INSPIREMD, INC.

FORM 10-Q
(Quarterly Report)

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Address	321 COLUMBUS AVENUE
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Industry	Medical Equipment & Supplies
Sector	Healthcare
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: June 30, 2016

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) 305-2410
(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 [X] 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] 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 [ ] (Do not check if a smaller reporting company)	Smaller reporting company [X]

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

The number of shares of the registrant's common stock, $0.0001 par value, outstanding as of August 9, 2016: 29,872,018

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PART I - FINANCIAL INFORMATION

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
June 30, 2016

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The amounts are stated in U.S. dollars

INSPIREMD, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(U.S. dollars in thousands other than share and per share data)

	June 30, 2016	December 31, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 885	$ 3,257
Accounts receivable:		
Trade	432	405
Other	130	142
Prepaid expenses	41	75
Inventory	387	753
Total current assets	1,875	4,632
NON-CURRENT ASSETS:		
Property, plant and equipment, net	412	472
Funds in respect of employees rights upon retirement	380	502
Deferred issuance costs	290	-
Royalties buyout	63	87
Total non-current assets	1,145	1,061
Total assets	$ 3,020	$ 5,693

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 other than share and per share data)

	June 30, 2016	December 31, 2015
LIABILITIES NET OF CAPITAL DEFICIENCY		
CURRENT LIABILITIES:		
Accounts payable and accruals:		
Trade	$ 1,198	$ 512
Other	2,223	2,006
Advanced payment from customers	111	167
Current maturity of loan	3,919	4,149
Total current liabilities	7,451	6,834
LONG-TERM LIABILITIES:		
Liability for employees rights upon retirement	539	706
Warrant liability	123	-
Long-term loan	-	1,099
Total long-term liabilities	662	1,805
COMMITMENTS AND CONTINGENT LIABILITIES (Note 11)		
Total liabilities	8,113	8,639
EQUITY (CAPITAL DEFICIENCY):		
Common stock, par value $0.0001 per share; 150,000,000 and 50,000,000 shares authorized at June 30, 2016 and December 31, 2015, respectively; 10,675,586 and 7,676,074 shares issued and outstanding at June 30, 2016 and December 31, 2015, respectively	1	1
Additional paid-in capital	122,491	120,049
Accumulated deficit	(127,585)	(122,996)
Total capital deficiency	(5,093)	(2,946)
Total liabilities net of capital deficiency	$ 3,020	$ 5,693

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 June 30,		Six months ended June 30,	
	2016	**2015**	**2016**	**2015**
REVENUES	$ 540	$ 685	$ 1,103	$ 1,162
COST OF REVENUES	478	897	975	1,411
GROSS PROFIT (LOSS)	62	(212)	128	(249)
OPERATING EXPENSES:				
Research and development	301	747	779	2,099
Selling and marketing	401	995	787	2,012
General and administrative	1,160	1,587	2,749	3,557
Restructuring and impairment	-	32	-	546
Total operating expenses	1,862	3,361	4,315	8,214
LOSS FROM OPERATIONS	(1,800)	(3,573)	(4,187)	(8,463)
FINANCIAL EXPENSES, net:				
Interest expense	188	275	367	576
Other financial expenses (income)	(8)	47	34	52
Total financial expenses	180	322	401	628
LOSS BEFORE INCOME TAXES	(1,980)	(3,895)	(4,588)	(9,091)
TAX EXPENSES (INCOME)	-	(17)	1	(1)
NET LOSS	$ (1,980)	$ (3,878)	$ (4,589)	$ (9,090)
NET LOSS PER SHARE - basic and diluted	$ (0.19)	$ (0.51)	$ (0.49)	$ (1.44)
WEIGHTED AVERAGE NUMBER OF SHARES OF COMMON STOCK USED IN COMPUTING NET LOSS PER SHARE - basic and diluted	10,674,410	7,603,572	9,358,246	6,306,745

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)

	Six months ended June 30,	
	2016	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (4,589)	$ (9,090)
Adjustments required to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	95	135
Impairment of royalties buyout	-	316
Change in liability for employees' rights upon retirement	(167)	11
Financial expenses	120	146
Share-based compensation expenses	1,024	1,999
Loss on amounts funded in respect of employee rights upon retirement, net	1	4
Changes in operating asset and liability items:		
Decrease in prepaid expenses	34	110
Increase in trade receivables	(27)	(93)
Decrease in other receivables	12	166
Decrease in inventory	366	695
Increase (decrease) in trade payables	686	(418)
Decrease in other payables and advance payment from customers	(214)	(1,026)
Net cash used in operating activities	(2,659)	(7,045)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(11)	(1)
Amounts (funded) received with respect of employee rights upon retirement, net	121	(1)
Net cash provided by (used in) investing activities	110	(2)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Taxes withheld in respect of share issuance	(17)	(84)
Net proceeds from issuance of shares and warrants	1,520	12,432
Repayment of long-term loan	(1,323)	(1,803)
Net cash provided by financing activities	180	10,545
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(3)	(30)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,372)	3,468
BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	3,257	6,300
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	$ 885	$ 9,768
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES:		
Deferred issuance costs	375	-
Warrant liability	123	-

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

NOTE 1 – DESCRIPTION OF BUSINESS

a. General

InspireMD, Inc., a Delaware corporation (the "Company"), together with its subsidiaries, is a medical device company focusing on the development and commercialization of its proprietary MicroNet™ stent platform technology for the treatment of complex coronary and vascular disease. MicroNet, a micron mesh sleeve, is wrapped over a stent to provide embolic protection in stenting procedures. In October 2014, the Company launched a limited market release of its carotid embolic prevention system (CGuard™ EPS), which combines MicroNet and a self-expandable nitinol stent in a single device to treat carotid artery disease. In January 2015, the Company received CE mark approval for the rapid exchange delivery system and launched CGuard in countries in Europe.

The Company's coronary products combining MicroNet and a bare-metal stent (MGuard Prime™ EPS) 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 and Latin America.

b. Liquidity

The Company has an accumulated deficit as of June 30, 2016, as well as net losses and negative operating cash flows in recent years. The Company expects to continue incurring losses and negative cash flows from operations until its products (primarily CGuard™ EPS) reach commercial profitability. As a result of these expected losses and negative cash flows from operations, along with the Company's current cash position and its capital raise as per Note 13, the Company does not have sufficient resources to fund operations beyond the third quarter of 2017. Therefore, there is substantial doubt about the Company's ability to continue as a going concern. 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.

Management's plans include the continued commercialization of the Company's products and raising capital through the sale of additional equity securities, debt or capital inflows from strategic partnerships. 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 products and raising capital, it may need to reduce activities, curtail or cease operations.

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 year ended December 31, 2015, as found in the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 28, 2016. The balance sheet for December 31, 2015 was derived from the Company's audited financial statements for the year ended December 31, 2015. The results of operations for the six months ended June 30, 2016 are not necessarily indicative of results that could be expected for the entire fiscal year.

NOTE 3 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In April, 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs." The new guidance requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. The new guidance does not affect the recognition and measurement of debt issuance costs. The new guidance became effective during the first quarter of 2016 and was applied on a retrospective basis.

As of June 30, 2016 and December 31, 2015, $51,000 and $85,000, respectively were deducted from the carrying value of the "Current maturity of loan" in the condensed consolidated balance sheets.

In May 2014, the FASB issued ASC 606, Revenue from contracts with customers. The objective of the new revenue standard is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. The revenue standard contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services, based on a five step model that includes the identification of the contract with the customer and the performance obligations in the contract, determination of the transaction price, allocation of the transaction price to the performance obligations in the contract and recognizing revenue when (or as) the entity satisfies a performance obligation. The revenue standard is effective for annual periods beginning on or after December 15, 2016. The Company is currently evaluating the impact the adoption will have on its consolidated financial statements.

On July 22, 2015, the FASB issued ASU No. 2015-11, "Simplifying the Measurement of Inventory," which requires that inventory within the scope of the guidance be measured at the lower of cost and net realizable value. Inventory measured using last-in, first-out and the retail inventory method are not impacted by the new guidance. The new guidance will be effective for public business entities in fiscal years beginning after December 15, 2017, including interim periods within those years. Prospective application is required. Early adoption is permitted as of the beginning of an interim or annual reporting period. The Company is currently evaluating the impact of the standard on its consolidated financial statements.

In March 2016, the FASB issued ASU which simplifies certain aspects of the accounting for share-based payments, including accounting for income taxes, classification of awards as either equity or liabilities, classification on the statement of cash flows as well as allowing an entity-wide accounting policy election to either estimate the number of awards that are expected to vest or account for forfeitures as they occur. This ASU is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption is permitted in any annual or interim period for which financial statements have not yet been issued, and all amendments in the ASU that apply must be adopted in the same period. The Company is currently evaluating the impact of the standard on its consolidated financial statements. In addition, the impact on the Company's consolidated financial statements upon adoption is dependent on the Company's share price at option expiration dates and restricted stock vesting dates.

NOTE 4 – LOAN AMENDMENT:

On June 13, 2016, the Company amended (the "Amendment") the Loan and Security Agreement, dated October 23, 2013, as amended (the "Loan Agreement"), to provide that, among other things, the principal payment shall be suspended for a four month period beginning May 1, 2016, provided that the Company receives unrestricted and unencumbered net cash proceeds in an amount of at least $10 million from the sale of the Company's equity securities with investors acceptable to the lender on or prior to June 30, 2016. The Amendment also modified the term loan maturity date under the Loan Agreement to (i) April 1, 2017, if the Company does not complete such sale of its equity securities and the lender does not waive such condition to complete such sale prior to June 30, 2016, or (ii) June 1, 2017, if the Company completes such sale of its equity securities, or if the lender waives such condition to complete such sale of its equity securities, prior to June 30, 2016. In addition, the Company agreed to increase the end of term charge from $500,000 to $520,000 on the earliest to occur of February 1, 2017, or when the loan is paid in full or matures. In connection with the Amendment, the Company and its subsidiary granted a security interest in their intellectual property to the lender (see Note 11b). In addition, in connection with the Amendment, the Company issued the lender warrants to purchase up to the number of shares of common stock equal to $182,399 divided by (i) the lowest effective price per share, determined on a common stock-equivalent basis, for which the Company's equity securities are sold and issued by the Company in an equity financing in which the Company receives unrestricted aggregate gross cash proceeds of at least $7.5 million, subject to adjustment from time to time in accordance with the terms of the warrant agreement, or (ii) if such equity financing shall not have been consummated on or before July 30, 2016, or if, prior to the consummation of such equity financing, there shall be a transaction involving a change of control or a dissolution, liquidation or winding-up of the Company, then the closing price of a share of common stock on June 13, 2016, subject to adjustment thereafter from time to time in accordance with the terms of the warrant agreement. The warrants are immediately exercisable and have a five year term.

The Company has concluded that the above changes to the terms of the Loan Agreement do not constitute a troubled debt restructuring as no concession has been granted. As such, the Company applied the guidance in ASC 470-50, Modifications and Extinguishments. The accounting treatment is determined by whether (1) the Investors remain the same and (2) the change in the debt terms is considered substantial.

Since the lenders remained the same before and after the Amendment, the Company has made a quantitative test, in order to determine whether the Loan Agreement, as amended by the Amendment, is substantially different from the Loan Agreement prior to the Amendment became effective. According to ASC 470-50-40-10, from the debtor's perspective, an exchange of debt instruments between or a modification of a debt instrument by a debtor and a creditor is deemed to have been accomplished with debt instruments that are substantially different if the present value of the cash flows under the terms of the new debt instrument is at least 10 percent different from the present value of the remaining cash flows under the terms of the original instrument. If the terms of a debt instrument are changed or modified and the cash flow effect on a present value basis is less than 10 percent, the debt instruments are not considered to be substantially different.

Based on the accounting analysis performed, the Company concluded that the Loan Agreement, as amended by the Amendment, was not substantially different from the Loan Agreement prior to the Amendment becoming effective, and, as such, accounted for the Amendment as a modification. Accordingly, no gain or loss was recorded and a new effective interest rate was established based on the carrying value of the Loan Agreement prior to the Amendment became effective and the revised cash flows pursuant to the Loan Agreement, as amended by the Amendment, including the fair value of the warrants issued to the lender.

As of June 30, 2016, the principal payments of May 1, 2016 and June 1, 2016 were suspended and although the July 2016 Offering (see Note 13) had not yet closed, the lender agreed to waive the July 1, 2016 principal payment. Additionally, on July 6, 2016, the lender agreed to waive the August 1, 2016 principal payment, as well.

Following the closing of the July 2016 Offering (see Note 13), pursuant to the warrant agreement discussed above, the Company issued 967,269 warrants to the lender. The warrants are exercisable immediately and have a term of exercise of 5 years from the date of issuance and an exercise price of $0.19. As of June 30, 2016, given the settlement mechanism described above, the warrants were classified as a liability and subsequently, upon closing of the July 2016 Offering, were reclassified as equity.

NOTE 5 – EQUITY:

a. On January 26, 2016 the Company entered into option cancellation and release agreements with certain directors, the Chief Executive Officer ("CEO") and Chief financial Officer ("CFO"). See Note 10c.

b. On March 21, 2016, the Company sold 2,933,051 shares of its common stock and warrants to purchase 1,466,526 shares of common stock in concurrent underwritten public offering and private placement (the "March 2016 Offering"). The common stock was sold at a price of $0.59 per share and each purchaser received a warrant to purchase one half of one share of common stock for each share of common stock that it purchased in the March 2016 Offering. The warrants, which are classified as equity, are exercisable immediately and have a term of exercise of 5 years from the date of issuance and an exercise price of $0.59. The March 2016 Offering resulted in gross proceeds to the Company of approximately $1.7 million ($1.4 million after deducting underwriting discount, placement agent fees and other offering expenses).

   In connection with the March 2016 Offering, on March 21, 2016, the Company issued to the underwriter and placement agent five-year warrants to purchase up to 146,653 shares of common stock at an exercise price of $0.7375 per share. The warrants, which are classified as equity, are exercisable at any time during the period commencing six months following the date of issuance and ending five years from the date of issuance.

c. On May 24, 2016, the stockholders of the Company approved an increase of the total number of shares of common stock available for issuance pursuant to awards under the InspireMD, Inc. 2013 Long-Term Incentive Plan by 10,000,000 shares, to a total of 10,970,000 shares of common stock.

d. On May 25, 2016 the Company filed with the Secretary of State of Delaware a Certificate of Amendment to the Company's Amended and Restated Certificate of Incorporation to increase the Company's number of authorized shares of common stock from 50,000,000 to 150,000,000.

e. During the six months ended June 30, 2016, the Company granted to its directors stock options to purchase a total of 1,293,195 shares of the Company's common stock. The options have exercise prices ranging from $0.33 to $0.50 per share, which exercise price was the fair market value of the Company's common stock on the date of each respective grant. Of the options to purchase 1,293,195 shares of common stock described above, options to purchase 708,195 shares of common stock are fully vested as of their grant date. The remaining options are subject to certain market and performance conditions granted to its new Vice Chairman of the Board, (see Note 10a).

   In calculating the fair value of the above 708,195 options the Company used the following assumptions: dividend yield of 0%; expected term of 5 years; expected volatility of 85.81%-86.69%; and risk-free interest rate of 1.01%-1.25%.

   The fair value of the above 708,195 options, using the Black-Scholes option-pricing model, was approximately $0.2 million.

NOTE 6 – 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 and restricted stocks as the effect is anti-dilutive.

The total number of shares of common stock related to outstanding options, warrants and restricted stock excluded from the calculations of diluted loss per share were 8,093,813 and 5,011,921 for the six and three month periods ended June 30, 2016 and 2015, respectively.

NOTE 7 – FAIR VALUE MEASUREMENT:

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. The fair value of the loan under the Loan Agreement approximated its carrying amount since it bears interest at rates that approximate current market rates. See Note 4.

The warrant liability, classified as level 3 was calculated based on the Black-Scholes option-pricing model.

As of June 30, 2016 and December 31, 2015, allowance for doubtful accounts was $352,000 and $346,000, respectively.

