower"), and **INSPIRE M.D LTD** , a company organized under the laws of the State of Israel ("ISR Borrower") (US Borrower and ISR Borrower are hereinafter jointly and severally, individually and collectively, referred to as "Borrower"), and (b) **HERCULES TECHNOLOGY GROWTH CAPITAL, INC.** , a Maryland corporation ("Lender").

RECITALS

A. Borrower has requested Lender to make available to Borrower a term loan (the " **Term Loan Advance** ") in an aggregate principal amount of Ten Million Dollars ($10,000,000.00) (the " **Term Loan Amount** "); and

B. Lender is willing to make the Term Loan Advance on the terms and conditions set forth in this Agreement.

AGREEMENT

NOW, THEREFORE, Borrower and Lender agree as follows:

SECTION 1. DEFINITIONS AND RULES OF CONSTRUCTION

1.1 Unless otherwise defined herein, the following capitalized terms shall have the following meanings:

" **Account Control Agreement(s)** " means any agreement entered into by and among the Lender, Borrower and a third party bank or other institution (including a Securities Intermediary) in which Borrower maintains a Deposit Account or an account holding Investment Property and which grants control of such Deposit Account or account, as applicable, to Lender for purposes of perfecting the first priority lien and security interest granted to Lender.

" **ACH Authorization** " means the ACH Debit Authorization Agreement in substantially the form of Exhibit H.

" **Advance Date** " means the funding date of the Term Loan Advance.

" **Advance Request** " means a request for the Term Loan Advance submitted by Borrower to Lender in substantially the form of Exhibit A.

" **Agreement** " means this Loan and Security Agreement, as amended from time to time.

" **Amortization Date** " means September 1, 2014.

" **Amortization Period** " means the period of time running from and including the Amortization Date through and including the earlier to occur of (a) the date on which the Term Loan Advance shall have been repaid in full and (b) the Term Loan Maturity Date.

" **Amortization Schedule** " means the schedule for amortization payments to be made pursuant to Section 2.1(d) as attached as Addendum 1 hereto, as it may be amended and modified from time to time by Lender to reflect changes to the payment amounts thereunder on account of the floating nature of the Term Loan Interest Rate.

" **Assignee** " has the meaning given to it in Section 11.13.

" **Borrower** " has the meaning given to it in the preamble to this Agreement.

“ **Borrower Products** ” means all products, software, service offerings, technical data or technology currently being designed, manufactured or sold by Borrower or which Borrower intends to sell, license, or distribute in the future including any products or service offerings under development, collectively, together with all products, software, service offerings, technical data or technology that have been sold, licensed or distributed by Borrower since its incorporation.

“ **Business Day** ” is any day that is not a Saturday, Sunday or a day on which Lender is closed.

“ **Change in Control** ” means any (i) reorganization, recapitalization, consolidation or merger (or similar transaction or series of related transactions) of Borrower or any Subsidiary, sale or exchange of outstanding shares (or similar transaction or series of related transactions) of Borrower or any Subsidiary in which the holders of Borrower or Subsidiary’s outstanding shares immediately before consummation of such transaction or series of related transactions do not, immediately after consummation of such transaction or series of related transactions, retain shares representing more than fifty percent (50%) of the voting power of the surviving entity of such transaction or series of related transactions (or the parent of such surviving entity if such surviving entity is wholly owned by such parent), in each case without regard to whether Borrower or Subsidiary is the surviving entity, (ii) sale or issuance by US Borrower of equity securities to one or more purchasers, in a single transaction or series of related transactions not registered under the Securities Act of 1933, which securities represent, as of immediately following the closing (or, if there be more than one, any closing) thereof, fifty percent (50%) or more of the then-outstanding total combined voting power of US Borrower, or (iii) event which results in US Borrower owning less than one hundred percent (100.0%) of the equity interests in ISR Borrower.

“ **Charged Property** ” is defined in the Debentures.

“ **Claims** ” has the meaning given to it in Section 11.10.

“ **Closing Date** ” means the date of this Agreement.

“ **Collateral** ” means (a) the LSA Collateral as defined in Section 3.1, and (b) any and all properties, rights and assets granted by ISR Borrower to Lender as set forth in the Debentures, including, without limitation, the Charged Property.

“ **Confidential Information** ” has the meaning given to it in Section 11.12.

“ **Contingent Obligation** ” means, as applied to any Person, any direct or indirect liability, contingent or otherwise, of that Person with respect to (i) any indebtedness, lease, dividend, letter of credit or other obligation of another, including any such obligation directly or indirectly guaranteed, endorsed, co-made or discounted or sold with recourse by that Person, or in respect of which that Person is otherwise directly or indirectly liable; (ii) any obligations with respect to undrawn letters of credit, corporate credit cards or merchant services issued for the account of that Person; and (iii) all obligations arising under any interest rate, currency or commodity swap agreement, interest rate cap agreement, interest rate collar agreement, or other agreement or arrangement designated to protect a Person against fluctuation in interest rates, currency exchange rates or commodity prices; provided, however, that the term “Contingent Obligation” shall not include endorsements for collection or deposit in the ordinary course of business. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determined amount of the primary obligation in respect of which such Contingent Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by such Person in good faith; provided, however, that such amount shall not in any event exceed the maximum amount of the obligations under the guarantee or other support arrangement.

“ **Copyright License** ” means any written agreement granting any right to use any Copyright or Copyright registration, now owned or hereafter acquired by Borrower or in which Borrower now holds or hereafter acquires any interest.

“ **Copyrights** ” means all copyrights, whether registered or unregistered, held pursuant to the laws of the United States, any State thereof, or of any other country.

“ **Debenture** ” and “ **Debentures** ” are defined in Section 3.2.

“ **Deposit Accounts** ” means any “deposit accounts,” as such term is defined in the UCC or any other applicable law, and includes any checking account, savings account, or certificate of deposit.

“ **Designated Account** ” is defined in Section 2.1(a).

“ **End of Term Charge** ” is defined in Section 2.5.

“ **ERISA** ” is the Employee Retirement Income Security Act of 1974, and its regulations.

“ **Event of Default** ” has the meaning given to it in Section 9.

“ **Facility Charge** ” means one percent (1.0%) of the Term Loan Amount.

“ **Financial Statements** ” has the meaning given to it in Section 7.1.

“ **GAAP** ” means generally accepted accounting principles in the United States of America, as in effect from time to time.

“ **German Subsidiary** ” means ISR Borrower’s Subsidiary, INSPIREMD GMBH.

“ **Indebtedness** ” means indebtedness of any kind, including (a) all indebtedness for borrowed money or the deferred purchase price of property or services (excluding trade credit entered into in the ordinary course of business), (b) all obligations evidenced by notes, bonds, debentures or similar instruments, (c) all capital lease obligations, and (d) all Contingent Obligations.

“ **Indemnified Party** ” has the meaning given to it in Section 6.3.

“ **Insolvency Proceeding** ” is any proceeding by or against any Person under the United States Bankruptcy Code, the Israeli Companies Ordinance 5743-1983, the Israeli Companies Law 5759-1999 or any other bankruptcy or insolvency law, including assignments for the benefit of creditors, compositions, extensions generally with its creditors, or proceedings seeking reorganization, arrangement, or other relief.

“ **Intellectual Property** ” means all of Borrower’s Copyrights; Trademarks; Patents; Licenses; trade secrets and inventions; mask works; Borrower’s applications therefor and reissues, extensions, or renewals thereof; and Borrower’s goodwill associated with any of the foregoing, together with Borrower’s rights to sue for past, present and future infringement of Intellectual Property and the goodwill associated therewith.

“ **Interest Only Period** ” means the period of time from the Advance Date through and including August 31. 2014.

“ **Investment** ” means any beneficial ownership (including stock, shares, partnership or limited liability company interests) of or in any Person, or any loan, advance or capital contribution to any Person or the acquisition of all, or substantially all, of the assets of another Person.

“ **ISR Borrower** ” has the meaning given to it in the preamble to this Agreement.

“ **Joinder Agreements** ” means for each Subsidiary, a completed and executed Joinder Agreement in substantially the form attached hereto as Exhibit G.

“ **Lender** ” has the meaning given to it in the preamble to this Agreement.

“ **License** ” means any Copyright License, Patent License, Trademark License or other license of rights or interests.

" **Lien** " means any mortgage, deed of trust, pledge, hypothecation, assignment for security, security interest, encumbrance, levy, lien or charge of any kind, whether voluntarily incurred or arising by operation of law or otherwise, against any property, any conditional sale or other title retention agreement, and any lease in the nature of a security interest.

" **Loan Documents** " means this Agreement, the Debentures, the Notes (if any), the ACH Authorization, the Account Control Agreements, the Joinder Agreements, all UCC Financing Statements, the Warrant and any other documents executed in connection with the Secured Obligations or the transactions contemplated hereby, as the same may from time to time be amended, modified, supplemented or restated.

" **Material Adverse Effect** " means a material adverse effect upon: (i) the business, operations, properties, assets, prospects or condition (financial or otherwise) of Borrower, other than, in and of itself, any delay or limitation of regulatory approval by a United States federal government agency with respect to any of Borrower's products ; or (ii) the ability of Borrower to perform the Secured Obligations in accordance with the terms of the Loan Documents; or (iii) the Collateral or Lender's Liens on the Collateral or the priority of such Liens.

" **Maximum Rate** " shall have the meaning assigned to such term in Section 2.2.

" **Note(s)** " means a promissory note or promissory notes to evidence the Term Loan Advance.

" **Patent License** " means any written agreement granting any right with respect to any invention on which a Patent is in existence or a Patent application is pending, in which agreement Borrower now holds or hereafter acquires any interest.

" **Patents** " means all letters patent of, or rights corresponding thereto, in the United States or in any other country, all registrations and recordings thereof, and all applications for letters patent of, or rights corresponding thereto, in the United States or any other country.

" **Permitted Indebtedness** " means: (i) Indebtedness of Borrower in favor of Lender arising under this Agreement or any other Loan Document; (ii) Indebtedness existing on the Closing Date which is disclosed in Schedule 1A; (iii) Indebtedness of up to $250,000 outstanding at any time secured by a Lien described in clause (vii) of the defined term "Permitted Liens," provided such Indebtedness does not exceed the lesser of the cost or fair market value of the Equipment financed with such Indebtedness; (iv) Indebtedness to trade creditors incurred in the ordinary course of business, including Indebtedness incurred in the ordinary course of business with corporate credit cards; (v) Indebtedness that also constitutes a Permitted Investment; (vi) Subordinated Indebtedness; (vii) reimbursement obligations in connection with letters of credit that are secured by cash or cash equivalents and issued on behalf of the Borrower or a Subsidiary thereof in an amount not to exceed $250,000 at any time outstanding, (viii) other Indebtedness in an amount not to exceed $250,000 at any time outstanding, (ix) extensions, refinancings and renewals of any items of Permitted Indebtedness, provided that the principal amount is not increased or the terms modified to impose materially more burdensome terms upon Borrower or its Subsidiary, as the case may be, and (x) obligations under leases of real estate in the ordinary course of business.

" **Permitted Investment** " means: (i) Investments existing on the Closing Date which are disclosed in Schedule 1B; (ii) (a) marketable direct obligations issued or unconditionally guaranteed by the United States of America or any agency or any State thereof maturing within one year from the date of acquisition thereof, (b) commercial paper maturing no more than one year from the date of creation thereof and currently having a rating of at least A-2 or P-2 from either Standard & Poor's Corporation or Moody's Investors Service, (c) certificates of deposit issued by any bank with assets of at least $500,000,000 maturing no more than one year from the date of investment therein, and (d) money market accounts; (iii) repurchases of stock from former employees, directors, or consultants of Borrower under the terms of applicable repurchase agreements at the original issuance price of such securities in an aggregate amount not to exceed $250,000 in any fiscal year, provided that no Event of Default has occurred, is continuing or would exist after giving effect to the repurchases; (iv) Investments accepted in connection with Permitted Transfers; (v) Investments (including debt obligations) received in connection with the bankruptcy or reorganization of customers or suppliers and in settlement of delinquent obligations of, and other disputes with, customers or suppliers arising in the ordinary course of Borrower's business; (vi) Investments consisting of notes receivable of, or prepaid royalties and other credit extensions, to customers and suppliers who are not affiliates, in the ordinary course of business, provided that this subparagraph (vi) shall not apply to Investments of Borrower in any Subsidiary; (vii) Investments consisting of loans not involving the net transfer on a substantially contemporaneous basis of cash proceeds to employees, officers or directors relating to the purchase of capital stock of Borrower pursuant to employee stock purchase plans or other similar agreements approved by Borrower's Board of Directors; (viii) Investments consisting of travel advances in the ordinary course of business; (ix) Investments in newly-formed Subsidiaries organized in the United States, provided that such Subsidiaries enter into a Joinder Agreement promptly after their formation by Borrower and execute such other documents as shall be reasonably requested by Lender; (x) Investments in subsidiaries organized outside of the United States approved in advance in writing by Lender; (xi) joint ventures or strategic alliances in the ordinary course of Borrower's business consisting of the licensing of technology, the development of technology or the providing of technical support, provided that any cash Investments by Borrower do not exceed $1,000,000 in the aggregate in any fiscal year; and (xii) additional Investments that do not exceed $1,000,000 in the aggregate.

" **Permitted Liens** " means any and all of the following: (i) Liens in favor of Lender; (ii) Liens existing on the Closing Date which are disclosed in Schedule 1C; (iii) Liens for taxes, fees, assessments or other governmental charges or levies, either not delinquent or being contested in good faith by appropriate proceedings; provided, that Borrower maintains adequate reserves therefor in accordance with GAAP; (iv) Liens securing claims or demands of materialmen, artisans, mechanics, carriers, warehousemen, landlords and other like Persons arising in the ordinary course of Borrower's business and imposed without action of such parties; provided, that the payment thereof is not yet required; (v) Liens arising from judgments, decrees or attachments in circumstances which do not constitute an Event of Default hereunder; (vi) the following deposits, to the extent made in the ordinary course of business: deposits under worker's compensation, unemployment insurance, social security and other similar laws, or to secure the performance of bids, tenders or contracts (other than for the repayment of borrowed money) or to secure indemnity, performance or other similar bonds for the performance of bids, tenders or contracts (other than for the repayment of borrowed money) or to secure statutory obligations (other than liens arising under ERISA or environmental liens) or surety or appeal bonds, or to secure indemnity, performance or other similar bonds; (vii) Liens on Equipment or software or other intellectual property constituting purchase money liens and liens in connection with capital leases securing Indebtedness permitted in clause (iii) of "Permitted Indebtedness"; (viii) Liens incurred in connection with Subordinated Indebtedness; (ix) leasehold interests in leases or subleases and licenses granted in the ordinary course of business and not interfering in any material respect with the business of the licensor; (x) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of custom duties that are promptly paid on or before the date they become due; (xi) Liens on insurance proceeds securing the payment of financed insurance premiums that are promptly paid on or before the date they become due (provided that such Liens extend only to such insurance proceeds and not to any other property or assets); (xii) statutory and common law rights of set-off and other similar rights as to deposits of cash and securities in favor of banks, other depository institutions and brokerage firms; (xiii) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business so long as they do not materially impair the value or marketability of the related property; (xiv) Liens on cash or cash equivalents securing obligations permitted under clause (vii) of the definition of Permitted Indebtedness; and (xv) Liens incurred in connection with the extension, renewal or refinancing of the indebtedness secured by Liens of the type described in clauses (i) through (xi) above; provided, that any extension, renewal or replacement Lien shall be limited to the property encumbered by the existing Lien and the principal amount of the indebtedness being extended, renewed or refinanced (as may have been reduced by any payment thereon) does not increase.

" **Permitted Transfers** " means (i) sales and transfers of Inventory (including, without limitation, transfers of raw materials to outsourced manufacturers) in the normal course of business, (ii) licenses and similar arrangements for the use of Intellectual Property in the ordinary course of business and licenses in the ordinary course of business that could not result in a legal transfer of title of the licensed property, or (iii) dispositions of worn-out, obsolete or surplus Equipment at fair market value in the ordinary course of business, and (iv) other Transfers of assets having a fair market value of not more than $500,000 in the aggregate in any fiscal year.

" **Person** " means any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, limited liability company, institution, other entity or government.

" **Prepayment Charge** " shall have the meaning assigned to such term in Section 2.4.

“ **Prime Rate** ” means the “prime rate” as reported in *The Wall Street Journal* , and if not reported, then the prime rate most recently reported in *The Wall Street Journal* .

“ **Receivables** ” means (i) all of Borrower’s Accounts, Instruments, Documents, Chattel Paper, Supporting Obligations, letters of credit, proceeds of any letter of credit, and Letter of Credit Rights, and (ii) all customer lists, software, and business records related thereto.

“ **Secured Obligations** ” means Borrower’s obligations under this Agreement and any Loan Document, including any obligation to pay any amount now owing or later arising.

“ **Subordinated Indebtedness** ” means Indebtedness subordinated to the Secured Obligations in amounts and on terms and conditions satisfactory to Lender in its sole discretion.

“ **Subsequent Financing** ” means any sale and issuance by Borrower on or after the date hereof and prior to expiration or earlier termination of this Agreement, in a single transaction or series of related transactions not registered under the Securities Act of 1933, as amended, of shares of its preferred stock, common stock or other equity security, or of any instrument exercisable for or convertible into or otherwise representing the right to acquire shares of Borrower preferred stock, common stock or other equity security, to one or more investors for cash for financing purposes (including, without limitation, any so-called PIPE transaction), which offering by Borrower is broadly marketed to multiple investors, resulting in aggregate proceeds to Borrower of at least $10,000,000.

“ **Subsidiary** ” means an entity, whether corporate, partnership, limited liability company, joint venture or otherwise, in which Borrower owns or controls 50% or more of the outstanding voting securities, including each entity listed on Schedule 1 hereto.

“ **Term Loan Advance** ” is defined in Recital A of this Agreement.

“ **Term Loan Amount** ” shall have the meaning assigned to such term in Recital A of this Agreement.

“ **Term Loan Interest Rate** ” means for any day, a floating per annum rate equal to the greater of either (i) ten and one-half of one percent (10.50%), or (ii) the sum of (A) ten and one-half of one percent (10.50%), plus (B) the Prime Rate minus five and one-half of one percent (5.50%). The Term Loan Interest Rate will change from time to time on the day the Prime Rate changes.

“ **Term Loan Maturity Date** ” means February 1, 2017.

“ **Trademark License** ” means any written agreement granting any right to use any Trademark or Trademark registration, now owned or hereafter acquired by Borrower or in which Borrower now holds or hereafter acquires any interest.

“ **Trademarks** ” means all trademarks (registered, common law or otherwise) and any applications in connection therewith, including registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof.

“ **UCC** ” means the Uniform Commercial Code as the same is, from time to time, in effect in the State of California; provided, that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of, or remedies with respect to, Lender’s Lien on any Collateral is governed by the Uniform Commercial Code as the same is, from time to time, in effect in a jurisdiction other than the State of California, then the term “UCC” shall mean the Uniform Commercial Code as in effect, from time to time, in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority or remedies and for purposes of definitions related to such provisions.

“ **US Borrower** ” has the meaning given to it in the preamble to this Agreement.

" **Warrant** " means the warrant entered into in connection with the Term Loan Advance.

Unless otherwise specified, all references in this Agreement or any Annex or Schedule hereto to a "Section," "subsection," "Exhibit," "Annex," or "Schedule" shall refer to the corresponding Section, subsection, Exhibit, Annex, or Schedule in or to this Agreement. Unless otherwise specifically provided herein, any accounting term used in this Agreement or the other Loan Documents shall have the meaning customarily given such term in accordance with GAAP, and all financial computations hereunder shall be computed in accordance with GAAP, consistently applied. Unless otherwise defined herein or in the other Loan Documents, terms that are used herein or in the other Loan Documents and defined in the UCC or any other applicable law shall have the meanings given to them in the UCC or such other applicable law.

