INSPIREMD, INC.

FORM 10-Q
(Quarterly Report)

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Address	321 COLUMBUS AVENUE BOSTON, MA 02116
Telephone	(857) 453-6553
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Industry	Medical Equipment & Supplies
Sector	Healthcare
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended: March 31, 2014

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number: 001-35731

InspireMD, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**26-2123838**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

321 Columbus Avenue
Boston, MA 02116
(Address of principal executive offices)
(Zip Code)

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

Indicate by check mark whether registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☒
(Do not check if a smaller reporting company)	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of the registrant's common stock, $0.0001 par value, outstanding as of May 6, 2014: 34,983,437 **.**

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

INSPIREMD, INC.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

March 31, 2014

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The amounts are stated in U.S. dollars

INSPIREMD, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(U.S. dollars in thousands)

	March 31, 2014	December 31, 2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 13,706	$ 17,535
Restricted cash	93	93
Accounts receivable:		
Trade	1,494	1,855
Other	465	387
Prepaid expenses	110	141
Inventory	1,343	1,593
Total current assets	17,211	21,604
PROPERTY, PLANT AND EQUIPMENT, net	624	652
NON-CURRENT ASSETS:		
Deferred issuance costs	293	310
Funds in respect of employees rights upon retirement	455	434
Long term prepaid expenses	85	114
Royalties buyout	837	852
Total other non-current assets	1,670	1,710
Total assets	$ 19,505	$ 23,966

The accompanying notes are an integral part of the condensed consolidated financial statements.

INSPIREMD, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(U.S. dollars in thousands)

	March 31, 2014	December 31, 2013
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accruals:		
Trade	$ 1,405	$ 1,623
Other	3,814	3,141
Advanced payment from customers	190	179
Current maturity of loan	2,099	1,181
Total current liabilities	7,508	6,124
LONG-TERM LIABILITIES:		
Liability for employees rights upon retirement	636	610
Long term loan	7,748	8,593
Total long-term liabilities	8,384	9,203
COMMITMENTS AND CONTINGENT LIABILITIES (Note 9)		
Total liabilities	15,892	15,327
EQUITY :		
Common stock, par value $0.0001 per share; 125,000,000 shares authorized; 34,054,060 and 33,983,346 shares issued and outstanding at March 31, 2014 and December 31, 2013, respectively	3	3
Additional paid-in capital	91,894	90,952
Accumulated deficit	(88,284)	(82,316)
Total equity	3,613	8,639
Total liabilities and equity	$ 19,505	$ 23,966

The accompanying notes are an integral part of the condensed consolidated financial statements.

INSPIREMD, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(U.S. dollars in thousands, except share and per share data)

	Three months ended March 31,	
	2014	**2013**
REVENUES	$ 1,482	$ 1,514
COST OF REVENUES	625	674
GROSS PROFIT	857	840
OPERATING EXPENSES:		
Research and development	2,577	907
Selling and marketing	1,276	804
General and administrative (including $861 and $1,201 of share-based compensation for the three months ended March 31, 2014 and 2013, respectively)	2,539	2,340
Total operating expenses	6,392	4,051
LOSS FROM OPERATIONS	(5,535)	(3,211)
FINANCIAL EXPENSES, net:		
Interest expense	352	1,276
Other financial expenses	61	416
Total financial expenses	413	1,692
LOSS BEFORE INCOME TAXES	(5,948)	(4,903)
TAX EXPENSES (INCOME)	20	(18)
NET LOSS	(5,968)	$ (4,885)
NET LOSS PER SHARE - basic and diluted	$ (0.18)	$ (0.27)
WEIGHTED AVERAGE NUMBER OF SHARES OF COMMON STOCK USED IN COMPUTING NET LOSS PER SHARE - basic and diluted	34,051,703	18,196,083

The accompanying notes are an integral part of the condensed consolidated financial statements.

INSPIREMD, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(U.S. dollars in thousands)

	Three months ended March 31,	
	2014	**2013**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (5,968)	$ (4,885)
Adjustments required to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	56	51
Change in liability for employees right upon retirement	26	44
Financial expenses	93	1,466
Share-based compensation expenses	1,019	1,299
Changes in operating asset and liability items:		
Decrease in prepaid expenses	60	3
Decrease (increase) in trade receivables	361	(873)
Increase in other receivables	(78)	(66)
Decrease in inventory on consignment		20
Decrease (increase) in inventory on hand	250	(5)
Decrease in trade payables	(218)	(125)
Increase in other payables and advance payment from customers	690	254
Net cash used in operating activities	(3,709)	(2,817)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(13)	(31)
Decrease in restricted cash		2
Amounts funded in respect of employee rights upon retirement, net	(21)	(45)
Net cash used in investing activities	(34)	(74)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Taxes withheld in respect of share issuance	(77)	(20)
Net cash used by financing activities	(77)	(20)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(9)	(8)
DECREASE IN CASH AND CASH EQUIVALENTS	(3,829)	(2,919)
BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	17,535	5,433
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	$ 13,706	$ 2,514

The accompanying notes are an integral part of the condensed consolidated financial statements.

INSPIREMD, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

NOTE 1 - DESCRIPTION OF BUSINESS

InspireMD, Inc., a Delaware corporation (the "Company"), together with its subsidiaries, is a medical device company focused on the development and commercialization of its proprietary stent platform technology, MGuard™. MGuard provides embolic protection in stenting procedures by placing a micron mesh sleeve over a stent. The Company's initial products are marketed for use in patients with acute coronary syndromes, notably acute myocardial infarction (heart attack) and saphenous vein graft coronary interventions (bypass surgery). The Company markets its products through distributors in international markets, mainly in Europe, Latin America and the Middle East, and through direct sales to hospitals in Europe.

The Company has an accumulated deficit of $88.3 million as of March 31, 2014, as well as net losses and negative operating cash flows in recent years as well as in the current quarter. The Company expects to continue incurring losses and negative cash flows from operations until its MGuard™ products reach commercial profitability. Based on managements' most recent forecasts, it does not anticipate that the Company will have sufficient resources to fund operations into the third quarter of 2015. Therefore, there is substantial doubt about the Company's ability to continue as a going concern.

Management's plans include the continued commercialization of the MGuard™ products and raising capital through the sale of additional equity securities or debt, including through the Company's "At-the-Market" equity program. There are no assurances, however, that the Company will be successful in obtaining the level of financing needed for its operations. If the Company is unsuccessful in commercializing its MGuard™ products and raising capital, it may need to reduce activities or curtail or, in the extreme case, cease operations.

These financial statements have been prepared assuming that the Company will continue as a going concern and do not include any adjustments that might result from the outcome of this uncertainty.

On April 30, 2014, the Company initiated a voluntary field corrective action of our MGuard Prime EPS. See Note 12.

NOTE 2 - BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements. In the opinion of management, the financial statements reflect all adjustments, which include only normal recurring adjustments, necessary to state fairly the financial position and results of operations of the Company. These consolidated financial statements and notes thereto are unaudited and should be read in conjunction with the Company's audited financial statements for the six month period ended December 31, 2013, as found in the Company's Transition Report on Form 10-KT, filed with the Securities and Exchange Commission on February 26, 2014. The balance sheet for December 31, 2013 was derived from the Company's audited financial statements for the six month period ended December 31, 2013. The results of operations for the three months ended March 31, 2014 are not necessarily indicative of results that could be expected for the entire fiscal year.

NOTE 3- EQUITY:

a. During the three months ended March 31, 2014, the Company granted stock options to employees and directors to purchase a total of 1,286,932 shares of the Company's common stock. The options have exercise prices ranging from $2.97-$3.23 per share, which were the fair market value of the Company's common stock on the date of each respective grant. The options are subject to a three-year vesting period, with one-third of such awards vesting each year.

   In calculating the fair value of the above options the Company used the following assumptions: dividend yield of 0% and expected term of 5.5-6.5 years; expected volatility of 66.8%-67.9%; and risk-free interest rate of 1.64%-2.01%.

The fair value of the above options, using the Black-Scholes option-pricing model, was approximately $2.4 million.

b. During the three months ended March 31, 2014, the Company granted a total of 445,240 restricted shares of the Company's common stock to employees. The shares are subject to a three-year vesting period, with one-third of such awards vesting each year.

The fair value of the above restricted shares was approximately $1.4 million.

NOTE 4- NET LOSS PER SHARE:

Basic and diluted net loss per share is computed by dividing the net loss for the period by the weighted average number of shares of common stock outstanding during the period. The calculation of diluted net loss per share excludes potential share issuances of common stock upon the exercise of share options, warrants, convertible loans and restricted stocks as the effect is anti-dilutive.

The total number of shares of common stock related to outstanding options, warrants, convertible loans and restricted stock excluded from the calculations of diluted loss per share were 9,984,674 and 8,512,041 for the three month periods ended March 31, 2014 and 2013, respectively.

NOTE 5 - FAIR VALUE MEASURMENT:

Financial Assets and Liabilities Not Measured Using Fair Value Method

The carrying amounts of financial instruments included in working capital approximate their fair value either because these amounts are presented at fair value or due to the relatively short-term maturities of such instruments. If measured at fair value in the financial statements, these financial instruments would be classified as Level 3 in the fair value hierarchy. As of March 31, 2014, the carrying amount of cash and cash equivalents, accounts receivable, other current assets and accounts payables and accrued expenses approximated their fair values due to the short-term maturities of these instruments. The fair value of the loan received on October 23, 2013 (the "Loan") approximated its carrying amount.

NOTE 6 - INVENTORY:

	March 31, 2014	December 31, 2013
	($ in thousands)	
Finished goods	$ 882	$ 1,097
Work in process	336	341
Raw materials and supplies	125	155
	$ 1,343	$ 1,593

As of March 31, 2014 and December 31, 2013, the Company had provisions for slow moving inventory of approximately $455,000 and $418,000, respectively **.**

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUALS - OTHER:

	March 31, 2014	December 31, 2013
	($ in thousands)	
Employees and employee institutions	$ 985	$ 1,133
Accrued vacation and recreation pay	432	325
Accrued clinical trial expenses	1,487	622
Accrued expenses	727	886
Provision for sales commissions	133	139
Other	50	36
	$ 3,814	$ 3,141

NOTE 8 - FINANCIAL EXPENSES, NET:

	Three months ended March 31,	
	2014	2013
	($ in thousands)	
Bank commissions	$ 10	$ 6
Interest income		(7)
Exchange rate differences	40	6
Interest expense (including debt issuance costs)	352	1,276
Change in fair value of warrants, embedded derivatives and other	(6)	411
Other	17	
	$ 413	$ 1,692

NOTE 9 - RELATED PARTIES:

During the three month period ended March 31, 2014, the Company's chief executive officer was granted options to purchase 399,675 shares of common stock at exercise prices ranging from $2.97-$3.10 per share, as well as 182,725 shares of restricted stock. See Note 3.

During the three month period ended March 31, 2014, directors of the Company were granted options to purchase an aggregate of 335,000 shares of common stock at an exercise price of $3.10 per share. See Note 3a.

NOTE 10 - COMMITMENT AND CONTINGENT LIABILITIES:

a. Litigation

In July 2012, a purported assignee of options in InspireMD Ltd. submitted a statement of claim against the Company, InspireMD Ltd., and the Company's former chief executive officer and president for a declaratory and enforcement order that this purported assignee is entitled to options to purchase 83,637 shares of the Company's commons stock at an exercise price of $0.76 per share. After considering the views of its legal counsel as well as other factors, the Company's management believes that a loss to the Company is neither probable nor in an amount or range of loss that is estimable.

In December 2012, a former service provider of InspireMD GmbH filed a claim with the Labor Court in Buenos Aires, Argentina in the amount of $193,378 plus interest (6% in dollars or 18.5% in pesos), social benefits, legal expenses and fees (25% of the award) against InspireMD Ltd. and InspireMD GmbH. The Company's management, after considering the views of its legal counsel as well as other factors, recorded a provision of $250,000 in the financial statements for the quarter ended December 31, 2012. The Company's management estimates that the ultimate resolution of this matter could result in a possible loss of up to $80,000 in excess of the amount accrued.

b. Liens and pledges

1) The Company's obligations under the Loan (as defined in Note 5) were secured by Israeli security agreements and deposit account control agreements on all of the assets and properties of the Company and InspireMD Ltd., other than the intellectual property of the Company and InspireMD Ltd.

2) As of March 31, 2014, the Company had fixed liens aggregating $93,000 to Bank Mizrahi in connection with the Company's credit cards.

NOTE 11 - ENTITY WIDE DISCLOSURE:

The Company operates in one operating segment.

Disaggregated financial data is provided below as follows:

(1) Revenues by geographic area and
(2) Revenues from principal customers.

Revenues are attributed to geographic areas based on the location of the customers. The following is a summary of revenues by geographic areas:

	Three months ended March 31,	
	2014	2013
	($ in thousands)	
Middle East	$ 624	$ 108
Spain	201	157
Russia	3	435
Other	654	814
	$ 1,482	$ 1,514

The following is a summary of revenues by principal customers:

	Three months ended March 31,	
	2014	**2013**
Customer A	40%	0%
Customer B	14%	10%
Customer C	0%	29%

All tangible long-lived assets are located in Israel.