NOTE 8 – INVENTORY:

	June 30, 2016	December 31, 2015
	($ in thousands)	
Finished goods	$ 66	$ 301
Work in process	213	307
Raw materials and supplies	108	145
	$ 387	$ 753

NOTE 9 – ACCOUNTS PAYABLE AND ACCRUALS - OTHER:

	June 30, 2016	December 31, 2015
	($ in thousands)	
Employees and employee institutions	$ 633	$ 412
Accrued vacation and recreation pay	234	377
Accrued clinical trial expenses	492	582
Accrued expenses	806	552
Provision for sales commissions	54	80
Taxes payable	4	3
	$ 2,223	$ 2,006

NOTE 10 – RELATED PARTIES:

a. On January 16, 2016, the Board of Directors appointed a new director as a Vice Chairman of the Board, effective as of January 22, 2016, with a term expiring at the Company's 2017 annual meeting of stockholders. On April 30, 2016, in connection with his appointment, the new director was granted an option to purchase 780,000 shares of the Company's common stock at an exercise price equal to the closing fair market value of the Common Stock on the date of grant on April 30, 2016, subject to the terms and conditions of the 2013 Plan and the 2011 Plan. Options to purchase 195,000 shares of Common Stock vest and become exercisable immediately upon the time of grant, and, until all 780,000 options shall have vested, options to purchase 195,000 shares of common stock will vest and become exercisable each time upon (i) the Company raising at least $15 million through an equity offering; (ii) the Company's market cap becoming equal to or greater than $25 million; (iii) the Company receiving research coverage by three new analysts at a leading investment bank; or (iv) the tripling of the Company's market cap from the date of appointment. Any of the foregoing conditions, if achieved following the director's appointment but prior to April 30, 2016, would have been deemed satisfied on the date of grant. However, in the event (i) of the director's death or permanent disability, (ii) a change in control (as defined in the Plan) or (iii) if the director is asked to resign for any reason other than cause (as defined in the Company's form of Nonqualified Stock Option Agreement under its Plan), the options shall vest immediately in full. The options have a term of 10 years from the date of grant and the exercise price may be paid in either cash or on a cashless basis.

The fair value of options with market cap related conditions reflect the probability of achieving the respective condition, and are recognized through the date in which it is expected to be met. The fair value of such options was determined using the Monte-Carlo option-pricing model with the following primary assumptions: The probability to achieve various gross proceeds in future offerings, dividend yield of 0%; expected term of 10 years; expected volatility of 85.73%; and risk-free interest rate of 1.81%.

The remaining tranches would vest upon achievment of performance conditions. Accordingly, the fair value of such options would be recognized based upon the number of options expected to vest and when the occurrence of the condition is considered probable.

In calculating the fair value of the above options with performance conditions the Company used the following assumptions: dividend yield of 0%; expected term of 5 years; expected volatility of 85.81%; and risk-free interest rate of 1.25%.

Total compensation expense for the quarter ended June 30, 2016 for all options granted above, was approximately $71,000.

b. During the six month period ended June 30, 2016, the Company granted to its directors stock options to purchase a total of 513,195 shares of common stock at exercise prices ranging from $0.33-$0.50, in addition to the 780,000 options that were granted to the new director (see also note 5e). Those options were in lieu of cash compensation that was owed to them and already accrued for their services as directors for the fourth quarter of 2015 and the first quarter of 2016 and also for their services as directors during the second quarter of 2016. See Note 5e.

c. On January 26, 2016 the Company entered into an option cancellation and release agreement with certain directors, the former CEO and the CFO ("the Optionholders"), pursuant to which the parties agreed to cancel options to purchase an aggregate of 422,443 shares of common stock of the Company previously granted to each of the Optionholders. For accounting purposes, the cancellation was treated as a settlement for no consideration and accordingly all remaining unrecognized compensation cost amounting to approximately $800,000 was recognized.

d. On January 21, 2016, the Company and the Company's former CEO, entered into a fourth amendment to the former CEO's Employment Agreement by and between the Company and the former CEO, in order to, among other things, (i) modify the term of the former CEO's employment to end on the earlier of June 30, 2016 or the date upon which a new president and/or CEO (or executive performing a similar role) commences employment with the Company (or, if such individual is promoted internally, the date such individual is promoted to the position of president and/or chief executive officer); and (ii) provide that, during the remaining term of his employment, the former CEO will receive (A) 50% of his base salary in cash payments, for all days that the CEO works during the remaining term of his employment, at the monthly rate of $18,750, payable in accordance with the Company's regular payroll practices, and (B) a lump-sum payment equivalent to 50% of the former CEO's base salary through June 30, 2016, at the monthly rate of $18,750, payable within 20 business days from the earlier of (x) the Company raising an aggregate of $5 million from investors, or (y) June 30, 2016.

On June 6, 2016, the former CEO resigned from all officer and director positions with the Company, and a new president and CEO commenced employment with the Company.

e. On June 6, 2016, the Company appointed Jim Barry, Ph.D., who was then the Company's executive vice president and chief operating officer, as the new CEO. In connection with his appointment, the Company and the CEO entered into a fourth amendment (the "Fourth Amendment") to the Employment Agreement by and between the Company and the CEO, in order to, among other things, (i) change the title of his position to president and chief executive officer; (ii) modify the term of the CEO's employment to (a) continue until May 31, 2017, with the CEO resigning as a member of the Board at the end of such term if requested by the Company and (b) provide that in the event that the term is not extended beyond May 31, 2017 by mutual agreement of the parties and the Company does not offer the CEO a position as CEO and/or chief operating officer on the same or more favorable terms with a base salary that is at least 10% greater than his current base salary, the CEO's termination will be deemed a termination without cause; and (iii) amend the terms and conditions of the CEO's compensation, as described below.

Pursuant to the Fourth Amendment, for the period (the "Reduction Period") beginning on June 1, 2016 and ending on the earlier of (i) the closing of a transaction with investors where the Company raises an aggregate of $5 million (the "Financing") and (ii) March 15, 2017, the CEO will receive 50% of his base salary in cash payments, payable in accordance with the Company's regular payroll practices, with the remaining 50% of his base salary paid in a lump-sum payment on the first to occur of (a) the first payroll period that is on or after the 20th business day following the Financing or (b) March 15, 2017 (such earlier date, the "Reduction Amount Payment Date"). The Fourth Amendment also amends the terms of the CEO's bonus compensation to provide that (i) the CEO is eligible to receive annual bonus compensation in an amount equal to 100% of his base salary upon the achievement of reasonable target objectives and performance goals as may be determined by the Board in consultation with the CEO and (ii) on the Reduction Amount Payment Date, the CEO will receive a lump-sum retention bonus in an amount equal to $106,458, subject to the CEO's continued employment through such date.

The Fourth Amendment further provides that on or within 20 business days of the closing of the Financing, the CEO will be granted, subject to Board approval and the CEO's continued employment by the Company through the applicable grant date, (i) a nonqualified stock option relating to the number of shares of the Company's common stock equal to 2% of the Company's outstanding common stock on the date of the closing of the Financing (the "Financing Option") and (ii) an award of a number of restricted shares of the Company's common stock equal to 2% of the Company's outstanding common stock on the date of the closing of the Financing (the "Financing Restricted Stock Award" and together with the Financing Option, the "Financing Equity Grants"), in each case, subject to the terms and conditions of the Company's 2013 Long-Term Incentive Plan and a nonqualified stock option agreement and a restricted stock award agreement to be entered into by the Company and the CEO. From the July 2016 Offering, the Company received more than an aggregate of $5 million, and, as such, the CEO is entitled to this grant. See Note 13.

NOTE 11 – COMMITMENT AND CONTINGENT LIABILITIES:

a. Litigation

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 settled with the plaintiff in the amount of $80,000 plus $20,000 for legal fees, which was approved by the Labor Court and paid by the Company in March 2016.

The Company received written communication from a distributor to provide unspecified compensation for pre-paid goods subject to the voluntary field action. After considering the views of its legal counsel as well as other factors, the Company's management believes that a loss from any related future proceedings would range from a minimal amount up to 1,075,000 Euros and is reasonably possible.

In July 2016, a former service provider filed a suit seeking damages from the Company amounting to $1,965,000. The Company's management, after considering the views of its legal counsel as well as other factors, is of the opinion that a loss to the Company is neither probable nor in an amount or range of loss that is estimable.

On April 26, 2016 the Company received a suit seeking damages from the Company amounting to $2.2 million in cash and unspecified compensation in equity in connection with certain finders' fees. The Company's management, after considering the views of its legal counsel as well as other factors, is of the opinion that a loss to the Company is neither probable nor in an amount or range of loss that is estimable.

b. Liens and pledges

The Company's obligations under the Loan Agreement (as defined in Note 4) were initially 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. On June 13, 2016, in connection with the Amendment to the Loan Agreement, the Company and InspireMD Ltd. also granted a securuty interest in their intellectual property to the lender.

NOTE 12 – 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 June 30,		Six months ended June 30,	
	2016	2015	2016	2015
	($ in thousands)			
Italy	$ 165	$ 88	$ 320	$ 116
Germany	163	165	323	296
Middle East	55	31	78	67
Brazil	20	126	39	151
Belarus	3	33	23	111
Other	134	242	320	421
	$ 540	$ 685	$ 1,103	$ 1,162

By product:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
	($ in thousands)			
CGuard	$ 355	$ 168	$ 675	$ 227
MGuard*	185	518	428	935
	$ 540	$ 685	$ 1,103	$ 1,162

*The six months ended June 30, 2015 include revenue from sales of both MGuard Prime EPS and MGuard, an earlier version of MGuard Prime EPS.

The following is a summary of revenues by principal customers:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Customer A	26%	0%	24%	0%
Customer B	24%	7%	21%	5%
Customer C	10%	4%	7%	6%
Customer D	4%	22%	5%	21%
Customer E	1%	5%	2%	10%

All tangible long-lived assets are located in Israel.

NOTE 13 – SUBSEQUENT EVENTS:

On July 7, 2016, the Company closed a public offering of 442,424 shares of Series B Convertible Preferred Stock and accompanying warrants to purchase up to 44,242,400 shares of common stock (the "July 2016 Offering"). Each share of Series B Convertible Preferred Stock is convertible into 100 shares of common stock at a conversion price equal to $0.33 per share, and the holders of Series B Convertible Preferred Stock will be entitled to receive cumulative dividends at the rate per share of 15% per annum of the stated value for five years. The warrants are exercisable immediately and have a term of exercise of five years from the date of issuance and have an exercise price of $0.20 per share of common stock. The Series B Convertible Preferred Stock and accompanying warrants were sold at a price of $33.00 per share. The Company received gross proceeds of approximately $14.6 million from the offering, before deducting placement agent fees and estimated offering expenses payable by the Company.

Following the closing of the July 2016 Offering, pursuant to a warrant agreement (see Note 4), the Company issued 967,269 warrants to a lender.

On July 25, 2016, and in connection with the fourth amendment to the CEO's employment agreement, the CEO was granted his Financing Option to purchase 1,762,478 shares of the Company's common stock at an exercise price equal to the closing fair market value of the Common Stock on the date of grant. The options will vest on the first anniversary of the date of the grant.

On August 1, 2016, and in connection with the fourth amendment to the CEO's employment agreement, the CEO was granted his Financing Restricted Stock Award of 1,762,478 restricted shares of the Company's common stock. The restricted shares will vest on the first anniversary of the date of the grant.

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 management's 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;
- market acceptance of our existing and new products;
- negative clinical trial results or lengthy product delays in key markets;
- an inability to secure and maintain regulatory approvals for the sale of our products;
- our dependence on single suppliers for certain product components and our ability to comply with stringent manufacturing quality standards and to increase production as necessary;
- 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;
- our limited manufacturing capabilities and reliance on subcontractors for assistance;
- loss of a key customer or supplier;
- technical problems with our research and products and potential product liability claims;
- product malfunctions;

- adverse economic conditions;
- insufficient or inadequate reimbursement by governmental and other third party payers for our products;
- our efforts to successfully obtain and maintain intellectual property protection covering our products, which may not be successful;
- legislative or regulatory reform of the healthcare system in both the U.S. and foreign jurisdictions;
- the fact that we will need to raise additional capital to meet our business requirements in the future and that such capital raising may be costly, dilutive or difficult to obtain;
- the fact that we conduct business in multiple foreign jurisdictions, exposing us to foreign currency exchange rate fluctuations, logistical and communications challenges, burdens and costs of compliance with foreign laws and political and economic instability in each jurisdiction;
- the escalation of hostilities in Israel, which could impair our ability to manufacture our products; 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 Annual Report on Form 10-K for the twelve month period ended December 31, 2015, 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 focusing on the development and commercialization of our proprietary MicroNet™ stent platform technology for the treatment of complex vascular and coronary disease. A stent is an expandable "scaffold-like" device, usually constructed of a metallic material, that is inserted into an artery to expand the inside passage and improve blood flow. Our MicroNet, a micron mesh sleeve, is wrapped over a stent to provide embolic protection in stenting procedures.

Our CGuard™ carotid embolic prevention system ("CGuard EPS") combines our MicroNet mesh and a self-expandable nitinol stent in a single device for use in carotid artery applications. Our CGuard EPS received CE mark approval in the European Union in March 2013, and we launched its release on a limited basis in October 2014. In January 2015, a new version of CGuard, with a rapid exchange delivery system, received CE mark approval in Europe and in September 2015, we announced the full market launch of CGuard EPS in Europe through a distribution agreement with Penumbra, Inc. In September 2015, we also received regulatory approval to commercialize CGuard EPS in Argentina and Colombia. Following the receipt of such regulatory approval, we launched CGuard EPS in Argentina in the first quarter of 2016 and Colombia in the fourth quarter of 2015.

Our MGuard™ coronary product, MGuard Prime™ Embolic Protection System ("MGuard Prime EPS"), is marketed for use in patients with acute coronary syndromes, notably acute myocardial infarction (heart attack) and saphenous vein graft coronary interventions (bypass surgery). We market and sell MGuard Prime EPS, a bare-metal cobalt-chromium based stent, for the treatment of coronary disease in the European Union. MGuard Prime EPS received CE mark approval in the European Union in October 2010 for improving luminal diameter and providing embolic protection. However, as a result of a shift in industry preferences away from bare-metal stents in favor of drug-eluting (drug-coated) stents, in 2014 we decided to curtail further development of this product in order to focus on the development of a drug-eluting stent product. Due to limited resources, though, our efforts have been limited to testing drug-eluting stents manufactured by potential partners for compatibility and incorporating our MicroNet in-house onto a drug-eluting stent manufactured by a potential partner.

We are also developing a neurovascular flow diverter, which is an endovascular device that directs blood flow away from cerebral aneurysms in order to ultimately seal the aneurysms. Our flow diverter would utilize an open cell, highly flexible metal scaffold to which MicroNet would be attached. We have commenced initial pre-clinical testing of this product in both simulated bench models and standard in vivo pre-clinical models.

We also intend to develop a pipeline of other products and additional applications by leveraging our MicroNet technology to new applications to improve peripheral vascular and neurovascular procedures, such as the treatment of the superficial femoral artery disease, vascular disease below the knee and neurovascular stenting to open diseased vessels in the brain.

Presently, none of our products may be sold or marketed in the United States.

Recent Events

On July 7, 2016, we closed a "best efforts" public offering of 442,424 shares of Series B Convertible Preferred Stock and accompanying warrants to purchase up to 44,242,400 shares of common stock. Each share of Series B Convertible Preferred Stock is convertible into 100 shares of common stock at a conversion price equal to $0.33 per share, and the holders of Series B Convertible Preferred Stock will be entitled to receive cumulative dividends at the rate per share of 15% per annum of the stated value for five years. The warrants are exercisable immediately and have a term of exercise of five years from the date of issuance and have an exercise price of $0.20 per share of common stock. The Series B Convertible Preferred Stock and accompanying warrants were sold at a price of $33.00 per share. This offering resulted in gross proceeds to us of approximately $14.6 million before deducting placement agent fees and estimated offering expenses.