SECTION 2. THE LOAN

2.1 Term Loan .

(a) Term Loan Advance . Subject to the terms and conditions of this Agreement, Lender will make, and Borrower agrees to draw, the Term Loan Advance in the amount of the Term Loan Amount on the Advance Date. The proceeds of the Term Loan Advance shall be deposited by Lender (in accordance with wire instructions provided by Borrower to Lender) into one or more accounts of US Borrower, each located in the United States and subject to a perfected security interest in favor of Lender perfected by a control agreement (collectively, the " **Designated Account** ").

(b) Advance Request . To obtain the Term Loan Advance, Borrower shall complete, sign and deliver to Lender an Advance Request (on or before the Advance Date). Lender shall fund the Term Loan Advance in the manner requested by the Advance Request provided that each of the conditions precedent to such Term Loan Advance is satisfied as of the requested Advance Date.

(c) Interest . The unpaid principal balance of the Term Loan Advance shall bear interest from the Advance Date, until such principal amount is paid in full, at a per annum rate equal to the Term Loan Interest Rate based on a year consisting of 360 days, with interest computed daily based on the actual number of days elapsed. The Term Loan Interest Rate will float and change on the day the Prime Rate changes from time to time.

(d) Payment of Interest and Principal . With respect to interest accruing on the Term Loan Advance during the Interest Only Period , Borrower will pay such interest monthly in arrears on the first (1 st) Business Day of each calendar month, with the first such payment to be made on December 2, 2013. With respect to interest accruing on the Term Loan Advance during the Amortization Period , Borrower will pay such interest, and Borrower will repay the aggregate principal balance of the Term Loan Advance that is outstanding on the Amortization Date, in equal monthly installments of principal and interest (mortgage style) in accordance with the Amortization Schedule; provided that the entire principal balance of the Term Loan Advance and all accrued but unpaid interest hereunder, and all other Secured Obligations with respect to the Term Loan Advance, shall be due and payable on the Term Loan Maturity Date. Once repaid, t he Term Loan Advance or any portion thereof may not be reborrowed. Borrower shall make all payments under this Agreement without setoff, recoupment or deduction and regardless of any counterclaim or defense. If a payment date listed in the Amortization Schedule is not a Business Day, the applicable payment is deemed due on the first Business Day immediately following such payment date. Borrower hereby authorizes Lender to, strictly in accordance with the ACH Authorization, debit Borrower's account(s) subject to such ACH Authorization on each Business Day on which a payment is due in accordance with this Section 2.1(d).

2.2 Maximum Interest . Notwithstanding any provision in this Agreement or any other Loan Document, it is the parties' intent not to contract for, charge or receive interest at a rate that is greater than the maximum rate permissible by law that a court of competent jurisdiction shall deem applicable hereto (which under the laws of the State of California shall be deemed to be the laws relating to permissible rates of interest on commercial loans) (the " **Maximum Rate** "). If a court of competent jurisdiction shall finally determine that Borrower has actually paid to Lender an amount of interest in excess of the amount that would have been payable if all of the Secured Obligations had at all times borne interest at the Maximum Rate, then such excess interest actually paid by Borrower shall be applied as follows: first, to the payment of the Secured Obligations consisting of the outstanding principal of the Term Loan Advance; second, after all principal is repaid, to the payment of Lender's accrued interest, costs, expenses, professional fees and any other Secured Obligations; and third, after all Secured Obligations are repaid, the excess (if any) shall be refunded to Borrower.

2.3 Default Interest . In the event any payment is not paid on the scheduled payment date, an amount equal to three percent (3%) of the past due amount shall be payable on demand. In addition, upon the occurrence and during the continuation of an Event of Default hereunder, all Secured Obligations, including principal, interest, compounded interest, and professional fees, shall bear interest at a rate per annum equal to the rate set forth in Section 2.1(c), plus five percent (5%) per annum. In the event any interest is not paid when due hereunder, delinquent interest shall be added to principal and shall bear interest on interest, compounded at the rate set forth in Section 2.1(c).

2.4 Prepayment . At its option upon at least seven (7) Business Days prior notice to Lender, Borrower may prepay all, but not less than all, of the outstanding Term Loan Advance by paying the entire principal balance, all accrued and unpaid interest, all unpaid Lender's fees and expenses accrued to the date of the repayment (including the End of Term Charge), together with a prepayment charge equal to the following percentage of the Term Loan Advance amount being prepaid: if such Term Loan Advance amounts are prepaid in any of the first twelve (12) months following the Advance Date, two percent (2%); after twelve (12) months but prior to twenty four (24) months, one percent (1%); and after twenty four (24) months but prior to the Term Loan Maturity Date, one-half of one percent (0.50%) (each, a " **Prepayment Charge** "), provided that Lender shall waive the Prepayment Charge in the event that Borrower prepays the Term Loan Advance as provided hereunder solely as a result of, and contemporaneously with, Lender withholding its consent to any action prohibited under Section 7 of this Agreement. Borrower agrees that the Prepayment Charge is a reasonable calculation of Lender's lost profits in view of the difficulties and impracticality of determining actual damages resulting from an early repayment of the Term Loan Advance. Upon the occurrence of a Change in Control, Borrower shall prepay the outstanding amount of all principal and accrued interest through the prepayment date and all unpaid Lender's fees and expenses accrued to the date of the repayment (including the End of Term Charge) together with a Prepayment Charge.

2.5 End of Term Charge . On the earliest to occur of (i) the Term Loan Maturity Date, (ii) the date that Borrower prepays the outstanding Secured Obligations, or (iii) the date that the Secured Obligations otherwise become due and payable in accordance with the terms of this Agreement, Borrower shall pay Lender a charge equal to Five Hundred Thousand Dollars ($500,000) (the " **End of Term Charge** "). Notwithstanding the required payment date of such charge, it shall be deemed earned by Lender as of the Advance Date.

2.6 Notes . No promissory note shall be required on the Advance Date to evidence the Term Loan Advance; provided, however, that if so requested by Lender by written notice to Borrower, Borrower shall execute and deliver to Lender (and/or, if applicable and if so specified in such notice, to any person who is an assignee of Lender pursuant to Section 11.13) (promptly after the Borrower's receipt of such notice) a Note or Notes, as applicable, to evidence the Term Loan Advance.

2.7 Net Payments and Withholding .

(a) All payments by Borrower on account of the Secured Obligations shall be made subject to applicable withholding taxes under the Israeli Income Tax Ordinance and the Convention between the Government of the State of Israel and the Government of the United States of America with respect to taxes on income.

(b) Borrower will furnish Lender with proof satisfactory to Lender indicating that Borrower has made all such withholding tax payments, if and to the extent such withholding tax payment is required to be made in accordance with applicable law, and will cooperate with Lender in connection with any information and documentation required by Lender in connection with credits, exemptions, rebates, or other benefits to be obtained by Lender in connection with such withholding payments made by Borrower, which credits, exemptions, rebates, or other benefits shall be property of Lender, without payment to Borrower or application to any Secured Obligations hereunder.

(c) The agreements and obligations of Borrower contained in this Section 2.7 shall survive the termination of this Agreement.

SECTION 3. SECURITY INTEREST

3.1 As security for the prompt, complete and indefeasible payment when due (whether on the payment dates or otherwise) of all the Secured Obligations, Borrower grants to Lender a security interest in all of Borrower's right, title, and interest in and to the following personal property whether now owned or hereafter acquired (collectively, the " **LSA Collateral** "): (a) Receivables; (b) Equipment; (c) Fixtures; (d) General Intangibles (other than Intellectual Property); (e) Inventory; (f) Investment Property (but excluding thirty-five percent (35%) of the capital stock of any foreign Subsidiary that constitutes a Permitted Investment, but including all of the capital stock in ISR Borrower); (g) Deposit Accounts; (h) Cash (including, without limitation, all cash and liquid funds); (i) Goods; and all other tangible and intangible personal property of Borrower whether now or hereafter owned or existing, leased, consigned by or to, or acquired by, Borrower and wherever located, and any of Borrower's property in the possession or under the control of Lender; and, to the extent not otherwise included, all Proceeds of each of the foregoing and all accessions to, substitutions and replacements for, and rents, profits and products of each of the foregoing; provided, however, that the LSA Collateral shall include all Accounts and General Intangibles that consist of rights to payment and proceeds from the sale, licensing or disposition of all or any part, or rights in, the Intellectual Property (the " **Rights to Payment** "). Notwithstanding the foregoing, if a judicial authority (including a U.S. Bankruptcy Court) holds that a security interest in the underlying Intellectual Property is necessary to have a security interest in the Rights to Payment, then the LSA Collateral shall automatically, and effective as of the date of this Agreement, include the Intellectual Property to the extent necessary to permit perfection of Lender's security interest in the Rights to Payment.

3.2 ISR Borrower undertakes to create, in favor of Lender, a first ranking floating charge over all of the present and future assets of ISR Borrower whether now existing or hereafter created (excluding Intellectual Property but including Rights to Payment), and a first ranking fixed charge over its registered and unissued share capital, its reputation and goodwill (excluding Intellectual Property), Receivables, its rights to receive funds from its customers and other fixed assets and any tax benefit it may have, in accordance with a debenture of floating charge and fixed charge in the form of Debenture attached as Exhibit I-1 and Exhibit I-2 respectively (as amended, modified or restated from time to time, jointly, the "Debentures" and each, a "Debenture"). Notwithstanding the foregoing, if a judicial authority (including a U.S. Bankruptcy Court) holds that a security interest in the underlying Intellectual Property is necessary to have a security interest in the Rights to Payment, then the Debentures shall be amended by ISR Borrower and Lender immediately following such holding to include the Intellectual Property in the Collateral thereunder to the extent necessary to permit perfection of Lender's security interest in the Rights to Payment. In addition, ISR Borrower undertakes to create within twenty (20) days of the end of each financial quarter, a first ranking fixed charge over (i) each Receivable which is outstanding at such time, (ii) ISR Borrower's rights, whether then existing or thereafter created, to receive funds from its customers, and (iii) ISR Borrower's Equipment, all in accordance with a debenture of fixed charge in the form of the Debenture attached hereto as Exhibit I-2 (or in the form of an amendment to the existing Debenture, at the Lender's discretion; each such new and/or amended debenture shall also be included in the definition of the term "Debenture" herein).

SECTION 4. CONDITIONS PRECEDENT TO LOAN

The obligation of Lender to make the Term Loan Advance hereunder is subject to the satisfaction by Borrower of the following conditions:

4.1 Deliveries . On or prior to the Closing Date, Borrower shall have delivered to Lender the following:

(a) executed originals of (i) the Loan Documents (excluding Account Control Agreements), (ii) a legal opinion of Borrower's counsel, and (iii) the perfection certificates of Borrower, in all cases in form and substance reasonably acceptable to Lender;

(b) a certificate of the secretary of US Borrower and a certified copy of resolutions of US Borrower's board of directors and, if necessary, shareholders, evidencing approval of (i) the Term Loan Advance and other transactions evidenced by the Loan Documents; and (ii) the Warrant and transactions evidenced thereby;

(c) certified copies of the Certificate of Incorporation and the Bylaws, as amended through the Closing Date, of US Borrower;

(d) a certificate of good standing for US Borrower from its state of incorporation and similar certificates from all other jurisdictions in which it does business and where the failure to be qualified would have a Material Adverse Effect;

(e) a certificate of an officer of ISR Borrower with respect to certificate of incorporation and articles of association, incumbency and resolutions authorizing the execution and delivery of this Agreement, the Debentures and the other Loan Documents;

(f) evidence satisfactory to Lender that all filings required to have been made pursuant to the Debentures and the other Loan Documents have been made to secure a first-ranking Lien in favor of the Lender on the Collateral, and all other actions required to have been taken by Borrower or any other party prior to the Term Loan Advance shall have been taken and all consents and other authorizations shall have been obtained prior to the Term Loan Advance, all in accordance with the terms of the Debentures and the other Loan Documents;

(g) certified copies, dated as of a recent date, of financing statement and other lien searches, as Lender shall request, accompanied by written evidence (including any UCC termination statements) that the Liens indicated in any such financing statements or other lien filings constitute Permitted Liens or have been or, in connection with the Term Loan Advance, will be, terminated or released; and

(h) payment of the Facility Charge and reimbursement of Lender's current expenses reimbursable pursuant to this Agreement, which amounts may be deducted from the Term Loan Advance.

4.2 Compliance . On the Advance Date:

(a) Lender shall have received (i) an Advance Request for the Term Loan Advance as required by Section 2.1(b), duly executed by Borrower's Chief Executive Officer or Chief Financial Officer, and (ii) any other documents Lender may reasonably request.

(b) The representations and warranties set forth in this Agreement, the Debentures and the Warrant shall be true and correct in all material respects on and as of the Advance Date with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date.

(c) Lender shall have received executed originals of an Account Control Agreement with Bank Leumi USA with respect to the Designated Account.

(d) Lender shall have received (i) notices of registration of the Debentures signed by ISR Borrower, (ii) Hebrew translations of the Debentures signed by ISR Borrower and (iii) evidence of Borrower's insurance policies in accordance with Section 6.

4.3 No Default . As of the Closing Date and the Advance Date, (i) no fact or condition exists that would (or would, with the passage of time, the giving of notice, or both) constitute an Event of Default and (ii) no event that has had or could reasonably be expected to have a Material Adverse Effect has occurred and is continuing.

SECTION 5. REPRESENTATIONS AND WARRANTIES OF BORROWER

Borrower represents and warrants that:

5.1 Corporate Status . US Borrower is a corporation duly organized, legally existing and in good standing under the laws of the State of Delaware, and is duly qualified as a foreign corporation in all jurisdictions in which the nature of its business or location of its properties require such qualifications and where the failure to be qualified could reasonably be expected to have a Material Adverse Effect. ISR Borrower is a company duly organized and legally existing under the laws of the State of Israel, and is duly qualified as a foreign corporation in all jurisdictions in which the nature of its business or location of its properties require such qualifications and where the failure to be qualified could reasonably be expected to have a Material Adverse Effect. Borrower's present name, former names (if any), locations, place of formation, tax identification number, organizational identification number and other information are correctly set forth in Exhibit C, as may be updated by Borrower in a written notice (including any Compliance Certificate) provided to Lender after the Closing Date.

5.2 Collateral . Borrower owns the Collateral and the Intellectual Property, free of all Liens, except for Permitted Liens. Borrower has the power and authority to grant to Lender a Lien in the Collateral as security for the Secured Obligations.

5.3 Consents . Borrower's execution, delivery and performance of the Notes (if any), this Agreement, the Debentures and all other Loan Documents, and Borrower's execution of the Warrant, (i) have been duly authorized by all necessary corporate action of Borrower, (ii) will not result in the creation or imposition of any Lien upon the Collateral, other than Permitted Liens, (iii) do not violate any provisions of Borrower's Certificate or Articles of Incorporation (as applicable), bylaws, articles of association, or any, law, regulation, order, injunction, judgment, decree or writ to which Borrower is subject and (iv) except as described on Schedule 5.3, do not violate any contract or agreement or require the consent or approval of any other Person. The individual or individuals executing the Loan Documents are duly authorized to do so.

5.4 Material Adverse Effect . No event that has had or could reasonably be expected to have a Material Adverse Effect has occurred and is continuing.

5.5 Actions Before Governmental Authorities . Except as described on Schedule 5.5, there are no actions, suits or proceedings at law or in equity or by or before any governmental authority now pending or, to the knowledge of Borrower, threatened against or affecting Borrower or its property.

5.6 Laws . Borrower is not in violation of any law, rule or regulation, or in default with respect to any judgment, writ, injunction or decree of any governmental authority, where such violation or default is reasonably expected to result in a Material Adverse Effect. Borrower is not in default in any material respect under any material provision of any material agreement or instrument evidencing indebtedness, or any other material agreement to which it is a party or by which it is bound.

5.7 Information Correct and Current . To Borrower's knowledge (after due inquiry), no Advance Request, financial statement, exhibit or schedule furnished, by or on behalf of Borrower to Lender in connection with any Loan Document or included therein or delivered pursuant thereto, and no document filed by Borrower with the Securities and Exchange Commission or any governmental authority that may be substituted therefor or any national securities exchange (including, without limitation, the NYSE MKT exchange), contained, contains or will contain any material misstatement of fact or omitted, omits or will omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were, are or will be made, not misleading at the time such statement was made or deemed made. Additionally, any and all financial or business projections provided by Borrower to Lender shall be (i) provided in good faith and based on the most current data and information available to Borrower, and (ii) the most current of such projections provided to Borrower's Board of Directors.

5.8 Tax Matters . Except as described on Schedule 5.8, (a) Borrower has filed all federal, state, local and Israeli tax returns that it is required to file, (b) Borrower has duly paid or fully reserved for all taxes or installments thereof (including any interest or penalties) as and when due, which have or may become due pursuant to such returns, and (c) Borrower has paid or fully reserved for any tax assessment received by Borrower for the three (3) years preceding the Closing Date, if any (including any taxes being contested in good faith and by appropriate proceedings).

5.9 Intellectual Property Claims . Borrower is the sole owner of, or otherwise has the right to use, the Intellectual Property. Except as described on Schedule 5.9,(i) each of the material Copyrights, Trademarks and Patents is valid and enforceable, (ii) no material part of the Intellectual Property has been judged invalid or unenforceable, in whole or in part, and (iii) no claim has been made to Borrower that any material part of the Intellectual Property violates the rights of any third party. Exhibit D is a true, correct and complete list of each of Borrower's Patents, registered Trademarks, registered Copyrights, and material agreements under which Borrower licenses Intellectual Property from third parties (other than shrink-wrap software licenses), together with application or registration numbers, as applicable, owned by Borrower or any Subsidiary, in each case as of the Closing Date. Borrower is not in material breach of, nor has Borrower failed to perform any material obligations under, any of the foregoing contracts, licenses or agreements and, to Borrower's knowledge, no third party to any such contract, license or agreement is in material breach thereof or has failed to perform any material obligations thereunder.

5.10 Intellectual Property . Except as described on Schedule 5.10, Borrower has all material rights with respect to Intellectual Property necessary in the operation or conduct of Borrower's business as currently conducted. Without limiting the generality of the foregoing, and in the case of Licenses, except for restrictions that are unenforceable under Article 9 of the UCC, Borrower has the right, to the extent required to operate Borrower's business, to freely transfer, license or assign Intellectual Property without condition, restriction or payment of any kind (other than license payments in the ordinary course of business) to any third party, and Borrower owns or has the right to use, pursuant to valid licenses, all software development tools, library functions, compilers and all other third-party software and other items that are used in the design, development, promotion, sale, license, manufacture, import, export, use or distribution of Borrower Products.

5.11 Borrower Products . Except as described on Schedule 5.11, no Borrower Product has been or is subject to any actual or, to the knowledge of Borrower, threatened litigation, proceeding (including any proceeding in the United States Patent and Trademark Office or any corresponding foreign office or agency) or outstanding decree, order, judgment, settlement agreement or stipulation that restricts in any manner Borrower's use, transfer or licensing thereof or that may affect the validity, use or enforceability thereof, where such is reasonably expected to have a material adverse effect on Borrower's business. Borrower's production and sale of Borrower Products does not infringe on the Intellectual Property or other rights of others.

5.12 Financial Accounts . Exhibit E, as may be updated by the Borrower in a written notice provided to Lender after the Closing Date, is a true, correct and complete list of (a) all banks and other financial institutions at which Borrower or any Subsidiary maintains Deposit Accounts and (b) all institutions at which Borrower or any Subsidiary maintains an account holding Investment Property, and such exhibit correctly identifies the name, address and telephone number of each bank or other institution, the name in which the account is held, a description of the purpose of the account, and the complete account number therefor.