NOTE 12 - SUBSEQUENT EVENTS:

On April 30, 2014, the Company initiated a voluntary field corrective action (“VFA”) of our MGuard Prime EPS to address the issue of stent retention following reports of MGuard Prime EPS stent dislodgements. To date, there have been no reports of any patients being harmed in these recent reports reviewed by the Company. The Company believ es that it has identified the root cause of these dislodgements and, upon approval from the European regulatory agency, intends to modify all existing units of the MGuard Prime EPS in order to improve stent retention and performance. The Company began notifying its clinical and commercial partners worldwide of its VFA and intends to modify all units in the field once regulatory approval is received. The VFA will have a short term impact on both the commercial and clinical activities relating to the MGuard Prime EPS. The Company anticipates regulatory review to be completed by the end of the current, second quarter and would then commence shipping MGuard Prime EPS back into the marketplace.

The expense associated with the VFA, which the Company expects to incur primarily during the second quarter of 2014, is currently estimated to be between $200,000 and $300,000.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the accompanying condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q.

Unless the context requires otherwise, references in this Form 10-Q to the "Company," "InspireMD," "we," "our" and "us" refer to InspireMD, Inc., a Delaware corporation, and its subsidiaries.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements," which include information relating to future events, future financial performance, strategies, expectations, competitive environment and regulation. Words such as "may," "should," "could," "would," "predicts," "potential," "continue," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates," and similar expressions, as well as statements in future tense, identify forward-looking statements. Forward-looking statements should not be read as a guarantee of future performance or results and will probably not be accurate indications of when such performance or results will be achieved. Forward-looking statements are based on information we have when those statements are made or our good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to:

- our history of recurring losses and negative cash flows from operating activities, significant future commitments and the uncertainty regarding the adequacy of our liquidity to pursue our complete business objectives;
- our ability to complete clinical trials as anticipated and obtain and maintain regulatory approvals for our products;
- our ability to adequately protect our intellectual property;
- disputes over ownership of intellectual property;
- our dependence on a single manufacturing facility and our ability to comply with stringent manufacturing quality standards and to increase production as necessary;
- the risk that the data collected from our current and planned clinical trials may not be sufficient to demonstrate that the MGuard™ technology is an attractive alternative to other procedures and products;
- intense competition in our industry, with competitors having substantially greater financial, technological, research and development, regulatory and clinical, manufacturing, marketing and sales, distribution and personnel resources than we do;
- entry of new competitors and products and potential technological obsolescence of our products;
- loss of a key customer or supplier;
- technical problems with our research and products and potential product liability claims;
- adverse economic conditions;
- adverse federal, state and local government regulation, in the United States, Europe, Asia or Israel;
- price increases for supplies and components;
- inability to carry out research, development and commercialization plans; and
- loss or retirement of key executives and research scientists.

For a discussion of these and other risks that relate to our business and investing in our common stock, you should carefully review the risks and uncertainties described under the heading "Part II – Item 1A. Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q and in our Transition Report on Form 10-KT for the six month period ended December 31, 2013, and those described from time to time in our future reports filed with the Securities and Exchange Commission. The forward-looking statements contained in this Quarterly Report on Form 10-Q are expressly qualified in their entirety by this cautionary statement. We do not undertake any obligation to publicly update any forward-looking statement to reflect events or circumstances after the date on which any such statement is made or to reflect the occurrence of unanticipated events.

Overview

We are a medical device company focused on the development and commercialization of our proprietary stent platform technology, MGuard. MGuard provides embolic protection in stenting procedures by placing a micron mesh sleeve over a stent. Our initial products are marketed for use mainly in patients with acute coronary syndromes, notably acute myocardial infarction (heart attack) and saphenous vein graft coronary interventions (bypass surgery).

We effectuated a one-for-four reverse stock split of our common stock on December 21, 2012. Our authorized shares of common stock were not adjusted as a result of this reverse stock split. All share and related option and warrant information presented in the following discussion and analysis of our financial condition and results of operations and the accompanying consolidated interim financial statements have been retroactively adjusted to reflect the reduced number of shares outstanding which resulted from this action.

Recent Events

On April 30, 2014, we publicly announced our decision to initiate a voluntary field corrective action or product recall with respect to our MGuard Prime embolic protection systems to address reports of stent dislodgement. In connection with such action, we have ceased shipments of all MGuard Prime units and suspended enrollment in our MASTER II trial pending a review by the U.S. Food and Drug Administration and other regulatory agencies. We believe that we have identified the cause of the dislodgement issue and, upon approval from the European regulatory agency, intend to modify all existing units of the MGuard Prime to improve stent retention and performance. Our voluntary recall and field corrective action is subject to numerous risks and uncertainties as discussed more fully in the section entitled "Risk Factors."

Critical Accounting Policies

A critical accounting policy is one that is both important to the portrayal of our financial condition and results of operation and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Our critical accounting policies are more fully described in both (i) the Management's Discussion and Analysis of Financial Condition and Results of Operations section and (ii) Note 2 of the Notes to the Consolidated Financial Statements included in our Transition Report on Form 10-KT for the six month period ended December 31, 2013. There have not been any material changes to such critical accounting policies since December 31, 2013.

The currency of the primary economic environment in which our operations are conducted is the U.S. dollar ("$" or "dollar"). Accordingly, our currency is the dollar.

Results of Operations

Three months ended March 31, 2014 compared to the three months ended March 31, 2013

Revenues . For the three months ended March 31, 2014, revenue decreased by $32,000, or 2.2%, to $1.5 million from $1.5 million during the same period in 2013. This decrease was driven by a decrease in sales volume of $16,000, or 1.1%, with price decreases to our repeat distributors driving the remaining decrease of $16,000, or 1.1%.

With respect to regions, revenue from our distributors in the Middle East increased $0.5 million, which was offset by a decrease of $0.5 million in revenue from our distributors in Europe as we moved to direct sales channels in key European countries. Moving from distributor based sales to direct sales adversely impacted revenues for the three months ended March 31, 2014, as we did not either (i) sell material quantities of product to distributors in territories where we chose to transition to direct sales or (ii) begin material direct sales in those affected territories as the affected distributors already had inventory consigned to individual hospitals that must be consumed before direct sales can successfully commence. This transition can last two to three quarters or longer based on inventory levels. We believe that the move to direct sales activities, however, will prove to be successful in the long term, as it allows us to work directly with customers to better deliver clinical education and improve adoption of our technology. Direct sales should also translate into a higher gross margin, as it will allow us to benefit from end user versus transfer pricing in those select markets.

Gross Profit . For the three months ended March 31, 2014, gross profit (revenue less cost of revenues) increased 2.0%, or $17,000, to $0.9 million from $0.8 million during the same period in 2013. This increase in gross profit was attributable to a decrease in cost of revenues of $49,000. This increase in gross profit was partially offset by a decrease in revenue of $32,000, as described above. Gross margin (gross profits as a percentage of revenue) increased from 55.5% in the three months ended March 31, 2013 to 57.8% in same period in 2014 mostly as a result of the decrease in cost of revenues, as noted above. The cost of revenues for the three months ended March 31, 2014 included a write-off of slow moving inventory of $52,000. If the effects of the write-off of slow moving inventory in the three months ended March 31, 2014, are removed, gross margin for the three months ended March 31, 2014 would have been 61.3%.

Research and Development Expenses . For the three months ended March 31, 2014, research and development expenses increased 184.1%, or $1.7 million, to $2.6 million, from $0.9 million during the same period in 2013. This increase in research and development expenses resulted primarily from increases of $0.2 million in related salaries, $0.1 million in related travel expenses, $0.2 million in miscellaneous expenses and $1.4 million in clinical trial expenses associated with our MASTER II trial moving from the pre-clinical stage to the set-up and enrollment phases. This increase in research and development expenses, however, was partially offset by a decrease of $0.2 million in expenses associated with the conclusion of our MASTER I trial in 2013. Research and development expense as a percentage of revenue increased to 173.9% for the three months ended March 31, 2014, from 59.9% in the same period in 2013.

Selling and Marketing Expenses . For the three months ended March 31, 2014, selling and marketing expenses increased 58.7%, or $0.5 million, to $1.3 million, from $0.8 million during the same period in 2013. This increase in selling and marketing expenses resulted primarily from an increase of $0.3 million in salaries and an increase of $0.1 million in share based compensation, as we hired additional sales personnel in an effort to expand our sales activities worldwide, an increase of $0.1 million in travel expenses for our increased sales force and an increase of $0.2 million in miscellaneous expenses. Much of these sales initiatives were driven by our efforts to capitalize on the publication of our MASTER I trial results, our first randomized data related to our MGuard technology, and efforts to support our new direct sales channels in key European countries. This increase in selling and marketing expenses, however, was partially offset by a decrease of $0.2 million in product promotion expenses. Selling and marketing expenses as a percentage of revenue increased to 86.1% in the three months ended March 31, 2014 from 53.1% in the same period in 2013.

General and Administrative Expenses . For the three months ended March 31, 2014, general and administrative expenses increased 8.5%, or $0.2 million, to $2.5 million from $2.3 million during the same period in 2013. The increase in general and administrative expenses resulted primarily from an increase of $0.1 million in salaries, an increase in director's compensation of $0.1 million, an increase in travel expense of $0.1 million and an increase in miscellaneous expenses of $0.2 million. This increase was partially offset by a decrease in share based compensation of $0.3 million. General and administrative expenses as a percentage of revenue increased to 171.3% in the three months ended March 31, 2014 from 154.6% in the same period in 2013.

Financial Expenses . For the three months ended March 31, 2014, financial expenses decreased 75.6%, or $1.3 million, to $0.4 million from $1.7 million during the same period in 2013. The decrease in financial expenses resulted from a decrease of $0.9 million of amortization and interest expenses. In the three months ended March 31, 2014, we recognized $0.4 million in amortization and interest expense, in contrast to the three months ended March 31, 2013, during which we recognized $1.3 million of amortization and interest expense pertaining to our previously outstanding senior convertible debentures and their related issuance costs (of which $1.0 million represented the non-cash amortization of the discount of the convertible debentures and their related issuance costs). In addition, we incurred $1.3 million of non-cash expense in the three months ended March 31, 2013 pertaining to our obligation to issue shares of common stock without new consideration to the investors in our March 2011 private placement due to certain anti-dilution rights held by such stockholders and the non-cash revaluations of our warrants. No such expense occurred during the three months ended March 31, 2014. This decrease in expenses was partially offset by the absence of any non-cash revaluations of our warrants during the three months ended March 31, 2014. During the three months ended March 31, 2013, we recognized $0.9 million of financial income pertaining to the non-cash revaluation of certain of our warrants due to our stock price decreasing from $3.90 to $2.52 during such period. No such income was recognized during the three months ended March 31, 2014. Financial expense as a percentage of revenue decreased to 27.9% in the three months ended March 31, 2014, from 111.8% in the same period in 2013.

Tax Expenses. For the three months ended March 31, 2014, tax expenses increased $38,000 to $20,000 from $18,000 of tax income during the same period in 2013.

Net Loss . Our net loss increased by $1.1 million, or 22.2%, to $6.0 million for the three months ended March 31, 2014 from $4.9 million during the same period in 2013. The increase in net loss resulted primarily from an increase of $2.4 million in operating expenses primarily associated with research and development and sales and marketing expansion (see above for explanation), partially offset by a decrease of $1.3 million in financial expenses, of which $1.5 million were non-cash (see above for explanation). If the non-cash effects of the warrant revaluation, amortization expense and effects of the anti-dilution rights in the three months ended March 31, 2013 are removed our net loss would be $3.4 million for the three months ended March 31, 2013, as compared to a net loss of $6.0 million for the same period in 2014.

Liquidity and Capital Resources

We had an accumulated deficit of $88.3 million as of March 31, 2014, as well as net losses and negative operating cash flows in recent years and the current quarter. We expect to continue incurring losses and negative cash flows from operations until our MGuard products reach profitability. Based on our most recent forecasts, we do not anticipate having sufficient resources to fund operations into the third quarter of 2015. Therefore, there is substantial doubt about our ability to continue as a going concern.

Our plans include the continued successful commercialization of the MGuard product and raising capital through the sale of additional equity securities or debt, including through our "At-the-Market" equity program. There are no assurances, however, that we will be successful in obtaining sufficient financing to fund our operations. If we are unsuccessful in commercializing our MGuard products to the level of profitability and raising capital, we may need to reduce activities or curtail or, in the extreme case, cease operations.

Three months ended March 31, 2014 compared to the three months ended March 31, 2013

General . At March 31, 2014, we had cash and cash equivalents of $13.7 million, as compared to $17.5 million as of December 31, 2013. We have historically met our cash needs through a combination of issuing new shares, borrowing activities and product sales. Our cash requirements are generally for clinical trials, marketing and sales activities, finance and administrative cost, capital expenditures and general working capital.

Cash used in our operating activities was $3.7 million for the three months ended March 31, 2014 and $2.8 million for the same period in 2012. The principal reason for the usage of cash in our operating activities for the three months ended March 31, 2014 was a net loss of $6.0 million, offset by $1.0 million in non-cash share-based compensation that was largely paid to our directors and chief executive officer, a decrease in working capital of $1.1 million, $0.1 million of non-cash financial expense, and $0.1 million of depreciation and amortization expenses. The principal reasons for the usage of cash in our operating activities for the three months ended March 31, 2013 included a net loss of approximately $4.9 million and an increase in working capital of approximately $0.8 million, offset by approximately $1.3 million in non-cash share-based compensation, approximately $1.5 million in non-cash financial expenses and approximately $0.1 million in depreciation and amortization expenses.