On June 13, 2016, we amended the Loan and Security Agreement, dated October 23, 2013, as amended (the "Loan Agreement"), to provide that, among other things, the principal payment shall be suspended for a four month period beginning May 1, 2016, provided that we receive unrestricted and unencumbered net cash proceeds in an amount of at least $10 million from the sale of our equity securities with investors acceptable to the lender on or prior to June 30, 2016. The amendment also modified the term loan maturity date under the Loan Agreement to (i) April 1, 2017, if we do not complete such sale of our equity securities and the lender does not waive such condition to complete such sale prior to June 30, 2016, or (ii) June 1, 2017, if we complete such sale of our equity securities, or if the lender waives such condition to complete such sale of its equity securities, prior to June 30, 2016. In addition, we agreed to increase the end of term charge from $500,000 to $520,000 on the earliest to occur of February 1, 2017, or when the loan is paid in full or matures. In connection with the amendment, we and our subsidiary granted a security interest in our intellectual property to the lender. In addition, in connection with the amendment, we issued the lender warrants to purchase up to the number of shares of common stock equal to $182,399, divided by (i) the lowest effective price per share, determined on a common stock-equivalent basis, for which our equity securities are sold and issued by us in an equity financing in which we receive unrestricted aggregate gross cash proceeds of at least $7.5 million, subject to adjustment from time to time in accordance with the terms of the warrant agreement, or (ii) if such equity financing shall not have been consummated on or before July 30, 2016, or if, prior to the consummation of such equity financing, there shall be a transaction involving a change of control or a dissolution, liquidation or winding-up of the company, then the closing price of a share of common stock on June 13, 2016, subject to adjustment thereafter from time to time in accordance with the terms of the warrant agreement. The warrants are immediately exercisable and have a five year term. Following the closing of the public offering in July 2016, pursuant to the warrant agreement, we issued 967,269 warrants to the lender.

As of June 30, 2016, although the public offering discussed above had not yet closed, the lender agreed to waive the July 1, 2016 principal payment. Additionally, on July 6, 2016, the lender agreed to waive the August 1, 2016 principal payment. Accordingly, the loan maturity date was extended until June 1, 2017.

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) "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and (ii) Note 2 of the Notes to the Consolidated Financial Statements included in the Annual Report on Form 10-K for the year ended December 31, 2015. There have not been any material changes to such critical accounting policies since December 31, 2015.

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

Contingencies

We and our subsidiaries are involved in legal proceedings that arise from time to time in the ordinary course of business. We record accruals for these types of contingencies to the extent that we conclude the occurrence of such contingencies is probable and that the related liabilities are estimable. When accruing these costs, we recognize an accrual in the amount within a range of loss that is the best estimate within the range. When no amount within the range is a better estimate than any other amount, we accrue for the minimum amount within the range. Legal costs are expensed as incurred.

Results of Operations

Three months ended June 30, 2016 compared to the three months ended June 30, 2015

Revenues . For the three months ended June 30, 2016, revenue decreased by $0.2 million, or 21.2%, to $0.5 million, from $0.7 million during the same period in 2015. This decrease was predominantly driven by a 64.3% decrease in sales of MGuard Prime EPS from $0.5 million in the three months ended June 30, 2015 to $0.2 million in the same period in 2016, predominantly driven by a decrease in sales due to the trend of doctors increasingly using drug-eluting stents rather than bare metal stents in STEMI patients. This decrease in sales of MGuard Prime EPS was partially offset by a 111.9% increase in sales of CGuard EPS from $0.2 million in the three months ended June 30, 2015 to $0.3 million in the same period in 2016.

With respect to regions, the decrease in revenue was primarily attributable to a decrease of $0.1 million in revenue from sales of MGuard Prime EPS from our distributors in Latin America.

Gross Profit (Loss) . For the three months ended June 30, 2016, we had a gross profit (revenue less cost of revenues) of $62,000, as compared to a gross loss (revenue less cost of revenues) of $0.2 million, during the same period in 2015, representing an increase of $0.3 million. This increase in gross profit was attributable to a decrease of write-offs of primarily MGuard Prime EPS inventory of $0.2 million during the three months ended June 30, 2016, as compared to the same period in 2015, a decrease of $0.1 million in material and labor costs (due to the decreased sales) and a decrease of $0.2 million in miscellaneous expenses. These increases is gross profit were partially offset by a decrease in revenue of $0.2 million (see above for explanation). Gross margin (gross profits as a percentage of revenue) increased to 11.5% in the three months ended June 30, 2016, from (30.9)% in the same period in 2015.

Research and Development Expenses . For the three months ended June 30, 2016, research and development expenses decreased by 59.7%, or $0.4 million, to $0.3 million, from $0.7 million during the same period in 2015. This decrease in research and development expenses resulted primarily from a decrease of $0.3 million in compensation expenses and a decrease of $0.1 million in clinical trial expenses associated with our MASTER II trial. The decrease in compensation is the result of the implementation of our cost reduction/focused spending plan beginning in the first quarter of 2015, as well as us not granting any share-based compensation to our officers and employees conducting research and development in 2016 as opposed to our practice in 2015.

Selling and Marketing Expenses . For the three months ended June 30, 2016, selling and marketing expenses decreased by 59.7%, or $0.6 million, to $0.4 million, from $1.0 million during the same period in 2015. This decrease in selling and marketing expenses resulted primarily from a decrease of $0.4 million in compensation expenses due to our transition away from direct sales in favor of using third party distributors, a decrease of $0.1 million in travel expenses associated with the decreased size of our sales force and a decrease of $0.1 million in expenditures related to our reduced participation in trade shows, most significantly the European Percutaneous Coronary Revascularization (Euro PCR) Congress, incurred in the same period in 2015. The decrease in spending was a result of our cost reduction/focused spending plan.

General and Administrative Expenses . For the three months ended June 30, 2016, general and administrative expenses decreased by 26.9%, or $0.4 million, to $1.2 million, from $1.6 million during the same period in 2015. The decrease in general and administrative expenses resulted primarily from a decrease of $0.5 million in share-based compensation expenses primarily due to us not granting any share-based compensation to our officers and employees in 2016 as opposed to our practice in 2015. This decrease was partially offset by an increase of $0.1 million in compensation expenses pertaining to the hiring of our new chief executive officer on June 6, 2016, pursuant to the employment agreement, as amended on June 26, 2016.

Restructuring and Impairment Expenses. For the three months ended June 30, 2015 we incurred $32,000 of restructuring and impairment expense from cash payouts to terminated employees in connection with our restructuring. No such expense was incurred during the same period in 2016.

Financial Expenses . For the three months ended June 30, 2016, financial expenses decreased by 44.1% or $0.1 million, to $0.2 million, from $0.3 million during the same period in 2015. The decrease in financial expenses resulted from a decrease of $0.1 million of interest expenses due to the reduction in principal of our outstanding indebtedness.

Tax Expenses (Income). For the three months ended June 30, 2016 there was no material change in tax expenses (income) compared to the same period in 2015.

Net Loss . Our net loss decreased by $1.9 million, or 48.9%, to $2.0 million for the three months ended June 30, 2016 from $3.9 million during the same period in 2015. The decrease in net loss resulted primarily from a decrease of $1.5 million in operating expenses primarily associated with lower research and development and sales and marketing expenses, due to our cost reduction/focused spending plan, as well as the decrease in share-based compensation expenses due to us not granting any share-based compensation to our officers and employees in 2016, an increase of $0.3 million in gross profit and a decrease of $0.1 million in financial expenses.

Six months ended June 30, 2016 compared to the six months ended June 30, 2015

Revenues . For the six months ended June 30, 2016, revenue decreased by $0.1 million, or 5.1%, to $1.1 million, from $1.2 million during the same period in 2015. This decrease was predominantly driven by a 54.2% decrease in sales of MGuard Prime EPS from $0.9 million in the six months ended June 30, 2015 to $0.4 million in the same period in 2016, predominantly driven by a decrease in sales due to the trend of doctors increasingly using drug-eluting stents rather than bare metal stents in STEMI patients. This decrease in MGuard Prime EPS sales was partially offset by a 197.1% increase in sales of CGuard EPS from $0.2 million in the six months ended June 30, 2015 to $0.7 million in the same period in 2016.

With respect to regions, the decrease in revenue was primarily attributable to a decrease of $0.1 million in revenue from sales of MGuard Prime EPS from our distributors in Latin America.

Gross Profit (Loss) . For the six months ended June 30, 2016, we had a gross profit (revenue less cost of revenues) of $0.1 million, as compared to a gross loss (revenue less cost of revenues) of $0.3 million, during the same period in 2015, representing an increase of $0.4 million. This increase in gross profit was attributable to a decrease of write-offs of primarily MGuard Prime EPS inventory of $0.5 million during the six months ended June 30, 2016, as compared to the same period in 2015 and a decrease of $0.1 million in miscellaneous expenses. These increases in gross profit were partially offset by a decrease in revenues of $0.1 million (see above for explanation) and an increase of $0.1 million related to the underutilization of our manufacturing resources. Gross margin (gross profits as a percentage of revenue) increased to 11.6% in the six months ended June 30, 2016 from (21.4)% in the same period in 2015.

Research and Development Expenses . For the six months ended June 30, 2016, research and development expenses decreased by 62.9%, or $1.3 million, to $0.8 million, from $2.1 million during the same period in 2015. This decrease in research and development expenses resulted primarily from a decrease of $0.5 million in compensation expenses, a decrease of $0.4 million in development costs associated with CGuard EPS, a decrease of $0.2 million in clinical trial expenses associated with our MASTER II trial and a decrease of $0.2 million of other research and development expenses related to MGuard Prime EPS. The decreases in compensation and miscellaneous expenditures related to MGuard Prime EPS are the results of the implementation of our cost reduction/focused spending plan beginning in the first quarter of 2015.

Selling and Marketing Expenses . For the six months ended June 30, 2016, selling and marketing expenses decreased by 60.9%, or $1.2 million, to $0.8 million, from $2.0 million during the same period in 2015. This decrease in selling and marketing expenses resulted primarily from a decrease of $0.8 million in compensation expenses due to our transition away from direct sales in favor of using third party distributors, a decrease of $0.2 million in travel expenses associated with the decreased size of our sales force, a decrease of $0.1 million in expenditures related to our reduced participation in trade shows, primarily the EuroPCR Congress, incurred in the same period in 2015, and a decrease of $0.1 million in miscellaneous expenditures. The decrease in spending was a result of our cost reduction/focused spending plan.

General and Administrative Expenses . For the six months ended June 30, 2016, general and administrative expenses decreased by 22.7%, or $0.8 million, to $2.7 million, from $3.5 million during the same period in 2015. The decrease in general and administrative expenses resulted primarily from a decrease of $0.6 million in share-based compensation expenses primarily due to us not granting any share-based compensation to our officers and employees in 2016 as opposed to our practice in 2015 and a decrease of $0.3 million in miscellaneous expenses such as investor relations, consulting fees, audit, rent and travel, as a result of our cost reduction/focused spending plan. These decreases were partially offset by an increase of $0.1 million in compensation expenses pertaining to the hiring of our new chief executive officer on June 6, 2016, pursuant to the employment agreement, as amended on June 26, 2016.

Restructuring and Impairment Expenses. For the six months ended June 30, 2015 we incurred $0.5 million of restructuring and impairment expenses made up of $0.3 million of expenses related to the impairment of an MGuard royalties buyout option due to anticipated lower sales in the future, $0.1 million of cash payouts and $0.1 million of restricted shares given to terminated employees in connection with our restructuring. No such expense was incurred during the same period in 2016.

Financial Expenses . For the six months ended June 30, 2016, financial expenses decreased by 36.1% or $0.2 million, to $0.4 million, from $0.6 million during the same period in 2015. The decrease in financial expenses resulted from a decrease of $0.2 million of interest expenses due to the reduction in principal of our outstanding indebtedness.

Tax Expenses (Income). For the six months ended June 30, 2016 there was no material change in tax expenses (income) compared to the same period in 2015.

Net Loss . Our net loss decreased by $4.5 million, or 49.5%, to $4.6 million for the six months ended June 30, 2016 from $9.1 million during the same period in 2015. The decrease in net loss resulted primarily from a decrease of $3.9 million in operating expenses primarily associated with lower research and development and sales and marketing expenses, due to our cost reduction/focused spending plan, an increase of $0.4 million in gross profit and a decrease of $0.2 million in financial expenses.

Liquidity and Capital Resources

We had an accumulated deficit as of June 30, 2016, as well as net losses and negative operating cash flows in recent years. We expect to continue incurring losses and negative cash flows from operations until our products (primarily CGuard EPS) reach commercial profitability. As a result of these expected losses and negative cash flows from operations, considering our current cash position and taking into account the cash received from the public offering of preferred stock which closed on July 7, 2016, we do not have sufficient resources to fund operations beyond the third quarter of 2017. Therefore, there is substantial doubt about our ability to continue as a going concern.

Our plans include the continued commercialization of our products and raising capital through the sale of additional equity securities, debt or capital inflows from strategic partnerships. There are no assurances, however, that we will be successful in obtaining the level of financing needed for our operations. If we are unsuccessful in commercializing our products and raising capital, we may need to reduce activities, curtail or cease operations.

On July 7, 2016, we closed a “best efforts” public offering of Series B Convertible Preferred Stock and accompanying warrants to purchase common stock. This offering resulted in gross proceeds to us of approximately $14.6 million before deducting placement agent fees and estimated offering expenses.

On June 13, 2016, we amended the Loan Agreement, to provide that, among other things, the principal payment shall be suspended for a four month period beginning May 1, 2016, subject to conditions set forth in the Loan Agreement, as amended. The amendment also modified the term loan maturity date under the Loan Agreement to (i) April 1, 2017, if we do not complete such sale of our equity securities and the lender does not waive such condition to complete such sale prior to June 30, 2016, or (ii) June 1, 2017, if we complete such sale of our equity securities, or if the lender waives such condition to complete such sale of its equity securities, prior to June 30, 2016. In addition, we agreed to increase the end of term charge from $500,000 to $520,000 on the earliest to occur of February 1, 2017, or when the loan is paid in full or matures. As of June 30, 2016, although the public offering discussed above had not yet closed, the lender agreed to waive the July 1, 2016 principal payment. Additionally, on July 6, 2016, the lender agreed to waive the August 1, 2016 principal payment. Accordingly, the loan maturity date was extended until June 1, 2017.

Six months ended June 30, 2016 compared to the six months ended June 30, 2015

General . At June 30, 2016, we had cash and cash equivalents of $0.9 million, as compared to $3.3 million as of December 31, 2015. 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 research and development, marketing and sales activities, finance and administrative cost, capital expenditures and general working capital.

Cash used in our operating activities was $2.7 million for the six months ended June 30, 2016 and $7.0 million for the same period in 2015. The principal reason for the usage of cash in our operating activities for the six months ended June 30, 2016 was a net loss of $4.6 million, offset primarily 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 $0.7 million, $0.1 million of non-cash financial expenses and $0.1 million of depreciation and amortization expenses. The principal reason for the usage of cash in our operating activities for the six months ended June 30, 2015 was a net loss of $9.1 million, as well as an increase in working capital of $0.5 million, offset by $2.0 million in non-cash share-based compensation that was largely paid to our directors and chief executive officer, $0.3 million of non-cash expenses related to the impairment of our royalties buyout option (discussed above), $0.2 million of non-cash financial expenses and $0.1 million of depreciation and amortization expenses.

Cash provided by our investing activities was $110,000 during the six months ended June 30, 2016, resulting from the receipt of cash previously funded to employee retirement funds, compared to $2,000 of cash used by our investing activities during the same period in 2015.

Cash provided by financing activities for the six months ended June 30, 2016 was $0.2 million, compared to $10.5 million during the same period in 2015. The principal source of the cash provided by financing activities during the six months ended June 30, 2016 was the issuance of shares and warrants in a concurrent public offering and private placement for approximately $1.5 million of proceeds, offset by loan repayments of $1.3 million. The principal source of the cash provided by financing activities during the six months ended June 30, 2015 relates to funds received from the issuance of shares and warrants of approximately $12.4 million, offset by the repayment of a loan of $1.8 million and $0.1 million of payments made by us in satisfaction of tax withholding obligations associated with the vesting of restricted stock held by some of our employees.

As of June 30, 2016, our current liabilities exceeded our current assets by a multiple of 4.0. Current assets decreased by $2.8 million during the period and current liabilities increased by $0.6 million during the period. As a result, our working capital deficit increased by $3.4 million to $5.6 million at June 30, 2016.

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

See Note 3 – "Recently Issued Accounting Pronouncements" in the accompanied financial statements.

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. For a discussion of these and other risks that relate to our business, 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 Annual Report on Form 10-K for the year ended December 31, 2015, and those described from time to time in our future reports filed with the Securities and Exchange Commission.

Contractual Obligations and Commitments

During the six months ended June 30, 2016, there were no material changes to our contractual obligations and commitments.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable

Item 4. Controls and Procedures

Management's Conclusions Regarding Effectiveness of Disclosure Controls and Procedures

As of June 30, 2016, 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 June 30, 2016.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the fiscal quarter ended June 30, 2016 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.