5.13 Employee Loans . Except as described on Schedule 5.13, Borrower has no outstanding loans to any employee, officer or director of the Borrower nor has Borrower guaranteed the payment of any loan made to an employee, officer or director of the Borrower by a third party.

5.14 Investments . Borrower does not own any stock, shares, partnership interest or other securities of any Person, except for Permitted Investments.

5.15 Office of the Chief Scientist and Investment Center . As of the Closing Date, Borrower has not receive any grants, funds or benefits (including, but not limited to, tax benefits) from the Israeli Office of Chief Scientist, the Investment Center, the Binational Industrial Research and Development Foundation or any other governmental authority. Borrower is not obligated to pay any royalties or any other payments to the Israeli Office of Chief Scientist, the Investment Center, the Binational Industrial Research and Development Foundation or any other governmental authority. The transactions contemplated under this Agreement, the Debentures and any other Loan Document (including the realization of the Charged Property) are not subject to any right and do not require the approval of the Israeli Office of Chief Scientist, the Investment Center, the Binational Industrial Research and Development Foundation or any other governmental authority.

SECTION 6. INSURANCE; INDEMNIFICATION

6.1 Coverage . Borrower shall cause to be carried and maintained commercial general liability insurance (provided that instead of the commercial general liability insurance Borrower may maintain two standalone policies, i.e., third party liability insurance and product liability insurance, with terms not less than BIT 2013), on an occurrence form, against risks customarily insured against in Borrower's line of business. Such risks shall include the risks of bodily injury, including death, property damage, personal injury, advertising injury. Borrower must maintain a minimum of $1,000,000 of commercial general liability insurance (in the case of two standalone policies, i.e., third party liability insurance and product liability insurance, $1,000,000 for each policy) for each occurrence and yearly aggregate. Borrower has and agrees to maintain a minimum of $2,000,000 of directors' and officers' insurance for each occurrence and $5,000,000 in the aggregate. So long as there are any Secured Obligations outstanding, Borrower shall also cause to be carried and maintained insurance upon the Collateral, insuring against sudden physical loss or damage howsoever caused, in an amount not less than the full replacement cost of the Collateral, provided that such insurance may be subject to standard exceptions and deductibles and the policy wording shall be no less than the wording known as BIT 2013 (Extended Fire insurance policy). The policy shall be extended to cover loss or damage due to earthquake and natural hazards.

6.2 Certificates . Borrower shall deliver to Lender certificates of insurance that evidence Borrower's compliance with its insurance obligations in Section 6.1 and the obligations contained in this Section 6.2. Borrower's insurance certificate shall state Lender is an additional insured for commercial general liability (or third party liability and product liability), a loss payee for the property damage insurance, and additional insured for liability insurance for any future insurance that Borrower may acquire from such insurer. All certificates of insurance will provide for a minimum of thirty (30) days advance written notice to Lender of cancellation or any other change adverse to Lender's interests. With respect to any insurance policy of Borrower covering property damage, Lender shall be designated as a "Motav" in the meaning and for the purposes of the Israeli Insurance Contract Law 5741-1981 with respect to claims in excess of $50,000. Any failure of Lender to scrutinize such insurance certificates for compliance is not a waiver of any of Lender's rights, all of which are reserved.

6.3 Indemnity . Borrower agrees to indemnify and hold Lender and its officers, directors, employees, agents, in-house attorneys, representatives and shareholders (each, including Lender, an " **Indemnified Party** ") harmless from and against any and all claims, costs, expenses, damages and liabilities (including such claims, costs, expenses, damages and liabilities based on liability in tort, including strict liability in tort), including reasonable attorneys' fees and disbursements and other costs of investigation or defense (including those incurred upon any appeal), that may be instituted or asserted against or incurred by any Indemnified Party as the result of credit having been extended, suspended or terminated under this Agreement and the other Loan Documents or the administration of such credit, or in connection with or arising out of the transactions contemplated hereunder and thereunder, or any actions or failures to act in connection therewith, or arising out of the disposition or utilization of the Collateral, excluding in all cases claims to the extent resulting from the gross negligence or willful misconduct of any Indemnified Party. Borrower agrees to pay, and to save Lender harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all excise, sales or other similar taxes (excluding taxes imposed on or measured by the net income of Lender) that may be payable or determined to be payable with respect to any of the Collateral or this Agreement.

SECTION 7. COVENANTS OF BORROWER

Borrower agrees as follows:

7.1 Financial Reports . Borrower shall furnish to Lender the financial statements and reports listed hereinafter (the "Financial Statements"):

(a) as soon as practicable (and in any event within 30 days) after the end of each month, unaudited interim and year-to-date financial statements as of the end of such month (prepared on a consolidated and consolidating basis, if applicable), consisting of a balance sheet and related statements of income, profit and loss and cash flows, all certified by Borrower's Chief Executive Officer or Chief Financial Officer;

(b) as soon as practicable (and in any event within 30 days) after the end of each calendar quarter, unaudited interim and year-to-date financial statements as of the end of such calendar quarter (prepared on a consolidated and consolidating basis, if applicable), including balance sheet and related statements of income and cash flows accompanied by a report detailing any material contingencies (including the commencement of any material litigation by or against Borrower) or any other occurrence that would reasonably be expected to have a Material Adverse Effect, certified by Borrower's Chief Executive Officer or Chief Financial Officer to the effect that they have been prepared in accordance with GAAP, except (i) for the absence of footnotes, and (ii) that they are subject to normal year-end adjustments; as well as the most recent capitalization table for Borrower, including the weighted average exercise price of employee stock options. Borrower's filing of the foregoing documents such that the same are publicly available on the Securities and Exchange Commission's "EDGAR" website shall be deemed to constitute furnishing such documents to Lender;

(c) as soon as practicable (and in any event within one hundred fifty (150) days) after the end of each fiscal year, unqualified audited financial statements as of the end of such year (prepared on a consolidated and consolidating basis, if applicable), including balance sheet and related statements of income and cash flows, and setting forth in comparative form the corresponding figures for the preceding fiscal year, certified by a firm of independent certified public accountants selected by Borrower and reasonably acceptable to Lender, accompanied by any management report from such accountants. Borrower's filing of the foregoing documents such that the same are publicly available on the Securities and Exchange Commission's "EDGAR" website shall be deemed to constitute furnishing such documents to Lender;

(d) as soon as practicable (and in any event within 30 days) after the end of each month, a Compliance Certificate in the form of Exhibit F;

(e) promptly after the sending or filing thereof, as the case may be, copies of any proxy statements, financial statements or reports that Borrower has made available to holders of its capital stock or other equity securities and copies of all regular, periodic and special reports or registration statements that Borrower files with the Securities and Exchange Commission or any governmental authority that may be substituted therefor, or any national securities exchange (including, without limitation, the NYSE MKT exchange). Borrower's filing of the foregoing documents such that the same are publicly available on the Securities and Exchange Commission's "EDGAR" website shall be deemed to constitute furnishing such documents to Lender; and

(f) financial and business projections promptly following their approval by Borrower's Board of Directors, as well as budgets, operating plans and other financial information reasonably requested by Lender or generally provided to security holders.

Except as required by applicable law, Borrower shall not make any change in its (a) accounting policies or reporting practices, or (b) fiscal years or fiscal quarters. The fiscal year of Borrower shall end on December 31.

The executed Compliance Certificate may be sent via facsimile to Lender at (650) 473-9194 or via e-mail to BJadot@HTGC.com. All Financial Statements required to be delivered pursuant to clauses (a), (b) and (c) shall be sent via e-mail to financialstatements@herculestech.com with a copy to BJadot@HTGC.com and NMartitsch@HTGC.com provided, that if e-mail is not available or sending such Financial Statements via e-mail is not possible, they shall be sent via facsimile to Lender at: (866) 468-8916, attention Chief Credit Officer.

7.2 Management Rights . Borrower shall permit any representative that Lender authorizes, including its attorneys and accountants, to inspect the Collateral and examine and make copies and abstracts of the books of account and records of Borrower at reasonable times and upon reasonable notice during normal business hours. Unless an Event of Default has occurred and is continuing, Lender may not make more than two (2) such inspections in any calendar quarter. In addition, any such representative shall have the right to meet with management and officers of Borrower to discuss such books of account and records. In addition, Lender shall be entitled at reasonable times and intervals to consult with and advise the management and officers of Borrower concerning significant business issues affecting Borrower (provided that Borrower shall not be obligated to (i) delay the making of any business decision in order to accommodate the receipt of any such advice or (ii) implement any such advice). Such consultations shall not unreasonably interfere with Borrower's business operations. The parties intend that the rights granted Lender shall constitute "management rights" within the meaning of 29 C.F.R Section 2510.3-101(d)(3)(ii), but that any advice, recommendations or participation by Lender with respect to any business issues shall not be deemed to give Lender, nor be deemed an exercise by Lender of, control over Borrower's management or policies.

7.3 Further Assurances . Borrower shall from time to time execute, deliver and file, alone or with Lender, any financing statements, security agreements, collateral assignments, notices, control agreements, or other documents to perfect or give the highest priority to Lender's Lien on the Collateral. Borrower shall from time to time procure any instruments or documents as may be requested by Lender, and take all further action that may be necessary or desirable, or that Lender may reasonably request, to perfect and protect the Liens granted hereby and thereby. In addition, and for such purposes only, Borrower hereby authorizes Lender to execute and deliver on behalf of Borrower and to file such financing statements, collateral assignments, notices, control agreements, security agreements and other documents without the signature of Borrower either in Lender's name or in the name of Lender as agent and attorney-in-fact for Borrower. Borrower shall protect and defend Borrower's title to the Collateral and Lender's Lien thereon against all Persons claiming any interest adverse to Borrower or Lender other than Permitted Liens.

7.4 Indebtedness . Borrower shall not create, incur, assume, guarantee or be or remain liable with respect to any Indebtedness, or permit any Subsidiary so to do, other than Permitted Indebtedness, or prepay any Indebtedness or take any actions which impose on Borrower an obligation to prepay any Indebtedness, except for the conversion of Indebtedness into equity securities and the payment of cash in lieu of fractional shares in connection with such conversion.

7.5 Liens . Borrower shall at all times keep the Collateral, the Intellectual Property and all other property and assets free and clear from any Liens whatsoever (except for Permitted Liens), and shall give Lender prompt written notice of any Liens thereon. Borrower shall cause its Subsidiaries to protect and defend such Subsidiary's title to its assets from and against all Persons claiming any interest adverse to such Subsidiary, and Borrower shall cause its Subsidiaries at all times to keep such Subsidiary's property and assets free and clear from any Liens whatsoever (except for Permitted Liens). Borrower shall not agree with any Person other than Lender not to encumber its property.

7.6 Investments . Borrower shall not directly or indirectly acquire or own, or make any Investment in or to any Person, or permit any of its Subsidiaries so to do, other than Permitted Investments.

7.7 Distributions . Borrower shall not, and shall not allow any Subsidiary to, (a) repurchase or redeem any class of stock, shares or other equity interest other than pursuant to employee, director or consultant repurchase plans or other similar agreements, provided, however, in each case the repurchase or redemption price does not exceed the original consideration paid for such stock, shares or equity interest, or (b) declare or pay any cash dividend or make a cash distribution on any class of stock, shares or other equity interest, except that a Subsidiary may pay dividends or make distributions to Borrower, or (c) lend money to any employees, officers or directors or guarantee the payment of any such loans granted by a third party in excess of $100,000 in the aggregate or (d) waive, release or forgive any indebtedness owed by any employees, officers or directors in excess of $100,000 in the aggregate.

7.8 Transfers . Except for Permitted Transfers, Borrower shall not voluntarily or involuntarily transfer, sell, lease, license, lend or in any other manner convey any equitable, beneficial or legal interest in any material portion of their assets.

7.9 Mergers or Acquisitions . Borrower shall not merge or consolidate, or permit any of its Subsidiaries to merge or consolidate, with or into any other business organization (other than mergers or consolidations of a Subsidiary (other than a Borrower) into another Subsidiary or into Borrower), or, except in connection with transactions permitted under clause (xi) in the definition of Permitted Investments, acquire, or permit any of its Subsidiaries to acquire, all or substantially all of the capital stock, shares or property of another Person.

7.10 Taxes . Borrower and its Subsidiaries shall pay when due all taxes, fees or other charges of any nature whatsoever (together with any related interest or penalties) now or hereafter imposed or assessed against Borrower, Lender or the Collateral or upon Borrower's ownership, possession, use, operation or disposition thereof or upon Borrower's rents, receipts or earnings arising therefrom. Borrower shall file on or before the due date therefor all personal property tax returns in respect of the Collateral. Notwithstanding the foregoing, Borrower may contest, in good faith and by appropriate proceedings, taxes for which Borrower maintains adequate reserves therefor in accordance with GAAP.

7.11 Corporate Changes . Neither Borrower nor any Subsidiary shall change its corporate name, legal form or jurisdiction of formation without twenty (20) days' prior written notice to Lender. Neither Borrower nor any Subsidiary shall relocate its chief executive office or its principal place of business unless: (i) it has provided prior written notice to Lender; and (ii) such relocation shall be within the continental United States or the State of Israel. Neither Borrower nor any Subsidiary shall relocate any item of Collateral (other than (x) sales or transfers of Inventory (including, without limitation, transfers of raw materials to outsourced manufacturers) in the ordinary course of business, (y) relocations of Equipment having an aggregate value of up to $150,000 in any fiscal year, and (z) relocations of Collateral from a location described on Exhibit C to another location described on Exhibit C) unless (i) it has provided prompt written notice to Lender, (ii) such relocation is within the continental United States or the State of Israel and, (iii) if such relocation is to a third party bailee, it has delivered a bailee agreement in form and substance reasonably acceptable to Lender.

7.12 Deposit Accounts . Neither Borrower nor any Subsidiary shall maintain any Deposit Accounts, or accounts holding Investment Property, except with respect to which an Account Control Agreement is in effect (provided that (a) an Account Control Agreement is not required with respect to any account listed on Exhibit E as of the Closing Date and which is not located in the United States, (b) Borrower shall have until the date that is sixty (60) days from the Closing Date to deliver to Lender an Account Control Agreement for Borrower's account(s) with Bank of America and (c) an Account Control Agreement is not required for any account located in a jurisdiction where an Account Control Agreement is not a legally accepted agreement. Borrower shall give Lender written notice within twenty (20) days of Borrower or any Subsidiary of Borrower opening or maintaining any Deposit Account or other account that is not listed on Exhibit E as of the Closing Date, and upon Lender's request, Borrower shall promptly provide Lender with current account statements with respect to any Deposit Account or other account of Borrower or any Subsidiary of Borrower.

7.13 Subsidiaries . Borrower shall notify Lender of each Subsidiary formed subsequent to the Closing Date and, within 15 days of formation, if requested by Lender, shall cause any such Subsidiary organized under the laws of any State within the United States to execute and deliver to Lender a Joinder Agreement and such other documents as shall be reasonably requested by Lender. In addition to and without limiting the foregoing, upon the occurrence of such date as when German Subsidiary first owns, holds, acquires or receives any assets with an aggregate value of at least Two Million Dollars ($2,000,000), within 15 days of such date, if requested by Lender, Borrower shall cause German Subsidiary to execute and deliver to Lender a Joinder Agreement and such other documents as shall be requested by Lender (but in any case including security documents under German law to grant Lender a first-priority perfected Lien in such assets of German Subsidiary as are consistent with the description of the Collateral hereunder (as if the Collateral were deemed to pertain to the assets of German Subsidiary)).

7.14 Designated Account . Maintain at all times in the Designated Account cash and cash equivalents, in each case unrestricted and unencumbered, in an aggregate amount of at least the lesser of (a) an amount equal to one hundred percent (100.0%) of the then outstanding principal amount of the Term Loan Advance and (b) an amount equal to seventy-five percent (75.0%) of the aggregate amount of all of Borrower's worldwide cash and cash equivalents.

7.15 Grants . Obtain the prior written consent of Lender before receiving any grants, funds or benefits, or filing for an application to receive funding from the Office of Chief Scientist, the Investment Center, the Binational Industrial Research and Development Foundation or any other governmental authority.

SECTION 8. RIGHT TO INVEST

8.1 Lender or its assignee or nominee shall have the right, in its discretion, to participate in any one or more Subsequent Financings in an aggregate amount, for all such Subsequent Financings in which Borrower and/or its assignee(s) or nominee(s) participate, of up to One Million Dollars ($1,000,000), on the same terms, conditions and pricing afforded to others participating in any such Subsequent Financing.

SECTION 9. EVENTS OF DEFAULT

The occurrence of any one or more of the following events shall be an Event of Default:

9.1 Payments . Borrower fails to pay any amount due under this Agreement or any of the other Loan Documents on the due date (or within three (3) days of the due date, provided that such late payment is due to an administrative error); or

9.2 Covenants . Borrower breaches or defaults in the performance of any covenant or Secured Obligation under this Agreement or any of the other Loan Documents, and (a) with respect to a default under any covenant under this Agreement (other than under Sections 6, 7.4, 7.5, 7.6, 7.7, 7.8, 7.9, 7.13, 7.14 or 7.15) such default continues for more than twenty (20) days after the earlier of the date on which (i) Lender has given notice of such default to Borrower and (ii) Borrower has actual knowledge of such default or (b) with respect to a default under any of Sections 6, 7.4, 7.5, 7.6, 7.7, 7.8, 7.9, 7.13, 7.14 or 7.15, the occurrence of such default; or

9.3 Material Adverse Effect . A circumstance has occurred that would reasonably be expected to have a Material Adverse Effect; or

9.4 Other Loan Documents . The occurrence of any default under any Loan Document or any other agreement between Borrower and Lender and such default continues for more than twenty (20) days after the earlier of (a) Lender has given notice of such default to Borrower, or (b) Borrower has actual knowledge of such default; or

9.5 Representations . Any representation or warranty made by Borrower in any Loan Document shall have been false or misleading in any material respect when made; or

9.6 Insolvency . Borrower (A) (i) shall make an assignment for the benefit of creditors; or (ii) shall be unable to pay its debts as they become due, or be unable to pay or perform under the Loan Documents, or shall become insolvent; or (iii) shall file a voluntary petition in bankruptcy; or (iv) shall file any petition, answer, or document seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation pertinent to such circumstances; or (v) shall seek or consent to or acquiesce in the appointment of any trustee, receiver, or liquidator of Borrower or of all or any substantial part (i.e., 33-1/3% or more) of the assets or property of Borrower; or (vi) shall cease operations of its business as its business has normally been conducted, or terminate substantially all of its employees; or (vii) Borrower or its directors or majority shareholders shall take any action initiating any of the foregoing actions described in clauses (i) through (vi); or (B) either (i) forty-five (45) days shall have expired after the commencement of an involuntary action against Borrower seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, without such action being dismissed or all orders or proceedings thereunder affecting the operations or the business of Borrower being stayed; or (ii) a stay of any such order or proceedings shall thereafter be set aside and the action setting it aside shall not be timely appealed; or (iii) Borrower shall file any answer admitting or not contesting the material allegations of a petition filed against Borrower in any such proceedings; or (iv) the court in which such proceedings are pending shall enter a decree or order granting the relief sought in any such proceedings; or (v) forty-five (45) days shall have expired after the appointment, without the consent or acquiescence of Borrower, of any trustee, receiver or liquidator of Borrower or of all or any substantial part of the properties of Borrower without such appointment being vacated; or

9.7 Attachments; Judgments . Any portion of Borrower's assets is attached or seized (and such attachment or seizure is not vacated within thirty (30) days), or a levy is filed against any such assets (and such levy is not vacated within thirty (30) days), or a final judgment or judgments is/are entered for the payment of money, individually or in the aggregate, of at least $1,000,000, or Borrower is enjoined or in any way prevented by court order from conducting any material part of its business; or

9.8 Other Obligations . The occurrence of any default under any agreement or obligation of Borrower involving any Indebtedness in excess of $250,000, or the occurrence of any default under any agreement or obligation of Borrower that could reasonably be expected to have a Material Adverse Effect.