Cash used in our investing activities was $34,000 during the three months ended March 31, 2014, compared to $74,000 during the same period in 2013. The principal reason for the decrease in cash used in investing activities during 2014 was the purchase of property, plant and equipment of $13,000, as compared to $31,000 in the same period in 2013, as well as the funding of employee retirement funds of $21,000 in the three months ended March 31, 2014, as compared to $45,000 in the same period in 2013.

Cash used by financing activities for the three months ended March 31, 2014 was $77,000, compared to $20,000 during the same period in 2013. The reason for the increase in cash used by financing activities during the three months ended March 31, 2014 related largely to payments made by us in satisfaction of tax withholding obligations associated with the vesting of restricted stock held by our chief executive officer.

As of March 31, 2014, our current assets exceeded our current liabilities by a multiple of 2.3. Current assets decreased $4.3 million during the period, mainly due to cash used in operations, and current liabilities increased by $1.4 million during the period. As a result, our working capital surplus decreased by $5.7 million to $9.7 million at March 31, 2014.

Off Balance Sheet Arrangements

We have no off-balance sheet transactions, arrangements, obligations (including contingent obligations), or other relationships with unconsolidated entities or other persons that have, or may have, a material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Recent Accounting Pronouncements

None.

Factors That May Affect Future Operations

We believe that our future operating results will continue to be subject to quarterly variations based upon a wide variety of factors, including the cyclical nature of the ordering patterns of our distributors, timing of regulatory approvals, the implementation of various phases of our clinical trials and manufacturing efficiencies due to the learning curve of utilizing new materials and equipment. Our operating results could also be impacted by a weakening of the Euro and strengthening of the New Israeli Shekel, or NIS, both against the U.S. dollar. Lastly, other economic conditions we cannot foresee may affect customer demand, such as individual country reimbursement policies pertaining to our products.

Item 4. Controls and Procedures

Management's Conclusions Regarding Effectiveness of Disclosure Controls and Procedures

As of March 31, 2014, we conducted an evaluation, under the supervision and participation of management including our chief executive officer and chief financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Securities Exchange Act of 1934, as amended). There are inherent limitations to the effectiveness of any system of disclosure controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Based upon this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective at the reasonable assurance level as of March 31, 2014.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended March 31, 2014 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may be involved in litigation that arises through the normal course of business. As of the date of this filing, we are not a party to any material litigation nor are we aware of any such threatened or pending litigation.

Item 1A. Risk Factors

During the three months ended March 31, 2014, there were no material changes to the risk factors disclosed in our Transition Report on Form 10-KT for the six month period ended December 31, 2013, except for the following:

Risks Related to Our Business

We face several challenges in implementing a product recall or voluntary field corrective action for our MGuard Prime embolic protection systems ("MGuard Prime EPS") to address the issue of stent dislodgement, which could have a significant adverse impact on us.

In late April 2014, we initiated a voluntary field corrective action or recall of our MGuard Prime EPS to address the issue of stent retention following reports of MGuard Prime EPS stent dislodgements in patients. Although there have been no reports of death or serious injury as a result of such dislodgements, we decided to suspend shipments of the MGuard Prime EPS and implement a field corrective action to enhance the reliability and performance of the affected product units in the field. Our voluntary recall and field corrective action is subject to numerous risks and uncertainties, including the following:

- because we have limited experience designing and carrying out a field initiative or other corrective action plan of the magnitude under contemplation, we are likely to encounter challenges that could cause a delay in the implementation of the field initiative or negatively impact its effectiveness;
- our suspension of shipments will adversely impact revenue until we are able to upgrade the existing inventory of MGuard Prime EPS units and resume shipments in the market, both of which remain subject to the review and approval of the European regulatory agency;
- as a result of the voluntary recall, we have suspended enrollment in our MASTER II clinical trial pending a review by the U.S. Food and Drug Administration of the proposed manufacturing improvements to the MGuard Prime EPS, which could cause an increase in costs and delays or result in the failure of the clinical trial which would prevent us from entering the U.S. market;
- we are more susceptible to products liability claims and class action lawsuits as a result of the reported product malfunction and voluntary field action, which could significantly increase our costs and may have a material adverse effect on our business, financial condition and results of operations;
- the field initiative will likely divert managerial, financial and other resources and have an adverse effect on our financial condition and operating results, which could hinder our ability to carry out initiatives relating to new products or product enhancements; and
- our decision to recall and discontinue shipments may harm our reputation or the market's perception of our products, which could have a negative impact on our future sales and our ability to generate profits.

In the European Economic Area, we must comply with the EU Medical Device Vigilance System. Under this system, manufacturers are required to take Field Safety Corrective Actions ("FSCAs") to reduce a risk of death or serious deterioration in the state of health associated with the use of a medical device that is already placed on the market. A FSCA may include the recall, modification, exchange, destruction or retrofitting of the device. FSCAs must be communicated by the manufacturer or its legal representative to its customers and/or to the end users of the device through Field Safety Notices.

Any adverse event involving our products could result in other future voluntary corrective actions, such as recalls or customer notifications, or agency action, such as inspection or enforcement action. Adverse events, such as the MGuard Prime EPS stent dislodgements, have been reported to us in the past, and we cannot guarantee that they will not occur in the future. Any corrective action, whether voluntary or involuntary, as well as defending ourselves in a lawsuit, will require the dedication of our time and capital, distract management from operating our business and may harm our reputation and financial results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table sets forth information with respect to purchases by us of our equity securities during the three months ended March 31, 2014:

Issuer's Purchases of Equity Securities

Period	Total number of shares (or units) purchased [1]	Average price paid per share (or unit) [1]	Total number of shares (or units) purchased as part of publicly announced plans or programs	Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs
1/1/2014 to 1/31/2014	29,286	$ 2.63	—	—
2/1/2014 to 2/28/2014	—	—	—	—
3/1/2014 to 3/31/2014	—	—	—	—
Total	29,286	$ 2.63	—	—

(1) Includes 29,286 shares of our common stock surrendered by Alan Milinazzo in order to satisfy tax withholding obligations in connection with the vesting of restricted stock on January 3, 2014. For purposes of determining the number of shares to be surrendered by Mr. Milinazzo to meet tax withholding obligations, the price per share deemed to be paid was the closing price of our common stock on the NASDAQ Capital Market on the applicable vesting date.

Item 5. Other Information.

Amended and Restated Employment Agreement with Craig Shore

On May 5, 2014, we entered into an amended and restated employment agreement with Craig Shore, our chief financial officer and chief administrative officer, pursuant to which that certain employment agreement dated November 24, 2010 by and between Mr. Shore and InspireMD Ltd., our wholly owned subsidiary, was amended and restated in its entirety. The employment agreement has an initial term that ends on April 20, 2017 and will automatically renew for additional one-year periods on April 21, 2017 and on each April 21st thereafter unless either party gives the other party written notice of its election not to extend such employment at least six months prior to the next April 21st renewal date. If a change in control occurs when less than two full years remain in the initial term or during any renewal term, the employment agreement will automatically be extended for two years from the change in control date and will terminate on the second anniversary of the change in control date.

Under the terms of the employment agreement, Mr. Shore is entitled to an annual base salary of at least $220,000, retroactive to January 1, 2014. Such amount may be reduced only as part of an overall cost reduction program that affects all of our senior executives and does not disproportionately affect Mr. Shore, so long as such reduction does not reduce the base salary to a rate that is less than 90% of the amount set forth above (or 90% of the amount to which it has been increased). The base salary will be reviewed annually by our chief executive officer for increase as part of our annual compensation review. Mr. Shore is also eligible to receive an annual bonus in an amount equal to 45% of his then-annual salary upon the achievement of reasonable target objectives and performance goals, to be determined by the board of directors in consultation with Mr. Shore and based on the percentages set forth in his employment agreement. In addition, Mr. Shore is eligible to receive such additional bonus or incentive compensation as the board may establish from time to time in its sole discretion. Mr. Shore will also be considered for grants of equity awards each year as part of the board's annual compensation review, which will be made at the sole discretion of the board of directors. Each grant will, with respect to any awards that are options, have an exercise price equal to the fair market value of our common stock, and will be subject to a three-year vesting period subject to Mr. Shore's continued service with us, with one-third of each additional grant vesting equally on the first, second, and third anniversary of the date of grant for such awards.

The employment agreement also contains certain standard noncompetition, no solicitation, confidentiality, and assignment of inventions requirements for Mr. Shore.

If during the term of the employment agreement, Mr. Shore's employment is terminated upon his death or disability or by us without cause (as such term is defined in Mr. Shore's employment agreement), Mr. Shore will be entitled to receive, in addition to any other unpaid amounts owed to him under the manager's insurance policy: (i) any unpaid base salary and accrued unpaid vacation or earned incentive compensation plus the pro rata amount of any bonus for the fiscal year of such termination (based on the number of business days he was actually employed by us during the fiscal year of such termination and based on the percentage of the goals that he actually achieved under the bonus plan) that he would have received had his employment not been terminated; (ii) a one-time lump sum severance payment equal to 100% of his base salary, provided that he executes a release relating to employment matters and the circumstances surrounding his termination in favor of us, our subsidiaries and our officers, directors and related parties and agents, in a form reasonably acceptable to us at the time of such termination; (iii) vesting of 50% of all unvested stock options granted to Mr. Shore; (iv) an extension of the exercise period of all vested stock options granted to Mr. Shore until the earlier of (a) two years from the date of termination or (b) the latest date that each stock option would otherwise expire by its original terms; (v) to the fullest extent permitted by our then-current benefit plans, continuation of health, dental, vision and life insurance coverage for the lesser of 12 months after termination or until Mr. Shore obtains coverage from a new employer; and (vi) reimbursement of up to $30,000 for executive outplacement services, subject to certain restrictions. The payments described above will be reduced by any payments received by Mr. Shore pursuant to any of our employee welfare benefit plans providing for payments in the event of death or disability. If, during or after the term of his employment agreement, Mr. Shore's employment is terminated by us for cause or by Mr. Shore voluntarily, Mr. Shore will only be entitled to unpaid amounts owed to him (e.g., for base salary, accrued vacation and incentive vacation earned through the date of such termination) and whatever rights, if any, are available to him pursuant to our stock-based compensation plan or any award documents related to any stock-based compensation.

Mr. Shore has no specific right to terminate the employment agreement or right to any severance payments or other benefits solely as a result of a change in control. However, if within 24 months following a change in control, (a) Mr. Shore terminates his employment for good reason, or (b) we terminate Mr. Shore's employment without cause, he is entitled to receive the full lump sum severance payment equal to 100% of his base salary and all stock options, stock appreciation rights or similar stock-based rights granted to him will vest in full and be immediately exercisable and any risk of forfeiture included in restricted or other stock grants previously made to him will immediately lapse.

Mr. Shore is also entitled to participate in or receive benefits under our social insurance and benefits plans, including but not limited to our manager's insurance policy and education fund, which are customary benefits provided to executive employees in Israel. A management insurance policy is a combination of severance savings (in accordance with Israeli law), defined contribution tax-qualified pension savings and disability pension payments. An education fund is a savings fund of pre-tax contributions to be used after a specified period of time for advanced educational training and other permitted purposes, as set forth in the by-laws of the education fund. We will make periodic contributions to these insurance and social benefits plans based on certain percentages of Mr. Shore's base salary, including (i) 7.5% to the education fund and (ii) 15.83% to the manager's insurance policy, of which 8.33% will be allocated to severance pay, 5% to pension fund payments and 2.5% to disability pension payments. Upon the termination of Mr. Shore's employment for any reason other than for cause, Mr. Shore will be entitled to receive the total amount contributed to and accumulated in his manager insurance policy fund.

Item 6. Exhibits

See Index to Exhibits.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INSPIREMD, INC.

Date: May 7, 2014

By: /s/ Alan Milinazzo
Name: Alan Milinazzo
Title: President and Chief Executive Officer

Date: May 7, 2014

By: /s/ Craig Shore
Name: Craig Shore
Title: Chief Financial Officer, Secretary and Treasurer

EXHIBIT INDEX

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed with the Securities and Exchange Commission on April 1, 2011)
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to Current Report on Form 8-K filed with the Securities and Exchange Commission on April 1, 2011)
3.3	Certificate of Amendment to Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed with the Securities and Exchange Commission on December 21, 2012)
3.4	Certificate of Designation, Preferences and Rights of Series A Preferred Stock (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed with the Securities and Exchange Commission on October 25, 2013)
10.1	Consulting Agreement, dated February 25, 2014, by and between InspireMD, Inc. and James Barry (incorporated by reference to Exhibit 10.55 to Transition Report on Form 10-KT filed with the Securities and Exchange Commission on February 26, 2014)
10.2*	Amended and Restated Employment Agreement, dated May 5, 2014, by and between InspireMD, Inc. and Craig Shore.
10.3*	First Amendment to the InspireMD, Inc. Amended and Restated 2011 UMBRELLA Option Plan.
31.1*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101**	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, formatted in XBRL (eXtensible Business Reporting Language), (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Cash Flows, and (v) the Notes to the Condensed Consolidated Financial Statements

* Filed herewith.

** Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

EXHIBIT 10.2

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Amended and Restated Employment Agreement (the " Agreement "), entered into as of May 5, 2014 (the " Effective Date "), is by and between InspireMD, Inc., a Delaware corporation (the " Company "), and Craig Shore, an individual (the " Executive "). This Agreement amends and restates, in its entirety, the Employment Agreement entered into on November 24, 2010 (the " Prior Agreement "), by and between the Executive and InspireMD Ltd., a wholly owned subsidiary of the Company (" Subsidiary ").