On April 26, 2016, Microbanc, LLC and Todd Spenla of Microbanc, LLC filed suit in the New York State Supreme Court (New York County) against us asserting claims for breach of agreement, quantum meruit, unjust enrichment and fraud and seeking approximately $2.2 million and 9% of the amount of stock and warrants sold in 2011 and 2012 in alleged damages relating to certain alleged finders' fees that they claim are owed. Due to the uncertainties of litigation, however, we can give no assurance that we will prevail on any claims made against us in any such lawsuit. Also, we can give no assurance that any other lawsuits or claims brought in the future will not have an adverse effect on our financial condition, liquidity or operating results.

On July 12, 2016, Medpace Inc., a former service provider, filed suit with the Court of Common Pleas, Hamilton County, Ohio, against us asserting that we breached a master services agreement with Medpace Inc. by failing to pay Medpace Inc. certain fees purportedly owed to it in connection with Medpace Inc.'s provision of certain clinical development program services to Inspire Ltd. Medpace Inc. is seeking $1,964,822 in damages plus interest, costs, attorneys' fees and expenses. Due to the uncertainties of litigation, however, we can give no assurance that we will prevail on any claims made against us in any such lawsuit. Also, we can give no assurance that any other lawsuits or claims brought in the future will not have an adverse effect on our financial condition, liquidity or operating results.

As of the date of this filing, we are not aware of any other material legal proceedings to which we or any of our subsidiaries is a party or to which any of our property is subject, nor are we aware of any such threatened or pending litigation or any such proceedings known to be contemplated by governmental authorities other than other than the foregoing suits filed by Microbanc, LLC and Todd Spenla and by Medpace Inc.

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We are not aware of any material proceedings in which any of our directors, officers or affiliates or any registered or beneficial stockholder of more than 5% of our common stock, or any associate of any of the foregoing, is a party adverse to or has a material interest adverse to, us or any of our subsidiaries.

Item 1A. Risk Factors

During the fiscal quarter ended June 30, 2016, there were no material changes to the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2015, except for the following:

Risks Related to Our Business

We face risks associated with litigation and claims.

We may, in the future, be involved in one or more lawsuits, claims or other proceedings. These suits could concern issues including contract disputes, employment actions, employee benefits, taxes, environmental, health and safety, personal injury and product liability matters.

There are two lawsuits filed against us, one filed by Microbanc, LLC and Todd Spenla of Microbanc, LLC in April 2016, and another filed by Medpace Inc. in July 2016. See "Item 1. Legal Proceedings" for more information. Due to the uncertainties of litigation, however, we can give no assurance that we will prevail on any claims made against us in any such lawsuit. Also, we can give no assurance that any other lawsuits or claims brought in the future will not have an adverse effect on our financial condition, liquidity or operating results. Adverse outcomes in some or all of these claims may result in significant monetary damages that could adversely affect our ability to conduct our business.

Risks Related to Our Organization and Our Common Stock and Preferred Stock

A continued low trading price could lead the NYSE MKT to take actions toward delisting our common stock, including immediately suspending trading in our common stock.

Pursuant to Section 1003(f)(v) of the NYSE MKT Company Guide (the "Company Guide"), the NYSE MKT could take action to delist our common stock in the event that our common stock trades at levels viewed as abnormally low for a substantial period of time. Our stock has traded at prices less than $1.00 for much of the past several months. In addition, the NYSE MKT has advised us that its policy is to immediately suspend trading in shares of, and commence delisting procedures with respect to, a listed company if the market price of its shares falls below $0.06 per share at any time during the trading day. The closing price of our common stock on the NYSE MKT on August 8, 2016 was $0.19 per share, and the significant dilutive effect of an offering may result in our stock trading below this threshold and lead NYSE MKT to immediately suspend trading in our common stock.

The certificate of designation for our Series B Convertible Preferred Stock contains anti-dilution provisions that may result in the reduction of the conversion price for the Series B Convertible Preferred Stock in the future. This feature may result in an indeterminate number of shares of common stock being issued upon conversion.

The certificate of designation for our Series B Convertible Preferred Stock contains anti-dilution provisions, which provisions require the lowering of the conversion price to the purchase price of future offerings. If in the future we issue securities for less than the conversion price of our Series B Convertible Preferred Stock, we will be required to further reduce the relevant conversion price, which will result in a greater number of shares of common stock being issuable upon conversion, which in turn will have a greater dilutive effect on our shareholders. In addition, as there is no floor price on the conversion price, we cannot determine the total number of shares issuable upon conversion. As such, it is possible that we will not have sufficient available shares to satisfy the conversion of the Series B Convertible Preferred Stock if we enter into a future transaction that lowers the conversion price. If we do not have sufficient available shares for any Series B Convertible Preferred Stock conversions, we will be required to increase our authorized shares, which may not be possible and will be time consuming and expensive. The potential for such issuances may depress the price of our common stock regardless of our business performance. We may find it more difficult to raise additional equity capital while our Series B Convertible Preferred Stock is outstanding.

The Series B Convertible Preferred Stock provides for the payment of dividends in cash or in shares of our common stock, and we may not be permitted to pay such dividends in cash, which will require us to have shares of common stock available to pay the dividends.

Each share of Series B Convertible Preferred Stock will be entitled to receive cumulative dividends at the rate per share of 15% per annum of the state value per share, until the fifth anniversary of the date of issuance of the Series B Convertible Preferred Stock. The dividends are payable, at our discretion, in cash, out of any funds legally available for such purpose, or in pay-in-kind shares of common stock calculated based on the conversion price, subject to adjustment as provided in the certificate of designation. The conversion price is subject to reduction if in the future we issue securities for less than the conversion price of our Series B Convertible Preferred Stock. As there is no floor price on the conversion price, we cannot determine the total number of shares issuable upon conversion or in connection with the dividend. As such, it is possible that we will not have sufficient available shares to pay the dividend in common stock, which would require the payment of the dividend in cash. We will not be permitted to pay the dividend in cash unless we are legally permitted to do so under Delaware law, which requires cash to be available from surplus or net profits neither of which we currently have available. Additionally, we are also subject to certain restrictions pursuant to our loan and security agreement with Hercules Capital, Inc., which prohibits us from paying cash dividends or distributions on our capital stock. As such, we do not expect to have cash available to pay the dividends on our Series B Convertible Preferred Stock or to be permitted to make such payments under our loan agreements, and will be relying on having available shares of common stock to pay such dividends, which will result in dilution to our shareholders. If we do not have such available shares, we may not be able to satisfy our dividend obligations.

Item 5. Other Information

Not applicable

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: August 9, 2016

By: */s/ James Barry, Ph.D.*
Name: James Barry, Ph.D
Title: President and Chief Executive Officer

Date: August 9, 2016

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, as amended through September 30, 2015 (incorporated by reference to Exhibit 3.1 to Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 9, 2015)
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 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)
3.4	Certificate of Amendment to Amended and Restated Certificate of Incorporation of InspireMD, Inc. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on May 25, 2016)
3.5*	Certificate of Designation of Preferences, Rights and Limitations of Series B Convertible Preferred Stock
4.1	Form of Common Stock Certificate (incorporated by reference to Exhibit 4.1 to Amendment No. 3 to Registration Statement on Form S-1 filed with the Securities and Exchange Commission on March 5, 2013)
4.2	Rights Agreement dated as of October 22, 2013 between InspireMD, Inc. and Action Stock transfer Corporation, as Rights Agent, including exhibits thereto (incorporated by reference to an exhibit to the Registration Statement on Form 8-A filed with Securities and Exchange Commission on October 25, 2013)
10.1+	Second Amendment to the InspireMD, Inc. 2013 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on May 25, 2016)
10.2+	Fourth Amendment to Employment Agreement, dated June 6, 2016, by and between InspireMD, Inc. and James Barry, Ph.D. (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on June 7, 2016)
10.3	Amendment No.1 to Loan and Security Agreement, dated November 19, 2013, by and among InspireMD, Inc., Inspire M.D Ltd and Hercules Technology Growth Capital, Inc. (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on June 14, 2016)
10.4	Amendment No.2 to Loan and Security Agreement, dated July 23, 2014, by and among InspireMD, Inc., Inspire M.D Ltd and Hercules Technology Growth Capital, Inc. (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on June 14, 2016)
10.5	Amendment No.3 to Loan and Security Agreement, dated June 13, 2016, by and among InspireMD, Inc., Inspire M.D Ltd and Hercules Capital, Inc. (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed on June 14, 2016)
10.6	Amendment to Debenture of Fixed Charge, dated June 13, 2016, by and between Inspire M.D Ltd and Hercules Capital, Inc. (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed on June 14, 2016)
10.7	Amendment to Debenture of Floating Charge, dated June 13, 2016, by and between Inspire M.D Ltd and Hercules Capital, Inc. (incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K filed on June 14, 2016)

10.8	Warrant Agreement, dated June 13, 2016, by and between InspireMD, Inc. and Hercules Capital, Inc. (incorporated by reference to Exhibit 10.6 to the Current Report on Form 8-K filed on June 14, 2016)
10.9	Intellectual Property Security Agreement, dated as of June 13, 2016, by and among InspireMD, Inc., several banks and other financial institutions or entities from time to time parties to the Loan and Security Agreement, and Hercules Capital, Inc., as agent (incorporated by reference to Exhibit 10.7 to the Current Report on Form 8-K filed on June 14, 2016)
10.10	Intellectual Property Security Agreement, dated as of June 13, 2016, by and among Inspire M.D LTD, several banks and other financial institutions or entities from time to time parties to the Loan and Security Agreement, and Hercules Capital, Inc., as agent (incorporated by reference to Exhibit 10.8 to the Current Report on Form 8-K filed on June 14, 2016)
10.11	Amendment to Securities Purchase Agreement, dated June 17, 2016, by and among InspireMD, Inc. and the Purchasers identified on the signature pages thereto (incorporated by reference to Exhibit 10.76 to the Registration Statement on Form S-1/A filed on June 17, 2016)
10.12*	Placement Agent Unit Purchase Option, dated June 7, 2016, issued to Dawson James Securities, Inc.
10.13	Warrant Agent Agreement and Form of Warrant, dated as of July 7, 2016, between InspireMD, Inc. and Action Stock Transfer Corporation, as Warrant Agent (incorporated by reference to an exhibit to the Registration Statement on Form 8-A filed with Securities and Exchange Commission on July 26, 2016)
10.14+	Second Amendment to Amended and Restated Employment Agreement, dated July 25, 2016, by and between InspireMD, Inc. and Craig Shore agent (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on July 29, 2016)
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, 2016, 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.
+ Management contract or compensatory plan or arrangement.

INSPIREMD, INC.

CERTIFICATE OF DESIGNATION OF PREFERENCES,
RIGHTS AND LIMITATIONS
OF
SERIES B CONVERTIBLE PREFERRED STOCK

PURSUANT TO SECTION 151 OF THE
DELAWARE GENERAL CORPORATION LAW

INSPIREMD, INC. , a Delaware corporation (the " ***Corporation*** "), in accordance with the provisions of Section 103 of the Delaware General Corporation Law (the " ***DGCL*** ") does hereby certify that, in accordance with Sections 141(c) and 151 of the DGCL, the following resolution was duly adopted by the Board of Directors of the Corporation as of April 14, 2016:

RESOLVED , that the Board of Directors of the Corporation pursuant to authority expressly vesting in it by the provisions of the Certificate of Incorporation of the Corporation, hereby authorizes the issuance of a series of Preferred Stock designated as the Series B Convertible Preferred Stock, par value $0.0001 per share, of the Corporation and hereby fixes the designation, number of shares, powers, preferences, rights, qualifications, limitations and restrictions thereof (in addition to any provisions set forth in the Certificate of Incorporation of the Corporation which are applicable to the Preferred Stock of all classes and series) as follows:

SERIES B CONVERTIBLE PREFERRED STOCK

Section 1 . Definitions . For the purposes hereof, the following terms shall have the following meanings:

" ***Affiliate*** " means any person or entity that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a person or entity, as such terms are used in and construed under Rule 144 under the Securities Act. With respect to a Holder, any investment fund or managed account that is managed on a discretionary basis by the same investment manager as such Holder will be deemed to be an Affiliate of such Holder.

" ***Alternate Consideration*** " shall have the meaning set forth in Section 7(b).

" ***Beneficial Ownership Limitation*** " shall have the meaning set forth in Section 6(c)(iv).

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

" ***Certificate of Designation*** " means this Certificate of Designation of Preferences, Rights and Limitations of Series B Convertible Preferred Stock filed by the Corporation.

" ***Closing Sale Price*** " means, for any security as of any date, the last closing trade price for such security prior to 4:00 p.m., New York City time, on the principal securities exchange or trading market where such security is listed or traded, as reported by Bloomberg, L.P. (or an equivalent, reliable reporting service mutually acceptable to and hereafter designated by Holders of a majority of the then-outstanding Series B Preferred Stock and the Corporation), or if the foregoing do not apply, the last trade price of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg, L.P., or, if no last trade price is reported for such security by Bloomberg, L.P., the average of the bid prices of any market makers for such security as reported on the any over the counter market operated by OTC Markets Group, Inc. If the Closing Sale Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Closing Sale Price of such security on such date shall be the fair market value as determined in good faith by the Board of Directors of the Corporation.

" ***Commission*** " means the Securities and Exchange Commission.

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

" ***Common Stock Equivalents*** " means any securities of the Corporation or its subsidiaries which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, rights, options, warrants or other instrument that is at any time convertible into or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

" ***Conversion Date*** " shall have the meaning set forth in Section 6(b).

" ***Conversion Price*** " shall have the meaning set forth in Section 6(a), as adjusted pursuant to Section 7 hereof.

" ***Conversion Shares*** " means, collectively, the shares of Common Stock issuable upon conversion of the shares of Series B Preferred Stock in accordance with the terms hereof.

" ***DGCL*** " shall mean the Delaware General Corporation Law.

" ***Dividend Payment Date*** " shall have the meaning set forth in Section 3(b).

" ***Dividend Share Amount*** " shall have the meaning set forth in Section 3(b).

" ***DWAC Delivery*** " shall have the meaning set forth in Section 6(b).

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

" ***Exempt Issuance*** " means the issuance of (a) shares of Common Stock or options to employees, officers or directors of the Corporation pursuant to any stock or option plan duly adopted by a majority of the non-employee members of the Board of Directors of the Corporation or a majority of the members of a committee of non-employee directors established for such purpose, (b) securities exercisable or exchangeable for or convertible into shares of Common Stock issued and outstanding on the Issuance Date, provided that such securities have not been amended since the Issuance Date to increase the number of such securities or to decrease the exercise price, exchange price or conversion price of any such securities, (c) the warrant to purchase shares of Common Stock issued to Hercules Capital, Inc. on June 13, 2016, and shares of Common Stock issuable upon exercise of such warrant, (d) securities issued pursuant to acquisitions or strategic transactions approved by a majority of the disinterested directors of the Corporation, provided, that any such issuance shall only be to a Person (or to the equityholders of a Person) which is, itself or through its subsidiaries, an operating company or an owner of an asset in a business synergistic with the business of the Corporation and shall provide to the Corporation additional benefits in addition to the investment of funds, but shall not include a transaction in which the Corporation is issuing securities primarily for the purpose of raising capital or to an entity whose primary business is investing in securities.

" ***Fundamental Transaction*** " shall have the meaning set forth in Section 7(b).

" ***Holder*** " means any holder of Series B Preferred Stock.

" ***Issuance Date*** " means the date of the "Closing" as defined in that certain Placement Agency Agreement, dated June 30, 2016, by and among the Corporation and Dawson James Securities, Inc..

" ***Junior Securities*** " means the Common Stock and all other Common Stock Equivalents of the Corporation.

" ***Make-Whole Amount*** " means, with respect to the applicable date of determination, an amount in cash equal to all of the dividends that, but for the applicable conversion prior the Mandatory Conversion Date, would have otherwise accrued pursuant to Section 3 with respect to the applicable shares of Series B Preferred Stock being so converted for the period commencing on the applicable Conversion Date and ending on the Mandatory Conversion Date.

" ***Make-Whole Payment*** " shall have the meaning set forth in Section 3(b).

" ***Mandatory Conversion Date*** " means the date that is the five (5) year anniversary of the Issuance Date, or if such day is not a Business Day, on the next succeeding Business Day.