SECTION 10. REMEDIES

10.1 General . Upon and during the continuance of any one or more Events of Default, (i) Lender may, at its option, accelerate and demand payment of all or any part of the Secured Obligations together with a Prepayment Charge and declare them to be immediately due and payable (provided, that upon the occurrence of an Event of Default of the type described in Section 9.6, all of the Secured Obligations shall automatically be accelerated and made due and payable, in each case without any further notice or act), and (ii) Lender may notify any of Borrower's account debtors to make payment directly to Lender, compromise the amount of any such account on Borrower's behalf and endorse Lender's name without recourse on any such payment for deposit directly to Lender's account. Lender may exercise all rights and remedies with respect to the Collateral under the Loan Documents or otherwise available to it under the UCC and other applicable law, including the right to release, hold, sell, lease, liquidate, collect, realize upon, or otherwise dispose of all or any part of the Collateral and the right to occupy, utilize, process and commingle the Collateral. All Lender's rights and remedies shall be cumulative and not exclusive. Lender agrees that it shall not give any notice of exclusive control under an Account Control Agreement with respect to Borrower except upon and during the continuance of any one or more Events of Default.

10.2 Collection; Foreclosure . Upon the occurrence and during the continuance of any Event of Default, Lender may, at any time or from time to time, subject to applicable law, apply, collect, liquidate, sell in one or more sales, lease or otherwise dispose of, any or all of the Collateral, in its then condition or following any commercially reasonable preparation or processing, in such order as Lender may elect. Any such sale may, subject to applicable law, be made either at public or private sale at its place of business or elsewhere. Borrower agrees that any such public or private sale may, to the extent otherwise consistent with applicable law, occur upon ten (10) calendar days' prior written notice to Borrower. Lender may require Borrower to assemble the Collateral and make it available to Lender at a place designated by Lender that is reasonably convenient to Lender and Borrower. The proceeds of any sale, disposition or other realization upon all or any part of the Collateral shall be applied by Lender in the following order of priorities:

First, to Lender in an amount sufficient to pay in full Lender's costs and professionals' and advisors' fees and expenses as described in Section 11.11;

Second, to Lender in an amount equal to the then unpaid amount of the Secured Obligations (including principal, interest, and the Default Rate interest), in such order and priority as Lender may choose in its sole discretion; and

Finally, after the full, final, and indefeasible payment in cash of all of the Secured Obligations, to any creditor holding a junior Lien on the Collateral, or to Borrower or its representatives or as a court of competent jurisdiction may direct.

10.3 No Waiver . Lender shall be under no obligation to marshal any of the Collateral for the benefit of Borrower or any other Person, and Borrower expressly waives all rights, if any, to require Lender to marshal any Collateral.

10.4 Cumulative Remedies . The rights, powers and remedies of Lender hereunder shall be in addition to all rights, powers and remedies given by statute or rule of law and are cumulative. The exercise of any one or more of the rights, powers and remedies provided herein shall not be construed as a waiver of or election of remedies with respect to any other rights, powers and remedies of Lender.

SECTION 11. MISCELLANEOUS

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

11.2 Notice . Except as otherwise provided herein, any notice, demand, request, consent, approval, declaration, service of process or other communication (including the delivery of Financial Statements) that is required, contemplated, or permitted under the Loan Documents or with respect to the subject matter hereof shall be in writing, and shall be deemed to have been validly served, given, delivered, and received upon: (i) the day of transmission where delivered by facsimile (but solely to the extent a transmission confirmation is obtained); (ii) the day of delivery where delivered by hand delivery or by an overnight express service or overnight mail delivery service; or (iii) the third Business Day after deposit in the United States mails, with proper first class postage prepaid, in each case addressed to the party to be notified as follows:

If to Lender: HERCULES TECHNOLOGY GROWTH CAPITAL, INC.
Legal Department
Attention: Chief Legal Officer and Mr. Bryan Jadot
400 Hamilton Avenue, Suite 310
Palo Alto, California 94301
Facsimile: 650-473-9194
Telephone: 650-289-3060

If to Borrower: INSPIREMD, INC. and INSPIRE M.D LTD
Attention: Craig Shore
800 Boylston Street, Suite 1600
Boston, Massachusetts 02199
Facsimile: 972-3-691-7692
Telephone: 617-970-5896

or to such other address as each party may designate for itself by like notice. Notwithstanding the above, if any notice is received on a day other than a Business Day, the date of receipt shall be the first Business Day following the day on which such notice was otherwise deemed received pursuant hereto.

11.3 Entire Agreement; Amendments . This Agreement and the other Loan Documents constitute the entire agreement and understanding of the parties hereto in respect of the subject matter hereof and thereof, and supersede and replace in their entirety any prior proposals, term sheets, non-disclosure or confidentiality agreements, letters, negotiations or other documents or agreements, whether written or oral, with respect to the subject matter hereof or thereof (including Lender's revised proposal letter dated October 1, 2013). None of the terms of this Agreement or any of the other Loan Documents may be amended except by an instrument executed by each of the parties hereto.

11.4 No Strict Construction . The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

11.5 No Waiver . The powers conferred upon Lender by this Agreement are solely to protect its rights hereunder and under the other Loan Documents and its interest in the Collateral and shall not impose any duty upon Lender to exercise any such powers. No omission or delay by Lender at any time to enforce any right or remedy reserved to it, or to require performance of any of the terms, covenants or provisions hereof by Borrower at any time designated, shall be a waiver of any such right or remedy to which Lender is entitled, nor shall it in any way affect the right of Lender to enforce such provisions thereafter.

11.6 Survival . All agreements, representations and warranties contained in this Agreement, the Debentures and the other Loan Documents or in any document delivered pursuant hereto or thereto shall be for the benefit of Lender and shall survive the execution and delivery of this Agreement and the expiration or other termination of this Agreement.

11.7 Successors and Assigns . The provisions of this Agreement and the other Loan Documents shall inure to the benefit of and be binding on Borrower and its permitted assigns (if any). Borrower shall not assign its obligations under this Agreement or any of the other Loan Documents without Lender's express prior written consent, and any such attempted assignment shall be void and of no effect. Lender may assign, transfer, or endorse its rights hereunder and under the other Loan Documents without prior notice to Borrower, and all of such rights shall inure to the benefit of Lender's successors and assigns.

11.8 Governing Law . This Agreement and the other Loan Documents have been negotiated and delivered to Lender in the State of California, and shall have been accepted by Lender in the State of California. Payment to Lender by Borrower of the Secured Obligations is due in the State of California. This Agreement and the other Loan Documents shall be governed by, and construed and enforced in accordance with, the laws of the State of California (except for the Debentures, which shall be governed by, and construed and enforced in accordance with, the laws of the State of Israel), excluding conflict of laws principles that would cause the application of laws of any other jurisdiction.

11.9 Consent to Jurisdiction and Venue . All judicial proceedings (to the extent that the reference requirement of Section 11.10 is not applicable) arising in or under or related to this Agreement or any of the other Loan Documents may be brought in any state or federal court located in the State of California. By execution and delivery of this Agreement, each party hereto generally and unconditionally: (a) consents to nonexclusive personal jurisdiction in Santa Clara County, State of California; (b) waives any objection as to jurisdiction or venue in Santa Clara County, State of California; (c) agrees not to assert any defense based on lack of jurisdiction or venue in the aforesaid courts; and (d) irrevocably agrees to be bound by any judgment rendered thereby in connection with this Agreement or the other Loan Documents. Service of process on any party hereto in any action arising out of or relating to this Agreement shall be effective if given in accordance with the requirements for notice set forth in Section 11.2, and shall be deemed effective and received as set forth in Section 11.2. Nothing herein shall affect the right to serve process in any other manner permitted by law or shall limit the right of either party to bring proceedings in the courts of any other jurisdiction.

11.10 Mutual Waiver of Jury Trial / Judicial Reference .

(a) Because disputes arising in connection with complex financial transactions are most quickly and economically resolved by an experienced and expert person and the parties wish applicable state and federal laws to apply (rather than arbitration rules), the parties desire that their disputes be resolved by a judge applying such applicable laws. EACH OF BORROWER AND LENDER SPECIFICALLY WAIVES ANY RIGHT IT MAY HAVE TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, CROSS-CLAIM, COUNTERCLAIM, THIRD PARTY CLAIM OR ANY OTHER CLAIM (COLLECTIVELY, "CLAIMS") ASSERTED BY BORROWER AGAINST LENDER OR ITS ASSIGNEE OR BY LENDER OR ITS ASSIGNEE AGAINST BORROWER. This waiver extends to all such Claims, including Claims that involve Persons other than Borrower and Lender; Claims that arise out of or are in any way connected to the relationship between Borrower and Lender; and any Claims for damages, breach of contract, tort, specific performance, or any equitable or legal relief of any kind, arising out of this Agreement, any other Loan Document.

(b) If the waiver of jury trial set forth in Section 11.10(a) is ineffective or unenforceable, the parties agree that all Claims shall be resolved by reference to a private judge sitting without a jury, pursuant to Code of Civil Procedure Section 638, before a mutually acceptable referee or, if the parties cannot agree, a referee selected by the Presiding Judge of the Santa Clara County, California. Such proceeding shall be conducted in Santa Clara County, California, with California rules of evidence and discovery applicable to such proceeding.

(c) In the event Claims are to be resolved by judicial reference, either party may seek from a court identified in Section 11.9, any prejudgment order, writ or other relief and have such prejudgment order, writ or other relief enforced to the fullest extent permitted by law notwithstanding that all Claims are otherwise subject to resolution by judicial reference.

11.11 Professional Fees . Borrower promises to pay Lender's fees and expenses necessary to finalize the loan documentation, including but not limited to reasonable attorneys' fees, UCC and other lien searches, filing costs, and other miscellaneous expenses. In addition, Borrower promises to pay any and all reasonable attorneys' and other professionals' fees and expenses (including fees and expenses of in-house counsel) incurred by Lender after the Closing Date in connection with or related to: (a) the Term Loan Advance; (b) the administration, collection, or enforcement of the Term Loan Advance; (c) the amendment or modification of the Loan Documents; (d) any waiver, consent, release, or termination under the Loan Documents; (e) the protection, preservation, sale, lease, liquidation, or disposition of Collateral or the exercise of remedies with respect to the Collateral; (f) any legal, litigation, administrative, arbitration, or out of court proceeding in connection with or related to Borrower or the Collateral, and any appeal or review thereof; and (g) any bankruptcy, restructuring, reorganization, assignment for the benefit of creditors, workout, foreclosure, or other action related to Borrower, the Collateral, the Loan Documents, including representing Lender in any adversary proceeding or contested matter commenced or continued by or on behalf of Borrower's estate, and any appeal or review thereof.

11.12 Confidentiality . Lender acknowledges that certain items of Collateral and information provided to Lender by Borrower are confidential and proprietary information of Borrower, if and to the extent such information either (x) is marked as confidential by Borrower at the time of disclosure, or (y) should reasonably be understood to be confidential (the "Confidential Information"). Accordingly, Lender agrees that any Confidential Information it may obtain in the course of acquiring, administering, or perfecting Lender's security interest in the Collateral shall not be disclosed to any other person or entity in any manner whatsoever, in whole or in part, without the prior written consent of Borrower, except that Lender may disclose any such information: (a) to its own directors, officers, employees, accountants, counsel and other professional advisors and to its affiliates if Lender in its sole discretion determines that any such party should have access to such information in connection with such party's responsibilities in connection with the Term Loan Advance or this Agreement and, provided that such recipient of such Confidential Information either (i) agrees to be bound by the confidentiality provisions of this paragraph or (ii) is otherwise subject to confidentiality restrictions that reasonably protect against the disclosure of Confidential Information; (b) if such information is generally available to the public; (c) if required or appropriate in any report, statement or testimony submitted to any governmental authority having or claiming to have jurisdiction over Lender; (d) if required or appropriate in response to any summons or subpoena or in connection with any litigation, to the extent permitted or deemed advisable by Lender's counsel; (e) to comply with any legal requirement or law applicable to Lender; (f) to the extent reasonably necessary in connection with the exercise of any right or remedy under any Loan Document, including Lender's sale, lease, or other disposition of Collateral after default; (g) to any participant or assignee of Lender or any prospective participant or assignee; provided, that such participant or assignee or prospective participant or assignee agrees in writing to be bound by this Section prior to disclosure; or (h) otherwise with the prior consent of Borrower; provided, that any disclosure made in violation of this Agreement shall not affect the obligations of Borrower or any of its affiliates or any guarantor under this Agreement or the other Loan Documents.

11.13 Assignment of Rights . Borrower acknowledges and understands that Lender may sell and assign all or part of its interest hereunder and under the Loan Documents to any person or entity (an "Assignee"). After such assignment the term "Lender" as used in the Loan Documents shall mean and include such Assignee, and such Assignee shall be vested with all rights, powers and remedies of Lender hereunder with respect to the interest so assigned; but with respect to any such interest not so transferred, Lender shall retain all rights, powers and remedies hereby given. No such assignment by Lender shall relieve Borrower of any of its obligations hereunder. Lender agrees that in the event of any transfer by it of the Note(s)(if any), it will endorse thereon a notation as to the portion of the principal of the Note(s), which shall have been paid at the time of such transfer and as to the date to which interest shall have been last paid thereon.

11.14 Revival of Secured Obligations . This Agreement and the Loan Documents shall remain in full force and effect and continue to be effective if any petition is filed by or against Borrower for liquidation or reorganization, if Borrower becomes insolvent or makes an assignment for the benefit of creditors, if a receiver or trustee is appointed for all or any significant part of Borrower's assets, or if any payment or transfer of Collateral is recovered from Lender. The Loan Documents and the Secured Obligations and Collateral security shall continue to be effective, or shall be revived or reinstated, as the case may be, if at any time payment and performance of the Secured Obligations or any transfer of Collateral to Lender, or any part thereof is rescinded, avoided or avoidable, reduced in amount, or must otherwise be restored or returned by, or is recovered from, Lender or by any obligee of the Secured Obligations, whether as a "voidable preference," "fraudulent conveyance," or otherwise, all as though such payment, performance, or transfer of Collateral had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, avoided, avoidable, restored, returned, or recovered, the Loan Documents and the Secured Obligations shall be deemed, without any further action or documentation, to have been revived and reinstated except to the extent of the full, final, and indefeasible payment to Lender in cash.

11.15 Counterparts . This Agreement and any amendments, waivers, consents or supplements hereto may be executed in any number of counterparts, and by different parties hereto in separate counterparts, each of which when so delivered shall be deemed an original, but all of which counterparts shall constitute but one and the same instrument.

11.16 No Third Party Beneficiaries . No provisions of the Loan Documents are intended, nor will be interpreted, to provide or create any third-party beneficiary rights or any other rights of any kind in any person other than Lender and Borrower unless specifically provided otherwise herein, and, except as otherwise so provided, all provisions of the Loan Documents will be personal and solely between the Lender and the Borrower.

11.17 Publicity . Lender may use Borrower's name and logo, and include a brief description of the relationship between Borrower and Lender, in Lender's marketing materials. (a) Borrower consents to the publication and use by Lender and any of its member businesses and affiliates of (i) Borrower's name (including a brief description of the relationship between Borrower and Lender) and logo and a hyperlink to Borrower's web site, separately or together, in written and oral presentations, advertising, promotional and marketing materials, client lists, public relations materials or on its web site (together, the "Lender Publicity Materials"); (ii) the names of officers of Borrower in the Lender Publicity Materials; and (iii) Borrower's name, trademarks or servicemarks in any news release concerning Lender.

(b) Neither Borrower nor any of its member businesses and affiliates shall, without Lender's consent, publicize or use (i) Lender's name (including a brief description of the relationship between Borrower and Lender), logo or hyperlink to Lender's web site, separately or together, in written and oral presentations, advertising, promotional and marketing materials, client lists, public relations materials or on its web site, but excluding (A) any required filings with the Securities and Exchange Commission or any other governmental authority with jurisdiction over Borrower and (B) a press release with respect to this Agreement in a form previously approved by Lender in writing (together, the "Borrower Publicity Materials"); (ii) the names of officers of Lender in the Borrower Publicity Materials; and (iii) Lender's name, trademarks, servicemarks in any news release concerning Borrower.

(SIGNATURES TO FOLLOW)

IN WITNESS WHEREOF, Borrower and Lender have duly executed and delivered this Loan and Security Agreement as of the day and year first above written.

BORROWER:

INSPIREMD, INC.

Signature: /s/ Craig Shore
Print Name: Craig Shore
Title: Chief Financial Officer

INSPIRE M.D LTD

Signature: /s/ Craig Shore
Print Name: Craig Shore
Title: Chief Financial Officer

Accepted in Palo Alto, California:

LENDER:

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

Signature: /s/ K. Nicholas Martitsch
Print Name: K. Nicholas Martitsch
Title: Associate General Counsel

ADDENDUM 1

[See attached Amortization Schedule

INSPIREMD

Loan Amount: $10,000,000

Term Loan
Loan Amount: $10,000,000
Interest Rate: 10.50%
Amortization (Months): 30
Payment: ($380,443.12)

Amortization Calculation Term A:

Month	Beginning Loan Balance ($)	Principal Payment ($)	Ending Loan Balance ($)	Interest Payment on $10 million ($)	End of Term Fee ($)	Total Payment ($)
10/24/2013	10,000,000.00	-	10,000,000.00	-	-	-
12/1/2013	10,000,000.00	-	10,000,000.00	(110,833.33)	-	(110,833.33)
1/1/2014	10,000,000.00	-	10,000,000.00	(90,416.67)	-	(90,416.67)
2/1/2014	10,000,000.00	-	10,000,000.00	(90,416.67)	-	(90,416.67)
3/1/2014	10,000,000.00	-	10,000,000.00	(81,666.67)	-	(81,666.67)
4/1/2014	10,000,000.00	-	10,000,000.00	(90,416.67)	-	(90,416.67)
5/1/2014	10,000,000.00	-	10,000,000.00	(87,500.00)	-	(87,500.00)
6/1/2014	10,000,000.00	-	10,000,000.00	(90,416.67)	-	(90,416.67)
7/1/2014	10,000,000.00	-	10,000,000.00	(87,500.00)	-	(87,500.00)
8/1/2014	10,000,000.00	-	10,000,000.00	(90,416.67)	-	(90,416.67)
9/1/2014	10,000,000.00	(290,026.45)	9,709,973.35	(90,416.67)	-	(380,443.12)
10/1/2014	9,709,973.55	(295,480.85)	9,414,492.70	(84,962.27)	-	(380,443.12)
11/1/2014	9,414,492.70	(295,320.42)	9,119,172.28	(85,122.70)	-	(380,443.12)
12/1/2014	9,119,172.28	(300,650.36)	8,818,521.92	(79,792.76)	-	(380,443.12)
1/1/2015	8,818,521.92	(300,708.98)	8,517,812.93	(79,734.14)	-	(380,443.12)
2/1/2015	8,517,812.93	(303,427.89)	8,214,385.04	(77,015.23)	-	(380,443.12)
3/1/2015	8,214,385.04	(313,358.98)	7,901,026.06	(67,084.14)	-	(380,443.12)
4/1/2015	7,901,026.06	(309,004.68)	7,592,021.39	(71,438.44)	-	(380,443.12)
5/1/2015	7,592,021.39	(314,012.93)	7,278,008.45	(66,430.19)	-	(380,443.12)
6/1/2015	7,278,008.45	(314,637.79)	6,963,370.66	(65,805.33)	-	(380,443.12)
7/1/2015	6,963,370.66	(319,513.63)	6,643,857.03	(60,929.49)	-	(380,443.12)
8/1/2015	6,643,857.03	(320,371.58)	6,323,485.45	(60,071.54)	-	(380,443.12)
9/1/2015	6,323,485.45	(323,268.27)	6,000,217.18	(57,174.85)	-	(380,443.12)
10/1/2015	6,000,217.18	(327,941.22)	5,672,275.96	(52,501.90)	-	(380,443.12)
11/1/2015	5,672,275.96	(329,156.29)	5,343,119.67	(51,286.83)	-	(380,443.12)
12/1/2015	5,343,119.67	(333,690.82)	5,009,428.85	(46,752.30)	-	(380,443.12)
1/1/2016	5,009,428.85	(335,149.53)	4,674,279.31	(45,293.59)	-	(380,443.12)
2/1/2016	4,674,279.31	(331,179.84)	4,336,099.47	(42,263.28)	-	(380,443.12)
3/1/2016	4,336,099.47	(343,766.95)	3,992.332.32	(36,676.17)	-	(380,443.12)
4/1/2016	3,992,332.52	(344,345.38)	3,647,986.74	(36,097.34)	-	(380,443.12)
5/1/2016	3,647,986.74	(348,523.24)	3,299,463.31	(31,919.88)	-	(380,443.12)
6/1/2016	3,299,463.51	(350,610.47)	2,948,853.03	(29,832.65)	-	(380,443.12)
7/1/2016	2,948,853.03	(354,640.66)	2,594,212.38	(25,802.46)	-	(380,443.12)
8/1/2016	2,594,212.38	(356,987.12)	2,237,225.26	(23,456.00)	-	(380,443.12)
9/1/2016	2,237,225.26	(360,214.88)	1,877,010.39	(20,228.25)	-	(380,443.12)
10/1/2016	1,877,010.39	(364,019.28)	1,512,991.11	(16,423.84)	-	(380,443.12)
11/1/2016	1,512,991.11	(366,763.16)	1,146,227.95	(13,679.96)	-	(380,443.12)
12/1/2016	1,146,227.95	(370,413.63)	775,814.32	(10,029.49)	-	(380,443.12)