PRELIMINARY STATEMENTS

A. The Company desires to employ the Executive as its Chief Financial Officer and Chief Administrative Officer and the Executive desires to be employed by the Company as its Chief Financial Officer and Chief Administrative Officer.

B. The Company and the Executive desire to set forth in writing the terms and conditions of their agreement and understanding with respect to the employment of the Executive as its Chief Financial Officer and Chief Administrative Officer.

C. Capitalized terms used herein and not otherwise defined have the meaning for them set forth on Exhibit A attached hereto and incorporated herein by reference.

The parties, intending to be legally bound, hereby agree as follows:

I. EMPLOYMENT AND DUTIES

1.1 Duties . The Company hereby employs the Executive as an employee, and the Executive agrees to be employed by the Company, upon the terms and conditions set forth herein. While serving as an employee of the Company, the Executive shall serve as the Chief Financial Officer and Chief Administrative Officer of the Company, and be appointed to serve as the Chief Financial Officer and Chief Administrative Officer of Subsidiary. The Executive shall be the senior most financial and administrative officer of the Company and Subsidiary, shall report to the Chief Executive Officer of the Company, and shall have such power and authority and perform such duties, functions and responsibilities as are associated with an incident to such positions, and as the Chief Executive Officer may from time to time require of him; provided, however, that such authority, duties, functions and responsibilities are commensurate with the power, authority, duties, functions and responsibilities generally performed by Chief Financial Officers and Chief Administrative Officers of public companies which are similar in size and nature to, and the financial position of, the Company, including, but not limited to, appropriate involvement in meetings of and exposure to the Board and its committees. The Chief Executive Officer shall be entitled to change the Executive's duties in accordance with the Company's needs, as determined in the Chief Executive Officer's sole discretion, and such changes shall not be deemed to cause an adverse change in the Executive's terms of employment and shall not give rise to any claim by the Executive against the Company in this regard. The Executive also agrees to serve, if elected, as an officer of any other direct or indirect subsidiary of the Company or Subsidiary, in each such case at no compensation in addition to that provided for in this Agreement, but the Executive serves in such positions solely as an accommodation to the Company and such positions shall grant him no rights hereunder (including for purposes of the definition of Good Reason). The Executive acknowledges and agrees that his duties shall include travel outside of Israel as may be necessary in order to fulfill his duties hereunder, as determined by the Chief Executive Officer in his sole discretion. The Company and the Executive confirm and agree that this Agreement is a personal employment contract and that the relationship between the parties hereto shall not be subject to any general or special collective employment agreement or any custom or practice of the Company in respect of any of its other employees or contractors.

1.2 Services . During the Term (as defined in Section 1.3), and excluding any periods of vacation, sick leave or Disability, the Executive agrees to devote his full business time, attention and efforts to the business and affairs of the Company. During the Term, it shall not be a violation of this Section 1.2 for the Executive to (a) serve on civic or charitable boards or committees, (b) serve on three (3) for-profit corporate boards at any one time (*provided that* such activities do not create a conflict with Executive's employment hereunder as determined by the Chief Executive Officer in his reasonable discretion), (c) deliver lectures or fulfill speaking engagements, or (d) manage personal investments, so long as such activities do not interfere with the performance of the Executive's responsibilities in accordance with this Agreement. The Executive must request the Chief Executive Officer's prior written consent to serve on a corporate board, which consent shall be at the Chief Executive Officer's reasonable discretion and only so long as such service does not interfere with the performance of his responsibilities hereunder.

1.3 Term of Employment . The term of this Agreement shall commence on the Effective Date and shall continue until 11:59 p.m. Eastern Time on April 20, 2017 (the " Initial Term ") unless sooner terminated or extended as provided hereunder. This Agreement shall automatically renew for additional one-year periods on April 21, 2017 and on each and every April 21 st thereafter (each such extension, the " Renewal Term ") unless either party gives the other party written notice of its or his election not to extend such employment at least six months prior to the next April 21 st renewal date. Further, if a Change in Control occurs when less than two full years remain in the Initial Term or during any Renewal Term, this Agreement shall automatically be extended for two years only from the Change in Control Date and thereafter shall terminate on the second anniversary of the Change in Control Date in accordance with its terms. The Initial Term, together with any Renewal Term or extension as a result of a Change in Control, are collectively referred to herein as the " Term ." In the event that the Executive continues to be employed by the Company after the Term, unless otherwise agreed by the parties in writing, such continued employment shall be on an at-will, month-to-month basis upon terms agreed upon at such time without regard to the terms and conditions of this Agreement (except as expressly provided herein) and this Agreement shall be deemed terminated at the end of the Term, regardless of whether such employment continues at-will, other than Articles VI and VII, plus specified provisions of Articles IV and V to the extent they relate to termination of employment after expiration of the Term, which shall survive the termination or expiration of this Agreement for any reason.

1.4 Use of Company Property . The Company shall provide the Executive with a computer or laptop computer as well as an email account for his use in fulfilling his duties under this Agreement. The Executive acknowledges that such computers and email account are the sole property of the Company. Therefore, the Executive shall (i) not use such computers and email account for personal use; and (ii) irrevocably empower and authorize the Company to monitor and/or save any communication made by the Executive through such computers and email account. Accordingly, such monitoring shall not be considered to be a breach of the Executive's right for privacy under any circumstances.

II. COMPENSATION

2.1 General . The base salary (as set forth in Section 2.2) and Incentive Compensation (as defined in Section 2.3) payable to the Executive hereunder, as well as any stock-based compensation, including stock options, stock appreciation rights and restricted stock grants, shall be determined from time to time by the Board and paid pursuant to the Company's customary payroll practices or in accordance with the terms of the Company's Amended and Restated 2011 Umbrella Option Plan or other stock-based compensation plans as the Company may establish from time to time (collectively, the " Plans "). The Company shall pay the Executive in cash, in accordance with the normal payroll practices of the Company, the base salary and Incentive Compensation set forth below. For the avoidance of doubt, in providing any compensation payable in stock, the Company may withhold, deduct or collect from the compensation otherwise payable or issuable to the Executive a portion of such compensation to the extent required to comply with applicable tax laws to the extent such withholding is not made or otherwise provided for pursuant to the agreement governing such stock-based compensation.

2.2 Base Salary .

(a) The Executive shall be paid a base salary of no less than US$18,350 per month (US$220,200 on an annualized basis) while he is employed by the Company during the Term, retroactive to January 1, 2014; provided , however , that nothing shall prohibit the Company, to the extent permitted by law, from reducing the base salary as part of an overall cost reduction program that affects all senior executives of the Company Group and does not disproportionately affect the Executive, so long as such reductions do not reduce the base salary to a rate that is less than 90% of the minimum base salary amount set forth above (or, if the minimum base salary amount has been increased during the Term, 90% of such increased amount). The Executive's base salary shall be reviewed annually by the Chief Executive Officer for increase (but not decrease, except as permitted above) as part of the Company's annual compensation review.

(b) As the Executive is employed by the Company in a senior managerial position involving a fiduciary relationship between the Executive and the Company, the Work and Rest Law (5711-1951), and any other law amending or replacing such law, shall not apply to the Executive or to his employment with the Company, and the Executive shall not be entitled to any compensation in respect of such law. The Executive acknowledges that the compensation set for him under this Agreement includes compensation that would otherwise be due to the Executive pursuant to such law.

(c) Subject to Sections 3.3 and 3.5 below, the base salary shall be comprehensive and all-inclusive in that it shall be deemed to represent the Executive's entire compensation for his employment and work under this Agreement, including those social benefits which can be embodied under law in his base salary, except where it is otherwise specifically set forth in this Agreement.

2.3 Bonus or other Incentive Compensation . During the Term, the Executive shall be eligible to receive annual bonus compensation in an amount equal to 45% of his then-base salary (the " Annual Bonus ") upon the achievement of reasonable target objectives and performance goals as may be determined by the Board in consultation with the Executive (the " Goals "). The Goals shall be based 40% on financial target objectives, 20% on pipeline target objectives (by way of example, for 2014, the Carotid launch, DES project definition, and Peripheral CE Mark), 20% on clinical target objectives (by way of example, for 2014, MASTER II enrollment and Carotid CARE study enrollment), and 20% on partnership target objectives (by way of example, for 2014, the execution of two partnership agreements). Further, the financial target objectives shall be based 75% on the Company's revenues and 25% on cash management. The Executive shall receive 100% of the Annual Bonus if he achieves 100% of the Goals. If the Executive achieves less than 100% but at least 70% of the Goals, then the Executive shall receive the corresponding percentage of the Annual Bonus. By way of example and for illustrative purposes only, if the Executive achieves 85% of the Goals, then he would receive 85% of the Annual Bonus. If the Executive achieves less than 70% of the Goals, then he will not receive the Annual Bonus. In the event the Executive's actual performance exceeds the Goals, the Board may, in its sole discretion, pay the Executive bonus compensation of more than 100% of the Annual Bonus. In each case, the Annual Bonus shall be payable in accordance with the Company's annual bonus plan (the " Bonus Plan "). Amounts payable under the Bonus Plan shall be determined by the Board and shall be payable following such fiscal year and no later than two and one-half months after the end of such fiscal year. In addition to the Annual Bonus, the Executive shall be eligible to receive such additional bonus or incentive compensation as the Board may establish from time to time in its sole discretion. Any bonus or incentive compensation under this Section 2.3, the Bonus Plan or otherwise is referred to herein as " Incentive Compensation ." Stock-based compensation shall not be considered Incentive Compensation under the terms of this Agreement unless the parties expressly agree otherwise in writing. The payment of any Incentive Compensation shall be subject to all federal, state and withholding taxes, social security deductions and other general taxes and any other withholding obligations required by applicable law. Payment of Incentive Compensation with respect to a particular calendar year during the Term does not guarantee the award or payment of Incentive Compensation in any subsequent calendar year.

2.4 Stock Compensation . The Executive shall be considered for grants under the Plans no less often than annually as part of the Board's annual compensation review, but any such grants shall be at the sole discretion of the Board. Each grant will be subject to a separate award agreement between the Company and the Executive under the Plans, and, with respect to any awards that are options, will have an exercise price equal to the fair market value of the Company's common stock as determined by the Board as of the date of grant under the Plans and will be subject to a three-year vesting period subject to the Executive's continued service with the Company (as defined in the Plans), with one-third of each additional grant vesting equally on the first, second, and third anniversary of the date of grant for such awards.

III. EMPLOYEE BENEFITS

3.1 General . Subject only to any post-employment rights under Article V, so long as the Executive is employed by the Company pursuant to this Agreement, he shall be eligible for the following benefits to the extent generally available to senior executives of the Company or by virtue of his position, tenure, salary and other qualifications. Any eligibility shall be subject to and in accordance with the terms and conditions of the Company's benefits policies and applicable plans (including as to deductibles, premium sharing, co-payments or other cost-splitting arrangements).

3.2 Employee Benefits . During the Term and subject to any contribution therefor generally required of senior executives of the Company, the Executive shall be entitled to participate in such employee benefit plans and benefit programs as are made available by the Company to the Company's senior executives. Such participation shall be subject to the terms of the applicable plan documents and generally applicable Company policies. The Company may alter, modify, add to or delete its employee benefit plans at any time as it, in its sole judgment, determines to be appropriate, without recourse by the Executive.

3.3 Vacation . The Executive shall be entitled to 21 Business Days vacation for each calendar year of work or as prescribed by the Annual Leave Law (5711-1951), whichever is more beneficial to the Executive.

3.4 Expenses . The Executive shall be entitled to receive prompt reimbursement for all reasonable business-related expenses incurred by the Executive in performing his duties under this Agreement. Reimbursement of the Executive for such expenses will be made upon presentation to the Company of expense vouchers that are in sufficient detail to identify the nature of the expense, the amount of the expense, the date the expense was incurred and to whom payment was made to incur the expense, all in accordance with the expense reimbursement practices, policies and procedures of the Company.

3.5 Manager's Insurance .

(a) The Company shall purchase a Manager's Insurance Policy (the "Policy") for the Executive through an insurance company chosen by the Executive, and shall pay a sum equal to 15.83% of the Executive's base salary towards such Policy, of which 8.33% shall be on account of severance pay and 5.0% on account of pension fund payments, and up to a further 2.5% of the Executive's base salary on account of disability pension payments. The Company shall deduct 5.0% from the Executive's base salary to be paid on the Executive's behalf toward such Policy.

The parties further agree that during the Term, the Company shall be the sole owner of the Policy. Upon the termination of the Executive's employment with the Company for any reason other than for Cause, the Company shall transfer title to the Policy to the Executive.

(b) The amounts which the Executive is entitled to receive from the Policy accruing from disbursements paid by the Company towards the Policy on account of the severance pay portion shall be credited against any obligation the Company may have to pay severance pay under the law. Notwithstanding the foregoing, no amount which the Executive is entitled to receive from the Policy shall be credited against any amounts due to the Executive pursuant to Section 5.1, 5.2 or 5.3 below.