" ***Notice of Conversion*** " shall have the meaning set forth in Section 6(b).

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

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

" ***Series B Preferred Stock*** " shall have the meaning set forth in Section 2(a).

" ***Series B Preferred Stock Register*** " shall have the meaning set forth in Section 2(b).

" ***Share Delivery Date*** " shall have the meaning set forth in Section 6(d)(i).

" ***Stated Value*** " shall have the meaning set forth in Section 2(a).

" ***Trading Day*** " means a day on which the Common Stock is traded for any period on the principal securities exchange or if the Common Stock is not traded on a principal securities exchange, on a day that the Common Stock is traded on another securities market on which the Common Stock is then being traded.

" ***Underlying Shares*** " means the shares of Common Stock issued and issuable (i) upon conversion of the Series B Preferred Stock and (ii), to the extent that the Corporation elects to pay dividends on the Series B Preferred Stock pursuant to Section 3 hereof in duly authorized, validly issued, fully paid and non-assessable shares of Common Stock, as payment of dividends upon any conversion of Series B Preferred Stock.

Section 2 . Designation, Amount and Par Value; Assignment .

(a) The series of preferred stock designated by this Certificate of Designation shall be designated as the Corporation's Series B Convertible Preferred Stock (the " ***Series B Preferred Stock*** ") and the number of shares so designated shall be 500,000 (which shall not be subject to increase without the written consent of the Holders holding a majority of the then issued and outstanding Series B Preferred Stock). Each share of Series B Preferred Stock shall have a par value of $0.0001 per share and a stated value equal to $33.00 (the " ***Stated Value*** ").

(b) The Corporation shall register shares of the Series B Preferred Stock, upon records to be maintained by the Corporation or any duly registered transfer agent for that purpose (the " ***Series B Preferred Stock Register*** "), in the name of the Holders thereof from time to time. The Corporation may deem and treat the registered Holder of shares of Series B Preferred Stock as the absolute owner thereof for the purpose of any conversion thereof and for all other purposes. The Corporation shall register the transfer of any shares of Series B Preferred Stock in the Series B Preferred Stock Register, upon surrender of the certificates evidencing such shares to be transferred, duly endorsed by the Holder thereof, to the Corporation at its address specified herein. Upon any such registration or transfer, a new certificate evidencing the shares of Series B Preferred Stock so transferred shall be issued to the transferee and a new certificate evidencing the remaining portion of the shares not so transferred, if any, shall be issued to the transferring Holder, in each case, within three Business Days. The provisions of this Certificate of Designation are intended to be for the benefit of all Holders from time to time and shall be enforceable by any such Holder.

Section 3 . Dividends .

(a) Series B Preferred Stock Dividend . Holders shall be entitled to receive, and the Corporation shall pay, but only out of any funds legally available for the declaration of dividends, cumulative dividends payable as provided in Section 3(b) below at the rate per share (as a percentage of the Stated Value per share of Series B Preferred Stock) of 15% per annum. Dividends on shares of Series B Preferred Stock shall accrue and be cumulative from the Issuance Date and shall accrue from day to day thereafter for so long as Series B Preferred Stock is outstanding. Dividends may be declared and paid on Series B Preferred Stock when and as determined by the Board of Directors of the Corporation, out of any funds legally available for such purpose, subject to written consent of the Holders holding a majority of the then issued and outstanding Series B Preferred Stock.

(b) Payment of Dividends in Cash or in Kind; Make-Whole Payment . Dividends are payable (i) on each Conversion Date (with respect only to Series B Preferred Stock being converted); (ii) on each such other date as the Board of Directors of the Corporation may determine pursuant to Section 3(a) above; (iii) upon Liquidation as set forth in Section 5; and (iv) upon occurrence of a Fundamental Transaction (each such date, a " ***Dividend Payment Date*** "), at the option of the Corporation, in cash or in duly authorized, validly issued, fully paid and non-assessable shares of Common Stock as set forth in this Section 3(b), or a combination thereof (the amount to be paid in shares of Common Stock, the " ***Dividend Share Amount Payment*** "); provided, however, that upon the conversion of Series B Preferred Stock prior to the Mandatory Conversion Date, the Corporation shall also pay to the Holders of Series B Preferred Stock so converted, an amount equal to the Make-Whole Amount, less the amount of all prior dividends paid on such converted Series B Preferred Stock before the relevant Conversion Date (the " ***Make-Whole Payment*** "), payable at the option of the Corporation, in cash or in duly authorized, validly issued, fully paid and non-assessable shares of Common Stock. With respect to any Dividend Share Amount Payments and Make-Whole Payments paid in shares of Common Stock, the number of shares of Common Stock to be issued to a Holder pursuant to this Section 3(b) shall be an amount equal to the quotient of (i) the amount of the dividend payable to such Holder divided by (ii) the Conversion Price then in effect. If the Company intends to pay any Dividend Share Amount Payment or Make-Whole Payment in cash it shall provide the Holders with not less than five Trading Days' notice of such intention, which notice may be provided by filing a Form 8-K.

(c) Dividend Calculations . Dividends on the Series B Preferred Stock shall be calculated on the basis of a 365-day year, and shall accrue daily commencing on the Issue Date, and shall be deemed to accrue from such date whether or not earned or declared and whether or not there are profits, surplus or other funds of the Corporation legally available for the payment of dividends. Payment of dividends and Make-Whole Payments in shares of Common Stock shall otherwise occur pursuant to Section 6(c)(i) herein and, solely for purposes of the payment of dividends in shares, the Dividend Payment Date shall be deemed the Conversion Date. Dividends shall cease to accrue with respect to any Series B Preferred Stock converted, provided that, the Corporation actually delivers the Conversion Shares and Make-Whole Payment within the time period required by Sections 6(d)(i) and 3(b), respectively herein.

Section 4 . Voting Rights . Except as otherwise provided by law or in this Section 4, the Series B Preferred Stock shall have no voting rights. So long as any shares of Series B Preferred Stock are outstanding, the Corporation shall not (by merger, consolidation or otherwise), without the written consent or affirmative vote of the holders of at least a majority of the then-outstanding shares of Series B Preferred Stock, consenting or voting (as the case may be) separately as a class, amend, alter or repeal any provision of the Corporation's Amended and Restated Certificate of Incorporation, Amended and Restated Bylaws or this Certificate of Designation in a manner that would adversely affect the powers, preferences or rights of the Series B Preferred Stock.

Section 5 . Rank; Liquidation . Upon liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary (a " ***Liquidation*** "), each Holder shall be entitled to receive the amount of cash, securities or other property to which such holder would be entitled to receive with respect to such shares of Series B Preferred Stock if such shares had been converted to Common Stock immediately prior to such Liquidation (without giving effect for such purposes to the Beneficial Ownership Limitation set forth in Section 6(c)), subject to the preferential rights of holders of any class or series of Capital Stock of the Corporation specifically ranking by its terms senior to the Series B Preferred Stock as to distributions of assets upon Liquidation.

Section 6 . Conversion .

(a) Automatic Conversion . On the Mandatory Conversion Date, all outstanding shares of Series B Preferred Stock and, to the extent that the Corporation elects to pay dividends pursuant to Section 3 hereof in duly authorized, validly issued, fully paid and non-assessable shares of Common Stock, all accrued but unpaid dividends thereon through and including the Mandatory Conversion Date shall be automatically converted into shares of Common Stock (an " ***Automatic Conversion*** ") at a price of $0.33 per share (as adjusted pursuant to Section 7 hereof) (the " ***Conversion Price*** "); provided, however, that to the extent that an Automatic Conversion would result in a Holder and its other Attribution Parties (as defined below) exceeding the Beneficial Ownership Limitation set forth in Section 6(c), if applicable, then such Holder's Series B Preferred Stock shall not be automatically converted into Common Stock and shall remain outstanding, and such Holder shall benefit from all preferences and rights set forth in this Certificate of Designations (except that the provisions set forth in Section 7(c) shall immediately terminate and be of no further force and effect) to such extent (and shall not be entitled to beneficial ownership of such shares of Common Stock as a result of such Automatic Conversion (and beneficial ownership) to such extent), and the shares of Common Stock issuable upon the automatic conversion of Series B Preferred Stock to such extent shall be held in abeyance for such Holder until such time or times as conversion of such Series B Preferred Stock would not result in such Holder and its other Attribution Parties exceeding the Beneficial Ownership Limitation set forth in Section 6(c), at which time or times such Holder shall be issued such shares of Common Stock (and any shares of Common Stock granted or issued with respect to the shares of Common Stock issuable upon conversion of Series B Preferred Stock to be held similarly in abeyance) to the same extent as if there had been no such limitation. Upon an Automatic Conversion, subject to the limitations set forth in the preceding sentence, the outstanding shares of Series B Preferred shall be converted automatically without any further action by the Holders of such shares and whether or not the certificates representing such shares are surrendered to the Corporation or its transfer agent; provided, however, that the Corporation shall not be obligated to issue certificates evidencing any Underlying Shares issuable upon such conversion unless the certificates evidencing such shares of Series B Preferred Stock are either delivered to the Corporation or its transfer agent, or the holder notifies the Corporation or its transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the Corporation to indemnify the Corporation from any loss incurred by it in connection with such certificates. Upon the occurrence of an Automatic Conversion of the Series B Preferred Stock, the Holders of such shares shall surrender the certificates representing the Series B Preferred Stock at the office of the Corporation or any transfer agent for the Series B Preferred Stock. Thereupon, there shall be issued and delivered to such Holder promptly at such office and in its name as shown on such surrendered certificate or certificates, a certificate or certificates for the number of Underlying Shares issuable.

(b) Conversions at Option of Holder . Each share of Series B Preferred Stock shall be convertible, at any time and from time to time from and after the Issuance Date through the Mandatory Conversion Date, at the option of the Holder thereof, into a number of shares of Common Stock (subject to the limitations set forth in Section 6(c)) equal to the quotient of (i) the sum of the aggregate Stated Value of those shares being converted and, to the extent that the Corporation elects to pay dividends pursuant to Section 3 hereof in duly authorized, validly issued, fully paid and non-assessable shares of Common Stock, all accrued but unpaid dividends thereon, divided by (ii) the Conversion Price then in effect. Holders shall effect conversions by providing the Corporation with the form of conversion notice attached hereto as Annex A (a " ***Notice of Conversion*** "), duly completed and executed. Provided the Corporation's transfer agent is participating in the Depository Trust Company (" ***DTC*** ") Fast Automated Securities Transfer program and the applicable Conversion Shares are either registered for issuance, registered for resale or eligible for resale without restriction pursuant to Rule 144 of the Securities Act, the Notice of Conversion may specify, at the Holder's election, whether the applicable Conversion Shares shall be credited to the account of the Holder's prime broker with DTC through its Deposit Withdrawal Agent Commission system (a " ***DWAC Delivery*** "). The " ***Conversion Date*** ", or the date on which a conversion pursuant to this Section 6(b) shall be deemed effective, shall be defined as the Trading Day that the Notice of Conversion, completed and executed, is sent by facsimile to, and received during regular business hours by, the Corporation. To effect conversions of shares of Preferred Stock, a Holder shall not be required to surrender the certificate(s) representing the shares of Series B Preferred Stock to the Corporation unless all of the shares of Series B Preferred Stock represented thereby are so converted, in which case such Holder shall deliver the certificate representing such shares of Series B Preferred Stock promptly following the Conversion Date at issue. Shares of Preferred Stock converted into Common Stock shall be canceled and shall not be reissued. The calculations set forth in the Notice of Conversion shall control in the absence of manifest or mathematical error.

(c) Beneficial Ownership Limitation .

i. Notwithstanding anything herein to the contrary, the Corporation shall not effect any conversion of the Series B Preferred Stock, and a Holder shall not have the right to convert any portion of its Series B Preferred Stock, to the extent that, after giving effect to an attempted conversion, such Holder (together with such Holder's Affiliates, and any other Person whose beneficial ownership of Common Stock would be aggregated with the Holder's for purposes of Section 13(d) of the Exchange Act and the applicable rules and regulations of the Commission, including any "group" of which the Holder is a member (such Persons, " ***Attribution Parties*** ")) would beneficially own a number of shares of Common Stock in excess of the Beneficial Ownership Limitation (as defined below).

ii. For purposes of the foregoing sentence, the aggregate number of shares of Common Stock beneficially owned by such Holder and its Attribution Parties shall include the number of shares of Common Stock issuable upon conversion of the Series B Preferred Stock subject to conversion with respect to which the determination of such sentence is being made, but shall exclude the number of shares of Common Stock which are issuable upon (A) conversion of the remaining, unconverted shares of Series B Preferred Stock beneficially owned by such Holder or any of its Attribution Parties, and (B) exercise or conversion of the unexercised or unconverted portion of any other securities of the Corporation beneficially owned by such Holder or any of its Attribution Parties (including, without limitation, any convertible notes, convertible stock or warrants) that are subject to a limitation on conversion or exercise analogous to the limitation contained herein. Except as set forth in the preceding sentence, for purposes of this Section, beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the applicable rules and regulations of the Commission. In addition, for purposes hereof, "group" has the meaning set forth in Section 13(d) of the Exchange Act and the applicable rules and regulations of the Commission.

iii. To the extent that the limitation contained in this Section 6(c) applies, the determination of whether the Series B Preferred Stock may be converted (in relation to other securities owned by the Holder together with any Attribution Parties) and of which portion of its Series B Preferred Stock may be converted shall be in the sole discretion of the Holder and the submission of a Notice of Conversion shall be deemed to be such Holder's determination of whether the shares of Series B Preferred Stock may be converted (in relation to other securities owned by such Holder together with any Attribution Parties) and how many shares of the Series B Preferred Stock are convertible, in each case subject to the Beneficial Ownership Limitation. For purposes of this Section, in determining the number of outstanding shares of Common Stock, a Holder may rely on the number of outstanding shares of Common Stock as reflected in (A) the Corporation's most recent public filing with the Commission, as the case may be, (B) a more recent public announcement by the Corporation or (C) a more recent notice by the Corporation or the Corporation's transfer agent to the Holder setting forth the number of shares of Common Stock then outstanding. For any reason at any time, upon the written or oral request of a Holder (which may be by email), the Corporation shall, within two (2) Business Days of such request, confirm orally and in writing to such Holder (which may be via email) the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to any actual conversion or exercise of securities of the Corporation, including shares of Series B Preferred Stock, by such Holder or its Attribution Parties since the date as of which such number of outstanding shares of Common Stock was last publicly reported or confirmed to the Holder.

iv. The " ***Beneficial Ownership Limitation*** " shall be 4.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock pursuant to such conversion of Series B Preferred Stock held by the applicable Holder (to the extent permitted pursuant to this Section). The Holder, upon not less than 61 days' prior notice to the Corporation, may increase or decrease the Beneficial Ownership Limitation provisions of this Section applicable to its Series B Preferred Stock provided that the Beneficial Ownership Limitation in no event exceeds 9.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon the conversion the Series B Preferred Stock held by the Holder and the provisions of this Section shall continue to apply. Any such increase or decrease will not be effective until the 61st day after such notice is delivered to the Corporation and shall only be effective with respect to such Holder. The provisions of this Section shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation.