1/1/2017	775,814.32	(373,428.47)	402,385.86	(7,014.65)	-	(380,443.12)
2/1/2017	402,385.86	(376,804.88)	25,580.98	(3,638.24)	(500,000)	(880,443.12)
2/1/2017	25,580.98	(25,580.98)	(0.00)			(25,580.98)

DEBENTURE

Made and executed this 23 day of October 2013

WHEREAS, the undersigned, **Inspire M.D Ltd** , a limited liability company organised and existing under the laws of the State of Israel with its registered office at 4 Menorat Hamaor St., Tel Aviv, 6744831, Israel (hereinafter: the " **Pledgor** "), intends to receive, jointly and severally with its parent company, **InspireMD, Inc.** (hereinafter: the " **Parent** ") from Hercules Technology Growth Capital, Inc., a Maryland corporation with its registered office at 400 Hamilton Avenue, Suite 310, Palo Alto, California 94301 (hereinafter: the " **Lender** "), a loan or loans, for such purpose and on such conditions as specified in the provisions of that certain Loan and Security Agreement entered into between and among the Lender, the Pledgor and the Parent on October 23 rd , 2013 (hereinafter, as may be amended, restated, replaced or supplemented from time to time in accordance with its terms, and together with the Loan Documents (as defined thereunder), collectively, the " **Loan Agreement** "); 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 to the Lender in connection with the Loan Documents, all in accordance with the terms hereinafter contained.

NATURE OF THE DEBENTURE

1. This Debenture has been made to secure the full and punctual payment of all the sums due and to become due to the Lender from the Pledgor in connection with the Loan Agreement, including without limitations in connection with the Secured Obligations (as defined in the Loan Agreement) whether due from the Pledgor alone or jointly with others, whether the Pledgor 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 direct expenses, including costs required for realising the collateral security, reasonable lawyers fees, insurance, stamp duty 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 Lender in any manner whatsoever in respect of linked principal and interest and any other linked sum all in accordance with the terms of the Loan Agreement (all the foregoing sums being jointly and severally hereinafter referred to as the " **Secured Sums** ").

PLEDGE AND 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 Lender and its successors by way of a first ranking fixed charge and pledge, and by an assignment by way of pledge, as applicable, (i) all Pledgor's rights to receive funds from its customers listed under **Appendix A** attached hereto (the " **Customers List** "), (ii) each outstanding account as specified in **Appendix B** attached hereto (the " **Pledged Accounts** "), and (iii) all the fixed assets listed under **Appendix C** (the " **Equipment List** "); (hereinafter, jointly and severally, the " **Charged Property** ").

It is hereby agreed and acknowledged that the description of the Charged Property, including without limitations, the Customers List, the Pledged Accounts and the Equipment List, shall be amended and updated from time to time by the Pledgor, in accordance with the provisions hereof and the provisions of the Loan Agreement.

3. The pledge and charge 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.

4. RESERVED

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;

(b) That the Charged Property is, in its entirety, in the exclusive possession and ownership of the Pledgor, except as specifically permitted under the Loan 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;

(e) That no assignment of rights or other disposition has occurred derogating from the value of the Charged Property.

(f) The Pledgor has received all permits, consents and authorizations that shall be necessary or required to consummate this Debenture.

COVENANTS OF THE PLEDGOR

6. The Pledgor hereby covenants as follows, as long as the fixed charge created by this Debenture is in force and until the Lender has certified in writing that this Debenture is terminated:

(a) To hold the Charged Property in accordance with the provisions of the Loan Agreement;

(b) To observe and perform, in all material respects, all covenants and obligations of the Pledgor in connection with each Pledged Account, and any of the related agreements to which Pledgor is a party or by which it is bound.

(c) 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 Lender as specifically permitted under the Loan Agreement;

(d) To notify the Lender forthwith of the levying of any attachment on the Charged Property, to forthwith notify the attachor of the charge in favour of the Lender and to take at the Pledgor's own expense immediately and without delay all such measures as are required for discharging such attachment;

(e) Not to charge or pledge in any manner or way the Charged Property by conferring any rights ranking *pari-passu* , prior to or deferred to the rights of the Lender 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 Lender, except as specifically permitted under the Loan Agreement;

(f) To be liable towards the Lender for any defect in the Pledgor's title to the Charged Property and/or any default thereunder and to bear the responsibility for the authenticity, regularity and correctness of all the signatures, endorsements and particulars of any Bills, documents, instruments and securities which have been or may be delivered to the Lender by way of collateral security;

(g) 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 Lender, at its request, with all the receipts for such payments. If the Pledgor fails to make such payments when due, the Lender may pay the same for the account of the Pledgor and debit the Pledgor with the payment thereof coupled with expenses, and Interest at the Default Rate. Such payments shall be secured by this Debenture;

(h) Not to voluntarily wind up, liquidate or dissolve, sell, exchange, lease, transfer or otherwise dispose of all or substantially all its properties and assets;

(i) That no structural change is or will be effected in the Pledgor and/or that no change of control in the Pledgor will occur, except as specifically permitted under the Loan Agreement;

(j) Not to create, incur, assume, allow, or suffer to be created or exist any Lien (as defined under the Loan Agreement), and give Lender prompt written notice of any Liens thereon, on any of Pledgor's, Parent's or any subsidiary's property, including for the avoidance of doubt, the Intellectual Property (as defined under the Loan Agreement), or assign or convey any right to receive income, including the sale of any of Pledgor's, Parent's or any subsidiary's accounts, or permit any collateral not to be subject to the first priority security interest granted in the Loan Agreement, or the charges granted hereunder or under any other Loan Documents (as defined under the Loan Agreement), or agree with any Person other than Lender to encumber its property, Parent's or any subsidiary's propery, all of the above, except for Permitted Liens (as defined under the Loan Agreement).

7. The Pledgor undertakes to notify the Lender forthwith upon its becoming aware of any of the following:

(a) of any claim of right to any collateral security given to the Lender 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 13 hereof;

(c) of any material reduction in value of collateral security granted;

(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;

(e) of any change of address.

INSURANCE

8. The Pledgor hereby undertakes to keep the Charged Property insured at all times as provided in the Loan Agreement.

9. All the rights of the Pledgor deriving from the insurance of the Charged Property, as in force at any relevant time and under any other law, whether or not assigned to the Lender as aforesaid, are hereby charged to the Lender by way of a first ranking fixed charge and pledge.

INTEREST

10. The Lender 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 Lender and the Pledgor according to the terms of the Loan Agreement.

REPAYMENT DATES

11. The Pledgor hereby undertakes to pay, including through the Parent, the Lender all and any of the Secured Sums promptly on the maturity dates prescribed or which may be prescribed therefore from time to time.

12. Except as specifically permitted under the Loan Agreement, the Lender may decline to accept any prepayment of the Secured Sums or pay 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.

Except as specifically permitted under the Loan Agreement, 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 Pledge Law, 5727-1967, or any other statutory provisions in substitution therefore.

13. Without derogating from the generality of the provisions of this Debenture, the Lender shall be entitled to demand the immediate payment of the Secured Sums and to debit any account of the Pledgor with the amount thereof in any one of the events enumerated below, in which case the Pledgor undertakes to pay the Lender all of the Secured Sums, and the Lender shall be entitled to take whatever steps it sees fit for the collection of the Secured Sums and to realise, at the Pledgor's expense, the collateral securities by any means allowed by law:

(a) The Pledgor is in breach of any of its obligations, undertakings, representations or warranties under this Debenture (the foregoing shall not derogate from any right, under any law, granted to the Lender in respect of any other breach), and such breach was not cured within ten (10) days following the occurrence of such breach; and/or;

(b) There occurs and continues to subsist an event which gives the Lender right to demand payment, under any of the Loan Documents signed between the Pledgor and the Lender, including, *inter alia* , under the Loan Agreement, provided that any period (if any) given to the Pledgor to effect payment or cure any other failure thereof, respectively, under such document shall have elapsed and as long as such payment or cure is not actually effected.

RIGHTS OF THE LENDER

14. The Lender shall have the right of possession, lien, set-off and charge over any amounts, assets and/or rights including securities, coins, gold, banknotes, documents in respect of goods, insurance policies, Bills, assignments of rights, deposits, collaterals and their countervalue, in the possession of or under the control of the Lender 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 Lender 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 countervalue thereof in whole or in part in payment of the Secured Sums.

15. The Pledgor confirms that the Lender's books, accounts and entries shall be binding upon the Pledgor, shall be deemed to be correct and shall serve as prima facie evidence against the Pledgor in all their particulars, including all reference to the computation of the Secured Sums. Notwithstanding the aforementioned, this Section shall in no way derogate from the rights or arguments of the Pledgor and the validity or effectiveness thereof regarding any claims in respect of inaccuracies, mistakes or other errors in the Lender’s books, accounts and entries.

16. Without derogating from the other provisions contained in this Debenture, any waiver, extension, concession, acquiescence or forbearance (hereinafter: “ **waiver** ”) on the Lender'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 Lender of any rights but as a limited consent given in respect of the specific instance.

17. In any of the events enumerated in Clause 13 hereof:

(a) The Lender shall be entitled to adopt all the measures it deems fit and allowed by applicable law in order to recover the Secured Sums and realise 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 Lender first being required to realise any other guarantees or collateral securities, if such be held by the Lender.

(b) Should the Lender decide to realise securities, Bills and other negotiable instruments, in accordance with Section 4(2) of the Pledge Law 5727-1967, then ten (10) days' advance notice regarding the steps that the Lender intends to take shall be deemed to be reasonable advance notice for the purpose of Section 19(b) of the Pledge Law, 5727-1967 or any other statutory provisions in substitution therefor.

(c) As long as the Secured Sums are not paid in full, the Lender may, realize the Charged Property 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 Lender. 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 arrangement 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 Lender 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 Lender shall determine in its sole discretion subject to the provisions of applicable law.

18. 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 Lender contingently only, then the Lender 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 Lender as security for, and be held by the Lender until the discharge in full of, the Secured Sums.

NATURE OF THE COLLATERAL SECURITY

19. The collateral securities which have been or may be given to the Lender under this Debenture shall be continuing and revolving securities and shall remain in force until all Secured Sums have been fully discharged. Promptly after the full discharge of the Secured Sums, the Lender shall certify in writing at the request of Pledgor, that this Debenture and any Lien hereunder is terminated and also, at the request of Borrower, execute and provide the Pledgor with any documents reasonably necessary in order to remove the charge created by this Debenture.

20. All collateral securities and guarantees which have been or may be given to the Lender for payment of the Secured Sums shall be independent of one another.

21. 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 securities 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 Lender with respect to the Pledgor and/or the Parent or any subsidiary or by any variation in the Pledgor’s and/or the Parent's obligations towards the Lender in connection with the Secured Sums or by any release or waiver by the Lender of any other collateral security or guarantees.

22. The Lender may deposit all or any of the collaterals 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 Lender 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

23. The Lender may at any time at its own discretion and without the Pledgor's consent being required, assign this Debenture and its rights arising thereunder together, and not separately, with the assignment of all of its rights and obligations under the Loan Agreement, including the collaterals in whole or in part and any assignee may also reassign the said rights without any further consent being required from the Pledgor. Such assignment may be effected by endorsement on this Debenture or in any other way the Lender or any subsequent assignor deems fit.

NOTICE OF OBJECTION

24. The Pledgor undertakes to notify the Lender 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 Lender including information received through any automatic terminal facility.

EXPENSES

25. All the expenses in connection with this Debenture as detailed in the Loan Agreement and in any other Loan Documents signed between the Lender and the Pledgor, including the fee for preparing credit and security documents, the stamping and registration of documents, and all and any expenses involved in the realisation of the collateral security and institution of proceedings for collection (including the reasonable fees of the Lender’s lawyers), insurance, safe-keeping, maintenance and repair of the Charged property – shall be paid by the Pledgor to the Lender on its first demand, 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. The Lender may debit the Pledgor with the aforesaid expenses, together with interest thereon.

LIABILITY OF THE PLEDGOR

26. Should the Pledgor consist of two or more persons or entities, the Pledgor's liability shall be joint and several and all the parties comprising the Pledgor shall be jointly and severally liable for the performance of all the Pledgor's obligations hereunder and/or in connection with the Secured Sums, or any other liability incurred by, any party comprising the Pledgor shall be deemed to have been received or incurred by all the parties comprising the Pledgor. However, if any of the parties comprising the Pledgor is or becomes legally incompetent or is or becomes in any way discharged of his liability for the performance of any of the Pledgor's obligations as aforesaid, the liability of all of the other parties comprising the Pledgor shall not be affected thereby.

INTERPRETATION; AMENDMENT

27. 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 Loan Agreement and any other related document.

28. In this Debenture - (a) the singular includes the plural and vice versa; (b) the masculine gender includes the feminine gender and vice versa; (c) " **Lender** " means Hercules Technology Growth Capital, Inc., its assigns, successors, or attorneys-in-fact; (d) " **Bills** " means: promissory notes, bills of exchange, cheques, undertakings, guarantees, sureties, assignments, bills of lading, deposit notes and any other negotiable instruments (e) " **Interest at the Default Rate** " means interest at such default rate as is defined in the Loan Agreement; (f) the headings are only indicative and are not to be used in construing this Debenture; (g) the recitals hereto form an integral part hereof.

29. 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 both parties only.

30. To the extent required, this Debenture may be translated into Hebrew for the sole purposes of the registration and filing of this Debenture with the Israeli Registrar of Companies and/or any other relevant Israeli official registrations. Notwithstanding the aforesaid, the executed English version of this Debenture shall prevail and supersede for all purposes and for all respects, in the event of any discrepancy or inconsistency between the English version and the translation.

NOTICES AND WARNINGS

31.

(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 or by electronic mail.

(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 the Pledgor</u> :

Inspire M.D Ltd
4 Menorat Hamaor St.,
Tel Aviv, 6744831, Israel
Attn.: Craig Shore
Fax: +972 (3) 691 7692
Email: craigs@inspiremd.com

with a copy (which will not constitute notice) to:

Haynes and Boone, LLP
Attn.: Todd Ransom, Esquire
30 Rockefeller Plaza 26th Floor New York, NY 10112

and 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 Lender:

Hercules Technology Growth Capital, Inc.
400 Hamilton Avenue, Suite 310
Palo Alto, California 94301
Attn.: Chief Legal Officer and Mr. Bryan Jadot
Fax: 650-473-9194
Telephone: 650-289-3060
Email: bjadot@herculestech.com

with a copy to:

Riemer & Braunstein, LLP
Three Center Plaza
Boston, Massachusetts 02108
Attn: David A. Ephraim, Esquire
Fax: (617) 880-3455
Email: dephraim@riemerlaw.com

and with a copy to:

Raved, Magriso, Benkel & Co.
37 Shaul Hamelech Boulevard,
Tel Aviv, Israel, 6492806
Attn: Einat Weidberg, Adv.
Fax: +972-3-606-0266
Email: einat_w@rmblaw.co.il

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 with receipt confirmation; (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

32.

(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.

*****

IN WITNESS WHEREOF THE PLEDGOR HAS SIGNED THIS DEBENTURE OF FIXED CHARGE

INSPIRE M.D LTD

/s/ Craig Shore
By: Craig Shore
Title: Chief Financial Officer

Debenture – Floating Charge

DEBENTURE

Made and executed this 23 day of October 2013

WHEREAS, the undersigned, **Inspire M.D Ltd** , a limited liability company organised and existing under the laws of the State of Israel with its registered office at 4 Menorat Hamaor St., Tel Aviv, 6744831, Israel (hereinafter: the " **Pledgor** "), intends to receive, jointly and severally with its parent company **InspireMD, Inc.** (hereinafter: the " **Parent** ") from Hercules Technology Growth Capital, Inc., a Maryland corporation with its registered office at 400 Hamilton Avenue, Suite 310, Palo Alto, California 94301 (hereinafter: the " **Lender** "), a loan or loans, for such purpose and on such conditions as specified in the provisions of that certain Loan and Security Agreement entered into between and among the Lender, the Pledgor and the Parent on October 23 rd , 2013 (hereinafter, as may be amended, restated, replaced or supplemented from time to time in accordance with its terms, and together with the Loan Documents (as defined thereunder), collectively, the " **Loan Agreement** "); 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 to the Lender in connection with the Loan Agreement and/or otherwise, all in accordance with the terms hereinafter contained.

NATURE OF THE DEBENTURE

1. This Debenture has been made to secure the full and punctual payment of all the sums due and to become due to the Lender from the Pledgor in connection with the Loan Agreement, including without limitations in connection with the Secured Obligations (as defined in the Loan Agreement), whether due from the Pledgor alone or jointly with others, whether the Pledgor 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 direct expenses including costs required for realising the collateral security, reasonable lawyers fees, insurance, stamp duty 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 Lender in any manner whatsoever in respect of linked principal and interest and any other linked sum all in accordance with the terms of the Loan Agreement (all the foregoing sums being jointly and severally hereinafter referred to as the " **Secured Sums** ").

THE 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 in favour of the Lender and its successors by way of a first ranking floating charge 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, including without derogating from the generality of the aforementioned, the property, assets and rights set forth below, but excluding in all cases the Intellectual Property and Permitted Liens as long as they exist (as such terms are defined in the Loan Agreement) (hereinafter together, the " **Assets Subject to a Floating Charge** "):

Debenture – Floating Charge

(a) 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 the Pledgor in any manner or way whatsoever (including, for the avoidance of any doubt, and without limitation, all accounts, general intangibles , licenses (except for Restricted Licences, as defined below) , royalty fees and other property that consist of rights to payment and proceeds from the sale, licensing or disposition of all or any part, or rights in, the Intellectual Property (as such term is defined under the Loan Agreement));

for purposes of this Section, "Restricted Licenses" shall mean any material license or other agreement with respect to which Pledgor is the licensee (a) that prohibits or otherwise restricts Pledgor from granting a security interest in and a fixed or floating charge over Pledgor's interest in such license or agreement or any other property, or (b) for which a default under or termination of could interfere with Lender's right to sell any Assets Subject to a Floating Charge;

(b) All the current assets, without exception, now or hereafter at any time in the future owned by 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;

(c) All the fixed assets now or hereafter at any time in the future owned, belonging to, acquired by 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;

(d) 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 the Lender and/or by others and/or any rights in respect thereof;

(e) 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.