3.6 Education Fund . The Company shall pay an amount equal to 7.5% of the Basic Salary for the preceding month to an Education Fund (Keren Hishtalmut) designated by the Executive (the " Education Fund "), and shall deduct from the Basic Salary an amount equal to 2.5% of the Basic Salary for the preceding month and pay the same to the Education Fund Use of these funds shall be in accordance with the by-laws of the Education Fund. The Executive acknowledges and understands that Company's contributions to the Education Fund exceeding the highest amount recognized as tax free by the tax authorities shall be an income of the Executive and shall be taxed accordingly, and all taxes and mandatory payments imposed on such additional income shall be exclusively born by the Executive.

3.7 Recuperation Pay (Dmei Ha'vraa) . The Executive shall be entitled to recuperation pay for a certain number of days, as provided by law.

3.8 Sick Leave . The Executive shall be entitled to paid sick leave as provided by law.

3.9 Taxes . Any taxes imposed on the benefits granted to the Executive under this Article III or upon other perquisites provided by the Company to the Executive, including, without limitation, the use of an automobile purchased or rented by the Company or the use of a cellular telephone, shall be paid solely by the Executive and such taxes may be withheld by the Company pursuant to Section 7.6.

3.10 Company Automobile . The Company shall provide the Executive an automobile, either purchased or rented by the Company, for the Executive's use in connection with the performance of his duties hereunder and for his reasonable personal use. The Company shall pay all maintenance, repair, gasoline, and operating expenses attributable to the reasonable use of such automobile for up to 25,000 kilometers per year, and the Executive shall pay the Company US$0.10 per kilometer thereafter, which amount the Company may deduct from other compensation payable to the Executive under this Agreement. The Executive shall be liable for all traffic or parking fines or penalties assessed on such automobile and shall reimburse the Company for any such fines or penalties paid by the Company, which amount the Company may deduct from other compensation payable to the Executive under this Agreement. The Executive shall return the automobile to the Company immediately upon the Executive's termination of employment.

IV. TERMINATION OF EMPLOYMENT

4.1 Termination by Mutual Agreement . The Executive's employment may be terminated at any time during the Term by mutual written agreement of the Company and the Executive.

4.2 Death . The Executive's employment hereunder shall terminate upon his death.

4.3 Disability . In the event the Executive incurs a Disability for a continuous period exceeding 90 days or for a total of 180 days during any period of 12 consecutive months, the Company may, at its election, terminate the Executive's employment during or after the Term by delivering a Notice of Termination (as defined in Section 4.7) to the Executive 30 days in advance of the date of termination.

4.4 Termination without Cause . The Company may terminate the Executive's employment at any time during or after the Term without Cause by delivering to the Executive a Notice of Termination 90 days in advance of the date of termination; provided that as part of such notice the Company may request that the Executive immediately tender the resignations contemplated by Section 4.8 and otherwise cease performing his duties hereunder. The Notice of Termination need not state any reason for termination and such termination can be for any reason or no reason. The date of termination shall be the date set forth in the Notice of Termination.

4.5 Cause . The Company may terminate the Executive's employment at any time during or after the Term for Cause by delivering a Notice of Termination to the Executive. The Notice of Termination shall include a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board, at a meeting of the Board called and held for such purpose, finding that in the good faith opinion of the Board an event constituting Cause has occurred and specifying the particulars thereof. A Notice of Termination for Cause may not be delivered unless in conjunction with such Board meeting the Executive was given reasonable notice and the opportunity for the Executive, together with the Executive's counsel, to be heard before the Board prior to such vote.

4.6 Termination by the Executive . The Executive may terminate his employment at any time during or after the Term by delivering to the Company a Notice of Termination 30 days in advance of the date of termination (a " Voluntary Termination "). The Executive may also terminate his employment within the Change in Control Period for Good Reason (a " Good Reason Termination "). For purposes of this Agreement, neither a Voluntary Termination nor a Good Reason Termination shall include a termination of the Executive's employment by reason of death. Neither a Voluntary Termination nor a Good Reason Termination shall be considered a breach or other violation of this Agreement.

4.7 Notice of Termination . Any termination of employment under this Agreement by the Company or the Executive requiring a notice of termination shall require delivery of a written notice by one party to the other party (a " Notice of Termination "). A Notice of Termination must indicate the specific termination provision of this Agreement relied upon and the date of termination. It must also set forth in reasonable detail the facts and circumstances claimed to provide a basis for such termination, other than in the event of a Voluntary Termination or termination without Cause. The date of termination specified in the Notice of Termination shall comply with the time periods required under this Article IV, and may in no event be earlier than the date such Notice of Termination is delivered to or received by the party getting the notice. If the Executive fails to include a date of termination in any Notice of Termination he delivers, the Company may establish such date in its sole discretion. The terms "termination" and "termination of employment," as used herein are intended to mean a termination of employment which constitutes a "separation from service" under Section 409A.

4.8 Resignations . Upon ceasing to be an employee of the Company for any reason, or earlier upon request by the Company pursuant to Section 4.4, the Executive agrees to immediately tender written resignations to the Company with respect to all officer and director positions he may hold at that time with any member of the Company Group.

4.9 Advance Notice Law . Subject to any provision under this Article IV which is more favorable to the Executive than any other right prescribed by law, each party shall assume all rights and obligations under the Law for Advance Notice on Dismissal and Resignation (5752-2001) (the " ***Advance Notice Law*** "). During the notice period required by the Advance Notice Law, the Executive, if so requested by the Company, shall continue to perform his duties, cooperate with the Company, and use his best efforts to assist in the integration into the Company's organization the person or persons who will assume the Executive's responsibilities. If, however, the Company does not require the Executive to continue to perform his duties, whether in whole or in part, during the notice period required by the Advance Notice Law, the Company's obligation to pay the Executive's base salary through the end of such advance notice period shall terminate upon the Executive's employment or engagement in any manner that would not be permitted under this Agreement while the Executive is still employed by the Company.

V. PAYMENTS ON TERMINATION

5.1 Death; Disability; Termination without Cause . If at any time during the Term the Executive's employment with the Company is terminated pursuant to Section 4.2, 4.3, or 4.4, in addition to any amounts the Executive is entitled to receive under the Policy pursuant to Section 3.5, the Executive shall be entitled to the payment and benefits set forth below only. If at any time after the Term the Executive's employment with the Company is terminated pursuant to Section 4.2, 4.3, or 4.4, in addition to any amounts the Executive is entitled to receive under the Policy pursuant to Section 3.5, the Executive shall be entitled to the payment and benefits set forth in (a), (b) and the specified provisions of (c) only.

(a) any unpaid base salary and accrued unpaid vacation then owing through the date of termination or Incentive Compensation that is as of such date actually earned or owing under Article II, but not yet paid to the Executive, which amounts shall be paid to the Executive on the next regularly scheduled Company payroll date following the date of termination or earlier if required by applicable law; provided , however , that the Executive shall be entitled to receive the pro rata amount of any Bonus Plan Incentive Compensation for the fiscal year of his termination of employment (based on the number of business days he was actually employed by the Company during the fiscal year in which the termination of employment occurs and based on the percentage of the Goals actually achieved by the Executive as described in Section 2.3) that he would have received had his employment not been terminated during such year. Nothing in the foregoing sentence is intended to give the Executive greater rights to such Incentive Compensation than a pro rata portion of what he would ordinarily be entitled to under the Bonus Plan Incentive Compensation that would have been applicable to him had his employment not been terminated (based on the percentage of the Goals actually achieved by the Executive as described in Section 2.3), it being understood that the Executive's termination of employment shall not be used to disqualify the Executive from or make him ineligible for a pro rata portion of the Bonus Plan Incentive Compensation to which he would otherwise have been entitled (based on the percentage of the Goals actually achieved by the Executive as described in Section 2.3). The pro rata portion of Bonus Plan Incentive Compensation shall, subject to Section 7.16, be paid at the time such Incentive Compensation is paid to senior executives of the Company (" Severance Bonus Payment Date ") but in no event later than two and one-half months after the end of such fiscal year.

(b) a one-time lump sum severance payment in an amount equal to the sum of (i) 100% of the Executive's Base Amount and (ii) the cost to the Company of providing the automobile to the Executive, as provided in Section 3.9, for the 12 months immediately preceding the date of termination. The lump sum severance payment shall be paid on the Company's first payroll date after the Executive's signing the release described in Section 5.4 and the expiration of any applicable revocation period, subject, in the case of termination other than as a result of the Executive's death, to Section 7.16; provided , however , that in the event that the time period for return of the release and expiration of the applicable revocation period begins in one taxable year and ends in a second taxable year, such payment shall not be made until the second taxable year if necessary to comply with Section 409A of the Code.

(c) to the fullest extent permitted by the Company's then-current benefit plans, continuation of health, dental, vision and life insurance coverage, (but not pension, retirement, profit-sharing, severance or similar compensatory benefits), for the Executive and the Executive's eligible dependents substantially similar to coverage they were receiving or which they were entitled to immediately prior to the termination of the Executive's employment for the lesser of 12 months after termination or until the Executive secures coverage from new employment. The period of COBRA health care continuation coverage provided under Section 4980B of the Code shall run concurrently with the foregoing 12-month period. In order to receive such benefits, the Executive or his eligible dependents must continue to make any required co-payments, deductibles, premium sharing or other cost-splitting arrangements the Executive was otherwise paying immediately prior to the date of termination and nothing herein shall require the Company to be responsible for such items. If the Executive is a "specified employee" under Section 409A, the full cost of the continuation or provision of employee group welfare benefits (other than medical or dental benefits) shall be paid by the Executive until the earliest to occur of (i) the Executive's death or (ii) the first day of the seventh month following the Executive's termination of employment, and such cost shall be reimbursed by the Company to, or on behalf of, the Executive in a lump sum cash payment on the earlier to occur of the Executive's death or the first day of the seventh month following the Executive's termination of employment, except that, as provided above, the Executive shall not receive reimbursement for any required co-payments, deductibles, premium sharing or other cost-splitting arrangements the Executive was otherwise paying immediately prior to the date of termination.

(d) reimbursement of reasonable, documented outplacement expenses actually incurred by the Executive and directly related to the termination of the Executive's employment with the Company, provided that (i) such expenses are incurred within the taxable year of the Executive's termination of employment; (ii) the aggregate amount of reimbursement available for such outplacement expenses shall be $30,000; and (iii) reimbursement of such expenses shall be made by the Company within 10 business days after it receives documentation of such expenses from the Executive, provided that no reimbursements shall be made after the end of the taxable year following the taxable year in which the Executive's employment with the Company ended.

(e) 50% of all unvested stock options granted to the Executive under the Plans shall vest on the date of termination and become immediately exercisable, and all vested stock options granted to the Executive under the Plans, including such stock options that become vested pursuant to this Section 5.1(e), shall remain exercisable until the earlier of (i) two years from the date of termination or (ii) the latest date that each stock option would otherwise expire pursuant to the terms of the applicable award agreement had the Executive's employment with the Company not terminated. The extension of the exercise period set forth in this Section 5.1(e) shall occur notwithstanding any provision in the Plans or any related award agreements that provide for a lesser vesting or shorter period for exercise upon termination by the Company without Cause; provided , however , and for the avoidance of doubt, nothing in this Agreement shall be construed as or imply that this Agreement does or can grant greater rights than are allowed under the terms and conditions of the Plans.

Any payments by the Company under Section 5.1(b) above pursuant to a termination under Section 4.2 or 4.3 shall be reduced by any payments received by the Executive pursuant to any of the Company's employee welfare benefit plans providing for payments in the event of death or Disability to the extent such reduction is permitted by, and does not trigger an impermissible change in time or form of payment under, Section 409A of the Code.

5.2 Termination for Cause; Voluntary Termination . If at any time during or after the Term the Executive's employment with the Company is terminated for Cause under Section 4.5 or upon a Voluntary Termination under Section 4.6, the Executive shall be entitled to only the following:

(a) any unpaid base salary and accrued unpaid vacation then owing through the date of termination or Incentive Compensation that is as of such date actually earned or owing under Article II, but not yet paid to the Executive, which amounts shall be paid to the Executive within 30 days of the date of termination. Nothing in this provision is intended to imply that the Executive is entitled to any partial or pro rata payment of Incentive Compensation on termination unless the Bonus Plan expressly provides as much under its specific terms.

(b) whatever rights, if any, that are available to the Executive upon such a termination pursuant to the Plans or any award documents related to any stock-based compensation such as stock options, stock appreciation rights or restricted stock grants. This Agreement does not grant any greater rights with respect to such items than provided for in the Plans or the award documents in the event of any termination for Cause or a Voluntary Termination.

5.3 Termination following a Change in Control . The Executive shall have no specific right to terminate this Agreement or right to any severance payments or other benefits solely as a result of a Change in Control. However, if during a Change in Control Period during or after the Term, (a) the Executive terminates his employment with the Company due to a Good Reason Termination under Section 4.6, or (b) the Company terminates the Executive's employment pursuant to Section 4.4, in addition to any amounts the Executive is entitled to receive under the Policy pursuant to Section 3.5, the Executive shall be entitled to the lump sum severance payment under Section 5.1 and all stock options, stock appreciation rights or similar stock-based rights granted to the Executive shall vest in full and be immediately exercisable and any risk of forfeiture included in restricted or other stock grants previously made to the Executive shall immediately lapse. The terms and rights with respect to such payments shall otherwise be governed by Section 5.1. No other rights result from termination during a Change in Control Period; provided , however , that nothing in this Section 5.3 is intended to limit or impair the rights of the Executive under the Plans or any documents evidencing any stock-based compensation awards in the event of a Change in Control if such Plans or award documents grant greater rights than are set forth herein.