(d) Mechanics of Conversion

i. Delivery of Certificate or Electronic Issuance Upon Conversion . Not later than three Trading Days after the applicable Conversion Date, or if the Holder requests the issuance of physical certificate(s), two Trading Days after receipt by the Corporation of the original certificate(s) representing such shares of Series B Preferred Stock being converted, duly endorsed, and the accompanying Notice of Conversion (the " ***Share Delivery Date*** "), the Corporation shall (a) deliver, or cause to be delivered, to the converting Holder a physical certificate or certificates representing the number of Underlying Shares being acquired upon the conversion of shares of Series B Preferred Stock (including shares of Common Stock representing the payment of accrued dividends otherwise determined pursuant to Section 3) or (b) in the case of a DWAC Delivery, electronically transfer such Underlying Shares by crediting the account of the Holder's prime broker with DTC through its DWAC system. If in the case of any Notice of Conversion such certificate or certificates are not delivered to or as directed by or, in the case of a DWAC Delivery, such shares are not electronically delivered to or as directed by, the applicable Holder by the Share Delivery Date, the applicable Holder shall be entitled to elect to rescind such Conversion Notice by written notice to the Corporation at any time on or before its receipt of such certificate or certificates for Underlying Shares or electronic receipt of such shares, as applicable, in which event the Corporation shall promptly return to such Holder any original Series B Preferred Stock certificate delivered to the Corporation and such Holder shall promptly return to the Corporation any Common Stock certificates or otherwise direct the return of any shares of Common Stock delivered to the Holder through the DWAC system, representing the shares of Series B Preferred Stock unsuccessfully tendered for conversion to the Corporation.

ii. Obligation Absolute . Subject to Section 6(c) hereof and subject to Holder's right to rescind a Conversion Notice pursuant to Section 6(d)(i) above, the Corporation's obligation to issue and deliver the Conversion Shares upon conversion of Series B Preferred Stock in accordance with the terms hereof are absolute and unconditional, irrespective of any action or inaction by a Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by such Holder or any other Person of any obligation to the Corporation or any violation or alleged violation of law by such Holder or any other Person, and irrespective of any other circumstance which might otherwise limit such obligation of the Corporation to such Holder in connection with the issuance of such Conversion Shares. Subject to Section 6(c) hereof and subject to Holder's right to rescind a Conversion Notice pursuant to Section 6(d)(i) above, in the event a Holder shall elect to convert any or all of its Series B Preferred Stock, the Corporation may not refuse conversion based on any claim that such Holder or any one Person associated or affiliated with such Holder has been engaged in any violation of law, agreement or for any other reason, unless an injunction from a court, on notice to such Holder, restraining and/or enjoining conversion of all or part of the Series B Preferred Stock of such Holder shall have been sought and obtained by the Corporation, and the Corporation posts a surety bond for the benefit of such Holder in the amount of 150% of the value of the Conversion Shares into which would be converted the Series B Preferred Stock which is subject to such injunction, which bond shall remain in effect until the completion of arbitration/litigation of the underlying dispute and the proceeds of which shall be payable to such Holder to the extent it obtains judgment. In the absence of such injunction, the Corporation shall issue Conversion Shares and, if applicable, cash, upon a properly noticed conversion. If the Corporation fails to deliver to a Holder such Conversion Shares pursuant to Section 6(d)(i) on the second Trading Day after the Share Delivery Date applicable to such conversion, the Corporation shall pay to such Holder, in cash, as liquidated damages and not as a penalty, for each $5,000 of Stated Value of Series B Preferred Stock being converted, $50 per Trading Day (increasing to $100 per Trading Day on the third Trading Day and increasing to $200 per Trading Day on the sixth Trading Day after such damages begin to accrue) for each Trading Day after such second Trading Day after the Share Delivery Date until such Conversion Shares are delivered or Holder rescinds such conversion. Nothing herein shall limit a Holder's right to pursue actual damages for the Corporation's failure to deliver Conversion Shares within the period specified herein and such Holder shall have the right to pursue all remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief. The exercise of any such rights shall not prohibit a Holder from seeking to enforce damages pursuant to any other Section hereof or under applicable law.

iii. Compensation for Buy-In on Failure to Timely Deliver Certificates Upon Conversion . In addition to any other rights available to the Holder, if the Corporation fails to deliver to a Holder the applicable certificate or certificates or to effect a DWAC Delivery, as applicable, by the Share Delivery Date pursuant to Section 6(d)(i) (other than a failure caused by incorrect or incomplete information provided by Holder to the Corporation), and if after such Share Delivery Date such Holder is required by its brokerage firm to purchase (in an open market transaction or otherwise), or the Holder's brokerage firm otherwise purchases, shares of Common Stock to deliver in satisfaction of a sale by such Holder of the Conversion Shares which such Holder was entitled to receive upon the conversion relating to such Share Delivery Date (a " ***Buy-In*** "), then the Corporation shall (A) pay in cash to such Holder (in addition to any other remedies available to or elected by such Holder) the amount by which (x) such Holder's total purchase price (including any brokerage commissions) for the shares of Common Stock so purchased exceeds (y) the product of (1) the aggregate number of shares of Common Stock that such Holder was entitled to receive from the conversion at issue multiplied by (2) the actual sale price at which the sell order giving rise to such purchase obligation was executed (including any brokerage commissions) and (B) at the option of such Holder, either reissue (if surrendered) the shares of Series B Preferred Stock equal to the number of shares of Series B Preferred Stock submitted for conversion or deliver to such Holder the number of shares of Common Stock that would have been issued if the Corporation had timely complied with its delivery requirements under Section 6(d)(i). For example, if a Holder purchases shares of Common Stock having a total purchase price of $11,000 to cover a Buy-In with respect to an attempted conversion of shares of Series B Preferred Stock with respect to which the actual sale price (including any brokerage commissions) giving rise to such purchase obligation was a total of $10,000 under clause (A) of the immediately preceding sentence, the Corporation shall be required to pay such Holder $1,000. The Holder shall provide the Corporation written notice, within three (3) Trading Days after the occurrence of a Buy-In, indicating the amounts payable to such Holder in respect of such Buy-In together with applicable confirmations and other evidence reasonably requested by the Corporation. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Corporation's failure to timely deliver certificates representing shares of Common Stock upon conversion of the shares of Series B Preferred Stock as required pursuant to the terms hereof; provided, however, that the Holder shall not be entitled to both (i) require the reissuance of the shares of Series B Preferred Stock submitted for conversion for which such conversion was not timely honored and (ii) receive the number of shares of Common Stock that would have been issued if the Corporation had timely complied with its delivery requirements under Section 6(d)(i).

iv. Reservation of Shares Issuable Upon Conversion . The Corporation covenants that it will at all times reserve and keep available out of its authorized and unissued shares of Common Stock for the sole purpose of issuance upon conversion of the Series B Preferred Stock and payment of dividends on the Series B Preferred Stock each as herein provided, free from preemptive rights or any other actual contingent purchase rights of Persons other than the Holders of the Series B Preferred Stock, not less than such aggregate number of shares of the Common Stock as shall be issuable (taking into account the adjustments of Section 7) upon the conversion of all outstanding shares of Series B Preferred Stock and payment of dividends hereunder. The Corporation shall take all action required to increase the authorized number of shares of Common Stock (including, if necessary, seeking stockholder approval to authorize the issuance of additional shares of Common Stock), or any other actions necessary or desirable, if at any time there shall be insufficient authorized but unissued shares of Common Stock to permit such reservation or to permit the conversion of all outstanding shares of the Series B Preferred Stock (including any dividends payable thereon).The Corporation covenants that all shares of Common Stock that shall be so issuable shall, upon issue, be duly authorized, validly issued, fully paid and nonassessable.

iv. Fractional Shares . No fractional shares of Common Stock shall be issued upon the conversion of the Series B Preferred Stock. As to any fraction of a share which a Holder would otherwise be entitled to receive upon such conversion, the Corporation shall at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Conversion Price or round up to the next whole share.

v. Transfer Taxes and Expenses . The issuance of certificates for shares of the Common Stock upon conversion of the Series B Preferred Stock shall be made without charge to any Holder for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such certificates, provided that the Corporation shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such certificate upon conversion in a name other than that of the registered Holder(s) of such shares of Series B Preferred Stock and the Corporation shall not be required to issue or deliver such certificates unless or until the Person or Persons requesting the issuance thereof shall have paid to the Corporation the amount of such tax or shall have established to the satisfaction of the Corporation that such tax has been paid. The Corporation shall pay all transfer agent fees required for processing of any Notice of Conversion.

(e) Status as Stockholder . Upon each Conversion Date, (i) the shares of Series B Preferred Stock being converted shall be deemed converted into shares of Common Stock and (ii) the Holder's rights as a holder of such converted shares of Series B Preferred Stock shall cease and terminate, excepting only the right to receive certificates for such shares of Common Stock and to any remedies provided herein or otherwise available at law or in equity to such Holder because of a failure by the Corporation to comply with the terms of this Certificate of Designation. In all cases, the holder shall retain all of its rights and remedies for the Corporation's failure to convert Series B Preferred Stock.

Section 7 . Certain Adjustments .

(a) Stock Dividends and Stock Splits . If the Corporation, at any time while this Series B Preferred Stock is outstanding: (A) pays a stock dividend or otherwise makes a distribution or distributions payable in shares of Common Stock (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Corporation upon conversion of, or payment of a dividend on, this Series B Preferred Stock) with respect to the then outstanding shares of Common Stock; (B) subdivides outstanding shares of Common Stock into a larger number of shares; or (C) combines (including by way of a reverse stock split) outstanding shares of Common Stock into a smaller number of shares, then the Conversion Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding any treasury shares of the Corporation) outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event (excluding any treasury shares of the Corporation). Any adjustment made pursuant to this Section 7(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision or combination.

(b) Fundamental Transaction . If, at any time while this Series B Preferred Stock is outstanding, (A) the Corporation effects any merger or consolidation of the Corporation with or into another Person (other than a merger in which the Corporation is the surviving or continuing entity and its Common Stock is not exchanged for or converted into other securities, cash or property), (B) the Corporation effects any sale of all or substantially all of its assets in one transaction or a series of related transactions, (C) any tender offer or exchange offer (whether by the Corporation or another Person) is completed pursuant to which all of the Common Stock is exchanged for or converted into other securities, cash or property, or (D) the Corporation effects any reclassification of the Common Stock or any compulsory share exchange pursuant (other than as a result of a dividend, subdivision or combination covered by Section 7(a) above) to which the Common Stock is effectively converted into or exchanged for other securities, cash or property (in any such case, a " ***Fundamental Transaction*** "), then, upon any subsequent conversion of this Series B Preferred Stock the Holders shall have the right to receive, in lieu of the right to receive Conversion Shares, for each Conversion Share that would have been issuable upon such conversion immediately prior to the occurrence of such Fundamental Transaction, the same kind and amount of securities, cash or property as it would have been entitled to receive upon the occurrence of such Fundamental Transaction if it had been, immediately prior to such Fundamental Transaction, the holder of one share of Common Stock (the " ***Alternate Consideration*** "). For purposes of any such subsequent conversion, the determination of the Conversion Ratio shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Corporation shall adjust the Conversion Ratio in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holders shall be given the same choice as to the Alternate Consideration it receives upon any conversion of this Series B Preferred Stock following such Fundamental Transaction. To the extent any shares of Series B Preferred Stock remain outstanding following a Fundamental Transaction, the Corporation shall cause any successor entity in a Fundamental Transaction in which the Corporation is not the survivor (the " ***Successor Entity*** ") to assume in writing all of the obligations of the Corporation under this Certificate of Designation in accordance with the provisions of this Section 7(b) pursuant to written agreements in customary form and, to the extent necessary to effectuate the foregoing provisions, shall cause any Successor Entity in such Fundamental Transaction to file a new Certificate of Designation with the same terms and conditions and issue to the Holders new preferred stock consistent with the foregoing provisions and evidencing the Holders' right to convert such preferred stock into Alternate Consideration. The terms of any agreement to which the Corporation is a party and pursuant to which a Fundamental Transaction is effected shall include terms requiring any such Successor Entity to comply with the provisions of this Section 7(b) and insuring that this Series B Preferred Stock (or any such replacement security) will be similarly adjusted upon any subsequent transaction analogous to a Fundamental Transaction. The Corporation shall cause to be delivered to each Holder, at its last address as it shall appear upon the stock books of the Corporation, written notice of any Fundamental Transaction at least 20 calendar days prior to the date on which such Fundamental Transaction is expected to become effective or close.

(c) Subsequent Equity Sales . If, at any time while this Series B Preferred Stock is outstanding, the Corporation sells or grants any option to purchase or sells or grants any right to reprice, or otherwise disposes of or issues (or announces any sale, grant or any option to purchase or other disposition), any Common Stock or Common Stock Equivalents entitling any Person to acquire shares of Common Stock at an effective price per share that is lower than the then Conversion Price (such lower price, the " ***Base Conversion Price*** " and such issuances, collectively, a " ***Dilutive Issuance*** ") (if the holder of the Common Stock or Common Stock Equivalents so issued shall at any time, whether by operation of purchase price adjustments, reset provisions, floating conversion, exercise or exchange prices or otherwise, or due to warrants, options or rights per share which are issued in connection with such issuance, be entitled to receive shares of Common Stock at an effective price per share that is lower than the Conversion Price, such issuance shall be deemed to have occurred for less than the Conversion Price on such date of the Dilutive Issuance), then the Conversion Price shall be reduced to equal the Base Conversion Price. Such adjustment shall be made whenever such Common Stock or Common Stock Equivalents are issued. Notwithstanding the foregoing, no adjustment will be made under this Section 7(c) in respect of an Exempt Issuance.

(d) Calculations . All calculations under this Section 7 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 7, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding any treasury shares of the Corporation) issued and outstanding.

(e) Notice to Holders .

i. Adjustment to Conversion Price . Whenever the Conversion Price is adjusted pursuant to any provision of this Section 7, the Corporation shall promptly deliver to each Holder a notice setting forth the Conversion Ratio after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

ii. Other Notices . If (A) the Corporation shall declare a dividend (or any other distribution in whatever form) on the Common Stock, (B) the Corporation shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the Corporation shall authorize the granting to all holders of the Common Stock of rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Corporation shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Corporation is a party, any sale or transfer of all or substantially all of the assets of the Corporation, of any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property or (E) the Corporation shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation, then, in each case, the Corporation shall cause to be filed at each office or agency maintained for the purpose of conversion of this Series B Preferred Stock, and shall cause to be delivered to each Holder at its last address as it shall appear upon the stock books of the Corporation, at least 20 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange, provided that the failure to deliver such notice or any defect therein or in the delivery thereof shall not affect the validity of the corporate action required to be specified in such notice.

Section 8 . Miscellaneous .

(a) Notices . Any and all notices or other communications or deliveries to be provided by the Holders hereunder including, without limitation, any Notice of Conversion, shall be in writing and delivered personally, by facsimile, or sent by a nationally recognized overnight courier service, addressed to the Corporation, at 321 Columbus Avenue, Boston, Massachusetts 02116, facsimile number 972-3-691-7692, or such other facsimile number or address as the Corporation may specify for such purposes by notice to the Holders delivered in accordance with this Section. Any and all notices or other communications or deliveries to be provided by the Corporation hereunder shall be in writing and delivered personally, by facsimile, or sent by a nationally recognized overnight courier service addressed to each Holder at the facsimile number or address of such Holder appearing on the books of the Corporation, or if no such facsimile number or address appears on the books of the Corporation, at the principal place of business of such Holder. Any notice or other communication or deliveries hereunder shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number specified in this Section prior to 5:30 p.m. (New York City time) on any date, (ii) the date immediately following the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number specified in this Section between 5:30 p.m. and 11:59 p.m. (New York City time) on any date, (iii) the second Business Day following the date of mailing, if sent by nationally recognized overnight courier service, or (iv) upon actual receipt by the party to whom such notice is required to be given.

(b) Lost or Mutilated Series B Preferred Stock Certificate . If a Holder's Series B Preferred Stock certificate shall be mutilated, lost, stolen or destroyed, the Corporation shall execute and deliver, in exchange and substitution for and upon cancellation of a mutilated certificate, or in lieu of or in substitution for a lost, stolen or destroyed certificate, a new certificate for the shares of Series B Preferred Stock so mutilated, lost, stolen or destroyed, but only upon receipt of evidence of such loss, theft or destruction of such certificate, and of the ownership thereof, reasonably satisfactory to the Corporation and, in each case, customary and reasonable indemnity, if requested. Applicants for a new certificate under such circumstances shall also comply with such other reasonable regulations and procedures and pay such other reasonable third-party costs as the Corporation may prescribe.

(c) Waiver . Any waiver by the Corporation or a Holder of a breach of any provision of this Certificate of Designation shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Certificate of Designation or a waiver by any other Holders. The failure of the Corporation or a Holder to insist upon strict adherence to any term of this Certificate of Designation on one or more occasions shall not be considered a waiver or deprive that party (or any other Holder) of the right thereafter to insist upon strict adherence to that term or any other term of this Certificate of Designation. Any waiver by the Corporation or a Holder must be in writing. Notwithstanding any provision in this Certificate of Designation to the contrary, any provision contained herein and any right of the holders of Series B Preferred Stock granted hereunder may be waived as to all shares of Series B Preferred Stock (and the Holders thereof) upon the written consent of the Holders of not less than a majority of the shares of Series B Preferred Stock then outstanding, unless a higher percentage is required by the DGCL, in which case the written consent of the holders of not less than such higher percentage shall be required.