3. As further collateral security for the full and punctual payment of all of the Secured Sums, the Pledgor hereby absolutely and unconditionally pledges and charges to the Lender and its successors by way of a first ranking fixed pledge and charge the uncalled and/or called but unpaid share capital of the Pledgor and its reputation and goodwill, as presently and in the future at any time existing (hereinafter, jointly and severally - the " **Charged Assets** ").

4. As further collateral security for the full and punctual payment of all of the Secured Sums, the Pledgor hereby absolutely and unconditionally assigns to the Lender by way of first ranking fixed charge and pledge 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.

5. As further collateral security for the full and punctual payment of all the Secured Sums, the Pledgor hereby pledges and charges to the Lender all such securities, documents and instruments, Bills drawn or made by others which the Pledgor has delivered or may deliver to the Lender from time to time whether for collection, safekeeping or otherwise (hereinafter: the " **Charged Documents** "), and upon the delivery thereof shall be and be deemed pledged and charged to the Lender by way of a first ranking fixed pledge and charge according to the terms of this Debenture the provisions of which, *mutatis mutandis* , shall apply to the charge and pledge thereof. The Lender shall be exempt from taking any action whatsoever in connection with the Charged Documents and shall not be liable for any loss or damage which may be caused in connection therewith and the Pledgor undertakes to indemnify the Lender in any event that the Lender is sued for any such loss of damage by others, except for any damages resulting of wilful misconduct by Lender.

   The Pledgor hereby waives in advance any defence based on prescription in relation to the Charged Documents.

6. The Assets Subject to a Floating Charge, the Charged Assets and the Charged Documents shall be hereinafter called the " **Charged Property** ".

   The pledge and charge 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 to or appropriation of the Charged Property.

DECLARATIONS OF THE PLEDGOR

7. 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 other than any charge, pledge or attachment created by any Permitted Lien, as defined under the Loan Agreement *provided however* , that to the extent that such Permitted Liens are specific first ranking limited-in-amount liens created by Pledgor in favour of another bank or financial institution, then, with respect to each such Permitted Liens, for as long as it is in effect, the terms of this Debenture, including without limitation, the definition of "Charged Property" hereunder shall be construed in a manner to give full force and effect to such Permitted Lien and enable this Debenture to be enforced to the maximum extent possible under applicable law.

   (b) That the Charged Property is, in its entirety, in the exclusive possession and ownership of the Pledgor, or in the possession or under the control of the Lender.

(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.

(e) That no assignment of rights or other disposition has occurred derogating from the value of the Charged Property.

(f) The Pledgor has received all permits, consents and authorizations that shall be necessary or required to consummate this Debenture.

all except as permitted under the documents signed between the Pledgor and the Lender.

COVENANTS OF THE PLEDGOR

8. The Pledgor hereby covenants as follows, as long as the floating charge created by this Debenture is in force and until the Lender has certified in writing that this Debenture is terminated:

(a) To hold the Charged Property in accordance with the provisions of the Loan Agreement;

(b) To use and deal with the Charged Property with the utmost care and to notify the Lender of any case of material disrepair, damage, loss, fault or defect affecting same and to remedy any disrepair, damage, fault or defect affecting the Charged Property due to use or for any other reason, and to be liable towards the Lender for any disrepair, damage, fault or defect as aforesaid;

(c) To allow any representative of the Lender, during Pledgor’s regular business hours, to inspect and examine the condition of the Charged Property wherever the Charged Property may be situated, in accordance with the provisions of the Loan Agreement;

(d) Following the occurrence of any of the events enumerated in Section 15 hereof and subject to applicable law, upon the Lender's first demand, to deliver to the Lender or to any bailee on its behalf, the Charged Property. In the event of the refusal of the Pledgor to comply with the provisions of this sub-clause, the Lender may, without the consent of the Pledgor, remove the Charged Property from the Pledgor's possession and hold the same or deliver the same to a bailee on behalf of the Lender at the expense of the Pledgor. Where the Charged Property have been so delivered to a bailee, the Lender shall be exempt from any loss or damage which for any reason may be caused to the Charged Property;

(e) Not to sell, assign, dispose of, hire out, let, lease 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 Lender, except as specifically permitted under the Loan Agreement;

(f) Not to sell, assign, transfer, let, lease, surrender, dispose of, relinquish or waive, in whole or in part, any present or future asset, claim or right of the Pledgor, except as specifically permitted under the Loan Agreement and this Debenture;

(g) To notify, upon the Pledgor's knowledge, the Lender forthwith of the levying of any attachment on the Charged Property, to forthwith notify the attachor of the charge in favour of the Lender 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* prior to or deferred to the rights of the Lender 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 Lender, except as specifically permitted under the Loan Agreement;

(i) To be liable towards the Lender for any defect in the Pledgor's title to the Charged Property and/or any default thereunder and to bear the responsibility for the authenticity, regularity and correctness of all the signatures, endorsements and particulars of any Bills, documents, instruments and securities which have been or may be delivered to the Lender by way of collateral security;

(j) 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 Lender, at its request, with all the receipts for such payments. If the Pledgor fails to make such payments when due, the Lender may pay the same for the account of the Pledgor and debit the Pledgor with the payment thereof coupled with expenses, and Interest at the Default Rate. Such payments shall be secured by this Debenture;

(k) Not to voluntarily wind up, liquidate or dissolve, sell, exchange, lease, transfer or otherwise dispose of all or substantially all its properties and assets;

(l) That no structural change is or will be effected in the Pledgor and/or that no change of control in the Pledgor will occur, except as specifically permitted under the Loan Agreement;

(m) Not to create, incur, assume, allow, or suffer to be created or exist any Lien (as defined under the Loan Agreement) on any of its property, or assign or convey any right to receive income, including the sale of any accounts, or permit any of its subsidiaries to do so, or permit any collateral not to be subject to the first priority security interest granted in the Loan Agreement, or the charges granted hereunder or under any other Loan Documents (as defined under the Loan Agreement) except for Permitted Liens (as defined under the Loan Agreement) , or enter into any agreement, document, instrument or other arrangement (except with or in favour of Lender) with any Person (as defined in the Loan Agreement) which directly or indirectly prohibits or has the effect of prohibiting Pledgor, Parent or any subsidiary from assigning, mortgaging, pledging, granting a security interest or charge in, over or upon, or encumbering any of Pledgor's, Parent's or any subsidiary's Intellectual Property (as defined under the Loan Agreement) as specifically permitted under the Loan Agreement.

9. The Pledgor undertakes to notify the Lender forthwith upon its becoming aware of any of the following:

   (a) of any claim of right to any collateral security given to the Lender 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 15 hereof;

   (c) of any material reduction in value of any collateral security granted or which may be granted by the Pledgor;

   (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;

   (e) of any change of address.

INSURANCE

10. The Pledgor hereby undertakes to keep the Charged Property insured at all times as provided in the Loan Agreement.

11. All the rights of the Pledgor deriving from the insurance of the Charged Property, including rights under the Property Tax and Compensation Fund Law, 5721-1961, as in force at any relevant time and under any other law, whether or not assigned to the Lender as aforesaid, are hereby charged to the Lender by way of a first ranking fixed charge and pledge.

INTEREST

12. The Lender 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 Lender and the Pledgor according to the terms of the Loan Agreement.

REPAYMENT DATES

13. The Pledgor hereby undertakes to pay the Lender, including through the Parent, all and any of the Secured Sums promptly on the maturity dates prescribed or which may be prescribed therefor from time to time.

14. Except as specifically permitted under the Loan Agreement, the Lender may decline to accept any prepayment of the Secured Sums or pay 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.

    Except as specifically permitted under the Loan Agreement, 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 Pledge law, 5727-1967, or any other statutory provisions in substitution therefor.

15. Without derogating from the generality of the provisions of this Debenture, the Lender shall be entitled to demand the immediate payment of the Secured Sums and to debit any account of the Pledgor with the amount thereof in any one of the events enumerated below, in which case the Pledgor undertakes to pay the Lender all of the Secured Sums, and the Lender shall be entitled to take whatever steps it sees fit 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 19(a) hereof and to realise, at the Pledgor's expense, the collateral securities by any means allowed by law;

    (a) The Pledgor is in breach of any of its obligations, undertakings, representations or warranties under this Debenture (the foregoing shall not derogate from any right, under any law, granted to the Lender in respect of any other breach), and such breach was not cured within Ten (10) days following the occurrence of such breach; and/or;

    (b) There occurs and continues to subsist an event which gives the Lender right to demand payment, under any of the Loan Documents signed between the Pledgor and the Lender, including, *inter alia* , under the Loan Agreement, provided that any period (if any) given to the Pledgor to effect payment or cure any other failure thereof, respectively, under such document shall have elapsed and as long as such payment or cure is not actually effected.

RIGHTS OF THE LENDER

16. The Lender shall have the right of possession, lien, set-off and charge over any amounts, assets and/or rights including securities, coins, gold, banknotes, documents in respect of goods, insurance policies, Bills, assignments of rights, deposits, collaterals and their countervalue, in the possession of or under the control of the Lender 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 Lender 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 countervalue thereof in whole or in part in payment of the Secured Sums.

17. The Pledgor confirms that the Lender's books, accounts and entries shall be binding upon the Pledgor, shall be deemed to be correct and shall serve as prima facie evidence against the Pledgor in all their particulars, including all reference to the computation of the Secured Sums, the particulars of the Bills, guarantees and other collateral securities and any other matter related hereto. Notwithstanding the aforementioned, this Section shall in no way derogate from the rights or arguments of the Pledgor and the validity or effectiveness thereof regarding any claims in respect of inaccuracies, mistakes or other errors in the Lender’s books, accounts and entries.

18. Without derogating from the other provisions contained in this Debenture, any waiver, extension, concession, acquiescence or forbearance (hereinafter: “ **waiver** ”) on the Lender'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 Lender of any rights but as a limited consent given in respect of the specific instance.

Debenture – Floating Charge

19. In any of the events enumerated in Clause 15 hereof;

(a) the Lender shall be entitled to notify the Pledgor of the crystallisation immediately or on a date specified by the Lender of the floating charge over the Charged Property or any part thereof and to adopt all the measures it deems fit and allowed by applicable law in order to recover the Secured Sums and realise 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 Lender first being required to realise any other guarantees or collateral securities, if such be held by the Lender.

(b) Should the Lender decide to realise securities, Bills and other negotiable instruments, in accordance with Section 4(2) of the Pledge Law 5727-1967, then ten (10) days' advance notice regarding the steps that the Lender intends to take shall be deemed to be reasonable advance notice for the purpose of Section 19(b) of the Pledge Law, 5727-1967, or any other statutory provisions in substitution therefor.

(c) As long as the Secured Sums are not paid in full, the Lender may realize the Charged Property 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 Lender. Such receiver or receiver and manager, who 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 arrangement 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 Lender 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 Lender shall determine in its sole discretion and subject to any law.

20. 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 Lender contingently only, then the Lender 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 Lender as security for, and be held by the Lender until the discharge in full of, the Secured Sums.

Debenture – Floating Charge

NATURE OF THE COLLATERAL SECURITY

21. The collateral securities which have been or may be given to the Lender under this Debenture shall be continuing and revolving securities and shall remain in force until all Secured Sums have been fully discharged. Promptly after the full discharge of the Secured Sums the Lender shall certify in writing at the request of Pledgor, that this Debenture and any Lien hereunder are terminated and in addition, at the request of Borrower, execute and provide the Pledgor with any documents reasonably necessary in order to remove the charge created by this Debenture.

22. All collateral securities and guarantees which have been or may be given to the Lender for payment of the Secured Sums shall be independent of one another.

23. 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 securities 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 Lender with respect to the Pledgor and/or the Parent or any subsidiary or by any variation in the Pledgor's and/or the Parent's obligations towards the Lender in connection with the Secured Sums or by any release or waiver by the Lender of any other collateral security or guarantees.

24. The Lender may deposit all or any of the collaterals 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 Lender 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

25. The Lender may at any time, at its own discretion and without the Pledgor's consent being required, assign this Debenture and its rights arising thereunder together, and not separately, with the assignment of all of its rights and obligations under the Loan Agreement. including the collaterals in whole or in part and any assignee may also reassign the said rights without any further consent being required from the Pledgor. Such assignment may be effected by endorsement on this Debenture or in any other way the Lender or any subsequent assignor deems fit.

NOTICE OF OBJECTION

26. The Pledgor undertakes to notify the Lender 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 Lender including information received through any automatic terminal facility.

EXPENSES

27. All the expenses in connection with this Debenture as detailed in the Loan Agreement and in any other Loan Documents signed between the Lender and the Pledgor, including the fee for preparing credit and security documents, the stamping and registration of documents, and all and any expenses involved in the realisation of the collateral security and institution of proceedings for collection (including the reasonable fees of the Lender's lawyers), insurance, safe-keeping, maintenance and repair of the Charged property shall be paid by the Pledgor to the Lender on its first demand, 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. The Lender may debit the Pledgor with the aforesaid expenses, together with interest thereon.

Debenture – Floating Charge

LIABILITY OF THE PLEDGOR

28. Should the Pledgor consist of two or more persons or entities, the Pledgor's liability shall be joint and several and all the parties comprising the Pledgor shall be jointly and severally liable for the performance of all the Pledgor's obligations hereunder and/or in connection with the Secured Sums, or any other liability incurred by, any party comprising the Pledgor shall be deemed to have been received or incurred by all the parties comprising the Pledgor. However, if any of the parties comprising the Pledgor is or becomes legally incompetent or is or becomes in any way discharged of his liability for the performance of any of the Pledgor's obligations as aforesaid, the liability of all of the other parties comprising the Pledgor shall not be affected thereby.

INTERPRETATION; AMENDMENT

29. 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 Loan Agreement and any other related document.

30. In this Debenture - (a) the singular includes the plural and vice versa; (b) the masculine gender includes the feminine gender and vice versa; (c) “Lender” means Hercules Technology Growth Capital, Inc., its assigns, successors, or attorneys-in-fact; (d) “Bills” means: promissory notes, bills of exchange, cheques, undertakings, guarantees, sureties, assignments, bills of lading, deposit notes and any other negotiable instruments; (e) “Interest at the Default Rate” means interest at such default rate as is defined in the Loan Agreement; (f) the headings are only indicative and are not to be used in construing this Debenture; (g) the recitals hereto form an integral part hereof.

31. 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 both parties only.

32. To the extent required, this Debenture may be translated into Hebrew for the sole purposes of the registration and filing of this Debenture with the Israeli Registrar of Companies and/or any other relevant Israeli official registrations. Notwithstanding the aforesaid, the executed English version of this Debenture shall prevail and supersede for all purposes and for all respects, in the event of any discrepancy or inconsistency between the English version and the translation.

NOTICES AND WARNINGS

33.

Debenture – Floating Charge

(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 or by electronic mail.

(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) if to the Pledgor :

Inspire M.D Ltd
4 Menorat Hamaor St.,
Tel Aviv, 6744831, Israel
Attn.: Craig Shore
Fax: +972 (3) 691 7692
Email: craigs@inspiremd.com

with a copy (which will not constitute notice) to:

Haynes and Boone, LLP
Attn.: Todd Ransom, Esquire
30 Rockefeller Plaza 26th Floor New York, NY 10112

and 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 Lender:

Hercules Technology Growth Capital, Inc.
400 Hamilton Avenue, Suite 310
Palo Alto, California 94301
Attn.: Chief Legal Officer and Mr. Bryan Jadot
Fax: 650-473-9194
Telephone: 650-289-3060
Email: bjadot@herculestech.com

with a copy to:

Riemer & Braunstein, LLP
Three Center Plaza
Boston, Massachusetts 02108
Attn: David A. Ephraim, Esquire
Fax: (617) 880-3455
Email: dephraim@riemerlaw.com

and with a copy to:

Raved, Magriso, Benkel & Co.
37 Shaul Hamelech Boulevard,
Tel Aviv, Israel, 6492806
Attn: Einat Weidberg, Adv.
Fax: +972-3-606-0266
Email: einat_w@rmblaw.co.il

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 with receipt confirmation; (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

34.

(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.

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Debenture – Floating Charge

IN WITNESS WHEREOF THE PLEDGOR HAS SIGNED THIS DEBENTURE OF FLOATING CHARGE

INSPIRE M.D LTD

/s/ Craig Shore
By: Craig Shore
Title: Chief Financial Officer

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY STATE SECURITIES LAWS. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED, OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL (WHICH MAY BE COMPANY COUNSEL) REASONABLY SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE ACT, OR ANY APPLICABLE STATE SECURITIES LAWS.

WARRANT AGREEMENT

To Purchase Shares of the Common Stock of

InspireMD, Inc.

Dated as of October 23, 2013 (the " Effective Date ")

WHEREAS, InspireMD, Inc., a Delaware corporation (the " Company ") and Inspire M.D Ltd have entered into a Loan and Security Agreement of even date herewith (as amended and in effect from time to time, the " Loan Agreement ") with Hercules Technology Growth Capital, Inc., a Maryland corporation (the " Warrantholder ");

WHEREAS, pursuant to the Loan Agreement and as additional consideration to the Warrantholder for, among other things, its agreements in the Loan Agreement, the Company has agreed to issue to the Warrantholder this Warrant Agreement, evidencing the right to purchase shares of the Company's Common Stock (this " Warrant " or this " Agreement ");

NOW, THEREFORE, in consideration of the Warrantholder having executed and delivered the Loan Agreement and provided the financial accommodations contemplated therein, and in consideration of the mutual covenants and agreements contained herein, the Company and Warrantholder agree as follows:

SECTION 1. GRANT OF THE RIGHT TO PURCHASE COMMON STOCK.

(a) For value received, the Company hereby grants to the Warrantholder, and the Warrantholder is entitled, upon the terms and subject to the conditions hereinafter set forth, to subscribe for and purchase, from the Company, up to 168,351 shares of Common Stock (as defined below), at a purchase price per share of $2.97 (the " Exercise Price "). The number and Exercise Price of such shares are subject to adjustment as provided in Section 8. As used herein, the following terms shall have the following meanings:

" Act " means the Securities Act of 1933, as amended.

" Charter " means the Company's Certificate of Incorporation or other constitutional document, as may be amended and in effect from time to time.

" Common Stock " means the Company's common stock, $0.0001 par value per share, as presently constituted under the Charter, and any class and/or series of Company capital stock for or into which such common stock may be converted or exchanged in a reorganization, recapitalization or similar transaction.

" Liquid Sale " means the closing of a Merger Event in which the consideration received by the Company and/or its stockholders, as applicable, consists solely of cash and/or Marketable Securities.

" Marketable Securities " in connection with a Merger Event means securities meeting all of the following requirements: (i) the issuer thereof is then subject to the reporting requirements of Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended (the " Exchange Act "), and is then current in its filing of all required reports and other information under the Act and the Exchange Act; (ii) the class and series of shares or other security of the issuer that would be received by the Warrantholder in connection with the Merger Event were the Warrantholder to exercise this Warrant on or prior to the closing thereof is then traded on a national securities exchange or over-the-counter market, and (iii) following the closing of such Merger Event, Warrantholder would not be restricted from publicly re-selling all of the issuer's shares and/or other securities that would be received by Warrantholder in such Merger Event were Warrantholder to exercise this Warrant in full on or prior to the closing of such Merger Event, except to the extent that any such restriction (x) arises solely under federal or state securities laws, rules or regulations, and (y) does not extend beyond six (6) months from the closing of such Merger Event.