5.4 Release . The Company's obligation to pay or provide any benefits to the Executive following termination (other than in the event of death pursuant to Section 4.2) is expressly subject to the requirement that he execute and not breach or rescind a release relating to employment matters and the circumstances surrounding his termination in favor of the members of the Company Group and their officers, directors and related parties and agents, in a form reasonably acceptable to the Company at the time of the Executive's termination of employment. The Company shall deliver such release to the Executive within three business days following his termination of employment and the Executive shall be obligated to sign and return the release to the Company within 45 days of receipt of such release to receive any benefits or payments following termination.

5.5 Other Benefits . Except as expressly provided otherwise in this Article V, the provisions of this Agreement shall not affect the Executive's participation in, or terminating distributions and vested rights under, any pension, profit-sharing, insurance or other employee benefit plan of the Company Group to which the Executive is entitled pursuant to the terms of such plans, or expense reimbursements he is otherwise entitled to under Section 3.4.

5.6 No Mitigation . It will be difficult, and may be impossible, for the Executive to find reasonably comparable employment following the termination of the Executive's employment, and the protective provisions under Article VI contained herein will further limit the employment opportunities for the Executive. In addition, the Company's severance pay policy applicable in general to its salaried employees does not provide for mitigation, offset or reduction of any severance payment received thereunder. Accordingly, the parties hereto expressly agree that the payment of severance compensation in accordance with the terms of this Agreement will be liquidated damages, and that the Executive shall not be required to seek other employment, or otherwise, to mitigate any payment provided for hereunder.

5.7 Limitation; No Other Rights . Any amounts due or payable under this Article V are in the nature of severance payments or liquidated damages, or both, and the Executive agrees that such amounts shall fully compensate the Executive, his dependents, heirs and beneficiaries and the estate of the Executive for any and all direct damages and consequential damages that they do or may suffer as a result of the termination of the Executive's employment, or both, and are not in the nature of a penalty. Notwithstanding the above, no member of the Company Group shall be liable to the Executive under any circumstances for any consequential, incidental, punitive or similar damages. The Executive expressly acknowledges that the payments and other rights under this Article V shall be the sole monies or other rights to which the Executive shall be entitled to and such payments and rights will be in lieu of any other rights or remedies he might have or otherwise be entitled to. In the event of any termination under this Article V, the Executive hereby expressly waives any rights to any other amounts, benefits or other rights, including without limitation whether arising under current or future compensation or severance or similar plans, agreements or arrangements of any member of the Company Group (including as a result of changes in (or of) control or similar Change in Control events), unless the Executive's entitlement to participate or receive benefits thereunder has been expressly approved by the Board. Similarly, no one in the Company Group shall have any further liability or obligation to the Executive following the date of termination, except as expressly provided in this Agreement.

5.8 No Right to Set Off . The Company shall not be entitled to set off against amounts payable to the Executive hereunder any amounts earned by the Executive in other employment, or otherwise, after termination of his employment with the Company, or any amounts which might have been earned by the Executive in other employment had he sought such other employment.

5.9 Adjustments Due to Excise Tax .

(a) If it is determined that any amount or benefit to be paid or payable to the Executive under this Agreement or otherwise in conjunction with his employment (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise in conjunction with his employment) would give rise to liability of the Executive for the excise tax imposed by Section 4999 of the Code, as amended from time to time, or any successor provision (the " Excise Tax "), then the amount or benefits payable to the Executive (the total value of such amounts or benefits, the " Payments ") shall be reduced by the Company to the extent necessary so that no portion of the Payments to the Executive is subject to the Excise Tax. Such reduction shall only be made if the net amount of the Payments, as so reduced (and after deduction of applicable federal, state, and local income and payroll taxes on such reduced Payments other than the Excise Tax (collectively, the " Deductions ")) is greater than the excess of (1) the net amount of the Payments, without reduction (but after making the Deductions) over (2) the amount of Excise Tax to which the Executive would be subject in respect of such Payments.

(b) In the event it is determined that the Excise Tax may be imposed on the Executive prior to the possibility of any reductions being made pursuant to Section 5.9(a), the Company and the Executive agree to take such actions as they may mutually agree in writing to take to avoid any such reductions being made or, if such reduction is not otherwise required by Section 5.9(a), to reduce the amount of Excise Tax imposed.

(c) The independent public accounting firm serving as the Company's auditing firm, or such other accounting firm, law firm or professional consulting services provider of national reputation and experience reasonably acceptable to the Company and Executive (the " Accountants ") shall make in writing in good faith all calculations and determinations under this Section 5.9, including the assumptions to be used in arriving at any calculations. For purposes of making the calculations and determinations under this Section 5.9, the Accountants and each other party may make reasonable assumptions and approximations concerning the application of Section 280G and Section 4999. The Company and Executive shall furnish to the Accountants and each other such information and documents as the Accountants and each other may reasonably request to make the calculations and determinations under this Section 5.9. The Company shall bear all costs the Accountants incur in connection with any calculations contemplated hereby.

VI. PROTECTIVE PROVISIONS

Since the Executive will be serving as the Chief Financial Officer and Chief Administrative Officer and will have access to Confidential Information of the Company Group, the Executive agrees to the following restrictive covenants.

6.1 Noncompetition . Without the prior written consent of the Board (which may be withheld in the Board's sole discretion), so long as the Executive is an employee of the Company or any other member of the Company Group and for a one-year period thereafter (the " Restricted Period "), the Executive agrees that he shall not anywhere in the Prohibited Area, for his own account or the benefit of any other, engage or participate in or assist or otherwise be connected with a Competing Business. For the avoidance of doubt, the Executive understands that this Section 6.1 prohibits the Executive from acting for himself or as an officer, employee, manager, operator, principal, owner, partner, shareholder, advisor, consultant of, or lender to, any individual or other Person that is engaged or participates in or carries out a Competing Business or is actively planning or preparing to enter into a Competing Business. The parties agree that such prohibition shall not apply to the Executive's passive ownership of not more than 5% of a publicly-traded company.

6.2 No Solicitation or Interference . During the Restricted Period (other than while an employee acting solely for the express benefit of the Company Group), the Executive shall not, whether for his own account or for the account or benefit of any other Person, throughout the Prohibited Area:

(a) request, induce or attempt to influence (i) any customer of any member of the Company Group, who was a customer of any member of the Company Group at any time during the two-year period prior to the Executive's date of termination, to limit, curtail, cancel or terminate any business it transacts with, or products or services it receives from or sells to, or (ii) any Person employed by (or otherwise engaged in providing services for or on behalf of) any member of the Company Group to limit, curtail, cancel or terminate any employment, consulting or other service arrangement, with any member of the Company Group. Such prohibition shall expressly extend to any hiring or enticing away (or any attempt to hire or entice away) any employee of the Company Group;

(b) solicit from or sell to any customer any products or services that any member of the Company Group provides or is planning to provide to such customer and that are the same as or substantially similar to the products or services that any member of the Company Group, sold or provided while the Executive was employed with, or providing services to, any member of the Company Group;

(c) contact or solicit any customer for the purpose of discussing (i) services or products that are competitive with and the same or closely similar to those offered by any member of the Company Group during the two-year period prior to the Executive's date of termination, or (ii) any past or present business of any member of the Company Group;

(d) request, induce or attempt to influence any supplier, distributor or other Person with which any member of the Company Group has a business relationship or to limit, curtail, cancel or terminate any business it transacts with any member of the Company Group; or

(e) otherwise interfere with the relationship of any member of the Company Group with any Person which is, or within one-year prior to the Executive's date of termination was, doing business with, employed by or otherwise engaged in performing services for, any member of the Company Group.

6.3 Confidential Information . During the period of the Executive's employment with the Company or any member of the Company Group and at all times thereafter, the Executive shall hold in secrecy for the Company all Confidential Information that may come to his knowledge, may have come to his attention or may have come into his possession or control while employed by the Company (or otherwise performing services for any member of the Company Group). Notwithstanding the preceding sentence, the Executive shall not be required to maintain the confidentiality of any Confidential Information which (a) is or becomes available to the public or others in the industry generally (other than as a result of inappropriate disclosure or use by the Executive in violation of this Section 6.3) or (b) the Executive is compelled to disclose under any applicable laws, regulations or directives of any government agency, tribunal or authority having jurisdiction in the matter or under subpoena. Except as expressly required in the performance of his duties to the Company under this Agreement, the Executive shall not use for his own benefit or disclose (or permit or cause the disclosure of) to any Person, directly or indirectly, any Confidential Information unless such use or disclosure has been specifically authorized in writing by the Company in advance. During the Executive's employment and as necessary to perform his duties under Section 1.1, the Company will provide and grant the Executive access to the Confidential Information. The Executive recognizes that any Confidential Information is of a highly competitive value, will include Confidential Information not previously provided to the Executive and that the Confidential Information could be used to the competitive and financial detriment of any member of the Company Group if misused or disclosed by the Executive. The Company promises to provide access to the Confidential Information only in exchange for the Executive's promises contained herein, expressly including the covenants in Sections 6.1, 6.2 and 6.4.

6.4 Inventions .

(a) The Executive shall promptly and fully disclose to the Company any and all ideas, improvements, discoveries and inventions, whether or not they are believed to be patentable (" Inventions "), that the Executive conceives of or first actually reduces to practice, either solely or jointly with others, during the Executive's employment with the Company or any other member of the Company Group, and that relate to the business now or thereafter carried on or contemplated by any member of the Company Group or that result from any work performed by the Executive for any member of the Company Group.

(b) The Executive acknowledges and agrees that all Inventions shall be the sole and exclusive property of the Company (or member of the Company Group) and are hereby assigned to the Company (or applicable member of the Company Group). During the term of the Executive's employment with the Company (or any other member of the Company Group) and thereafter, whenever requested to do so by the Company, the Executive shall take such action as may be requested to execute and assign any and all applications, assignments and other instruments that the Company shall deem necessary or appropriate in order to apply for and obtain Letters Patent of the United States and/or of any foreign countries for such Inventions and in order to assign and convey to the Company (or any other member of the Company Group) or their nominees the sole and exclusive right, title and interest in and to such Inventions.

(c) The Company acknowledges and agrees that the provisions of this Section 6.4 do not apply to an Invention: (i) for which no equipment, supplies, or facility of any member of the Company Group or Confidential Information was used; (ii) that was developed entirely on the Executive's own time and does not involve the use of Confidential Information; (iii) that does not relate directly to the business of any member of the Company Group or to the actual or demonstrably anticipated research or development of any member of the Company Group; and (iv) that does not result from any work performed by the Executive for any member of the Company Group.

6.5 Return of Documents and Property . Upon termination of the Executive's employment for any reason, the Executive (or his heirs or personal representatives) shall immediately deliver to the Company (a) all documents and materials containing Confidential Information (including without limitation any "soft" copies or computerized or electronic versions thereof) or otherwise containing information relating to the business and affairs of any member of the Company Group (whether or not confidential), and (b) all other documents, materials and other property belonging to any member of the Company Group that are in the possession or under the control of the Executive.

6.6 Reasonableness; Remedies . The Executive acknowledges that each of the restrictions set forth in this Article VI are reasonable and necessary for the protection of the Company's business and opportunities (and those of the Company Group) and that a breach of any of the covenants contained in this Article VI would result in material irreparable injury to the Company and the other members of the Company Group for which there is no adequate remedy at law and that it will not be possible to measure damages for such injuries precisely. Accordingly, the Company and any member of the Company Group shall be entitled to the remedies of injunction and specific performance, or either of such remedies, as well as all other remedies to which any member of the Company Group may be entitled, at law, in equity or otherwise, without the need for the posting of a bond or by the posting of the minimum bond that may otherwise be required by law or court order.

6.7 Extension; Survival . The Executive and the Company agree that the time periods identified in this Article VI, including, without limitation, the Restricted Period, will be stayed, and the Company's obligation to make any payments or provide any benefits under Article V shall be suspended, during the period of any breach or violation by the Executive of the covenants contained herein. The parties further agree that this Article VI shall survive the termination or expiration of this Agreement for any reason. The Executive acknowledges that his agreement to each of the provisions of this Article VI is fundamental to the Company's willingness to enter into this Agreement and for it to provide for the severance and other benefits described in Article V, none of which the Company was required to do prior to the date hereof. Further, it is the express intent and desire of the parties for each provision of this Article VI to be enforced to the fullest extent permitted by law. If any part of this Article VI, or any provision hereof, is deemed illegal, void, unenforceable or overly broad (including as to time, scope and geography), the parties express desire is that such provision be reformed to the fullest extent possible to ensure its enforceability or if such reformation is deemed impossible then such provision shall be severed from this Agreement, but the remainder of this Agreement (expressly including the other provisions of this Article VI) shall remain in full force and effect.

VII. MISCELLANEOUS

7.1 Notices . Any notice required or permitted under this Agreement shall be given in writing and shall be deemed to have been effectively made or given if personally delivered, or if sent via U.S. mail or recognized overnight delivery service or sent via confirmed e-mail or facsimile to the other party at its address set forth below in this Section 7.1, or at such other address as such party may designate by written notice to the other party hereto. Any effective notice hereunder shall be deemed given on the date personally delivered, three business days after mailed via U.S. mail or one business day after it is sent via overnight delivery service or via confirmed e-mail or facsimile, as the case may be, to the following address:

If to the Company:

InspireMD, Inc.
Attn: Chief Executive Officer
4 Menorat Hamaor St.
Tel Aviv, Israel 67448
Telephone: +972 3 691 7691
Facsimile: +972 3 691 7692

With a copy which shall not constitute notice to:

Haynes and Boone, LLP
Attn: Rick A. Werner, Esq.
30 Rockefeller Plaza, 26 th Floor
New York, NY 10112-0015
Telephone No.: (212) 659-4974
Facsimile No.: (212) 884-8234
Email: rick.werner@haynesboone.com

If to the Executive:

At the most recent address on file with the Company

7.2 Legal Fees . The parties hereto agree that any dispute or controversy arising under or in connection with this Agreement shall be resolved exclusively and finally by binding arbitration in New York, New York, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction. The Company and the Executive each shall be responsible for their own fees, costs and expenses.