(d) Severability . If any provision of this Certificate of Designation is invalid, illegal or unenforceable, the balance of this Certificate of Designation shall remain in effect, and if any provision is inapplicable to any Person or circumstance, it shall nevertheless remain applicable to all other Persons and circumstances. If it shall be found that any amount deemed interest due hereunder violates the applicable law governing usury, the applicable rate of interest due hereunder shall automatically be lowered to equal the maximum rate of interest permitted under applicable law.

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

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

(g) Status of Converted Series B Preferred Stock . If any shares of Series B Preferred Stock shall be converted or reacquired by the Corporation, such shares shall resume the status of authorized but unissued shares of preferred stock and shall no longer be designated as Series B Preferred Stock.

[*Signature Page Follows*]

IN WITNESS WHEREOF , the undersigned has executed this Certificate of Designation this 6th day of July, 2016.

INSPIREMD, INC.

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

ANNEX A

NOTICE OF CONVERSION

(TO BE EXECUTED BY THE REGISTERED HOLDER IN ORDER TO CONVERT SHARES OF SERIES B PREFERRED STOCK)

The undersigned Holder hereby irrevocably elects to convert the number of shares of Series B Convertible Preferred Stock indicated below into shares of common stock, par value $0.0001 per share (the " ***Common Stock*** "), of InspireMD, Inc., a Delaware corporation (the " ***Corporation*** "), according to the conditions hereof, as of the date written below. If securities are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto. Capitalized terms utilized but not defined herein shall have the meaning ascribed to such terms in that certain Certificate of Designation of Preferences, Rights and Limitations of Series B Convertible Preferred Stock (the " ***Certificate of Designation*** ") filed by the Corporation on _____, 2016.

As of the date hereof, the number of shares of Common Stock beneficially owned by the undersigned Holder (together with such Holder's Attribution Parties, and any other Person whose beneficial ownership of Common Stock would be aggregated with the Holder's for purposes of Section 13(d) of the Exchange Act and the applicable regulations of the Commission, including any "group" of which the Holder is a member), including the number of shares of Common Stock issuable upon conversion of the Series B Preferred Stock subject to this Notice of Conversion, but excluding the number of shares of Common Stock which are issuable upon (A) conversion of the remaining, unconverted Series B Preferred Stock beneficially owned by such Holder or any of its Attribution Parties, and (B) exercise or conversion of the unexercised or unconverted portion of any other securities of the Corporation (including any warrants) beneficially owned by such Holder or any of its Attribution Parties that are subject to a limitation on conversion or exercise similar to the limitation contained in Section 6(c) of the Certificate of Designation, is _____. For purposes hereof, beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the applicable regulations of the Commission. In addition, for purposes hereof, "group" has the meaning set forth in Section 13(d) of the Exchange Act and the applicable regulations of the Commission.

Conversion calculations:

Date to Effect Conversion: _____
Number of shares of Series B Preferred Stock owned prior to Conversion: _____
Number of shares of Series B Preferred Stock to be Converted: _____
Number of shares of Common Stock to be Issued: _____
Applicable Conversion Price: _____
Number of shares of Series B Preferred Stock subsequent to Conversion: _____

Address for delivery of physical certificates: _____
or for DWAC Delivery:
DWAC Instructions:
Broker no: _____
Account no: _____

[HOLDER]
By: _____
Name: _____
Title:
Date:

THE REGISTERED HOLDER OF THIS UNIT PURCHASE OPTION BY ITS ACCEPTANCE HEREOF, AGREES THAT THE SECURITIES EVIDENCED BY THIS UNIT PURCHASE OPTION MAY NOT BE SOLD, TRANSFERED OR ASSIGNED EXCEPT AS HEREIN PROVIDED AND THE REGISTERED HOLDER OF THIS UNIT PURCHASE OPTION AGREES THAT THE SECURITIES EVIDENCED BY THIS UNIT PURCHASE OPTION WILL NOT BE SOLD, TRANSFERED, ASSIGNED, PLEDGED OR HYPOTHECATED, OR BE THE SUBJECT OF ANY HEDGING, SHORT SALE, DERIVATIVE, PUT, OR CALL TRANSACTION THAT WOULD RESULT IN THE EFFECTIVE ECONOMIC DISPOSITION OF THIS UNIT PURCHASE OPTION OR THE SECURITIES EVIDENCED BY THIS UNIT PURCHASE OPTION, FOR A PERIOD OF ONE HUNDRED EIGHTY (180) DAYS FOLLOWING THE EFFECTIVE DATE (DEFINED BELOW) TO ANYONE OTHER THAN TO ANY MEMBER PARTICIPATING IN THE OFFERING AND THE OFFICERS OR PARTNERS THEREOF, IF ALL SECURITIES SO TRANSFERRED REMAIN SUBJECT TO THE LOCK-UP RESTRICTION SET FORTH ABOVE FOR THE REMAINDER OF THE TIME PERIOD.

UNIT PURCHASE OPTION

FOR THE PURCHASE OF 15,484 UNITS

OF INSPIREMD, INC.

1. Unit Purchase Option.

THIS CERTIFIES THAT, in consideration of $100.00 duly paid by or on behalf of Dawson James Securities, Inc. (" Dawson " or " Holder "), as registered owner of this Unit Purchase Option, to InspireMD, Inc. (the " Company "), Holder is entitled, at any time or from time to time commencing on the 180 th day after the effective date (the " Effective Date ") of the registration statement (the " Registration Statement ") pursuant to which certain units are offered for sale to the public (the " Offering ") (the " Commencement Date "), and at or before 5:00 p.m., Eastern Time, on the fifth anniversary of the Effective Date (the " Expiration Date "), but not thereafter, to subscribe for, purchase and receive, in whole or in part, up to 15,484 units (the " Units ") of the Company, each Unit consisting of 15,484 Preferred Shares each convertible into 100 shares of the Company's common stock, par value $0.0001 per share (the " Shares ") and 1,548,400 warrants, each to purchase one Share (the " Warrant(s) "). Each Warrant is the same as the warrants included in the Units being registered for sale to the public (the " Public Warrants ") under the Securities Act of 1933, as amended (the " Act "). If the Expiration Date is a day on which banking institutions are authorized by law to close, then this Unit Purchase Option may be exercised on the next succeeding day which is not such a day in accordance with the terms herein. During the period ending on the Expiration Date, the Company agrees not to take any action that would terminate the Unit Purchase Option. This Unit Purchase Option is initially exercisable at $41.25 per Unit (or 125% of the public offering price of the Units being sold in the Offering) so purchased; provided, however, that upon the occurrence of any of the events specified in Section 5 hereof, the rights granted by this Unit Purchase Option, including the exercise price per Unit and the number of Units to be received upon such exercise, shall be adjusted as therein specified. The term " Exercise Price " shall mean the initial exercise price or the adjusted exercise price, depending on the context.

2. Exercise.

(a) *Exercise Procedure.* In order to exercise this Unit Purchase Option, the exercise form attached hereto must be duly executed and completed and delivered to the Company, together with this Unit Purchase Option and payment of the Exercise Price for the Units being purchased payable in cash or by certified check or official bank check. If the subscription rights represented hereby shall not be exercised at or before 5:00 p.m., Eastern time, on the Expiration Date, this Unit Purchase Option shall become and be void without further force or effect, and all rights represented hereby shall cease and expire.

(b) *Legend.* If required by applicable law at the time of any exercise, each certificate for the securities purchased under this Unit Purchase Option shall bear a legend as follows unless such securities have been registered under the Act:

"The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended (the " Act ") or applicable state law. The securities may not be offered for sale, sold or otherwise transferred except pursuant to an effective registration statement under the Act, or pursuant to an exemption from registration under the Act and applicable state law."

(c) *Cashless Exercise* .

(i) In lieu of the payment of the Exercise Price multiplied by the number of Units for which this Unit Purchase Option is exercisable (and in lieu of being entitled to receive Shares and Warrants) in the manner required by Section 2(a), the Holder shall have the right (but not the obligation) to convert any exercisable but unexercised portion of this Unit Purchase Option into Units consisting of Shares and Warrants (the " Conversion Right ") as follows:

(A) Upon exercise of the Conversion Right, the Company shall deliver to the Holder (without payment by the Holder of any of the Exercise Price in cash) that number of Shares equal to the quotient obtained by dividing (x) the Value of the portion of the Unit Purchase Option being converted by (y) the Current Market Price of a Share.

(B) The " Value " of the portion of the Unit Purchase Option being converted shall equal the remainder derived by subtracting (a) (i) the Exercise Price multiplied by (ii) the number of Units underlying the portion of this Unit Purchase Option being converted from (b) the Current Market Value of a Unit multiplied by the number of Units underlying the portion of the Unit Purchase Option being converted.

(C) As used herein, the term " Current Market Value " per Unit at any date means the remainder derived by subtracting (x) the exercise price of the Warrants multiplied by the number of Shares issuable upon exercise of the Warrants underlying one Unit from (y) the Current Market Price of the Shares multiplied by the number of Shares underlying the Preferred Shares and underlying the Warrants included within one Unit.

(D) The " Current Market Price " of a Share shall mean (i) if the Shares are listed on a national securities exchange or quoted the OTC Bulletin Board (or any successor exchange or entity), the closing or last sale price of the Shares in the principal trading market for the Shares on the last trading day preceding the day in question as reported by the exchange or the OTC Bulletin Board, as the case may be; (ii) if the Shares are not listed on a national securities exchange or quoted on the OTC Bulletin Board, but are traded in the residual over-the-counter market, the closing bid price for the Shares on the last trading day preceding the date in question for which such quotations are reported by the Pink Sheets, LLC or similar publisher of such quotations; and (iii) if the fair market value of the Shares cannot be determined pursuant to clause (i) or (ii) above, such price as the Board of Directors of the Company shall determine, in good faith.

(ii) The Cashless Exercise Right may be exercised by the Holder on any business day on or after the Commencement Date and not later than the Expiration Date by delivering the Unit Purchase Option with the duly executed exercise form attached hereto with the cashless exercise section completed to the Company, exercising the Cashless Exercise Right and specifying the total number of Units the Holder will purchase pursuant to such Cashless Exercise Right.

3. Transfer.

(a) *Restrictions—General.* The securities evidenced by this Unit Purchase Option shall not be sold, transferred, assigned, pledged or hypothecated, or be the subject of any hedging, short sale, derivative, put, or call transaction that would result in the effective economic disposition of, this Unit Purchase Option (or any securities underlying this Unit Purchase Option) for a period of one hundred eighty (180) days following the Effective Date to anyone other than to any member participating in the offering and the officers or partners thereof, if all securities so transferred remain subject to the lock-up restriction set forth above for the remainder of the time period. In order to make any permitted assignment, the Holder must deliver to the Company the assignment form attached hereto duly executed and completed, together with the Unit Purchase Option and payment of all transfer taxes, if any, payable in connection therewith. The Company shall within three business days transfer this Unit Purchase Option on the books of the Company and shall execute and deliver a new Unit Purchase Option or Unit Purchase Options of like tenor to the appropriate assignee(s) expressly evidencing the right to purchase the aggregate number of Units purchasable hereunder or such portion of such number as shall be contemplated by any such assignment.

(b) *Restrictions—Securities.* The securities evidenced by this Unit Purchase Option shall not be transferred unless and until (i) the Company has received the opinion of counsel for the Holder that the securities may be transferred pursuant to an exemption from registration under the Act and applicable state securities laws, the availability of which is established to the reasonable satisfaction of the Company, or (ii) a registration statement or a post-effective amendment to the Registration Statement relating to such securities has been filed by the Company and declared effective by the Securities and Exchange Commission (the " Commission ") and compliance with applicable state securities law has been established.

4. New Unit Purchase Options to be Issued.

(a) *Partial Exercise.* Subject to the restrictions in Section 3 hereof, this Unit Purchase Option may be exercised or assigned in whole or in part. In the event of the exercise or assignment hereof in part only, upon surrender of this Unit Purchase Option for cancellation, together with the duly executed exercise or assignment form and funds sufficient to pay any Exercise Price, the Company shall cause to be delivered to the Holder without charge a new Unit Purchase Option of like tenor to this Unit Purchase Option in the name of the Holder evidencing the right of the Holder to purchase the number of Units purchasable hereunder as to which this Unit Purchase Option has not been exercised or assigned.

(b) *Loss, Theft, Destruction.* Upon receipt by the Company of evidence satisfactory to it of the loss, theft, destruction or mutilation of this Unit Purchase Option and of reasonably satisfactory indemnification or the posting of a bond, the Company shall execute and deliver a new Unit Purchase Option of like tenor and date. Any such new Unit Purchase Option executed and delivered as a result of such loss, theft, mutilation or destruction shall constitute a substitute contractual obligation on the part of the Company.

5. Adjustments.

(a) *Exercise Price and Number of Securities.* The Exercise Price and the number of Units underlying the Unit Purchase Option shall be subject to adjustment from time to time as hereinafter set forth:

(i) If after the date hereof, and subject to the provisions of Section 5(c) below, the number of outstanding Shares is increased by a stock dividend payable in Shares or by a split-up of Shares or other similar event, then, on the effective date thereof, the number of Shares underlying each of the Units purchasable hereunder shall be increased in proportion to such increase in outstanding shares. In such case, the number of Shares, and the exercise price applicable thereto, underlying the Warrants underlying each of the Units purchasable hereunder shall be adjusted in accordance with the terms of the Warrants. For example, if the Company declares a two-for-one stock dividend and immediately prior to such dividend this Unit Purchase Option is for the purchase of one Unit at $10.00 per whole Unit (with each Warrant underlying the Units being exercisable for $12.00 per share), upon effectiveness of the dividend, this Unit Purchase Option will be adjusted to allow for the purchase of one Unit at $10.00 per Unit, each Unit entitling the holder to receive two Shares and two Warrants (each Warrant exercisable for $6.00 per share).

(ii) If after the date hereof, and subject to the provisions of Section 5(c), the number of outstanding Shares is decreased by a consolidation, combination or reclassification of the Shares or other similar event, then, on the effective date thereof, the number of Shares underlying each of the Units purchasable hereunder shall be decreased in proportion to such decrease in outstanding shares. In such case, the number of Shares, and the exercise price applicable thereto, issuable upon exercise of the Warrants included in each of the Units purchasable hereunder shall be adjusted in accordance with the terms of the Warrants. For example, if the Company effects a one-for-two stock reverse stock split and immediately prior to such stock split this Unit Purchase Option is for the purchase of one Unit at $10.00 per whole Unit (with each Warrant underlying the Units being exercisable for $12.00 per share), upon effectiveness of the stock split, this Unit Purchase Option will be adjusted to allow for the purchase of one Unit at $10.00 per Unit, each Unit entitling the holder to receive 0.5 Shares and 0.5 Warrants (each Warrant exercisable for $24.00 per share).

(iii) In case of any reclassification or reorganization of the outstanding Shares other than a change covered by Section 5(a)(i) or 5(a)(ii) hereof or that solely affects the par value of such Shares, or in the case of any merger or consolidation of the Company with or into another corporation (other than a consolidation or merger in which the Company is the continuing corporation and that does not result in any reclassification or reorganization of the outstanding Shares), or in the case of any sale or conveyance to another corporation or entity of the property of the Company as an entirety or substantially as an entirety in connection with which the Company is dissolved, the Holder of this Unit Purchase Option shall have the right thereafter (until the expiration of the right of exercise of this Unit Purchase Option) to receive upon the exercise hereof, for the same aggregate Exercise Price payable hereunder immediately prior to such event plus the aggregate exercise price of the Shares underlying the Warrants immediately prior to such event, the kind and amount of shares of stock or other securities or property (including cash) receivable upon such reclassification, reorganization, merger or consolidation, or upon a dissolution following any such sale or transfer, by a Holder of the number of Shares of the Company obtainable upon exercise of this Unit Purchase Option and the underlying Warrants immediately prior to such event; and if any reclassification also results in a change in Shares covered by Section 5(a)(i) or 5(a)(ii), then such adjustment shall be made pursuant to Sections 5(a)(i) or 5(a)(ii) and this Section 5(a)(iii). The provisions of this Section 5(a)(iii) shall similarly apply to successive reclassifications, reorganizations, mergers or consolidations, sales or other transfers.