" Merger Event " means any of the following: (i) a sale, lease or other transfer of all or substantially all assets of the Company, (ii) any merger or consolidation involving the Company in which the Company is not the surviving entity or in which the outstanding shares of the Company's capital stock are otherwise converted into or exchanged for shares of capital stock or other securities or property of another entity, or (iii) any sale by holders of the outstanding voting equity securities of the Company in a single transaction or series of related transactions of shares constituting a majority of the outstanding combined voting power of the Company.

" Purchase Price " means, with respect to any exercise of this Warrant, an amount equal to the then-effective Exercise Price multiplied by the number of shares of Common Stock as to which this Warrant is then exercised.

SECTION 2. TERM OF THE AGREEMENT.

The term of this Agreement and the right to purchase Common Stock as granted herein shall commence on the Effective Date and, subject to Section 8(a) below, shall be exercisable for a period ending upon the fifth (5 th) anniversary of the Effective Date.

SECTION 3. EXERCISE OF THE PURCHASE RIGHTS.

(a) Exercise . The purchase rights set forth in this Agreement are exercisable by the Warrantholder, in whole or in part, at any time, or from time to time, prior to the expiration of the term set forth in Section 2, by tendering to the Company at its principal office a notice of exercise in the form attached hereto as Exhibit I (the " Notice of Exercise "), duly completed and executed. Promptly upon receipt of the Notice of Exercise and the payment of the Purchase Price in accordance with the terms set forth below, and in no event later than three (3) days thereafter, the Company shall issue to the Warrantholder a certificate for the number of shares of Common Stock purchased and shall execute the acknowledgment of exercise in the form attached hereto as Exhibit II (the " Acknowledgment of Exercise ") indicating the number of shares which remain subject to future purchases under this Warrant, if any.

The Purchase Price may be paid at the Warrantholder's election either (i) by cash or check, or (ii) by surrender of all or a portion of the Warrant for shares of Common Stock to be exercised under this Agreement and, if applicable, an amended Agreement setting forth the remaining number of shares purchasable hereunder, as determined below (" Net Issuance "). If the Warrantholder elects the Net Issuance method, the Company will issue shares of Common Stock in accordance with the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where: X = the number of shares of Common Stock to be issued to the Warrantholder .
Y = the number of shares of Common Stock requested to be exercised under this Agreement.
A = the then-current fair market value of one (1) share of Common Stock at the time of exercise.
B = the then-effective Exercise Price.

For purposes of the above calculation, the current fair market value of shares of Common Stock shall mean with respect to each share of Common Stock:

(i) at all times when the Common Stock shall be traded on a national securities exchange, inter-dealer quotation system or over-the-counter bulletin board service, the average of the closing prices over a five (5) day period ending three days before the day the current fair market value of the securities is being determined;

(ii) if the exercise is in connection with a Merger Event, the fair market value of a share of Common Stock shall be deemed to be the per share value received by the holders of the outstanding shares of Common Stock pursuant to such Merger Event as determined in accordance with the definitive transaction documents executed among the parties in connection therewith; or

(iii) in cases other than as described in the foregoing clauses (i) and (ii), the current fair market value of a share of Common Stock shall be determined in good faith by the Company's Board of Directors.

Upon partial exercise by either cash or, upon request by the Warrantholder and surrender of all or a portion of this Warrant, Net Issuance, prior to the expiration or earlier termination hereof, the Company shall promptly issue an amended Agreement representing the remaining number of shares purchasable hereunder. All other terms and conditions of such amended Agreement shall be identical to those contained herein, including, but not limited to the Effective Date hereof.

(b) Exercise Prior to Expiration . To the extent this Warrant is not previously exercised as to all shares subject hereto, and if the then-current fair market value of one share of Common Stock is greater than the Exercise Price then in effect, or, in the case of a Liquid Sale, where the value per share of Common Stock (as determined as of the closing of such Liquid Sale in accordance with the definitive agreements executed by the parties in connection with such Merger Event) to be paid to the holders thereof is greater than the Exercise Price then in effect, this Agreement shall be deemed automatically exercised on a Net Issuance basis pursuant to Section 3(a) (even if not surrendered) as of immediately before its expiration determined in accordance with Section 2. For purposes of such automatic exercise, the fair market value of one share of Common Stock upon such expiration shall be determined pursuant to Section 3(a). To the extent this Warrant or any portion hereof is deemed automatically exercised pursuant to this Section 3(b), the Company agrees to promptly notify the Warrantholder of the number of shares of Common Stock if any, the Warrantholder is to receive by reason of such automatic exercise, and to issue a certificate to Warrantholder evidencing such shares.

SECTION 4. RESERVATION OF SHARES.

During the term of this Agreement, the Company will at all times have authorized and reserved a sufficient number of shares of its Common Stock to provide for the exercise of the rights to purchase Common Stock as provided for herein.

SECTION 5. NO FRACTIONAL SHARES OR SCRIP.

No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Agreement, but in lieu of such fractional shares the Company shall make a cash payment therefor upon the basis of the Exercise Price then in effect.

SECTION 6. NO RIGHTS AS SHAREHOLDER/STOCKHOLDER.

Without limitation of any provision hereof, Warrantholder agrees that this Agreement does not entitle the Warrantholder to any voting rights or other rights as a shareholder/stockholder of the Company prior to the exercise of any of the purchase rights set forth in this Agreement.

SECTION 7. WARRANTHOLDER REGISTRY.

The Company shall maintain a registry showing the name and address of the registered holder of this Agreement. Warrantholder's initial address, for purposes of such registry, is set forth in Section 12(g) below. Warrantholder may change such address by giving written notice of such changed address to the Company.

SECTION 8. ADJUSTMENT RIGHTS.

The Exercise Price and the number of shares of Common Stock purchasable hereunder are subject to adjustment from time to time, as follows:

(a) Merger Event . In connection with a Merger Event that is a Liquid Sale, this Warrant shall terminate upon the closing of such Liquid Sale to the extent not previously exercised. In connection with a Merger Event that is not a Liquid Sale, the Company shall cause the successor or surviving entity to assume this Warrant and the obligations of the Company hereunder on the closing thereof, and thereafter this Warrant shall be exercisable for the same number and type of securities or other property as the Warrantholder would have received in consideration for the shares of the Class issuable hereunder had it exercised this Warrant in full as of immediately prior to such closing, at an aggregate Exercise Price no greater than the aggregate Exercise Price in effect as of immediately prior to such closing, and subject to further adjustment from time to time in accordance with the provisions of this Warrant. Notwithstanding the first sentence of this Section 8(a), in connection with any Liquid Sale and upon Warrantholder’s written election to the Company, the Company shall cause this Warrant to be exchanged, on and as of the closing thereof, without a requirement of formal exercise, for the consideration that Warrantholder would have received (less the Purchase Price) had Warrantholder elected to exercise this Warrant in full as of immediately prior to the closing of such Liquid Sale. The provisions of this Section 8(a) shall similarly apply to successive Merger Events.

(b) Reclassification of Shares . Except for Merger Events subject to Section 8(a), if the Company at any time shall, by combination, reclassification, exchange or subdivision of securities or otherwise, change any of the securities as to which purchase rights under this Agreement exist into the same or a different number of securities of any other class or classes of securities, this Agreement shall thereafter represent the right to acquire such number and kind of securities as would have been issuable as the result of such change with respect to the securities which were subject to the purchase rights under this Agreement immediately prior to such combination, reclassification, exchange, subdivision or other change. The provisions of this Section 8(b) shall similarly apply to successive combination, reclassification, exchange, subdivision or other change.

(c) Subdivision or Combination of Shares . If the Company at any time shall combine or subdivide its Common Stock, (i) in the case of a subdivision, the Exercise Price shall be proportionately decreased and the number of shares for which this Warrant is exercisable shall be proportionately increased, or (ii) in the case of a combination, the Exercise Price shall be proportionately increased and the number of shares for which this Warrant is exercisable shall be proportionately decreased.

(d) Stock Dividends . If the Company at any time while this Agreement is outstanding and unexpired shall:

(i) pay a dividend with respect to the outstanding shares of Common Stock payable in additional shares of Common Stock, then the Exercise Price shall be adjusted, to that price determined by multiplying the Exercise Price in effect immediately prior to such date of determination by a fraction (A) the numerator of which shall be the total number of shares of Common Stock outstanding immediately prior to such dividend or distribution, and (B) the denominator of which shall be the total number of shares of Common Stock outstanding immediately after such dividend or distribution, and the number of shares of Common Stock for which this Warrant is exercisable shall be proportionately increased; or

(ii) make any other dividend or distribution on or with respect to Common Stock, except any dividend or distribution (A) in cash, or (B) specifically provided for in any other clause of this Section 8, then, in each such case, provision shall be made by the Company such that the Warrantholder shall receive upon exercise or conversion of this Warrant a proportionate share of any such distribution as though it were the holder of the Common Stock (or other stock for which the Common Stock is convertible) as of the record date fixed for the determination of the shareholders of the Company entitled to receive such distribution.

(e) Notice of Certain Events . If: (i) the Company shall declare any dividend or distribution upon its outstanding Common Stock, payable in stock, cash, property or other securities (provided that Warrantholder in its capacity as lender under the Loan Agreement consents to such dividend); (ii) the Company shall offer for subscription pro rata to the holders of its Common Stock any additional shares of stock of any class or other rights; (iii) there shall be any Merger Event; or (iv) there shall be any voluntary dissolution, liquidation or winding up of the Company; then, in connection with each such event, the Company shall give the Warrantholder notice thereof at the same time and in the same manner as it gives notice thereof to the holders of outstanding Common Stock.

SECTION 9. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE COMPANY.

(a) Reservation of Common Stock . The Company covenants and agrees that all shares of Common Stock, if any, that may be issued upon the exercise of the rights represented by this Warrant will, upon issuance, be validly issued and outstanding, fully paid and non-assessable. The Company further covenants and agrees that the Company will, at all times during the term hereof, have authorized and reserved, free from preemptive rights, a sufficient number of shares of Common Stock to provide for the exercise of the rights represented by this Warrant. If at any time during the term hereof the number of authorized but unissued shares of Common Stock shall not be sufficient to permit exercise of this Warrant in full, the Company will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes.

(b) Due Authority . The execution and delivery by the Company of this Agreement and the performance of all obligations of the Company hereunder, including the issuance to Warrantholder of the right to acquire the shares of Common Stock, have been duly authorized by all necessary corporate action on the part of the Company. This Agreement: (1) does not violate the Company's Charter or current bylaws; (2) does not contravene any law or governmental rule, regulation or order applicable to it; and (3) except as could not reasonably be expected to have a Material Adverse Effect (as defined in the Loan Agreement), does not and will not contravene any provision of, or constitute a default under, any indenture, mortgage, contract or other instrument to which it is a party or by which it is bound. This Agreement constitutes a legal, valid and binding agreement of the Company, enforceable in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance laws) and by general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(c) Consents and Approvals . No consent or approval of, giving of notice to, registration with, or taking of any other action in respect of any state, federal or other governmental authority or agency is required with respect to the execution, delivery and performance by the Company of its obligations under this Agreement, except for the filing of notices pursuant to Regulation D under the Act and any filing required by applicable state securities law, which filings will be effective by the time required thereby.

(d) [Intentionally Omitted] .

(e) [Intentionally Omitted] .

(f) Exempt Transaction . Subject to the accuracy of the Warrantholder's representations in Section 10, the issuance of the Common Stock upon exercise of this Agreement will constitute a transaction exempt from (i) the registration requirements of Section 5 of the Act, in reliance upon Section 4(2) thereof, and (ii) the qualification requirements of the applicable state securities laws.

(g) Registration Rights . The Company covenants and agrees with Warrantholder that if the Company, at any time and from time to time on or after the Effective Date and on or before the expiration or earlier termination of this Warrant, proposes to register under the Act any shares of Common Stock held by one or more stockholders of the Company for resale by such stockholders, whether on a Form S-3 registration statement or otherwise, the Company shall give written notice thereof to Warrantholder and permit Warrantholder to include any or all of the shares of Common Stock issuable upon exercise of this Warrant (and any or all shares previously issued to Warrantholder upon any prior exercise(s) hereof) in such registration on a *pari passu* basis with such other stockholder(s) and on the same terms and conditions applicable to such other stockholder(s).

(h) Information Rights . At all times (if any) prior to the earlier to occur of (x) the date on which all shares of Common Stock issued on exercise of this Warrant have been sold, or (y) the expiration or earlier termination of this Warrant, when the Company shall not be required to file reports pursuant to Section 13 or 15(d) of the Exchange Act or shall not have timely filed all such required reports, Warrantholder shall be entitled to the information rights contained in Section 7.1(b) – (f) of the Loan Agreement, and in any such event Section 7.1(b) – (f) of the Loan Agreement is hereby incorporated into this Agreement by this reference as though fully set forth herein, provided, however, that the Company shall not be required to deliver a Compliance Certificate once all Indebtedness (as defined in the Loan Agreement) owed by the Company to Warrantholder has been repaid.

(i) Rule 144 Compliance . The Company shall, at all times prior to the earlier to occur of (x) the date of sale or other disposition by Warrantholder of this Warrant or all shares of Common Stock issued on exercise of this Warrant, (y) the registration pursuant to subsection (g) above of the shares issued on exercise of this Warrant, or (z) the expiration or earlier termination of this Warrant if the Warrant has not been exercised in full or in part on such date, use all commercially reasonable efforts to timely file all reports required under the 1934 Act and otherwise timely take all actions necessary to permit the Warrantholder to sell or otherwise dispose of this Warrant and the shares of Common Stock issued on exercise hereof pursuant to Rule 144 promulgated under the Act as amended and in effect from time to time, provided that the foregoing shall not apply in the event of a Merger Event following which the successor or surviving entity is not subject to the reporting requirements of the 1934 Act. If the Warrantholder proposes to sell Common Stock issuable upon the exercise of this Agreement in compliance with Rule 144, then, upon Warrantholder's written request to the Company, the Company shall furnish to the Warrantholder, within five (5) business days after receipt of such request, a written statement confirming the Company's compliance with the filing and other requirements of such Rule.

SECTION 10. REPRESENTATIONS AND COVENANTS OF THE WARRANTHOLDER.

This Agreement has been entered into by the Company in reliance upon the following representations and covenants of the Warrantholder:

(a) Investment Purpose . This Warrant and the shares issued on exercise hereof will be acquired for investment and not with a view to the sale or distribution of any part thereof in violation of applicable federal and state securities laws, and the Warrantholder has no present intention of selling or engaging in any public distribution of the same except pursuant to a registration or exemption.

(b) Private Issue . The Warrantholder understands (i) that the Common Stock issuable upon exercise of this Agreement is not, as of the Effective Date, registered under the Act or qualified under applicable state securities laws, and (ii) that the Company's reliance on exemption from such registration is predicated on the representations set forth in this Section 10.

(c) Financial Risk . The Warrantholder has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment, and has the ability to bear the economic risks of its investment.

(d) Accredited Investor . Warrantholder is an "accredited investor" within the meaning of Rule 501 of Regulation D promulgated under the Act, as presently in effect.

(e) No Short Sales . Warrantholder has not at any time on or prior to the Effective Date engaged in any short sales or equivalent transactions in the Common Stock. Warrantholder agrees that at all times from and after the Effective Date and on or before the expiration or earlier termination of this Warrant, it shall not engage in any short sales or equivalent transactions in the Common Stock.

SECTION 11. TRANSFERS.

Subject to compliance with applicable federal and state securities laws, this Agreement and all rights hereunder are transferable, in whole or in part, without charge to the holder hereof (except for transfer taxes) upon surrender of this Agreement properly endorsed. Each taker and holder of this Agreement, by taking or holding the same, consents and agrees that this Agreement, when endorsed in blank, shall be deemed negotiable, and that the holder hereof, when this Agreement shall have been so endorsed and its transfer recorded on the Company's books, shall be treated by the Company and all other persons dealing with this Agreement as the absolute owner hereof for any purpose and as the person entitled to exercise the rights represented by this Agreement. The transfer of this Agreement shall be recorded on the books of the Company upon receipt by the Company of a notice of transfer in the form attached hereto as Exhibit III (the " Transfer Notice "), at its principal offices and the payment to the Company of all transfer taxes and other governmental charges imposed on such transfer. Until the Company receives such Transfer Notice, the Company may treat the registered owner hereof as the owner for all purposes.

SECTION 12. MISCELLANEOUS.

(a) Effective Date . The provisions of this Agreement shall be construed and shall be given effect in all respects as if it had been executed and delivered by the Company on the date hereof. This Agreement shall be binding upon any successors or assigns of the Company.

(b) Remedies . In the event of any default hereunder, the non-defaulting party may proceed to protect and enforce its rights either by suit in equity and/or by action at law, including but not limited to an action for damages as a result of any such default, and/or an action for specific performance for any default where Warrantholder will not have an adequate remedy at law and where damages will not be readily ascertainable.

(c) No Impairment of Rights . The Company will not, by amendment of its Charter or through any other means, avoid or seek to avoid the observance or performance of any of the terms of this Agreement, 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 in order to protect the rights of the Warrantholder against impairment.

(d) [Intentionally Omitted]

(e) Attorneys' Fees . In any litigation, arbitration or court proceeding between the Company and the Warrantholder relating hereto, the prevailing party shall be entitled to attorneys' fees and expenses and all costs of proceedings incurred in enforcing this Agreement. For the purposes of this Section 12(e), attorneys' fees shall include without limitation fees incurred in connection with the following: (i) contempt proceedings; (ii) discovery; (iii) any motion, proceeding or other activity of any kind in connection with an insolvency proceeding; (iv) garnishment, levy, and debtor and third party examinations; and (v) post-judgment motions and proceedings of any kind, including without limitation any activity taken to collect or enforce any judgment.

(f) Severability . In the event any one or more of the provisions of this Agreement shall for any reason be held invalid, illegal or unenforceable, the remaining provisions of this Agreement shall be unimpaired, and the invalid, illegal or unenforceable provision shall be replaced by a mutually acceptable valid, legal and enforceable provision, which comes closest to the intention of the parties underlying the invalid, illegal or unenforceable provision.

(g) Notices . Except as otherwise provided herein, any notice, demand, request, consent, approval, declaration, service of process or other communication that is required, contemplated, or permitted under this Agreement or with respect to the subject matter hereof shall be in writing, and shall be deemed to have been validly served, given, delivered, and received upon the earlier of: (a) personal delivery to the party to be notified, (b) when sent by confirmed telex, electronic transmission or facsimile if sent during normal business hours of the recipient, if not, then on the next business day, (c) five days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt, and shall be addressed to the party to be notified as follows:

If to Warrantholder:

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.
Legal Department
Attention: Chief Legal Officer and Manuel Henriquez
400 Hamilton Avenue, Suite 310
Palo Alto, CA 94301
Facsimile: 650-473-9194
Telephone: 650-289-3060

If to the Company:

INSPIREMD, INC.
Attention: Chief Financial Officer
800 Boylston Street
Suite 16041
Boston, MA 02199
Facsimile:
Telephone: 716-849-6810

or to such other address as each party may designate for itself by like notice.

(h) Entire Agreement; Amendments . This Agreement constitutes the entire agreement and understanding of the parties hereto in respect of the subject matter hereof, and supersedes and replaces in their entirety any prior proposals, term sheets, letters, negotiations or other documents or agreements, whether written or oral, with respect to the subject matter hereof. None of the terms of this Agreement may be amended except by an instrument executed by each of the parties hereto.

(i) Headings . The various headings in this Agreement are inserted for convenience only and shall not affect the meaning or interpretation of this Agreement or any provisions hereof.

(j) Advice of Counsel . Each of the parties represents to each other party hereto that it has discussed (or had an opportunity to discuss) with its counsel this Agreement and, specifically, the provisions of Sections 12(n), 12(o), 12(p), 12(q) and 12(r).

(k) No Strict Construction . The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

(l) No Waiver . No omission or delay by Warrantholder at any time to enforce any right or remedy reserved to it, or to require performance of any of the terms, covenants or provisions hereof by Warrantholder at any time designated, shall be a waiver of any such right or remedy to which Warrantholder is entitled, nor shall it in any way affect the right of Warrantholder to enforce such provisions thereafter during the term of this Agreement.