7.3 Severability . If an arbitrator or a court of competent jurisdiction determines that any term or provision hereof is void, invalid or otherwise unenforceable, (a) the remaining terms and provisions hereof shall be unimpaired and (b) such arbitrator or court shall replace such void, invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the void, invalid or unenforceable term or provision. For the avoidance of doubt, the parties expressly intend that this provision extend to Article VI of this Agreement.

7.4 Entire Agreement . This Agreement and the Indemnity Agreement by and between the Company and the Executive dated March 31, 2011 (the " ***Indemnity Agreement*** ") represents the entire agreement of the parties with respect to the subject matter hereof and shall supersede any and all previous contracts, arrangements or understandings between the Company, the Subsidiary and the Executive relating to the Executive's employment by the Company, including, without limitation the Prior Agreement. Nothing in this Agreement shall modify or alter the Indemnity Agreement or alter or impair any of the Executive's rights under the Plans or related award agreements. In the event of any conflict between this Agreement and any other agreement between the Executive and the Company (or any other member of the Company Group), this Agreement shall control.

7.5 Amendment; Modification . Except for increases in base salary, and adjustments with respect to Incentive Compensation, made as provided in Article II, or changes that are expressly required by applicable law, this Agreement may be amended at any time only by mutual written agreement of the Executive and the Company; provided , however , that, notwithstanding any other provision of this Agreement, the Plans (or any award documents under the Plans) or the Indemnity Agreement, the Company may reform this Agreement, the Plans (or any award documents under the Plans), the Indemnity Agreement, or any provision thereof (including, without limitation, an amendment instituting a six-month waiting period before a distribution) or otherwise as contemplated by Section 7.16 below.

7.6 Withholding . The Company shall be entitled to withhold, deduct or collect or cause to be withheld, deducted or collected from payment any amount of withholding taxes required by law, statutory deductions or collections with respect to payments made to the Executive in connection with his employment, termination (including Article V) or his rights hereunder, including as it relates to stock-based compensation.

7.7 Representations .

(a) The Executive hereby represents and warrants to the Company that (i) the execution, delivery and performance of this Agreement by the Executive do not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which the Executive is a party or by which he is bound, and (ii) upon the execution and delivery of this Agreement by the Company, this Agreement shall be the valid and binding obligation of the Executive, enforceable in accordance with its terms. The Executive hereby acknowledges and represents that he has consulted with legal counsel regarding his rights and obligations under this Agreement and that he fully understands the terms and conditions contained herein.

(b) The Company hereby represents and warrants to the Executive that (i) the execution, delivery and performance of this Agreement by the Company do not and shall not conflict with, breach, violate or cause a default under any material contract, agreement, instrument, order, judgment or decree to which the Company is a party or by which it is bound and (ii) upon the execution and delivery of this Agreement by the Executive, this Agreement shall be the valid and binding obligation of the Company, enforceable in accordance with its terms.

7.8 Governing Law; Jurisdiction . This Agreement shall be construed, interpreted, and governed in accordance with the laws of the State of New York without regard to any provision of that State's rules on the conflicts of law that might make applicable the law of a jurisdiction other than that of the State of New York. Except as otherwise provided in Section 7.2, all actions or proceedings arising out of this Agreement shall exclusively be heard and determined in state or federal courts in the State of New York having appropriate jurisdiction. The parties expressly consent to the exclusive jurisdiction of such courts in any such action or proceeding and waive any objection to venue laid therein or any claim for forum nonconveniens.

7.9 Successors . This Agreement shall be binding upon and inure to the benefit of, and shall be enforceable by the Executive, the Company, and their respective heirs, executors, administrators, legal representatives, successors, and assigns. In the event of a Change in Control, the provisions of this Agreement shall be binding upon and inure to the benefit of the Company or entity resulting from such Change in Control or to which the assets shall be sold or transferred, which entity from and after the date of such Change in Control shall be deemed to be the Company for purposes of this Agreement. In the event of any other assignment of this Agreement by the Company, the Company shall remain primarily liable for its obligations hereunder.

7.10 Nonassignability . Neither this Agreement nor any right or interest hereunder shall be assignable by the Executive, his beneficiaries, dependents or legal representatives without the Company's prior written consent; provided , however , that nothing in this Section 7.10 shall preclude (a) the Executive from designating a beneficiary to receive any benefit payable hereunder upon his death or (b) the executors, administrators or other legal representatives of the Executive or his estate from assigning any rights hereunder to the Person(s) entitled thereto.

7.11 No Attachment . Except as required by law, no right to receive payments under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge or hypothecation in favor of any third party, or to execution, attachment, levy or similar process or assignment by operation of law in favor of any third party, and any attempt, voluntary or involuntary, to effect any such action shall be null, void and of no effect.

7.12 Waiver . No term or condition of this Agreement shall be deemed to have been waived, nor there be any estoppel against the enforcement of any provision of this Agreement, except by written instrument of the party charged with such waiver or estoppel. No such written waiver shall be deemed a continuing waiver unless specifically stated therein, and each such waiver shall operate only as to the specific term or condition waived and shall not constitute a waiver of such term or condition for the future or as to any act other than that specifically waived.

7.13 Construction . The headings of articles or sections herein are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement. References to days found herein shall be actual calendar days and not business days unless expressly provided otherwise.

7.14 Counterparts . This Agreement may be executed by any of the parties hereto in counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

7.15 Effectiveness . This Agreement shall be effective as of the Effective Date when signed by the Executive and the Company.

7.16 Section 409A of the Code .

(a) It is the intent of the parties that payments and benefits under this Agreement are exempt from the provisions of Section 409A of the Code and, to the extent not so exempt, comply with Section 409A of the Code and, accordingly, to interpret, to the maximum extent permitted, this Agreement to be in compliance therewith. If the Executive notifies the Company in writing (with specificity as to the reason therefore) that the Executive believes that any provision of this Agreement (or of any award of compensation, including equity compensation or benefits) would cause the Executive to incur any additional tax or interest under Section 409A of the Code and the Company concurs with such belief or the Company (without any obligation whatsoever to do so) independently makes such determination, the parties shall, in good faith, reform such provision to try to comply with Section 409A of the Code through good faith modifications to the minimum extent reasonably appropriate to conform with Section 409A of the Code. To the extent that any provision hereof is modified by the parties to try to comply with Section 409A of the Code, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent of the applicable provision without violating the provisions of Section 409A of the Code. Notwithstanding the foregoing, the Company shall not be required to assume any economic burden in connection therewith.

(b) If the Executive is deemed on the date of "separation from service" to be a "specified employee" within the meaning of that term under Section 409A(a)(2)(B), then with regard to any payment or the provision of any benefit that is specified as subject to this Section, such payment or benefit shall be made or provided at the date which is the earlier of (A) the expiration of the six (6)-month period measured from the date of such "separation from service" of the Executive, and (B) the date of the Executive's death (the " Delay Period "). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this Section 7.16 (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Executive in a lump sum, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein. If a payment is to be made promptly after a date, it shall be made within sixty (60) days thereafter.

(c) Any expense reimbursement under this Agreement shall be made promptly upon Executive's presentation to the Company of evidence of the fees and expenses incurred by the Executive and in all events on or before the last day of the taxable year following the taxable year in which such expense was incurred by the Executive, and no such reimbursement or the amount of expenses eligible for reimbursement in any taxable year shall in any way affect the expenses eligible for reimbursement in any other taxable year, except for (i) the limit on the amount of outplacement costs and (ii) any limit on the amount of expenses that may be reimbursed under an arrangement described in Section 105(b) of the Code. If necessary to comply with Section 409A of the Code, the Executive will not be deemed to terminate employment unless such termination of employment also qualifies as a "separation from service" under Treasury Regulation Section 1.409A-1(h). Each payment of severance of other benefits that is subject to Section 409A of the Code is considered a separate payment under Treasury Regulation Section 1.409A-2(b).

7.17 Survival . As provided in Section 1.3 with respect to expiration of the Term, Articles VI and VII and specified parts of Articles IV and V, including parts relating to the Company's obligations to provide payments or benefits to the Executive upon termination of employment or expiration of the Term, shall survive the termination or expiration of this Agreement for any reason.

[Signature Page Follows]

IN WITNESS WHEREOF , the parties have executed this Agreement as of the Effective Date.

INSPIREMD, INC.	**EXECUTIVE**
By: /s/ Alan W. Milinazzo	/s/ Craig Shore
Alan W. Milinazzo	Craig Shore, an individual
Its: President and Chief Executive Officer	

EXHIBIT A

Definitions

For purposes of this Agreement, the following capitalized terms have the meanings set forth below:

" Base Amount " shall mean an amount equal to the sum of:

(i) the Executive's annual base salary at the highest annual rate in effect at any time during the Term; and

(ii) the greater of (i) the Executive's target bonus under Section 2.3 in effect during the fiscal year in which termination of employment occurs, or (ii) the average of the Incentive Compensation (as defined in Section 2.3) actually earned by the Executive (A) with respect to the two consecutive annual Incentive Compensation periods ending immediately prior to the year in which termination of the Executive's employment with the Company occurs or, (B) if greater, with respect to the two consecutive annual Incentive Compensation periods ending immediately prior to the Change in Control Date; provided, however, that if the Executive was not eligible for Incentive Compensation for such two consecutive Incentive Compensation periods, the amount included pursuant to this clause (ii) shall be the Incentive Compensation paid to the Executive for the most recent annual Incentive Compensation period. In the event the Incentive Compensation paid to the Executive for any such prior Incentive Compensation period represented a prorated full-year amount because the Executive was not employed by the Company for the entire Incentive Compensation period, the Incentive Compensation paid to the Executive for such period for purposes of this clause (ii) shall be an amount equal to such prorated full-year amount.

" Board " shall mean the Board of Directors of the Company. Any obligation of the Board other than termination for Cause under this Agreement may be delegated to an appropriate committee of the Board, including its compensation committee, and references to the Board herein shall be references to any such committee, as appropriate.

" Cause " shall mean termination of the Executive's employment because of the Executive's: (i) involvement in fraud, misappropriation or embezzlement related to the business or property of the Company; (ii) conviction for, or guilty plea to, or plea of nolo contendere to, a felony or crime of similar gravity in the jurisdiction in which such conviction or guilty plea occurs; (iii) a material breach by the Executive of this Agreement, and the duties described therein, or any other agreement to which the Executive and the Company or a member of the Company Group are parties, including, without limitation, wrongful disclosure of Confidential Information or violation of Article VI of this Agreement; (iv) commission by the Executive of acts that are dishonest and demonstrably injurious to a member of the Company Group, monetarily or otherwise; (v) any violation by the Executive of any fiduciary duties owed by him to the Company or a member of the Company Group; (vi) the Executive's failure or refusal to satisfactorily perform the duties and responsibilities required to be performed by the Executive under the terms of this Agreement or necessary to carry out the Executive's job duties; and (vii) willful or material violation of, or willful or material noncompliance with, any securities law, rule or regulation or stock exchange listing rule adversely affecting the Company Group, including, without limitation (a) if the Executive has undertaken to provide any chief financial officer certification required under the Sarbanes-Oxley Act of 2002, including the rules and regulations promulgated thereunder (the " Sarbanes-Oxley Act "), and he willfully fails to take reasonable and appropriate steps to determine whether or not the certificate was accurate or otherwise in compliance with the requirements of the Sarbanes-Oxley Act or (b) the Executive's willful failure to establish and administer effective systems and controls applicable to his area of responsibility necessary for the Company to timely and accurately file reports pursuant to Section 13 or 15(d) of the Exchange Act.

" Change in Control " means the first to occur of the following events:

(i) A change in ownership of the Company. On the date any "Person" (as defined in subparagraph (iv) below) acquires ownership of stock of the Company that, together with stock held by such Person, constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Company; provided, however, that there shall be no Change in Control and this subparagraph (i) shall not apply if such acquiring Person is a corporation and 2/3's of the Board of Directors of the acquiring Person immediately after the transaction consists of individuals who constituted a majority of the Board immediately prior to the acquisition of such fifty percent (50%) or more total fair market value or total voting power; and provided, further, that if any Person is considered to own more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Company, the acquisition of additional stock by the same Person is not considered to be a Change in Control; or

(ii) A change in the effective control of the Company. On the date that either: (a) any Person acquires (or has acquired during the twelve (12)-month period ending on the date of the most recent acquisition by such Person) ownership of stock of the Company possessing thirty-five percent (35%) or more of the total voting power of the stock of the Company; or on the date a majority of members of the Board is replaced during any twelve (12)-month period by directors whose appointment or election is not endorsed by a majority of the Board before the date of the appointment or election; provided, however, that any such director shall not be considered to be endorsed by the Board if his or her initial assumption of office occurs as a result of an actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.