(iv) This form of Unit Purchase Option need not be changed because of any change pursuant to this Section 5, and Unit Purchase Options issued after such change may state the same Exercise Price and the same number of Units as are stated in the Unit Purchase Options initially issued pursuant to this Agreement. The acceptance by any Holder of the issuance of new Unit Purchase Options reflecting a required or permissive change shall not be deemed to waive any rights to an adjustment occurring after the Commencement Date or the computation thereof.

(b) *Substitute Unit Purchase Option.* In case of any consolidation of the Company with, or merger of the Company with, or merger of the Company into, another corporation (other than a consolidation or merger which does not result in any reclassification or change of the outstanding Shares), the corporation formed by such consolidation or merger shall execute and deliver to the Holder a supplemental Unit Purchase Option providing that the holder of each Unit Purchase Option then outstanding or to be outstanding shall have the right thereafter (until the stated expiration of such Unit Purchase Option) to receive, upon exercise of such Unit Purchase Option, the kind and amount of shares of stock and other securities and property receivable upon such consolidation or merger, by a holder of the number of Shares of the Company for which such Unit Purchase Option might have been exercised immediately prior to such consolidation, merger, sale or transfer. Such supplemental Unit Purchase Option shall provide for adjustments which shall be identical to the adjustments provided in this Section 5. The above provision of this Section 5 shall similarly apply to successive consolidations or mergers.

(c) *Fractional Interests.* The Company shall not be required to issue certificates representing fractions of Shares or Warrants upon the exercise of the Unit Purchase Option, nor shall it be required to issue scrip or pay cash in lieu of any fractional interests, it being the intent of the parties that all fractional interests shall be eliminated by rounding any fraction up to the nearest whole number of Warrants, Shares or other securities, properties or rights.

6. Reservation and Listing. The Company shall at all times reserve and keep available out of its authorized Shares, solely for the purpose of issuance upon exercise of the Warrants underlying the Unit Purchase Option, such number of Shares or other securities, properties or rights as shall be issuable upon the conversion or exercise thereof. The Company further covenants and agrees that upon exercise of the Warrants underlying the Unit Purchase Option and payment of the respective Warrant exercise price therefor, all Shares and other securities issuable upon such exercise shall be duly and validly issued, fully paid and non-assessable and not subject to preemptive rights of any stockholder. As long as the Unit Purchase Option shall be outstanding, the Company shall use its best efforts to cause all (i) Units issuable upon exercise of the Unit Purchase Option, and (ii) Shares issuable upon exercise of the Warrants included in the Units issuable upon exercise of the Unit Purchase Option to be listed (subject to official notice of issuance) on all securities exchanges (or, if applicable on the OTC Bulletin Board or any successor trading market) on which the Shares issued to the public in connection with the Offering may then be listed and/or quoted; provided, however, that the Company shall only be required to comply with (i) above to the extent the Units issued to the public in the Offering are still listed on a securities exchange.

7. Certain Notice Requirements.

(a) *Right to Notice.* Nothing herein shall be construed as conferring upon the Holders the right to vote or consent as a stockholder for the election of directors or any other matter, or as having any rights whatsoever as a stockholder of the Company. If, however, at any time prior to the expiration of the Unit Purchase Option and its exercise, any of the events described in Section 7(b) shall occur, then, in one or more of said events, the Company shall give written notice of such event at least fifteen days prior to the date fixed as a record date or the date of closing the transfer books for the determination of the stockholders entitled to such dividend, distribution, conversion or exchange of securities or subscription rights, or entitled to vote on such proposed dissolution, liquidation, winding up or sale. Such notice shall specify such record date or the date of the closing of the transfer books, as the case may be. Notwithstanding the foregoing, the Company shall deliver to each Holder a copy of each notice given to the other stockholders of the Company with respect to the events enumerated in Section 7(b) at the same time and in the same manner that such notice is given to all stockholders, even if less than fifteen days.

(b) *Enumerated Events.* The Company shall be required to give the notice described in this Section 7 upon one or more of the following events: (i) if the Company shall take a record of the holders of its Shares for the purpose of entitling them to receive a dividend or distribution payable otherwise than in cash, or a cash dividend or distribution payable otherwise than out of retained earnings, as indicated by the accounting treatment of such dividend or distribution on the books of the Company, or (ii) the Company shall offer to all the holders of its Shares any additional shares of capital stock of the Company or securities convertible into or exchangeable for shares of capital stock of the Company, or any option, right or warrant to subscribe therefor, or (iii) a dissolution, liquidation or winding up of the Company (other than in connection with a consolidation or merger) or a sale of all or substantially all of its property, assets and business shall be proposed.

(c) *Change in Exercise Price.* The Company shall, promptly after an event requiring a change in the Exercise Price pursuant to Section 5 hereof, send notice to the Holders of such event and change (the " Price Notice "). The Price Notice shall describe the event causing the change and the method of calculating same and shall be certified as being true and accurate by the Company's President and Chief Financial Officer.

(d) *Notice Delivery.* All notices, requests, consents and other communications under this Unit Purchase Option shall be in writing and shall be deemed to have been duly made when hand delivered, or mailed by express mail or private courier service: (i) If to the registered Holder of the Unit Purchase Option, to the address of such Holder as shown on the books of the Company, or (ii) If to the Company, to the following address or to such other address as the Company may designate by notice to the Holders:

InspireMD, Inc.
Menorat Mamaor 4
Tel Aviv 67448 Israel
Facsimile: +972 3 6917691
Attn: Chief Financial Officer

8. Registration Rights.

(a) *Covenant to Register the Shares.*

(i) If requested in writing by the Holder, the Company agrees to register for resale the Shares underlying the Units (including the Shares underlying the Warrants included in the Units) (collectively, the " Registrable Securities "). The Holder may only make one demand request pursuant to this Section 8(a). The Company will use commercially reasonable efforts to file a short-form registration statement on Form S-3 (the " Form S-3 ") with the Commission covering the resale of the Registrable Securities pursuant to Rule 415(a)(1)(i) within thirty (30) days after the Company is eligible to use such Form S-3. The Company shall bear all fees and expenses attendant to the registration of the Registrable Securities pursuant to this Section. The Company agrees to use its commercially reasonable efforts to cause the Form S-3 filing required herein to become effective promptly. Notwithstanding anything to the contrary, the obligations of the Company pursuant to this Section 8 shall terminate on the fifth anniversary of the effective date of the Registration Statement pursuant to which the Offering is being made.

(b) *General Terms.*

(i) Indemnification . The Company shall indemnify the Holder(s) of the Registrable Securities to be sold pursuant to any registration statement hereunder and each person, if any, who controls such Holders within the meaning of Section 15 of the Act or Section 20 (a) of the Securities Exchange Act of 1934, as amended (" Exchange Act "), against all loss, claim, damage, expense or liability (including all reasonable attorneys' fees and other expenses reasonably incurred in investigating, preparing or defending against any claim whatsoever) to which any of them may become subject under the Act, the Exchange Act or otherwise, arising from such registration statement but only to the same extent and with the same effect as the provisions pursuant to which the Company has agreed to indemnify the Placement Agent contained in Section 9 of the Placement Agency Agreement between the Placement Agent and the Company, dated as of June 30, 2016. The Holder(s) of the Registrable Securities to be sold pursuant to such registration statement, and their successors and assigns, shall severally, and not jointly, indemnify the Company, against all loss, claim, damage, expense or liability (including all reasonable attorneys' fees and other expenses reasonably incurred in investigating, preparing or defending against any claim whatsoever) to which they may become subject under the Act, the Exchange Act or otherwise, arising from information furnished by or on behalf of such Holders, or their successors or assigns, in writing, for specific inclusion in such registration statement to the same extent and with the same effect as the provisions contained in Section 9.C of the Placement Agency Agreement pursuant to which the Placement Agent has agreed to indemnify the Company.

(ii) Exercise of Unit Purchase Option . Nothing contained in this Unit Purchase Option shall be construed as requiring the Holder(s) to exercise their Unit Purchase Option prior to or after the initial filing of any registration statement or the effectiveness thereof.

(iii) Documents Delivered to Holders . The Company shall deliver promptly to each Holder participating in the offering requesting the correspondence and memoranda described below and to the managing underwriter, if any, copies of all correspondence between the Commission and the Company, its counsel or auditors and all memoranda relating to discussions with the Commission or its staff with respect to the registration statement and permit each Holder and underwriter to do such investigation, upon reasonable advance notice, with respect to information contained in or omitted from the registration statement as it deems reasonably necessary to comply with applicable securities laws or rules of FINRA. Such investigation shall include access to books, records and properties and opportunities to discuss the business of the Company with its officers and independent auditors, all to such reasonable extent and at such reasonable times, during normal business hours, as any such Holder shall reasonably request.

(iv) Underwriting Agreement . The Company shall enter into an underwriting agreement with the managing underwriter(s), if any, selected by any Holders whose Registrable Securities are being registered pursuant to this Section 8, which managing underwriter shall be reasonably satisfactory to the Company. Such agreement shall be reasonably satisfactory in form and substance to the Company, each Holder and such managing underwriters, and shall contain such representations, warranties and covenants by the Company and such other terms as are customarily contained in agreements of that type used by the managing underwriter. The Holders shall be parties to any underwriting agreement relating to an underwritten sale of their Registrable Securities. Such Holders shall not be required to make any representations or warranties to or agreements with the Company or the underwriters except as they may relate to such Holders, their Shares and their intended methods of distribution .

(v) Documents to be Delivered by Holder(s) . Each of the Holder(s) participating in any of the foregoing offerings shall furnish to the Company a completed and executed questionnaire provided by the Company requesting information customarily sought of selling security holders.

(vi) Damages . Should the registration or the effectiveness thereof required by Section 8 hereof be delayed by the Company or the Company otherwise fails to comply with such provisions, the Holder(s) shall, in addition to any other legal or other relief available to the Holder(s), be entitled to obtain specific performance or other equitable (including injunctive) relief against the threatened breach of such provisions or the continuation of any such breach, without the necessity of proving actual damages and without the necessity of posting bond or other security.

9. Miscellaneous.

(a) *Amendments.* The Company and Dawson may from time to time supplement or amend this Unit Purchase Option without the approval of any of the Holders in order to cure any ambiguity, to correct or supplement any provision contained herein that may be defective or inconsistent with any other provisions herein, or to make any other provisions in regard to matters or questions arising hereunder that the Company and Dawson may deem necessary or desirable and that the Company and Dawson deem shall not adversely affect the interest of the Holders. All other modifications or amendments shall require the written consent of and be signed by the party against whom enforcement of the modification or amendment is sought.

(b) *Headings.* The headings contained herein are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Unit Purchase Option.

(c) *Entire Agreement.* This Unit Purchase Option (together with the other agreements and documents being delivered pursuant to or in connection with this Unit Purchase Option) constitutes the entire agreement of the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements and understandings of the parties, oral and written, with respect to the subject matter hereof.

(d) *Binding Effect.* This Unit Purchase Option shall inure solely to the benefit of, and shall be binding upon, the Holder and the Company and their permitted assignees, respective successors, legal representative and assigns, and no other person shall have or be construed to have any legal or equitable right, remedy or claim under or in respect of or by virtue of this Unit Purchase Option or any provisions herein contained.

(e) *Governing Law.* This Unit Purchase Option shall be governed by and construed and enforced in accordance with the laws of the State of New York, without giving effect to conflict of laws. The Company hereby agrees that any action, proceeding or claim against it arising out of, or relating in any way to this Unit Purchase Option shall be brought and enforced in the courts of the State of New York or of the United States of America for the Southern District of New York, and irrevocably submits to such jurisdiction, which jurisdiction shall be exclusive. The Company hereby waives any objection to such exclusive jurisdiction and that such courts represent an inconvenient forum. Any process or summons to be served upon the Company may be served by transmitting a copy thereof by registered or certified mail, return receipt requested, postage prepaid, addressed to it at the address set forth in Section 7 hereof. Such mailing shall be deemed personal service and shall be legal and binding upon the Company in any action, proceeding or claim. The Company and the Holder agree that the prevailing party(ies) in any such action shall be entitled to recover from the other party(ies) all of its reasonable attorneys' fees and expenses relating to such action or proceeding and/or incurred in connection with the preparation therefor.

(f) *Waivers.* The failure of the Company or the Holder to at any time enforce any of the provisions of this Unit Purchase Option shall not be deemed or construed to be a waiver of any such provision, nor to in any way affect the validity of this Unit Purchase Option or any provision hereof or the right of the Company or any Holder to thereafter enforce each and every provision of this Unit Purchase Option. No waiver of any breach, non-compliance or non-fulfillment of any of the provisions of this Unit Purchase Option shall be effective unless set forth in a written instrument executed by the party or parties against whom or which enforcement of such waiver is sought; and no waiver of any such breach, non-compliance or non-fulfillment shall be construed or deemed to be a waiver of any other or subsequent breach, non-compliance or non-fulfillment.

(g) *Counterparts.* This Unit Purchase Option may be executed in one or more counterparts, and by the different parties hereto in separate counterparts, each of which shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement, and shall become effective when one or more counterparts has been signed by each of the parties hereto and delivered to each of the other parties hereto. Such counterparts may be delivered by facsimile transmission or other electronic transmission.

(h) *Exchange Agreement.* As a condition of the Holder's receipt and acceptance of this Unit Purchase Option, Holder agrees that, at any time prior to the complete exercise of this Unit Purchase Option by Holder, if the Company and Dawson enter into an agreement (the " Exchange Agreement ") pursuant to which they agree that all outstanding Unit Purchase Options will be exchanged for securities or cash or a combination of both, then Holder shall agree to such exchange and become a party to the Exchange Agreement.

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IN WITNESS WHEREOF, the Company has caused this Unit Purchase Option to be signed by its duly authorized officer as of the 7th day of July, 2016.

InspireMD, Inc.

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

Form To Be Used To Exercise Unit Purchase Option

InspireMD, Inc.
[_____]
[_____]
Attn: Chief Financial Officer

Date: , 201

The undersigned hereby elects irrevocably to exercise all or a portion of the within Unit Purchase Option and to purchase Units of [_____], Inc., and hereby makes payment of $ (at the rate of $ per Unit) in payment of the Exercise Price pursuant thereto. Please issue the Shares and Warrants comprising the Units as to which this Unit Purchase Option is exercised in accordance with the instructions given below.

or

The undersigned hereby elects irrevocably to convert its right to purchase Units purchasable under the within Unit Purchase Option by surrender of the unexercised portion of the attached Unit Purchase Option (with a "Value" based of $ based on a "Market Price" of $). Please issue the securities comprising the Units as to which this Unit Purchase Option is exercised in accordance with the instructions given below.

Signature

INSTRUCTIONS FOR REGISTRATION OF SECURITIES

Name: _____
(Print in Block Letters)

Address: _____

NOTICE: THE SIGNATURE TO THIS FORM MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE WITHIN UNIT PURCHASE OPTION IN EVERY PARTICULAR WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATSOEVER, AND MUST BE GUARANTEED BY A BANK, OTHER THAN A SAVINGS BANK, OR BY A TRUST COMPANY OR BY A FIRM HAVING MEMBERSHIP ON A REGISTERED NATIONAL SECURITIES EXCHANGE.

Form To Be Used To Assign Unit Purchase Option

ASSIGNMENT

(To be executed by the registered Holder to effect a transfer of the within Unit Purchase Option)

FOR VALUE RECEIVED, does hereby sell, assign and transfer unto the right to purchase Units of [_____], Inc., (the " Company ") evidenced by the within Unit Purchase Option and does hereby authorize the Company to transfer such right on the books of the Company.

Dated: , 201

Signature

NOTICE: THE SIGNATURE TO THIS FORM MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE WITHIN UNIT PURCHASE OPTION IN EVERY PARTICULAR WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATSOEVER, AND MUST BE GUARANTEED BY A BANK, OTHER THAN A SAVINGS BANK, OR BY A TRUST COMPANY OR BY A FIRM HAVING MEMBERSHIP ON A REGISTERED NATIONAL SECURITIES EXCHANGE.

EXHIBIT 31.1

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

I, James Barry, 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.

August 9, 2016

/s/ James Barry

James Barry, Ph.D.
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.

August 9, 2016

/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 June 30, 2016 of InspireMD, Inc. (the "Company"). I, James Barry, 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: August 9, 2016

By: */s/ James Barry*
Name: James Barry, Ph.D.
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 June 30, 2016 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: August 9, 2016

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.