(m) Survival . All agreements, representations and warranties contained in this Agreement or in any document delivered pursuant hereto shall be for the benefit of Warrantholder and shall survive the execution and delivery of this Agreement and the expiration or other termination of this Agreement.

(n) Governing Law . This Agreement has been negotiated and delivered to Warrantholder in the State of California, and shall be deemed to have been accepted by Warrantholder in the State of California. Delivery of Common Stock to Warrantholder by the Company under this Agreement is due in the State of California. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California, excluding conflict of laws principles that would cause the application of laws of any other jurisdiction.

(o) Consent to Jurisdiction and Venue . All judicial proceedings arising in or under or related to this Agreement may be brought in any state or federal court of competent jurisdiction located in the State of California. By execution and delivery of this Agreement, each party hereto generally and unconditionally: (a) consents to personal jurisdiction in Santa Clara County, State of California; (b) waives any objection as to jurisdiction or venue in Santa Clara County, State of California; (c) agrees not to assert any defense based on lack of jurisdiction or venue in the aforesaid courts; and (d) irrevocably agrees to be bound by any judgment rendered thereby in connection with this Agreement. Service of process on any party hereto in any action arising out of or relating to this Agreement shall be effective if given in accordance with the requirements for notice set forth in Section 12(g), and shall be deemed effective and received as set forth in Section 12(g). Nothing herein shall affect the right to serve process in any other manner permitted by law or shall limit the right of either party to bring proceedings in the courts of any other jurisdiction.

(p) Mutual Waiver of Jury Trial . Because disputes arising in connection with complex financial transactions are most quickly and economically resolved by an experienced and expert person and the parties wish applicable state and federal laws to apply (rather than arbitration rules), the parties desire that their disputes arising under or in connection with this Warrant be resolved by a judge applying such applicable laws. EACH OF THE COMPANY AND WARRANTHOLDER SPECIFICALLY WAIVES ANY RIGHT IT MAY HAVE TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, CROSS-CLAIM, COUNTERCLAIM, THIRD PARTY CLAIM OR ANY OTHER CLAIM (COLLECTIVELY, "CLAIMS") ASSERTED BY THE COMPANY AGAINST WARRANTHOLDER OR ITS ASSIGNEE OR BY WARRANTHOLDER OR ITS ASSIGNEE AGAINST THE COMPANY RELATING TO THIS WARRANT. This waiver extends to all such Claims, including Claims that involve persons or entities other the Company and Warrantholder; Claims that arise out of or are in any way connected to the relationship between the Company and Warrantholder; and any Claims for damages, breach of contract, specific performance, or any equitable or legal relief of any kind, arising out of this Agreement.

(q) Arbitration . If the Mutual Waiver of Jury Trial set forth in Section 12(p) is ineffective or unenforceable, the parties agree that all Claims shall be submitted to binding arbitration in accordance with the commercial arbitration rules of JAMS (the "Rules"), such arbitration to occur before one arbitrator, which arbitrator shall be a retired California state judge or a retired Federal court judge. Such proceeding shall be conducted in Santa Clara County, State of California, with California rules of evidence and discovery applicable to such arbitration. The decision of the arbitrator shall be binding on the parties, and shall be final and nonappealable to the maximum extent permitted by law. Any judgment rendered by the arbitrator may be entered in a court of competent jurisdiction and enforced by the prevailing party as a final judgment of such court.

(r) Pre-arbitration Relief . In the event Claims are to be resolved by arbitration, either party may seek from a court of competent jurisdiction identified in Section 12(o), any prejudgment order, writ or other relief and have such prejudgment order, writ or other relief enforced to the fullest extent permitted by law notwithstanding that all Claims are otherwise subject to resolution by binding arbitration.

(s) Counterparts . This Agreement and any amendments, waivers, consents or supplements hereto may be executed in any number of counterparts, and by different parties hereto in separate counterparts, each of which when so delivered shall be deemed an original, but all of which counterparts shall constitute but one and the same instrument.

(t) Specific Performance . The parties hereto hereby declare that it is impossible to measure in money the damages which will accrue to Warrantholder by reason of the Company's failure to perform any of the obligations under this Agreement and agree that the terms of this Agreement shall be specifically enforceable by Warrantholder. If Warrantholder institutes any action or proceeding to specifically enforce the provisions hereof, any person against whom such action or proceeding is brought hereby waives the claim or defense therein that Warrantholder has an adequate remedy at law, and such person shall not offer in any such action or proceeding the claim or defense that such remedy at law exists.

(u) Lost, Stolen, Mutilated or Destroyed Warrant . If this Warrant is lost, stolen, mutilated or destroyed, the Company may, on such terms as to indemnity or otherwise as it may reasonably impose (which shall, in the case of a mutilated Warrant, include the surrender thereof), issue a new Warrant of like denomination and tenor as this Warrant so lost, stolen, mutilated or destroyed. Any such new Warrant shall constitute an original contractual obligation of the Company, whether or not the allegedly lost, stolen, mutilated or destroyed Warrant shall be at any time enforceable by anyone.

(v) Legends . To the extent required by applicable laws, this Warrant and the shares of Common Stock issuable hereunder (and the securities issuable, directly or indirectly, upon conversion of such shares of Common Stock, if any) may be imprinted with a restricted securities legend in substantially the following form:

> THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY APPLICABLE STATE SECURITIES LAWS, AND MAY NOT BE SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS, OR PURSUANT TO RULE 144 OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

IN WITNESS WHEREOF, the parties hereto have caused this Warrant Agreement to be executed by its officers thereunto duly authorized as of the Effective Date.

COMPANY: INSPIREMD, INC.

By: /s/ Craig Shore
Name: Craig Shore
Title: Chief Financial Officer

WARRANTHOLDER: HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

By: /s/ K. Nicholas Martitsch
Name: K. Nicholas Martitsch
Title: Associate General Counsel

EXHIBIT I

NOTICE OF EXERCISE

To: [_____]

(1) The undersigned Warrantholder hereby elects to purchase [_____] shares of the Common Stock of [_____], pursuant to the terms of the Agreement dated the [___] day of [_____, _____] (the "Agreement") between [_____] and the Warrantholder, and tenders herewith payment of the Purchase Price in full, together with all applicable transfer taxes, if any. [NET ISSUANCE: elects pursuant to Section 3(a) of the Agreement to effect a Net Issuance.]

(2) Please issue a certificate or certificates representing said shares of Common Stock in the name of the undersigned or in such other name as is specified below.

_____
(Name)

_____
(Address)

WARRANTHOLDER:

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.

By: _____
Name: Ben Bang
Title: Senior Counsel

EXHIBIT II

1. ACKNOWLEDGMENT OF EXERCISE

The undersigned [_____], hereby acknowledge receipt of the "Notice of Exercise" from Hercules Technology Growth Capital, Inc., to purchase [____] shares of the Common Stock of [_____], pursuant to the terms of the Agreement, and further acknowledges that [_____] shares remain subject to purchase under the terms of the Agreement.

COMPANY: [_____]

By: _____

Title: _____

Date: _____

EXHIBIT III

TRANSFER NOTICE

(To transfer or assign the foregoing Agreement execute this form and supply required information. Do not use this form to purchase shares.)

FOR VALUE RECEIVED, the foregoing Agreement and all rights evidenced thereby are hereby transferred and assigned to

_____

(Please Print)

whose address is _____

_____

Dated: _____

Holder's Signature: _____

Holder's Address: _____

_____

Signature Guaranteed: _____

NOTE: The signature to this Transfer Notice must correspond with the name as it appears on the face of the Agreement, without alteration or enlargement or any change whatever. Officers of corporations and those acting in a fiduciary or other representative capacity should file proper evidence of authority to assign the foregoing Agreement.

1610967.1

BANK LEUMI USA
MEMBER FDIC

DEPOSIT ACCOUNT CONTROL AGREEMENT

PARTIES

HERCULES TECHNOLOGY GROWTH CAPITAL, INC. ("Creditor")
INSPIREMD, INC. (“Customer")
BANK LEUMI USA ("Bank")
_____ ("Banking Office")

BACKGROUND

Customer has granted 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. 22-655409-18 (such account, together with all cash, funds, items, instruments and other amounts now or hereafter deposited into or held therein, and all interest thereon, 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 or any other control agreement with respect to 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 (i) comply only with instructions and other directions as to the withdrawal or disposition of any funds credited to the Account and as to any other matters relating to the Account (“Orders”), originated by Creditor, without Customer's further consent, (ii) cease complying with Orders originated by Customer or any other person/entity, and (iii) 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, interests, liens and security interests with respect to the Account (including, without limitation, rights of setoff, recoupment, banker’s lien, chargeback or otherwise) are subordinate to Creditor's present and future rights, interests, liens and security interests with respect to the Account; 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.

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 or other action 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 (but not more than two business days) 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

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 will indemnify Bank, its officers, directors, employees, and agents against claims, liabilities, and expenses arising from any Notice of Exclusive Control (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.

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.

[signature page follows]

INSPIREMD, INC.
(Customer)

By: /s/ Craig Shore

Name: Craig Shore

Title: Chief Financial Officer

Address:

InspireMD, Inc.
Attention: Craig Shore
800 Boylston Street, Suite 1600
Boston, Massachusetts 02199

Facsimile: _____

Telephone: 857-453-6553

Date: October 23, 2013

HERCULES TECHNOLOGY GROWTH CAPITAL, INC.
(Creditor)

By: /s/ K. Nicholas Martitsch

Name: K. Nicholas Martitsch

Title: Associate General Counsel

Address:

Hercules Technology Growth Capital, Inc.
Legal Department
Attention: Chief Legal Officer and Mr. Bryan Jadot
400 Hamilton Avenue, Suite 310
Palo Alto, California 94301

Facsimile: 650-473-9194

Telephone: 650-289-3060

Date: October 23, 2013

BANK LEUMI USA
(Bank)

By: /s/ Avram Keusch /s/ Howard Kramer

Name: Avram Keusch and Howard Kramer

Title: First Vice President and Vice President

Address: 579 Fifth Avenue, 5th Floor
(Banking office)
New York, NY 10017

Facsimile: 212-626-1072
(Banking office)

Telephone: 212-626-1056 and 212-626-1055
(Banking office)

Date: October 23, 2013

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: _____

InspireMD to Ring Opening Bell at New York Stock Exchange
on Thursday, October 24th

BOSTON, MA - October 23, 2013 - InspireMD, Inc. (NYSE MKT: NSPR) ("InspireMD" or the "Company"), a leader in embolic protection stents, announced today that it will ring the Opening Bell at the New York Stock Exchange on Thursday, October 24, 2013 at 9:30 a.m. ET.

Representing the Company, Alan Milinazzo, Chief Executive Officer, and Craig Shore, Chief Financial Officer, will be joined by members of the InspireMD management team to ring the Opening Bell.

"We look forward to ringing the Opening Bell at the New York Stock Exchange as we celebrate the progress made by the Company over the past year," said Alan Milinazzo, Chief Executive Officer of InspireMD. "Over the next year, we are looking forward to several exciting milestones within our clinical and product development programs, as well as for our commercialization operations. This includes the announcement next week of 12-month follow-up data for the MASTER trial in San Francisco at the Transcatheter Cardiovascular Therapeutics (TCT) Conference on October 29 th ."

A live webcast of the NYSE Opening Bell Ceremony will be available online at:
https://nyse.nyx.com/the-bell/todays-bells-live .

A replay of the NYSE Opening Bell Ceremony and photos from the event will be available at:
www.Inspire-MD.com or https://exchanges.nyx.com/new-york-stock-exchange-0 .

About InspireMD, Inc.

InspireMD seeks to utilize its proprietary MGuard™ technology to make its products the industry standard for embolic protection stents and to provide a superior solution to the key clinical issues of current stenting in patients with a high risk of distal embolization, no reflow and major adverse cardiac events.

InspireMD intends to pursue applications of this technology in coronary, carotid and peripheral artery procedures. InspireMD's common stock is quoted on the NYSE MKT under the ticker symbol NSPR.

MGuard™ EPS is CE Mark approved. It is not approved for sale in the U.S. by the FDA at this time.

Investor Contacts:
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KCSA Strategic Communications
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Media Contacts:
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FINAL – FOR IMMEDIATE RELEASE

InspireMD Secures Financing to Accelerate Advancements in Product Development and Adopts a One Year Stockholder Rights Plan

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Funding for expansion of clinical trial and product development strategies

BOSTON, MA – October 24, 2013 – InspireMD Inc. (NYSE MKT: NSPR) ("InspireMD" or the "Company"), a leader in embolic protection stents, today announced that it has secured $10 million in venture debt financing to support expanding its ability to execute on emerging clinical research and product development efforts. The Company also announced it has adopted a stockholder rights plan effective for a one year period.

Alan Milinazzo, President and Chief Executive Officer of InspireMD, commented, "While we have the necessary capital to support our existing business and clinical efforts, we intend to strategically increase the Company's access to capital to fund the expansion of our clinical studies and product development strategy, while limiting shareholder dilution. Our initial action includes securing $10 million of venture debt. With this added capital, we can accelerate critical product development and clinical programs to expand our MicroNet therapeutic platform as well as facilitating ongoing discussions with potential strategic partners."

With respect to the stockholder rights plan, Sol Barer, Chairman of InspireMD's Board of Directors commented, "As we expand our pipeline of exciting new stent technologies addressing significant underserved medical conditions, we believe it is prudent to institute the rights plan in order to protect our shareholders' interests. This is due to the Board's concern that the current share price for the Company's common stock doesn't take into account the existing product portfolio as well as pending development activities. Our goal is to ensure that if an event were to arise it would take into account the overall value of these efforts."

InspireMD closed the $10 million venture debt financing with Hercules Technology Growth Capital (NYSE: HTGC). The funding is in the form of secured indebtedness bearing interest at a calculated prime-based variable rate currently set at 10.5%. Payments under the loan agreement are interest only for 9 months, followed by 30 monthly payments of principal and interest through the scheduled maturity date on February 1, 2017. In connection with the loan agreement, InspireMD issued Hercules warrants, which are exercisable for 168,351 shares of Common Stock at a per share exercise price of $2.97.

Stockholder Rights Plan

As noted above, on October 22, 2013, the Company's Board adopted a stockholder rights plan (the "Rights Plan") and declared a dividend of one right on each outstanding share of InspireMD's common stock.

The Rights Plan is designed to assure that all of InspireMD's stockholders receive fair and equal treatment in the event of any proposed takeover of the company and to guard against tactics to gain control of InspireMD without paying all stockholders a premium for that control. InspireMD's Board deemed it appropriate and prudent to adopt the Rights Plan at this time.

The Rights Plan is intended to enable all InspireMD stockholders to realize the long-term value of their investment in the company. It will not prevent a takeover, but should encourage anyone seeking to acquire the company to negotiate with the Board.

Pursuant to the Rights Plan, InspireMD is issuing one preferred share purchase right for each outstanding share of common stock at the close of business on November 15, 2013. Initially, the rights will not be exercisable and will trade with the company's shares of common stock.

Under the Rights Plan, the rights will generally become exercisable only if a person or group acquires beneficial ownership of 15% or more of the Company's common stock in a transaction not approved by InspireMD's Board. In that situation, each holder of a right (other than the acquiring person, whose rights will become void and will not be exercisable) will be entitled to purchase, at the then-current exercise price, additional shares of common stock having a value of twice the exercise price of the right. In addition, if InspireMD is acquired in a merger or other business combination after an unapproved party acquires more than 15% of InspireMD's common stock, each holder of a right would then be entitled to purchase at the then-current exercise price, shares of the acquiring company's stock, having a value of twice the exercise price of the right.

InspireMD's Board may redeem the rights for a nominal amount at any time before an event that causes the rights to become exercisable. Under the terms of the Rights Plan, it will expire on October 22, 2014.

InspireMD will file a Form 8-K and Form 8-A with the United States Securities and Exchange Commission that will contain additional information regarding the terms and conditions of the Rights Plan. InspireMD stockholders will also receive information regarding the Rights Plan.

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InspireMD intends to pursue applications of this technology in coronary, carotid and peripheral artery procedures. InspireMD's common stock is quoted on the NYSE MKT under the ticker symbol NSPR.

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About Hercules Technology Growth Capital, Inc.

Hercules Technology Growth Capital, Inc. (NYSE:HTGC) is the leading specialty finance company focused on providing senior secured loans to venture capital-backed companies in technology-related markets, including technology, biotechnology, life science, and energy and renewables technology industries, at all stages of development. Since inception (December 2003), Hercules has committed more than $3.9 billion to over 250 companies and is a lender of choice for entrepreneurs and venture capital firms seeking growth capital financing.

The Company's common stock trades on the New York Stock Exchange under the ticker symbol "HTGC."

In addition, Hercules has two outstanding bond issuances of 7.00 percent Senior Notes due 2019—the April 2019 Notes and September 2019 Notes—which trade on the NYSE under the symbols "HTGZ" and "HTGY," respectively.

For more information, please visit www.htgc.com .

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, multinational 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 (SEC), including the Company's Transition Report on Form 10-K/T and its Quarterly Reports on Form 10-Q. Investors and security holders are urged to read these documents free of charge on the SEC's web site at http://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.

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FINAL – FOR IMMEDIATE RELEASE

InspireMD Files At-the-Market Offering and Shelf Registration Statement

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BOSTON, MA – October 24, 2013 – InspireMD Inc. (NYSE MKT: NSPR) ("InspireMD" or the "Company"), a leader in embolic protection stents, announced today that it has filed a $75 million shelf registration statement on Form S-3 with the Securities and Exchange Commission (the "SEC"). Once declared effective by the SEC, the shelf registration statement would permit the Company to sell, from time to time over the next three years, up to $75 million in aggregate value of its common stock, preferred stock and/or warrants, either individually or in units. The shelf registration statement is intended to provide the Company with flexibility to access additional capital when market conditions are appropriate.

The registration statement has been filed with the SEC, but has not yet become effective. Any offers, solicitations of offers to buy, or sales of the securities will only be made once the shelf registration statement has been declared effective by the SEC, including any prospectuses and prospectus supplements. These securities may not be sold, nor may offers to buy be accepted prior to the time that the registration statement becomes effective.

In addition, the Company announced today that it has filed a prospectus as part of the shelf registration statement to sell, of the $75 million of securities being registered, up to an aggregate of $40 million of its common stock (the "Shares") through an "at-the-market" ("ATM") offering. If utilized, the Shares would be offered through MLV & Co. LLC ("MLV") as sales agent. MLV, at the Company's discretion and instruction, will use its commercially reasonable efforts to sell the Shares at market prices from time to time, including sales made directly on the NYSE MKT. The Company currently intends to use the proceeds from any sales related to the ATM offering to support general corporate purposes, including the development of new stent technologies using its MicroNet technology for use in carotid and peripheral artery procedures, as well as combining MicroNet with other stent technologies, including drug-eluting coatings. The Company's agreement with MLV automatically terminates upon the earlier to occur of the three-year anniversary of the date hereof, or the issuance and sale of all of the Shares (unless earlier terminated pursuant to the terms thereof).

Sales in the ATM offering, if any, would be made pursuant to the prospectus filed with the shelf registration statement filed today, which has not yet become effective. The Shares may not be sold, nor may offers to buy be accepted prior to the time that the shelf registration statement becomes effective.

This press release is not an offer to sell the securities covered by the shelf registration statement or the Shares and it is not soliciting an offer to buy those securities in any state where the offer or sale is not permitted. For more complete information about the Company, the shelf registration statement and the ATM offering, you are encouraged to read the shelf registration statement, the ATM prospectus and other documents the Company has filed with the SEC. You may obtain these documents on the SEC's website at www.sec.gov.

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Forward-looking Statements:

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