(iii) A change in the ownership of a substantial portion of the Company's assets. On the date any Person acquires (or has acquired during the twelve (12)-month period ending on the date of the most recent acquisition by such Person) assets from the Company that have a total gross fair market value equal to or more than eighty percent (80%) of the total gross fair market value of all of the assets of the Company immediately before such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of the Company or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets. However, there is no Change in Control when there is such a sale or transfer to (i) a shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to the Company's then outstanding stock; (ii) an entity, at least fifty percent (50%) of the total value or voting power of the stock of which is owned, directly or indirectly, by the Company; (iii) a Person that owns directly or indirectly, at least fifty percent (50%) of the total value or voting power of the outstanding stock of the Company; or (iv) an entity, at least fifty percent (50%) of the total value or voting power of the stock of which is owned, directly or indirectly, by a Person that owns, directly or indirectly, at least fifty percent (50%) of the total value or voting power of the outstanding stock of the Company.

(iv) For purposes of subparagraphs (i), (ii) and (iii) above, "Person" shall have the meaning given in Code Section 7701(a)(1). Person shall include more than one Person acting as a group as defined by the final Treasury Regulations issued under Section 409A of the Code.

" Change in Control Date " shall mean the date on which a Change in Control occurs.

“ Change in Control Period ” shall mean the 24 month period commencing on the Change in Control Date; provided, however, if the Company terminates the Executive’s employment with the Company prior to the Change in Control Date, and it is reasonably demonstrated that the Executive’s (i) employment was terminated at the request of an unaffiliated third party who has taken steps reasonably calculated to effect a Change in Control or (ii) termination of employment otherwise arose in connection with or in anticipation of the Change in Control, then the “Change in Control Period” shall mean the 24 month period beginning on the date immediately prior to the date of the Executive’s termination of employment with the Company.

“ Code ” shall mean the Internal Revenue Code of 1986, as amended.

“ Company Group ” shall mean the Company, together with its subsidiaries including the Subsidiary.

“ Comparable Offer of Employment ” shall mean: (i) that the proposed compensation, severance and benefits, in the aggregate, to be paid by the Company or any successor to the Company in a Change in Control (including, without limitation the purchaser of all or substantially all of the Company’s assets) offering employment are commensurate with the compensation, severance and benefits payable to the Executive pursuant to this Agreement; (ii) the Executive incurs no demotion to his position with the Company from the position the Executive held immediately prior to the Change in Control Date; or (iii) the Executive’s principal place of employment has not changed to any location that is more than fifty (50) miles from his principal place of work immediately prior to the Change in Control Date, without the prior written consent of the Executive.

“ Competing Business ” means any business or activity that (i) competes with any member of the Company Group for which the Executive performed services or the Executive was involved in for purposes of making strategic or other material business decisions and (ii) involves (A) the same or substantially similar types of products or services (individually or collectively) manufactured, marketed or sold by any member of the Company Group during Term or (B) products or services so similar in nature to that of any member of the Company Group during Term (or that any member of the Company Group will soon thereafter offer) that they would be reasonably likely to displace substantial business opportunities or customers of the Company Group. Competing Business shall include, but not be limited to, any entity or person engaged in the business of manufacturing and selling medical devices for the intravascular or intra coronary treatment of vascular diseases, including stents and mesh technologies, and any other business the Company Group is engaged in during Executive’s employment or that was seriously considered by the Company Group within the two years preceding the termination of this Agreement.

“ Confidential Information ” shall include Trade Secrets and confidential and proprietary information acquired by the Executive in the course and scope of his activities under this Agreement, including information acquired from third parties, that (i) is not generally known or disseminated outside the Company Group (such as non-public information), (ii) is designated or marked by any member of the Company Group as “confidential” or reasonably should be considered confidential or proprietary, or (iii) any member of the Company Group indicates through its policies, procedures, or other instructions should not be disclosed to anyone outside the Company Group. Without limiting the foregoing definitions, some examples of Confidential Information under this Agreement include (a) matters of a technical nature, such as scientific, trade or engineering secrets, “know-how”, formulae, secret processes, inventions, and research and development plans or projects regarding existing and prospective customers and products or services, (b) information about costs, profits, markets, sales, customer lists, customer needs, customer preferences and customer purchasing histories, supplier lists, internal financial data, personnel evaluations, non-public information about medical devices or products of any member of the Company Group (including future plans about them), information and material provided by third parties in confidence and/or with nondisclosure restrictions, computer access passwords, and internal market studies or surveys and (c) and any other information or matters of a similar nature.

“ Disability ” as used in this Agreement shall have the meaning given that term by any disability insurance the Company carries at the time of termination that would apply to the Executive. Otherwise, the term “Disability” shall mean the inability of the Executive to perform his duties and responsibilities under this Agreement as a result of a physical or mental illness, disease or personal injury he has incurred. Any dispute as to whether or not the Executive has a “Disability” for purposes of this Agreement shall be resolved by a physician reasonably satisfactory to the Chief Executive Officer and the Executive (or his legal representative, if applicable). If the Chief Executive Officer and the Executive (or his legal representative, if applicable) are unable to agree on a physician, then each shall select one physician and those two physicians shall pick a third physician and the determination of such third physician shall be binding on the parties.

“ Good Reason ” shall mean the purchaser of the Company’s assets or common stock in a Change in Control or the surviving entity of a Change in Control does not offer the Executive a Comparable Offer of Employment. The Executive shall not have “Good Reason” for purposes of this Agreement if the Executive receives a Comparable Offer of Employment, but refuses to accept such offer. Further, “Good Reason” shall only exist if the Executive provides written notice to the Company (or its successor in interest in a Change in Control) of the terms that the Executive alleges cause the offer to fail to be a Comparable Offer of Employment within thirty (30) days of the Executive’s receipt of such offer, the Company (or its successor in interest) fails to modify the offer to be a Comparable Offer of Employment within thirty (30) days of its receipt of such notice, and the Executive terminates his employment no later than thirty (30) days following the end of such cure period.

“ Person ” shall include individuals or entities such as corporations, partnerships, companies, firms, business organizations or enterprises, and governmental or quasi-governmental bodies.

“ Prohibited Area ” means North America, South America and the European Union, which Prohibited Area the parties have agreed to as a result of the fact that those are the geographic areas in which the members of the Company Group conduct a preponderance of their business and in which the Executive provides substantive services to the benefit of the Company Group.

“ Section 409A ” shall mean Section 409A of the Code and regulations promulgated thereunder (and any similar or successor federal or state statute or regulations).

“ Subsidiary ” shall mean InspireMD Ltd., a wholly-owned subsidiary of the Company.

“ Trade Secrets ” are information of special value, not generally known to the public that any member of the Company Group has taken steps to maintain as secret from Persons other than those selected by any member of the Company Group.

EXHIBIT 10.3

FIRST AMENDMENT
TO THE
INSPIREMD, INC.
AMENDED AND RESTATED 2011 UMBRELLA OPTION PLAN

December 13, 2011

This **FIRST AMENDMENT TO THE INSPIREMD, INC. AMENDED AND RESTATED 2011 UMBRELLA OPTION PLAN** (this " ***Amendment*** "), is made and entered into by InspireMD, Inc., a Delaware corporation (the " ***Company*** "). Terms used in this Amendment with initial capital letters that are not otherwise defined herein shall have the meanings ascribed to such terms in the Plan (as defined below).

WHEREAS , the Company sponsors the InspireMD, Inc. Amended and Restated 2011 UMBRELLA Option Plan (the " ***Umbrella Plan*** "), the 2006 Employee Stock Option Plan (the " ***Israeli Appendix*** "), which is a sub-plan to the Umbrella Plan, and the 2011 U.S. Equity Incentive Plan (the " ***US Appendix*** "), which is a sub-plan to the Umbrella Plan (collectively, the Umbrella Plan, the Israeli Appendix, and the US Appendix being referred to herein as, the " ***Plan*** "); and

WHEREAS, Section 11.2 of the Umbrella Plan and Article XIX of the Israeli Appendix permit the Company to amend the Plan at any time, and from time to time, provided that the Company may not alter, amend or modify the Plan in a manner that adversely affect the rights of the existing option holders and the outstanding options granted pursuant to the Plan without the consent of the affected option holders; and

WHEREAS , the Company determined that this Amendment does not adversely affect the rights of the existing option holders or the outstanding options granted pursuant to the Plan, and therefore, determined that the consent of the existing option holders is not needed; and

WHEREAS , the Company desires to amend the Plan to provide for the automatic acceleration of vesting of stock options granted pursuant to the Plan upon the occurrence of certain corporate transactions, provided the Plan and such options are not assumed by the successor entity in such corporate transactions.

NOW THEREFORE , in accordance with Section 11.2 of the Umbrella Plan and Article XIX of the Israeli Appendix, the Plan shall be, and hereby is, amended as follows:

1. *The Umbrella Plan is hereby amended by adding the following new Section 7.3A between Sections 7.3 and 7.4* :

7.3A Notwithstanding anything in this Plan to the contrary, in the event that (a) a Transaction occurs, (b) the Option Agreements (and the underlying Options) and the Plan are not assumed by the Successor Company or the Acquiring Company, as applicable, and (c) the Successor Company or the Acquiring Company, as applicable, does not substitute the Options (vested and/or unvested) with its own stock options for Substitute Shares, then upon the effective date of such Transaction, the total Options not previously vested shall thereupon immediately become fully vested and become fully exercisable, if not previously so exercisable. This Section 7.3A shall apply to all Options granted pursuant to the Plan, including previously granted Options (without changing any other term or condition of the existing and outstanding Options, except as provided in this Section 7.3A).

2. *Section 33 of the Israeli Appendix is hereby amended by deleting said Section in its entirety and substituting in lieu thereof the following new Section 33* :

33. In the event of any of the following events (each a " **Transaction** "):

a. a merger or consolidation of the Company (a " **Merger** ") with or into any company (the " **Successor Company** ") resulting in the Successor Company being the surviving entity; or

b. an acquisition of: (i) all or substantially all of the shares or assets of the Company in one or more related transactions to another party (a " **Share Sale** "), or (ii) all or substantially all of the assets of the Company, in one or more related transactions to another party, in each case such acquirer of shares or assets is referred to herein as the " **Acquiring Company** ";

unexercised Options that remain outstanding under the Israeli Plan (the " **Unexercised Options** ") shall be treated by the Successor Company or the Acquiring Company, as the case may be, at its sole discretion. The Successor Company or the Acquiring Company shall have the right to substitute the Unexercised Options (vested and/or unvested) for its own shares or other securities (the " **Substitute Shares** ") or to retain this Israeli Plan with no change. In the event the Successor Company or the Acquiring Company chooses to substitute the Unexercised Options for Substitute Shares, appropriate equitable adjustments shall be made in the purchase price per share of the Substitute Shares subject to the Unexercised Options, and all other terms and conditions of the Option Agreements, such as the vesting dates, shall remain in force, all as will be determined by the Board of Directors whose determination shall be final.

3. *The Israeli Appendix is hereby amended by adding the following new Section 33A between Sections 33 and 34* :

33A Notwithstanding anything in this Israeli Plan to the contrary, in the event that (a) a Transaction occurs, (b) the Option Agreements (and the underlying Unexercised Options) and the Israeli Plan are not assumed by the Successor Company or the Acquiring Company, as applicable, and (c) the Successor Company or the Acquiring Company, as applicable, does not substitute the Unexercised Options (vested and/or unvested) with its own stock options for Substitute Shares, then upon the effective date of such Transaction, the total Unexercised Options not previously vested shall thereupon immediately become fully vested and become fully exercisable, if not previously so exercisable. This Section 33A shall apply to all Options granted pursuant to the Israeli Plan, including previously granted Options (without changing any other term or condition of the existing and outstanding Options, except as provided in this Section 33A).

4. *Except as expressly amended by this Amendment, the Plan shall continue in full force and effect in accordance with the provisions thereof .*

* * * * * *

[*Remainder of Page Intentionally Left Blank*
Signature Page Follows .]

IN WITNESS WHEREOF , the Company has caused this amendment to be executed by its duly authorized representative, effective as of the date above.

INSPIREMD, INC.

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

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Alan Milinazzo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of InspireMD, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 7, 2014

/s/ Alan Milinazzo
Alan Milinazzo
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Craig Shore, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of InspireMD, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 7, 2014

/s/ Craig Shore
Craig Shore
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

This certification is furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) and accompanies the Quarterly Report on Form 10-Q (the "Form 10-Q") for the quarter ended March 31, 2014 of InspireMD, Inc. (the "Company"). I, Alan Milinazzo, the Chief Executive Officer of the Company, certify that, based on my knowledge:

(1) The Form 10-Q fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered in this report.

Date: May 7, 2014

By: /s/ Alan Milinazzo
Name: Alan Milinazzo
Title: Chief Executive Officer

The foregoing certification is being furnished as an exhibit to the Form 10-Q pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and, accordingly, is not being filed as part of the Form 10-Q for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

This certification is furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) and accompanies the Quarterly Report on Form 10-Q (the "Form 10-Q") for the quarter ended March 31, 2014 of InspireMD, Inc. (the "Company"). I, Craig Shore, the Chief Financial Officer and Principal Financial Officer of the Company, certify that, based on my knowledge:

(1) The Form 10-Q fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered in this report.

Date: May 7, 2014

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

The foregoing certification is being furnished as an exhibit to the Form 10-Q pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and, accordingly, is not being filed as part of the Form 10-Q for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.